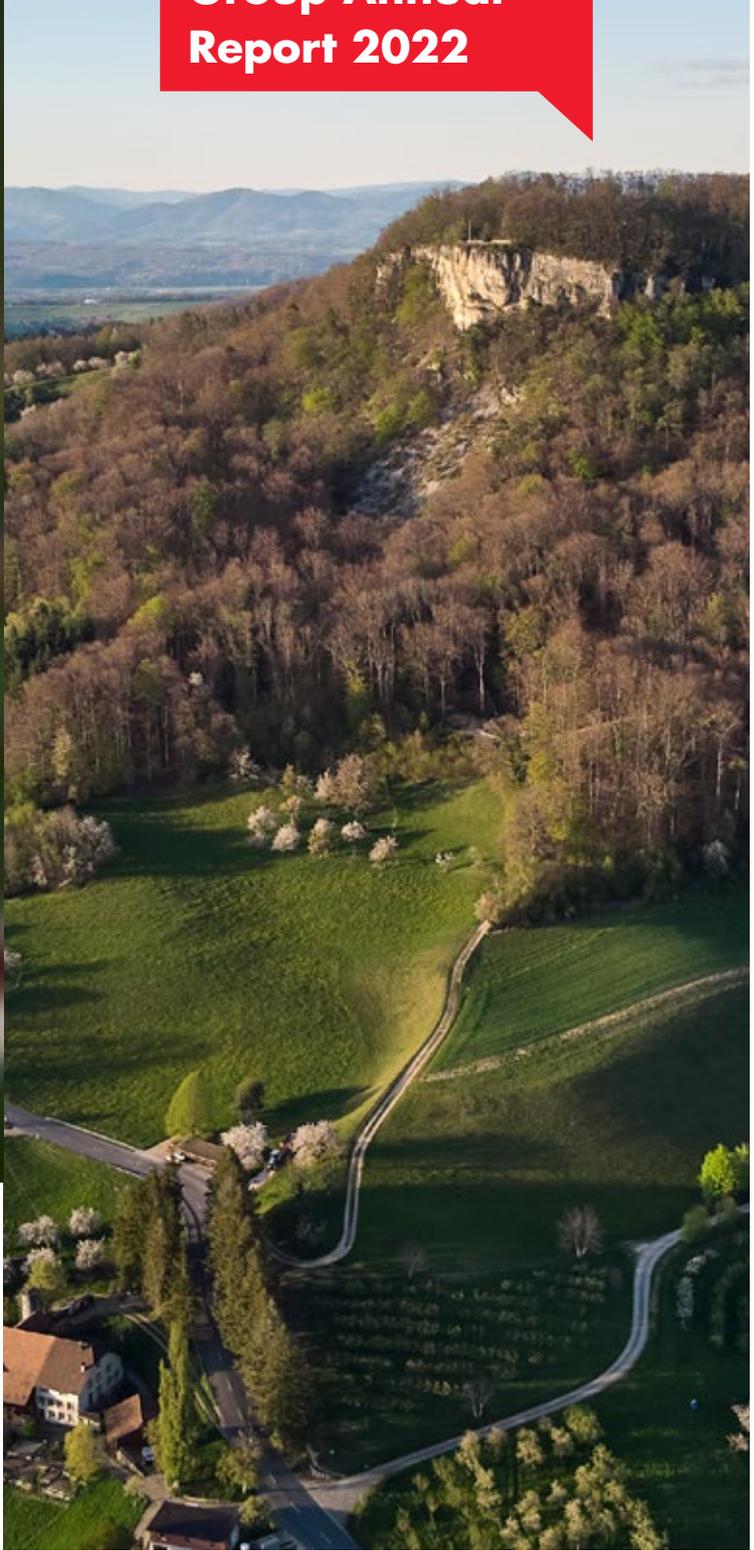




**Group Annual
Report 2022**



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Management report

The BLKB Group closed the 2022 financial year with a profit of CHF 130 m, unchanged from the previous year.

BLKB issued a Group Annual Report for the first time in 2022. It comprises the BLKB parent bank and the two subsidiaries radicant bank ag and BLKB Services AG. However, as the subsidiaries are still in the set-up phase, the information in this management report – unless explicitly stated – refers only to the parent bank BLKB. This applies in particular to key figures, ratings, memberships, information about employment conditions or information about sustainability management.

Business performance

The BLKB Group closed the 2022 financial year with a profit of CHF 130 m, unchanged from the previous year. The cost/income ratio I came to 53 per cent, slightly above the previous year (51%). The average number of FTEs in the Group was 831.5 in 2022.

Otherwise, the financial figures mainly reflect the parent bank; we therefore refer to the Parent Bank Annual Report 2022 for further information about the business performance (from page 10).

Organisation

BLKB continued to optimise its organisation and processes in the reporting period. The focus was particularly on the two topics of customer focus and sustainability. They will shape the upcoming "Strategy 2023–2027" (see "Strategy", page 6).

The Product & Market Management organisational unit, consisting of the Marketing & Communication, Segment Management and Product Management departments, was created on 1 November 2022. The three closely linked departments are thus better connected, and their effectiveness has been enhanced by taking a holistic approach. At the same time, the Strategy & Market Services business area has been restructured and renamed Corporate Development & Sustainable Asset Management. It includes, among others, the Sustainability department, which is now a department in its own right under the leadership of Alexandra Lau, Member of the Executive Board. This step further underlines the importance of sustainability for BLKB.

The newly created Customer Experience team is also part of the Corporate Development & Sustainable Asset Management business area. It epitomises the consistent focus on customer experience by systematically analysing customer behaviour and developing measures. To identify customer needs even better, the Data Enablement & Insights department was set up in 2022 as part of the IT & Services business area, thus laying the foundations for the effective use of data and information.

Board of Directors and Executive Board

There were no staff-related changes on the Board of Directors or Executive Board in 2022. However, Kaspar Schweizer, Head of Private Investment & Financial Advisory, announced his intention to step down from his role with effect from 31 March 2023. After almost 20 years as a member of the Executive Board, he will now devote himself to new strategic tasks. He will be succeeded by his deputy Matthias Kottmann, currently head of Private Customers in Oberes Baselbiet and Fricktal. In his new post, Matthias Kottmann will continue to expand BLKB's market position in the retail banking business and strengthen its position as a bank for pensions and investments.

An extended Executive Board was created as of 1 November 2022. It includes Adi Bucher (Head of HR & Organisational Development) as well as Ruth Mojentale and Corina Zeller, who jointly manage the Product & Market Management organisational unit. They attend Executive Board meetings on an ad-hoc or issue-related basis, contributing their additional subject-matter and professional expertise (see "Corporate governance", page 30).

For specific items on the agenda relating to the financial group, the CEO and CFO of the subsidiary radicant bank ag as of this reporting period, attended some of the Executive Board meetings as attendees without voting rights.

Participations and partnerships

To offer its customers new and alternative opportunities in the investment business and to strengthen BLKB, the bank forges strategic participations and partnerships. It holds a participation in the digital wealth manager True Wealth AG, which reached its next milestone in 2022 with the launch of a digital pillar 3a solution. In the reporting period, the direct lending platform swisspeers AG, in which BLKB is a strategic investor, further established itself as an important digital platform for alternative financing opportunities for SMEs in Switzerland.

Under the sustainability partnership with Geneva-based private bank Lombard Odier, the first joint product was launched in 2022: the "BLKB-LO Future Shift Global Equities Fund" invests in the best companies worldwide that actively favour the transition to a sustainable economy. It combines BLKB's local

orientation with Lombard Odier's global outlook, thus creating a diversified financial product that is geared to the needs of customers.

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 particularly dominated by uncertainties based on the repercussions of the Covid-19 pandemic and the consequences of the war in Ukraine. Once again it became clear what a key role BLKB plays – as one of the most solid banks in Switzerland, with a further improved rating from Standard & Poor's in 2022 ("AA+" with outlook "stable").

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 "Public service mandate" chart, page 7). At the same time, the public service mandate enshrines sustainability in the company's identity. BLKB is therefore actively working to ensure the sustainable development of people, society and the environment (see the "Mission statement" chart, page 7). BLKB confirmed this resolve in the reporting period by implementing its sustainability goals for 2030 (see "Forward-looking approach", page 8).

Economic development

BLKB is a responsible, forward-looking partner for entrepreneurs and is committed to ensuring a flourishing economy in Northwest Switzerland. With its commitment, it contributes to the continuous development of the corporate landscape – by granting loans, for example. Thus, BLKB's volume of loans to companies and public bodies amounted to CHF 5.9 bn in the reporting period (2021: CHF 5.8 bn). The total volume of loans granted by BLKB to local SMEs under the Covid-19 assistance programme declined by CHF 6.7 m to CHF 86.7 m. Numerous companies were able to repay these loans in full.

As a future-oriented bank, BLKB acts as a driver of innovation and specifically promotes innovative start-ups and SMEs in Northwest Switzerland. The *100 fürs Baselbiet* initiative, launched at the beginning of 2020 together with the University of Applied Sciences and Arts Northwestern Switzerland and the Baselland Economic Development Agency, has become a key innovation pillar, for example. The initiative currently provides 37 companies with support to the tune of CHF 13.7 m, plus extensive advisory services. They come from sectors such as fintech, medtech and pharma, and between them they have created a total of over 120 new jobs in the last three years. BLKB is now expanding its commitment: in future, particularly promising companies participating in *100 fürs Baselbiet* will be given the opportunity to transfer their loan to equity financing with BLKB.

Selected examples of further innovation promotion include:

- the *inQbator* advisory and support service, as part of *100 fürs Baselbiet*;
- participation in the *Swiss Innovation Challenge* in cooperation with the University of Applied Sciences and Arts Northwestern Switzerland and the Baselland Chamber of Commerce;
- financial support for crowdfunding projects via *wemakeit.ch*;
- commitment as main sponsor of the *Tag der Wirtschaft* economic forum in the Northwest Switzerland region.

In addition, BLKB is one of the most important employers in the Canton of Basel-Landschaft: the parent bank employed a total workforce of 913 employees in 2022 (FTEs: 787). The annual distribution of profit to the canton is another important contribution that benefits the region's economy and population via the public service. This totalled CHF 60 m in the year under review.

Responsibility to society

BLKB is the bank for the people of the Canton of Basel-Landschaft. It is committed to ensuring an attractive living space and a strong society. With its sponsorship commitments it supports institutions, events and associations in the fields of sport, culture and society aimed at the general public. It attaches great importance to a consistently sustainable approach (see Sustainability Report 2022, page 25). BLKB's sponsorship investments in the reporting period came to CHF 2.1 m (not including support for the Federal Swiss Wrestling and Alpine Festival in Pratteln in the Basel-Landschaft area).

BLKB supported popular running events and entered into a collaboration with the young tennis player Joanne Züger from

Sissach, who is aiming to achieve a top 50 WTA ranking in the medium term and represent Switzerland at the Olympic Games in 2024. BLKB underscored its commitment to the traditional popular sport of Swiss wrestling in 2022 by acting as the main partner of the Federal Swiss Wrestling and Alpine Festival, which was held in Pratteln and attracted more than 400,000 spectators. This superlative event turned the spotlight on Pratteln and the Canton of Basel-Landschaft, showing them off to best advantage before the whole of Switzerland. Alongside its financial commitment, BLKB supported the event by providing various cash management services, and around 300 employees acted as volunteers. It also donated the proceeds of CHF 15,000 from the auctioning of drinking fountains and cowbells to the cantonal wrestling association in Baselland to promote its young talents. In addition, BLKB offset all of the CO₂ emissions generated by its festival pavilion (construction material, transport, energy etc.) and the guests it entertained there (travel, catering, waste etc.) in cooperation with Forstbetrieb Frenkentäler, a forest management association.

In the cultural arena, BLKB supports music, ballet and art and focuses on selected cultural centres. Thus, in the reporting period, it supported Fondation Beyeler, Kunstmuseum Basel, Theater Basel and Kunsthhaus Baselland as sponsor. As main sponsor of the *Wildlife Photographer of the Year* special exhibition at the Natural History Museum in Basel, it also promoted the diverse range of cultural offerings while at the same time raising awareness of the beauty and vulnerability of nature.

BLKB is determined to play a significant part in making Northwest Switzerland an attractive place to live for everyone. Some of the measures it adopts to achieve this are:

- working together with the Caritas beider Basel organisation to offer advice to people affected by poverty;
- commitment to preventing youth unemployment through the “Jobs for Juniors” debit card;
- promoting the financial literacy of young people through support for the *jugendbudget.ch* initiative and the *Finance-Mission* educational game;
- support for the Pro Senectute beider Basel foundation, which advocates for the well-being of older people.

In addition, in the reporting period, the BLKB Foundation for Culture and Education provided CHF 460,000 for professional and scientific talent in the MINT (Mathematics, Information technology, Natural sciences and Technology) subjects as well as supporting cultural events and projects in Northwest Switzerland. The foundation awards the Kantonbank Prize each year to people or institutions who have made an outstanding contribution to life in the canton of Basel-Landschaft. Since 2019, the foundation has also supported the voluntary

work of associations in the Canton with the BLKB sponsorship award. The Kantonbank Prize and the sponsorship award each offer prize money of CHF 10,000.

Through its commitment, BLKB also contributes to the preservation of the region’s forests and recreation areas. To this end, it began working with the forestry management association Forstbetrieb Frenkentäler in the reporting year to offset the CO₂ emissions generated during events that form part of its sponsorship commitments. The bank offsets its operational CO₂ emissions via a local climate protection initiative conducted with the Ebenrain Centre for Agriculture, Nature and Nutrition. With the *Zukunftskonto* (“Future Account”) and the *Geschenksparkonto Zukunft* (“Gift Savings Account Future”), it offers customers the opportunity to participate in sustainable projects run by WaldBeiderBasel.

Basic financial services

For BLKB, providing basic financial services means knowing its customers and offering them comprehensive advice. It wants to assist its customers with their individual life situations and advise them. Regional affiliation and personal proximity are key factors. In addition to its dense network of 20 branches in the Canton of Basel-Landschaft, BLKB has a branch in Breitenbach (Canton Solothurn) and in Basel-Stadt as well as one branch each in Rheinfelden and Frick (Canton Aargau). The mobile bank (vehicle with trailer) serving individual localities in the upper part of Basel-Landschaft was discontinued at the end of January 2023. This is due to the long-term decline in use, but also sustainability and security aspects. On the other hand, BLKB facilitates access to banking and advisory services regardless of time or location through its digital channels. BLKB also contributes to basic financial services and the stability of the economy, society and private individuals by granting mortgages and loans to companies and public institutions.

Strategy

As one of the leading financial services providers in Northwest Switzerland, BLKB helps shape positive, sustainable economic and social development. Its aim is to capture new markets through innovation and increase its national reach through strong partnerships. It takes a surprisingly simple approach to its customers’ finances: in Basel-Landschaft, in the Northwest Switzerland region, and across the country. Its focus is on three strategic business areas in which the bank intends to grow faster than the market and bolster its strong position (see “Strategy” chart on page 7). The strategy is implemented consistently

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.



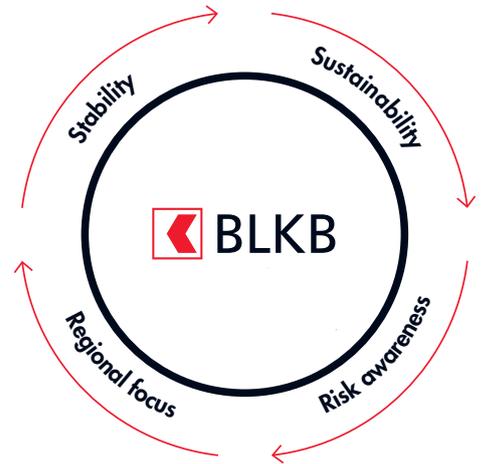
Responsibility to society



Economic development

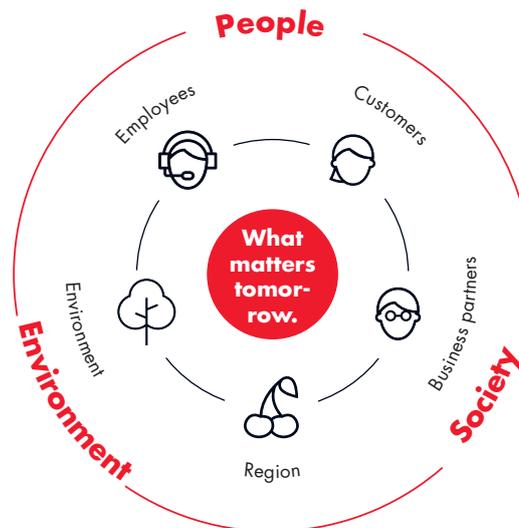


Basic financial services



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

Strategic plans

Segments

Market positioning and reach

Core business

Deepen core business and systematically exploit business potential.

- Private customers
- Corporate customers

- Quality leadership
- Northwest Switzerland region

Innovation and corporate development

Secure our future livelihood and income through inventiveness and innovation.

- Nascent markets
- Digitally savvy clients

- Innovative, simple solutions
- Whole of Switzerland

Complementary business

Deploy the capabilities of the core business and translate this into additional income.

- High-net-worth clients
- Large corporates
- External asset managers

- Core business offering
- Cross-regional business activities

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 the business activities. The business strategy is implemented via the core business, by means of innovation and systematic corporate development, as well as via complementary business. Its positioning as a forward-looking bank constitutes the basis for the sustainable business model and sustainable business policy.

Corporate culture

Highly qualified and loyal employees committed to the bank's values are the key to its long-term success. BLKB therefore attaches importance to a motivating work environment in which employees can use and develop their skills. Added to this are flat hierarchies, a collaborative and partnership-based working climate and a culture of continuous learning. BLKB is guided in its activities by its corporate values and sustainability mission statement (see "Mission statement", page 10).

Its business activities are steered by people who act responsibly, with integrity and prudently. It regards a good reputation and high degree of risk awareness as essential to a strong partnership with its stakeholders. BLKB's employees put its sustainable approach into practice and also bring the brand promise "What matters tomorrow" to bear in their daily work.

BLKB's corporate governance is geared closely to the bank's strategy. Thanks to an agile, holistic corporate management process, it can react promptly to changes in the financial sector or to changing customer needs in good time. Qualitative and quantitative targets are set each year at the corporate level; these are translated into results which provide guidance for the individual areas. Team goals and qualitative targets play an important role here, thus promoting cooperation and helping 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 under "Employees" from page 13 onwards.

Business strategy

BLKB's business strategy enables it to strengthen its market position and bolster its long-term success. The core business generates its primary income streams and is aimed at the private and corporate customer segments in the Northwest Switzerland region. The business potential is systematically analysed and tapped into. To this end, BLKB deploys resources from its 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 manag-

ers. In addition, the bank systematically invests in innovations as a way of opening up nascent markets and market niches on a Swiss-wide basis.

BLKB wants to offer customers new and alternative opportunities in the investment business. Here it relies on strategic participations and partnerships (see "Participations and partnerships", page 4) and on its two subsidiaries: In May 2022, radicant bank ag (previously radicant ag) received its licence to operate as a universal bank from the Swiss Financial Market Supervisory Authority FINMA. This was a major milestone in the development of the digital financial services provider with a focus on sustainable solutions, around one year after its foundation. It created the first three investment funds in 2022. It is expected to enter the market in the first quarter of 2023. radicant bank ag is a strictly digital company offering personalised financial advice and sustainable financial solutions. It is aligned with the UN's 17 Sustainable Development Goals (SDGs 2030).

BLKB established a second subsidiary in the reporting period, BLKB Services AG, which will operate as a fund management company after receiving its FINMA licence. This will enable the bank to make even better use of its real estate network in the future for the customers' benefit. In the first phase, in addition to strategic real estate consulting, a real estate fund with a focus on sustainability and regionality is planned for Northwest Switzerland and neighbouring Swiss economic areas. By setting up the fund management company and launching the real estate fund, BLKB will further expand its position in the real estate market while at the same time supporting the implementation of its sustainability goals.

BLKB also began supporting the local Sissach-based deep-tech start-up *Parashift* in 2022. Its innovative solutions use artificial intelligence to read documents and process the extracted data. BLKB has been using the services of *Parashift* itself since spring 2022 – the positive experiences led to a cooperation in financing. It is working to support *Parashift's* next growth stage via a minority participation. The bank is also seeking a minority participation in the innovative St. Gallen-based fintech start-up *Kaspar&*. This spin-off from the University of St. Gallen (HSG) and ETH has been on the Swiss market since the end of February 2022. It offers innovative payment options with its app and encourages its users to save and invest.

Forward-looking approach

Sustainable conduct and thinking and acting responsibly lie at the heart of BLKB's business activities and its responsibility as a cantonal bank. The bank stands out thanks to its holistic, comprehensive understanding of sustainability – also known as a "forward-looking approach". This means sustainability in

all its diversity and a clear focus on what matters tomorrow. Sustainability is to be integrated as standard and, above all, practised in all areas of the bank. At the operating level this means: environmentally aware banking operations, advising with care and integrity, responsible products and services, a motivating work environment and a far-sighted attitude.

BLKB is convinced that sustainability is essential and generates added value for everyone. This is why it is committed to exerting its influence beyond BLKB itself as a sustainable bank and is taking responsibility for people, society and the environment. In order to prioritise sustainability issues and measures, a regular exchange with stakeholders is maintained – in the reporting period this involved a comprehensive stakeholder dialogue. These discussions produced a great deal of appreciative feedback, along with some critical voices, and highlighted a range of possible measures and approaches for the future (see Sustainability Report 2022, page 16).

BLKB has a sustainability mission statement that sets out objectives for 2030. These over-arching goals serve as the basis for defining the annual targets and for future strategy periods. BLKB measures the implementation progress at regular intervals and publishes this in its sustainability report. In order to take account of the many aspects of its sustainability approach, BLKB has an external, independent [Sustainability Advisory Committee](#). This committee acts in an advisory capacity and engages in a dialogue with BLKB on strategic and operational issues related to sustainability. Since its establishment, the Sustainability Advisory Committee has consisted of three members who are experts in different specialist areas.

BLKB's brand promise "What matters tomorrow" illustrates its sustainable business model and positions it clearly as a forward-looking bank. The bank wants to shape the dialogue on sustainable development in the region and to work actively to achieve a sustainable financial sector. This is confirmed by the company's membership in various bodies and initiatives where it actively makes BLKB's position heard – since 2022 at the national level as a new member of the Swiss Climate Foundation and at the regional level in the Swiss Triple Impact platform for the Basel region. It selects its sponsorship commitments carefully and gears them to a systematically sustainable approach. A particular focus is placed on promoting young talent and on a regional connection.

In its own banking operations, the BLKB parent bank deploys a number of ecological measures to ensure that these are managed as sustainably as possible. To this end, the bank's focus is on a gradual reduction in its CO₂ emissions, electricity from climate-neutral sources, increased use of electric vehicles for business trips, heat that mainly comes from district heating

sources and, most importantly, recycled paper. Compared with 2021, direct and indirect greenhouse gas emissions fell from 1,022 kilograms to 737 kilograms of CO₂ equivalents per employee (CO₂/FTE), a reduction of 28 per cent. This is due to various external and internal factors: increased use of wood for district heating in Liestal, lower heating requirements, the replacement of oil heating in the BLKB branch at Ettingen with a heat pump and the increase in business trips made with electric vehicles. Electricity consumption per employee decreased by 4.3 per cent and comes to 2.97 MWh/FTE. Further information on energy consumption can be found in the "Sustainability Report 2022", from page 35 onwards.

As a bank with firm roots in the region, BLKB believes it is important to couple the compensation of greenhouse gas emissions from the parent bank's banking operations with its commitment to the sustainable development of the Canton of Basel-Landschaft. Since 2021, the bank 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, soils are used to store CO₂, although it will not be possible to measure the actual compensatory effect until 2024. However, the bulk of BLKB's emissions do not stem directly from its banking operations but indirectly from the bank's financing and investment business. The bank is therefore working on reducing its "financed emissions" in the loan and investment portfolio. Additional information on how it deals with climate risks can be found on page 17 of the management report under "Climate risks".

Awards

In recent years, BLKB has won a number of awards for its continuous commitment to sustainable development. Its commitment as a responsible bank has also been recognised at the international level. For example, in 2022 the bank was upgraded to "AA", the second-highest category in the ESG rating of the world's foremost independent rating agency MSCI. According to a [benchmark study](#) produced by [swissreputation.group GmbH](#), BLKB has the best reputation of the 36 Swiss banks included in the study. BLKB again achieved a good score in the voluntary [PACTA climate test 2022](#) run by the Federal Office for the Environment (FOEN): its products (funds and equity baskets) exhibit a very low exposure – averaging two per cent – to carbon-intensive business activities such as coal mining, oil and gas power plants, and vehicles with internal combustion engines. This means BLKB ranks in the top group of all 31 banks evaluated in the investment sector. Moreover, it was named the "Most Environmentally Aware Company 2022" by the newspapers Bilanz and Le Temps as well as the Statista online portal. This places it among the Swiss companies that have done most to reduce the intensity of their greenhouse gas emissions in the past five years.

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 variety, 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.

Memberships

BLKB is confident that it can further strengthen its impact in the field of sustainability with the help of selected network partners. It is thus a member of various initiatives and associations. BLKB became a partner of the Swiss Climate Foundation in 2022 and is now represented on the advisory board by Alexandra Lau and Florian Tresch. The Climate Foundation is an initiative "by business for business and the climate" which promotes projects by small and medium-sized enterprises that make a contribution to climate protection in Switzerland. As a founding partner of the Swiss Triple Impact platform for the Basel region, created in 2022, BLKB also supports regional companies on their journey to a more sustainable future.

BLKB was one of the first regional banks in Switzerland to join the UN Net-Zero Banking Alliance, and is committed to aligning its lending and investment portfolios with net-zero emissions. BLKB signed up to the UN Principles for Responsible Investment in 2014 and the Montreal Carbon Pledge in 2018. BLKB's membership of the Swiss Sustainable Finance and swisscleantech associations confirms its long-standing commitment to a sustainable and environmentally friendly financial market. The bank also continues to support the *Baselbieter Energiepaket* ("Basel Region Energy Package") and is committed to energy-efficient, sustainable housing in the region.

For several years, BLKB has been a member of *Familienfreundliche Wirtschaftsregion Basel* – a programme that supports family-friendly employment and overall conditions. As a partner of *FAMIES*, the bank helps mothers make a successful return to working life following their maternity

leave. In addition it is a signatory to the *Work Smart charter*, a cross-company initiative that promotes flexible ways of working.

Impact

BLKB is Switzerland's forward-looking bank. This is based on its public service mandate from the Canton of Basel-Landschaft and is reflected in its mission statement and brand promise. BLKB is committed to sustainable development for everyone in the Northwest Switzerland region and to the frugal use of natural resources. It aims to instigate changes and facilitate developments that strengthen values-based co-existence. It does so by focusing on its customers, employees, owners, business partners, the people of the Northwest Switzerland region and the environment. BLKB intends to exert influence where it is based and where it can do the most. Thus, in the reporting period, a total of over CHF 217 m flowed into the region in the form of orders, income distribution, sponsorship commitments and salaries.

Think globally, act regionally

In its value chain, BLKB focuses primarily on local and regional impact. It offsets greenhouse gas emissions from its banking operations with the help of local farmers. When it comes to awarding contracts, it favours business partners based in the region. In regional alliances, it is committed to ensuring

that Northwest Switzerland is a strong business location and supports innovative regional SMEs and start-ups. The bank supports cultural centres, sport and low-impact tourism in the Northwest Switzerland region via its sponsorship commitments (see “Responsibility to society” on page 5).

BLKB is aware of the leverage that can be provided by financial institutions when facing challenges that have a trans-regional 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 key areas in which it can help to ensure a more sustainable global future. Responsible 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 “What we do” chart from page 14 onwards highlights the value creation process at BLKB and shows what resources it intends to use to generate sustainable benefits and added value for its stakeholders. These include both financial and non-financial resources that contribute to value creation. Six types of capital developed by the International Integrated Reporting Council (IIRC) for its Integrated Reporting Framework are used to ensure a comparable categorisation of these resources.

Forward-looking advice

BLKB supports its customers competently and with integrity by providing forward-looking advice on investing and financing, together with innovative banking services. The bank is committed to being a cautious, sustainable business and only engages in transactions that accord with its values and principles. It is continuously developing its competencies in comprehensive financial advice as well as in sustainable investing and financing. Thus, in the reporting period, BLKB continued to work on its goal of systematically integrating environmental, social and governance (ESG) criteria into all its products and services. Its good performance in the PACTA climate test conducted by the Federal Office for the Environment (FOEN) verifies its commitment (see “Awards” on page 9).

Holistic advice

BLKB invests consistently in advisory excellence to enable it to live up to its claim of being a quality leader in this field. All customer advisers now have “CertKB” certification, a standard developed by the bank together with external experts. This certification is renewed every three years. BLKB enables employees to train to become Swiss-certified financial advisers. Graduates of the CAS in Future Banking also take the module on “Marketing, Advice and Product Development”, with a focus on customer centricity.

These and other measures ensure that comprehensive and forward-looking advice is provided as part of a systematic process and is always geared to customers’ needs and life events. The various digital contact options are just as appreciated as personal face-to-face advice for transactions that require considerable advisory support. BLKB also offers its customers a range of specialist events covering complex financial topics. Customer satisfaction is measured and feedback obtained by a number of different methods at points of contact including the customer centre, e-banking and bank branches. It is then entered into an in-house quality management system. An in-depth analysis is initiated if large amounts of similar feedback are received. In the event of reports indicating significant risks or a threat to the bank’s reputation, it responds immediately and, if required, contacts all affected customers and employees.

Sustainable investing

BLKB is convinced that environmental, social and governance criteria (ESG) must be taken into account in a comprehensive investment process in order to better assess opportunities and risks. Moreover, responsible investment also meets the wishes of a growing number of private and institutional investors. Since 2014, the Bank has therefore systematically integrated sustainability aspects into its entire range of investment products, including strict exclusion criteria. In addition, BLKB only makes investment recommendations that take ESG criteria into account alongside the financial aspects. The range of sustainable investments is constantly being expanded. In the reporting period, this included the first fund launched jointly with Lombard Odier (see “Participations and partnerships” on page 4).

At the same time, the bank is working to further increase transparency and to communicate in an easy-to-understand manner on how it implements sustainability criteria in its products. At the end of 2022, for instance, the new sustainability overview was introduced in the financial reports for all investment clients. ESG data shows how portfolios rate in terms of sustainability. Background information can be found in a dedicated area of the [website](#). BLKB is also planning to expand its in-house training on greenwashing prevention, in line with the

regulatory requirements and to provide the relevant specialist units with specific training in 2023.

BLKB considers transparency and traceability to be particularly important in the complex investment business. It continuously monitors investment risks and ensures comprehensive quality assurance in asset management. The prices and conditions of services are transparent and published on the website. The bank invests in the training and development of its customer advisers and attaches particular importance to gaining skills in sustainable investing – through product and specialist training as well as certifications such as CertKB. Investment specialists provide support on detailed issues as well as during consultations with customers.

Sustainable financing

BLKB also takes environmental, social and corporate governance criteria (ESG) into account in its financing. In its commercial lending business, it offers finance to viable companies. Since 2020 it has been evaluating the companies' entire value chain in terms of ESG criteria. For this purpose, BLKB has defined exclusion and risk sectors (see Sustainability Report 2022, page 31). 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, and in accordance with its public-service mandate, it helps customers transition to sustainable corporate governance.

BLKB is one of the Northwest Switzerland region's market leaders for mortgages. It seeks to specifically promote regional, sustainable real estate development through its offering and services. The bank has many years of experience in the field of sustainable living and provides customers with in-depth advice. The *Energie-Hypothek* ("Energy Mortgage") enables them to finance energy-efficient measures easily and unbureaucratically. Through its various memberships and alliances, BLKB gives its customers access to a comprehensive network that assists them with their planning of sustainable construction projects. BLKB has been operating the digital platform *sun2050* in partnership with Primeo Energie and the Elektra Baselland (EBL) cooperative since 2020. This has now been expanded to include replacement heating and charging stations for electric mobility under the name *home2050*. The commitment to the *Baselbieter Energiepaket* ("Basel Region Energy Package"), the canton's development programme for energy efficiency measures and renewable energy sources in buildings, is also key.

The customers are at the centre of the offering related to mortgage financing and housing. The intention is to tailor each financing solution to the customer's individual situation and provide a comprehensive service. Possibilities such as extraordinary amortisations or an early mortgage extension as well as additional services such as a tax check support this aim. At the same time, BLKB attaches great importance to long-term affordability due to its cautious risk policy and sense of responsibility towards customers. The result of Comparis's survey of satisfaction with mortgage lenders in the reporting period showed that competence and personalised advice are valued: BLKB achieved a good rating of 5.2 (out of 6).

Innovative banking

Customers should find it as easy as possible to carry out simple banking transactions, regardless of time or location. That is why BLKB continuously invests in the development of its banking products and services, and places special emphasis on the careful expansion of its digital service. Customers have various options for paying without cash using TWINT, Apple Pay, Fitbit Pay, Garmin Pay, Google Pay, Samsung Pay or Swatch Pay. Personal accounts, savings account and Savings 3 accounts can be opened via a strictly digital process involving online identification. Customers can also access their key banking transactions while on the move with the practical mobile banking app. In addition, BLKB's online asset management solution (Digifolio) is available to a broad clientele with invested assets of CHF 5,000 or more. BLKB thus offers private investors an attractive opportunity to have even small investment amounts managed online on a professional basis and with a focus on sustainability. The bank's good placement in the "Finnoscore Switzerland 2022" study on the digital competence of Swiss banks is proof that BLKB's digital offerings are impressive: BLKB came first among the "Top 5 winners".

Innovation combined with sustainability – that is what several products in the basic banking business stand for: BLKB has two savings accounts with which customers can participate in sustainable projects: the *Zukunftskonto* ("Future Account") and the *Geschenksparkonto Zukunft* ("Gift Savings Account Future"). In this way, financial support is provided to the *Wald von morgen* project, enabling it to plant climate-resistant trees in the Basel-Landschaft area. With the "Jobs for Juniors" debit card, BLKB has for years supported a private initiative for avoiding youth unemployment in the region – in the reporting period to the tune of CHF 557,400.

Employees

Providing a motivating working environment that stimulates innovation is an important pillar of the strategy and positioning as a forward-looking bank. BLKB is convinced that its employees are the key factor to its long-term success. Consequently, it wants them to feel they are being treated well and that they are fully able to utilise and continuously develop their skills. BLKB aims to boost the long-term loyalty of skilled employees through flexible work models, career opportunities for managers and specialists alike, training opportunities, an attractive work environment and a motivational salary system. Since 2022, BLKB has gauged its track record as an employer by means of “pulse surveys”, short surveys conducted at regular intervals as part of an open feedback culture. According to these surveys, satisfaction is high relative to the benchmark, with team spirit and the high level of personal responsibility being particularly appreciated. BLKB also receives good marks on the kununu company rating platform: it achieved a total score of 4.4 points and a recommendation rate of 92 per cent (as at 31 December 2022), making BLKB one of the best employers in the financial industry.

Skills development for all

In a dynamic sector environment, highly qualified 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 continuing personal and professional development of its employees. The training programme with role- and subject-specific courses and workshops is specifically aimed at all employees – regardless of function, level or age – and is constantly being expanded.

An in-house training initiative enabling financial advisers to gain certification has been running for several years. In addition, BLKB gives employees the opportunity to attend its own CAS in “Future Banking” study programme, delivered in partnership with the Kalaidos University of Applied Sciences. It prepares participants for the banking world of tomorrow and focuses on the skills they will need. Since 2022, the course has included an internal module dedicated to sustainability. The CAS course is also explicitly aimed at older employees. And it is possible to complete individual modules on a standalone basis. In the reporting period, BLKB began supporting interdisciplinary innovation and change skills with the in-house CAS on “Growth and Transformation” delivered by the University of Lucerne, which nine employees successfully completed in 2022. In addition to internal courses and training, BLKB also provides staff with financial support or time to avail themselves of third-party training opportunities.

It considers the promotion of young talent to be important. Besides commercial training, BLKB offers apprenticeships in the specialist areas of IT, operational maintenance (building systems) and mediamatics. All apprentices are offered employment contracts after completing their apprenticeships. In summer 2022, 16 new apprentices and interns commenced their training programme at BLKB.

Career and individual circumstances

The well-being of its employees is very important to BLKB. It helps to ensure an appropriate work-life balance with a range of offerings and initiatives. Thus, it offers a number of working models, mobile/flexible working and career opportunities, including part-time positions. Maternity leave constitutes 16 or 24 weeks on full pay, depending on the number of years of service. Furthermore, BLKB offers a phased return to work after maternity leave. In addition to the two weeks of statutory paternity leave on full pay, fathers can also take unpaid leave. Parents (or parents-to-be) are given free access to the external AMIE Familie und Beruf counselling centre and/or to the Proitera social counselling service.

BLKB’s corporate culture is characterised by respect and appreciation. The bank is convinced that diverse teams generate significant added value thanks to their creative ideas and multiple perspectives. When it comes to recruitment, a focus is placed on the personality and skills of future employees, with the aim of ensuring that vacancies are filled with the most suitable candidates. For that reason, BLKB also hires candidates aged 50+ on a regular basis – 13 of them in 2022 alone.

BLKB’s flexible working models proved particularly valuable in the two pandemic years of 2020 and 2021, when more people worked from home. It continues to support hybrid working, and has formulated new work principles. The bank also makes considerable efforts to ensure the physical and mental safety and integrity of its employees. For example, in 2022 it organised the *Energy Days*, a preventive campaign with a focus on mental health. Almost 50 participants took part in the 48-hour heart rate variability monitoring exercise followed by a consultation. The “Zämme gsund” blog campaign encouraging people to “stay healthy together” established itself further in the reporting period. In 2022, BLKB also conducted training sessions on resilience and stress for its people leaders.

Fair compensation system

A fair and stable salary system is a key part of our motivational corporate culture. BLKB revised the existing functional hierarchy model and associated pay bands in

What we (the parent bank) 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+" rating with outlook "stable" from Standard & Poor's, state guarantee, endowment capital held by Canton of Basel-Landschaft, certificate capital)



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 (CHF 3.2 m)
- Investments in training of specialists (CHF 1.3 m)
- Strategic partnerships and alliances



Relationship capital

- Structured interview and feedback management with stakeholders (materiality analysis, stakeholder dialogue, 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
- Regular training and development for employees
- Values-based, pro-diversity corporate culture
- Continuous organisational development with an agile organisational structure



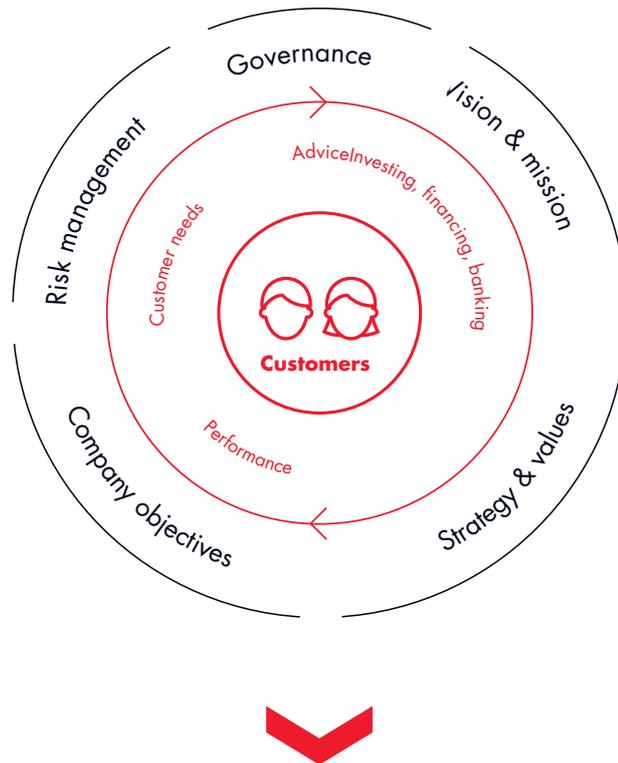
Natural capital

- Sustainable business model
- Sustainable products and services
- Sustainable business strategy
- Carbon-neutral bank operations
- 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 30.4 m)

Employees

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

Society

- Distribution to Canton of Basel-Landschaft (CHF 60 m)
- Fulfilment of public service mandate
- Sponsorship commitments for sport, culture, society (CHF 2.1 m, not including Federal Swiss Wrestling and Alpine Festival in Pratteln)
- Fostering innovation within the Northwest Switzerland region, e.g. with *100 fürs Baselbiet* initiative (CHF 13.7 m)
- Loans to companies and public-law entities (CHF 5.9 bn)
- Important employer in the region (jobs for 913 people)
- Added value thanks to tax revenues from employees

Environment and climate

- Regional CO₂ offsets
- Environmentally friendly investment portfolio
- Environmentally friendly financing products
- 100% of electricity purchases from renewables

the reporting period. Uniform evaluation grids and criteria make the classifications of all roles comparable even across organisational units, enabling career paths to be mapped out more easily and development paths identified. Similarly, the previously broad pay bands, with overly wide range spreads, have been divided into three sub-pay bands to better ensure that compensation is both fair and in line with the market. From the second quarter of 2023, employees will be able to see where they are positioned within the pay band.

In the reporting period, the bank laid down the foundations for an even more long-term and stable compensation system for the Executive Board. Thus, the Rules on the Compensation Scheme were revised and brought closer into line with the ESG criteria. The overall compensation of the Executive Board will also change in 2023: members will receive higher fixed and lower variable compensation.

In 2020, BLKB arranged for its compliance with the internal requirement for equal pay between men and women to be assessed and was awarded the Fair-ON-Pay+ certificate. This certification was extended in the reporting period following another audit. More information on the compensation model can be found in the "Compensation report" of the Annual Report 2022 of the BLKB parent bank from page 51 onwards.

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 the business model and is enshrined in the business policy, which is geared to continuity. In its business activities, BLKB focuses on the long-term interests of its customers and acts responsibly and in a future-oriented manner towards its business partners and employees, as well as society and the environment. Everything the bank does is in line with its values.

Stable and solid position

BLKB is one of the most solid regional banks in Switzerland and Europe. Its business policy, which is geared to continuity and stability, has paid off over some considerable time and under a variety of economic circumstances. This was shown in the reporting year by the improvement in the rating from rating agency Standard & Poor's to "AA+" with outlook "stable" (previously "AA" with outlook "positive"). As for its stand-alone credit rating, BLKB continues to be awarded an "A+" rating. In

its report, Standard & Poor's emphasises BLKB's healthy financial position based on the bank's very good capitalisation, solid financial performance and high liquidity. Among other things, the rating agency highlights the strong market position and the high quality of the credit exposures, especially in the real estate business. Positive mention is also given to the progress in digitalisation and sustainability.

Compliance and operating risks

BLKB enjoys a first-class reputation among customers, the general public and the authorities – according to a [benchmark study](#) produced by [swissreputation.group GmbH](#). In 2022, it even had the best reputation of the 36 Swiss banks included in the study. 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 ethical conduct. It puts the interests of its customers above those of the bank – and the interests of BLKB above personal interests. The bank seeks 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.

The [Code of Conduct](#) sets out all the principles that govern the Bank's business activities. In 2022, a whistleblowing desk was set up for the reporting of critical incidents. It enables employees to provide anonymous information about incidents that may be of relevance under regulatory, criminal or civil law and/or that violate the Code of Conduct and other BLKB policies. The aim of the whistleblowing desk is to contribute to the bank's further development. Protecting the whistleblowers is key.

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 as required. Along with the Credit Committee, specialists from Compliance, Legal, the Investment Centre and Communications assess potential loans from various perspectives. 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. Additional information about risk management and control can be found in the "Notes to the Group financial statements" on page 45.

Climate risks

BLKB has enshrined sustainability, and thus also climate protection, in its strategy, mission statement and 2030 objectives. In organisational terms, the identification and management of climate risks and opportunities at the strategic level is the responsibility of the Sustainability department of the Corporate Development & Sustainable Asset Management business area. The issue is managed in close coordination with the risk management functions, the Executive Board and the Board of Directors. Given that financed emissions account for more than 99 per cent of BLKB's climate footprint, climate risks are of particular relevance in the business activities of "investing", "commercial loans" and "mortgages". Accordingly, climate protection measures are being redoubled in these areas.

The focal points in the reporting period were:

- Investing: Improvement of ESG portfolio reporting for customers
- Commercial loans: Creation of sustainability-related advisory offerings
- Mortgages: Improved recording of climate data and expanding of the advisory services and products related to energy efficiency and renewable energy (e.g. through the online platform *home2050*)

BLKB took a strategically crucial step in this direction in 2021 by joining the Net-Zero Banking Alliance (NZBA). In doing so, the bank undertakes to align its lending and investment portfolios to net-zero emissions by 2050 at the latest. BLKB will define a reduction strategy and interim goals accordingly, as well as publishing data on its emissions.

BLKB takes specific measures to reduce climate risks. When granting loans, it checks not only the companies' creditworthiness but also explicitly examines their fitness for the future, and advises them on possible improvements as part of a strategic dialogue. Sectors with very high ESG risks are excluded and not provided with financing. Companies that operate or are involved in risk sectors undergo more detailed investigations and are assessed by the bank's own risk committee. In the private mortgages area, BLKB offers an "energy mortgage" (Energie-Hypothek) that supports the real estate sector's transition to renewable energy and improved energy efficiency. Since 2014, sustainability aspects have been integrated across

the entire range of investment products, including strict exclusion criteria in respect of climate protection. The "BLKB Climate Basket" gives customers the opportunity to invest in climate protection solutions.

In procurement and operations, BLKB does its utmost to comply with ecological and social criteria that are significantly more stringent than the sector norm (see "Sustainable procurement", page 18). BLKB has also worked for some years to reduce its own CO₂ footprint, for example by procuring all its electricity from hydroelectric sources, by feeding in-house and public e-vehicle charging stations from its own photovoltaic installations and by connecting up to district heating systems wherever possible. BLKB offsets its own CO₂ emissions through a regional climate protection project.

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 it takes top priority at BLKB. Together with Integral Security, a 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.

The new Data Protection Act enters into force on 1 September 2023. As implementation within the bank of the revised provisions is at a highly advanced stage, BLKB will have implemented the necessary changes prior to entry into force. For instance, it has already fulfilled its duty to notify stakeholders as to how their data is used and processed. The bank likewise continues to respond to requests for information from customers within the statutory time limits. The processes required for this purpose have become established in practice. In the reporting period, BLKB also held roadshows on cyber risks, IT and information security at all its branches in order to increase the awareness of employees that unauthorised persons may often try to use them as a "gateway". Also in 2022, BLKB ran an awareness-raising campaign in which it asked customers to work together with it to ensure greater security in online banking. The extensive communication measures included creating an [area dedicated to security](#) on the website, with tips and background information.

Personal security

The bank takes the health and security of its customers and employees very seriously. During the first quarter of 2022 in particular, which was still marked by the Covid-19 crisis, BLKB continued to meet the requirements and recommendations of the federal and cantonal governments. The security measures were flexibly adapted to the situation. Outside of the pandemic-related measures, the branches are equipped with a range of physical protection measures, such as building monitoring systems and automatic police alarms.

Sustainable procurement

In line with its positioning as a forward-looking bank, BLKB places 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. It concludes a sustainability agreement with its service providers and suppliers. In addition, BLKB's principles include favouring companies from the region so as to support the local economy. In the reporting period, 76 per cent of the goods and services relating to the bank's infrastructure – including construction and tradesman contracts – were purchased in the region. Purchases of goods with a volume of CHF 3,000 and over are based on a structured decision-making process incorporating sustainability criteria. These criteria include: shelf life, replacement parts/replacement parts guarantee, device exchanges/replacements during repairs, interchangeability of individual components, recyclable materials and packaging material. Products such as ATMs, or IT and construction services which are classed as critical to BLKB's business model, are excluded.

Handling of risks at the subsidiaries

Risks at the subsidiaries are handled in accordance with the risk policy of the BLKB parent bank (see Group annual financial statements, page 52).

BLKB recognises and limits risks at its subsidiaries by means of:

- its own parent bank representatives in the responsible supervisory bodies,
- congruent bodies for the parent bank and the financial group,
- assumption of audit tasks in the subsidiaries by the parent bank's Internal Audit,
- a quarterly consolidated overview of the risk situation of the financial group, supplemented by the main, already applicable risk parameters of the subsidiaries as part of the financial and risk report.

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.

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, careful 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. It 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.

By introducing a **whistleblowing desk** for the reporting of critical incidents as of 1 September 2022, BLKB has now enabled its employees to provide anonymous information about incidents that may be of relevance under regulatory, criminal or civil law by means of a special software solution. Protecting the whistleblowers is key and is additionally ensured by a clause in BLKB’s General Conditions of Employment, which states that whistleblowing will have no consequences under labour or human resources law.

Legal form, public service mandate and state guarantee

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 Northwest 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 24).

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** (PCGG) of 15 June 2017, 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 (current version in force since 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 (current version in force since 1 November 2008, SGS 371.1); **Public Corporate Governance Ordinance** (PCGV) of 12 December 2017, in force since 1 January 2018 (current version in force since 1 November 2022, SGS 314.11); **Kantonalbank Ordinance** of 14 December 2004, in force since 1 January 2005 (current version in force since 1 December 2015, SGS 371.11).

Furthermore, through its owner strategy the canton controls BLKB as its participation. It sets out the bank's objectives and determines 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 7 July 2022, in force since 1 August 2022; **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 15 December 2021, in force since 31 May 2022; **Rules on the Compensation Scheme** of 7 July 2022, in force since 1 January 2023.

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 of financial group 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.

Name: Basellandschaftliche Kantonalbank (BLKB).

Registered office: Liestal.

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

Security ID number: 147355

ISIN number: CH0001473559

In addition to the parent bank, the two wholly owned subsidiaries radican bank ag, Zurich (share capital CHF 20 m) and BLKB Services AG, Liestal (share capital CHF 1 m) are included in the scope of consolidation of BLKB.

The financial group's operating structure and BLKB's organisational chart are presented on pages 22 and 23.

For other participations not included in the scope of consolidation of BLKB, see Table 7 in the Notes to the Group financial statements on page 66.

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.

Organisational chart

Internal Audit
Francesco Lava

Human Resources &
Organisational Development**
Adi Bucher

Management Support
Dominik Irion

Subsidiaries

radicant bank ag

Board of Directors

Marco Primavesi, Chairman
Stefan Mühlemann
Luca Pertoldi
Dr. Oliver Kutsch

Executive Board

Anders Bally Meyer
Christoph Schwarz
Dr. Jan Amrit Poser
Lenah Nicola Crass
Roland Kläy
Rouven Leuener

BLKB Services AG

Board of Directors

John Häfelfinger, Chairman
Luca Pertoldi

Executive Board

Patrick Tschudin, CEO
Michel Molinari

Private Investment & Financial Advisory*
Kaspar Schweizer

Market Area Unteres Baselbiet & Basel
Dieter Halbeisen

Market Area Mittleres & Oberes Baselbiet
Matthias Kottmann

Direct Distribution
Sandro Marzo

Financial Planning
Adrian Simmen

Sales Performance Management
Private Investment & Financial Advisory
Dominik Graf

Corporate Banking Advisory*
Beat Röhli

Executives & Entrepreneurs
Ivan Krattiger

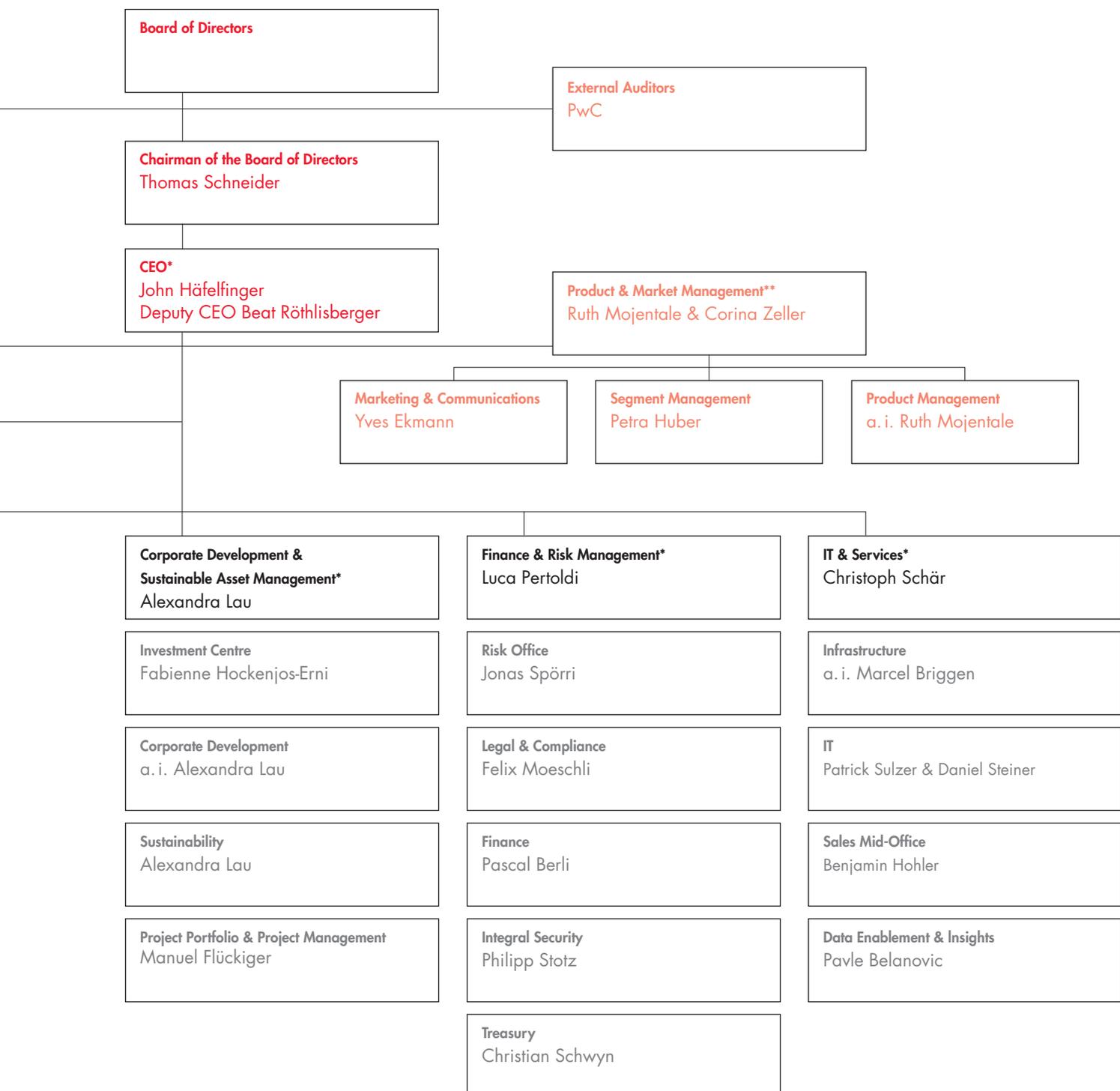
Trading & Active Advisory
Jörg Salzmann

Structured Financing &
Key Account Management
Daniel Gröli

Corporate Banking Advisory
Oberes Baselbiet & Fricktal
Patrick Scheuber

Corporate Banking Advisory
Unteres Baselbiet & Basel
Jürg Zumbrenn

Sales Performance Management
Corporate Banking Advisory
Patrick Rousseau



* Member of the Executive Board of BLKB

** Member of the Extended Executive Board of BLKB

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 Kantonbank 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 Kantonbank 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 2022, 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 (Basellandschaftliche Kantonbank Act, Art. 5 para. 3; Rules on the Issuance of Kantonbank 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 group clauses in the articles of association, if any, and rules for granting exceptions.
- Reasons for granting exceptions in the year under review.
- 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 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), which was repealed at the end of the reporting period, 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 28.

Election and terms of office

In accordance with the Kantonbank 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. 1 bis). The law also specifies material criteria for election to the Board of Directors; these were detailed by the cantonal council in the Basellandschaftliche Kantonbank Ordinance. The term of office is four years.

Unless other arrangements have been made by way of special provisions in the Kantonbank 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". It can be found at blkb.ch/rechtsgrundlagen.

Size and composition

The Kantonbank 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.

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 decides 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 26.

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, of which there were nine ordinary meetings, one extraordinary meeting and one two-day retreat. The ordinary meetings lasted 3 hours and 45 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 Kantonbank 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 2022

	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 (since 1 November 2022: Corporate Development & Sustainable Asset Management) 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 review	7	10
Average duration of meetings	The ordinary meetings lasted 3 hours and 15 minutes on average.	The ordinary meetings lasted 4 hours on average.

Committees of the Board of Directors

The two committees – the Strategy and Executive Committee (SEC), and the Audit and Risk Committee (ARC) – 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 at 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, objective body, it supervises financial reporting and 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, the subsidiaries and the financial 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.

Board of Directors



From left to right: Thomas Schneider (Chairman of the Board of Directors), Nadia Tarolli Schmidt, Stephan Naef, Nadine Jermann, Marco Primavesi, Anton Lauber (Deputy Chairman of the Board of Directors), Stephan Eugster.

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 Directors of GAM Investments, Zurich; member of the Board of Directors of Basler Verkehrsbetriebe (BVB), Basel.

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 Cantonal Council of Basel-Landschaft 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: Member of the Cantonal Council of Basel-Landschaft (owner of BLKB); Chairman of the Handschin Foundation, Liestal; member of the Board of Directors and Committee of the Board of Directors of Swiss Saltworks AG, Pratteln (until 31 December 2022); member of the Concordat Board of Swiss Saltworks AG, Pratteln (as of 1 January 2023), 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 Board of the Verband Basellandschaftlicher Gemeinden (VBLG), Liestal.

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 Warmeholding 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; 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 radicant bank ag, Zürich; Chairman of the Board of Directors of Settelen AG, Basel; Chairman of the Board of Directors of Tecalto AG, Zurich.

Business connections with BLKB: none.

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 supervisory boards of companies in the EGK Group, 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; member of the Board of Directors of Straumann Holding AG, Basel (since April 2022); member of the Board of Directors of Medartis AG, Basel (since April 2022); member of the Board of Directors of BiomedVC AG, Basel (since November 2022).

Business connections with BLKB: VISCHER AG, Basel.

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 7 July 2022, as well as in annex 1 "Definition of Areas of Responsibility" (blkb.ch/rechtsgrundlagen). In Art. 4 para. 1 and 2 a-n 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, taking note, proposal) to the Board of Directors, bank committees and Executive Board in a matrix.

Information and control instruments vis-a-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. The Executive Board submits a monthly financial and risk report to the Board of Directors, which is regularly discussed by the Audit and Risk Committee and the Board of Directors.

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 head of the Audit and Risk Committee, head of Internal Audit and head of Financial & Risk Management, and periodically with the Board of Directors and its Chairman. The external auditors take note of the report by Internal Audit and comment on it as necessary.

Executive Board

The Executive Board of BLKB comprises six members: CEO John Häfelfinger, Deputy CEO Beat Röthlisberger and Kaspar Schweizer, Christoph Schär, Alexandra Lau and Luca Pertoldi. Kaspar Schweizer, Head of Private Investment & Financial Advisory, will step down from his function on 31 March 2023 and devote himself to new strategic tasks. Matthias Kottmann, former head of Private Customers Oberes Baselbiet and Fricktal, will succeed Kaspar Schweizer as of 1 April 2023.

Anders Bally and Roland Kläy, the CEO and CFO of the subsidiary radicant bank ag, attended Executive Board meetings on an ad hoc basis and without voting rights to discuss specific agenda items dealing with matters of the financial group.

For information on the Executive Board's tasks, powers and responsibilities in respect of the parent bank and financial group, please refer to the Organisational Guidelines and Regulations (blkb.ch/rechtsgrundlagen_§14).

An Extended Executive Board has existed since 1 November 2022, of which Adi Bucher, Ruth Mojentale and Corina Zeller are members. They do not have any voting rights and have not been assigned Executive Board duties; they participate in Executive Board meetings on an issue-related basis only.

The six members of the Executive Board are shown from page 32 onwards. It should be noted that the Ordinance against Excessive Compensation in Listed Companies (OaEC), which remained in force until 31 December 2022, 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.

Executive Board



From left to right: John Häfelfinger (CEO), Luca Pertoldi, Alexandra Lau, Kaspar Schweizer, Christoph Schär, Beat Röhliberger (Deputy CEO).

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; member of the Board of the Basel Banking Association, Basel; member of the Board of Trustees of Finanzplatz Basel, Basel; member of the Board of Trustees of pro REHAB Basel, Basel.

Beat Röhliberger

Deputy CEO; head of Corporate Banking Advisory

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

Beat Röhliberger 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, MuttENZ; member of the Board of Directors of swisspeers AG; 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 Corporate Development & Sustainable Asset Management (until 31 October 2022: 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 Group.

Significant mandates: Member of the Board of Trustees of the BLKB 2014 Anniversary Foundation, Liestal; member of the Board of Swiss Sustainable Finance, Zurich; member of the Advisory Board of the Swiss Climate Foundation, Zurich (since October 2022).

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 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 radicant ag, Zurich.

Christoph Schär

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

Born 1976; Swiss citizen; Executive MBA HSG, 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; member of the Board of Directors of BLT Baselland Transport AG, Oberwil (since May 2022).

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; member of the Board of Trustees of the Christoph Merian Cantonal Banks Foundation, Basel.

Compensation

An attractive working environment enables BLKB to create the conditions required for a forward-looking, motivating and performance-driven work culture. Among other things, that includes a compensation system based on fairness and stability. Information on compensation, shareholdings and loans is explained in the "Parent Bank Annual Report 2022" on page 54 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 an information event each spring for the holders of Kantonalbank certificates. In the reporting period, this event took place on 26 April 2022 in digital form.

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](https://www.blkb.ch/rechtsgrundlagen)). For further details, see "Participation certificates" on page 24. 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 circumstances. 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 Kantonalbank Act). After working with Ernst & Young (EY) for over 25 years, BLKB switched to a different auditor. In 2022, PricewaterhouseCoopers (PwC) was responsible for the first time for auditing the financial statements of BLKB, after the cantonal government appointed the new auditors on 2 November 2021 at the proposal of the Board of Directors. PwC was selected following a comprehensive evaluation process by members of the Board of Directors and the Executive Board as well as Internal Audit. In addition to auditing the annual financial statements, PwC was also mandated to conduct regulatory audits in accordance with FINMA's requirements.

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

On assuming the audit mandate at the start of 2022, Philippe Bingert of PwC became the lead auditor.

Auditing fees and additional fees

The total auditing fees invoiced by PwC for the fulfilment of their legally required duties in the year under review was CHF 665,700. These auditing expenses were calculated in accordance with the accrual principle. No fees were incurred in the year under review for additional, general audit-related services commissioned by the bank.

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 five 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 three meetings 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 BLKB's 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 where necessary or appropriate (ad hoc publicity). All media releases can be viewed online at (blkb.ch/medien).

Contacts for investors and media

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medien@blkb.ch

Information for investors and 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 and 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 persons from the Board of Directors secretariat and the Finance, Risk Office, Legal & Compliance, Marketing & Communication, Strategy, Corporate Development, Treasury 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, and the members of the works council.

Foundations

As at: 31 December 2022

Vorsorgestiftung Sparen 3	Board of Trustees	Adrian Simmen, Chairman Roman Hügli Daniel Kern Bart van Riemsdijk Stéphane Curchod
	Foundation Management Auditors	Sabine Straumann PricewaterhouseCoopers AG, Basel
Vested Benefits Foundation	Board of Trustees	Adrian Simmen, Chairman Roman Hügli Daniel Kern Bart van Riemsdijk Stéphane Curchod
	Foundation Management Auditors	Sabine Straumann PricewaterhouseCoopers AG, Basel
BLKB Foundation for Culture and Education	Board of Trustees	Nadine Jermann, Chair Natalie Breitenstein Esther Freivogel Gabriela Häner Marco Di Pasquale
	Foundation Management Auditors	Carole Kriesi PricewaterhouseCoopers AG, Basel
2014 Anniversary Foundation	Board of Trustees	John Häfelfinger, Chairman Beat Röthlisberger Alexandra Lau Luca Pertoldi Christoph Schär Kaspar Schweizer
	Foundation Management Auditors	Adrian Leu PricewaterhouseCoopers AG, Basel

Group annual financial statements

Group balance sheet as at 31 December 2022

Assets

	Notes	31.12.2022 CHF 1000	31.12.2021 CHF 1000	Change CHF 1000	Change %
Liquid funds		6,771,593	5,441,967	1,329,625	24.43
Due from banks		644,240	1,397,897	-753,656	-53.91
Due from securities financing transactions	1	46,461	28,586	17,875	62.53
Due from customers	2	1,971,677	2,345,566	-373,889	-15.94
Mortgage loans	2	23,067,683	21,666,036	1,401,647	6.47
Trading business	3	43,302	17,139	26,163	152.66
Positive replacement values of derivative financial instruments	4	5,324	6,713	-1,389	-20.70
Financial investments	5	1,973,887	1,752,592	221,295	12.63
Accrued income and prepaid expenses		46,524	25,907	20,616	79.58
Non-consolidated participations	6,7	33,532	34,429	-897	-2.61
Tangible fixed assets	8	90,327	89,672	655	0.73
Intangible assets	9	2,601	7,993	-5,391	-67.45
Other assets	10	76,294	21,064	55,230	262.20
Total assets		34,773,444	32,835,562	1,937,882	5.90
Total subordinated claims		10,606	11,982	-1,376	-11.48
– of which mandatory convertibles and/or debt waiver		500	0	500	–

Liabilities

	Notes	31.12.2022 CHF 1000	31.12.2021 CHF 1000	Change CHF 1000	Change %
Due to banks		1,540,298	1,547,982	-7,684	-0.50
Due to securities financing transactions	1	1,284,525	1,173,720	110,805	9.44
Due to customers in savings and deposits		21,651,513	20,713,464	938,049	4.53
Due to trading business	3	101	0	101	-
Negative replacement values of derivative financial instruments	4	9,209	2,248	6,961	309.70
Cash bonds		125	2,336	-2,211	-94.65
Bonds and mortgage-backed loans	15	7,381,000	6,552,000	829,000	12.65
Accrued expenses and deferred income		105,717	98,154	7,563	7.71
Other liabilities	10	28,325	45,121	-16,795	-37.22
Provisions	16	39,429	54,445	-15,016	-27.58
Reserves for general bank risks	16	1,340,832	1,303,832	37,000	2.84
Bank's capital		217,000	217,000	0	0.00
Capital reserve		3,070	2,875	195	6.77
Retained earnings reserves		1,047,280	997,110	50,170	5.03
Own equity shares	21	-5,172	-5,068	-105	2.07
Consolidated profit		130,191	130,342	-152	-0.12
Total liabilities		34,773,444	32,835,562	1,937,882	5.90
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

	Notes	31.12.2022 CHF 1000	31.12.2021 CHF 1000	Change CHF 1000	Change %
Contingent liabilities	2,28	189,589	199,493	-9,904	-4.96
Irrevocable commitments	2	2,142,124	1,072,175	1,069,949	99.79
Liabilities for calls on shares and other equities	2	93,739	94,705	-967	-1.02
Confirmed credits	2,29	0	0	0	0.00

Consolidated income statement 2022

	Notes	2022 CHF 1000	2021 CHF 1000	Change CHF 1000	Change %
Net interest income					
Interest and discount income	33	310,261	268,070	42,190	15.74
Interest and dividend income on financial investments		5,530	5,456	74	1.36
Interest expenses	33	-24,599	6,153	-30,752	-499.77
Gross profit from interest-related business		291,192	279,679	11,512	4.12
Changes of value adjustments due to default risk as well as losses from the interest-related business		645	-2,880	3,524	-122.39
Net income from interest-related business		291,836	276,800	15,036	5.43
Net fee and commission income					
Commission income from securities and investment transactions		60,847	61,591	-744	-1.21
Commission income from lending activities		9,356	10,409	-1,053	-10.12
Commission income from other services		23,484	22,236	1,248	5.61
Commission expenses		-11,185	-9,636	-1,550	16.08
Net fee and commission income		82,502	84,600	-2,099	-2.48
Net income from trading activities and the fair value option	32	22,429	17,934	4,495	25.07
Net other income					
Income from the sale of financial investments		5,840	4,508	1,332	29.54
Income from participations		2,066	2,108	-43	-2.03
– of which from participations valued according to the equity method		0	0	0	0.00
– of which from other non-consolidated participations		2,066	2,108	-43	-2.03
Real estate income		1,651	1,683	-32	-1.91
Other ordinary income		876	135	741	548.69
Other ordinary expenses		-4,642	-2,163	-2,479	114.63
Net other income		5,790	6,272	-482	-7.68

Consolidated income statement 2022 (continued)

	Notes	2022 CHF 1000	2021 CHF 1000	Change CHF 1000	Change %
Net operating income		402,557	385,606	16,951	4.40
Personnel expenses	34	-134,515	-122,232	-12,283	10.05
Other operating expenses	35	-78,882	-74,056	-4,826	6.52
Operating expenses		-213,397	-196,288	-17,109	8.72
Value adjustments on participations and write-offs of tangible fixed assets and intangible assets		-30,346	-22,422	-7,925	35.34
Changes in provisions and other value adjustments and losses		4,662	-3,365	8,027	-238.52
Operating profit		163,476	163,532	-56	-0.03
Extraordinary income	36	780	361	420	116.39
Extraordinary expenses	36	-3	-3	0	-5.24
Changes in reserves for general bank risks	36	-37,000	-35,000	-2,000	5.71
Taxes	39	2,938	1,453	1,484	102.12
Consolidated profit		130,191	130,342	-152	-0.12

Group statement of cash flow

	2022 Cash inflow CHF 1000	2022 Cash outflow CHF 1000	2021 Cash inflow CHF 1000	2021 Cash outflow CHF 1000
Cash flow from operations (internal financing)				
Group profit	130,191		130,342	
Changes in reserves for general bank risks	37,000		35,000	
Value adjustments on participations, write-offs on tangible fixed assets and intangible assets	30,346		22,422	
Provisions and other value adjustments		158	3,652	
Changes in value adjustments due to default risks as well as losses		12,207	2,821	
Accrued income and prepaid expenses		20,616	2,511	
Accrued expenses and deferred income	7,563			1,670
Other positions		71,692		28,342
Profit distribution previous year		79,999		80,094
Cash flow balance from operations (internal financing)	20,429		86,642	
Cash flow from equity capital transactions				
Endowment and certificate capital				
Recorded in reserves	6		15	
Change in own equity instruments	5,338	5,428	4,850	6,372
Cash flow balance from equity transactions		84		1,507
Cash flow from transactions with participations, tangible fixed assets and intangible assets				
Participations		1,000		11,292
Real estate	1,640	3,928		1,064
Other tangible fixed assets	116	21,540	46	14,242
Intangible assets				8,513
Cash flow balance from transactions with participations, tangible fixed assets and intangible assets		24,712		35,064
Cash flow from banking operations				
Medium to long-term transactions (> 1 year)				
Due to banks	20,000			
Due to customers in savings and deposits	6,355			75,000
Cash bonds		2,211		2,442
Bonds	505,000		375,000	
Mortgage-backed bonds	324,000		136,000	

Group statement of cash flow 2022 (continued)

	2022 Cash inflow CHF 1000	2022 Cash outflow CHF 1000	2021 Cash inflow CHF 1000	2021 Cash outflow CHF 1000
Due from banks	30,880			
Due from customers	111,551			81,156
Mortgage loans		1,414,103		1,126,336
Financial investments		46,202		223,177
Short-term business				
Due to banks		27,684	733,364	
Due to securities financing transactions	110,805			163,276
Due to customers in savings and deposits	906,898		1,994,414	
Due to trading business	101			
Negative replacement values of derivative financial instruments	6,961		1,279	
Due from banks	748,333			331,575
Due from securities financing transactions		17,875		6,486
Due from customers	261,073			612,824
Trading business		23,786		444
Positive replacement value of derivative financial instruments	1,389			2,064
Financial investments		167,492		17,063
Liquidity				
Liquid funds		1,329,625		648,284
Cash flow balance from banking operations	4,368			50,071
Total	24,796	24,796	86,642	86,642

Group statement of changes in equity

Presentation of equity

	Bank's capital CHF 1000	Capital reserve CHF 1000	Retained earnings reserve CHF 1000	Reserves for general banking risks CHF 1000	Own shares (negative item) CHF 1000	Group profit CHF 1000	Total CHF 1000
Equity at the beginning of reporting period	217,000	2,875	997,110	1,303,832	-5,068	130,342	2,646,092
Acquisition of own shares					-5,422		-5,422
Disposal of own shares					5,338		5,338
Effect of subsequent measurement of own equity		14			-14		0
Profit (loss) from disposal of own equity shares		6			-6		0
Dividends and other payments		174				-80,173	-79,999
Other allocations to (releases from) reserves for general bank risks				37,000			37,000
Other allocations to (releases from) other reserves			50,170			-50,170	0
Group profit						130,191	130,191
Equity at the end of reporting period	217,000	3,070	1,047,280	1,340,832	-5,172	130,191	2,733,200

Notes to the Group financial statements

(True and fair view Group financial statements)

Company name, legal form and registered office

The BLKB Group comprises the parent bank Basellandschaftliche Kantonbank (BLKB), a public-law institution based in Liestal, as well as the wholly-owned subsidiaries radicant bank ag, based in Zurich, and BLKB Services AG, based in Liestal, both private-law joint stock companies established in accordance with the Swiss Code of Obligations. The BLKB Group does not have its own legal personality.

Notes on risk management and risk control

As a supplement to the risk report, this chapter describes the basic principles of how risks are handled at the BLKB parent bank.

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 July 2022. 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.

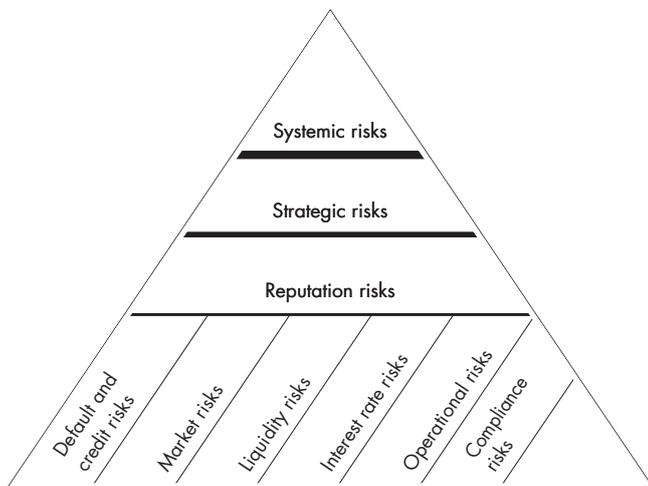
Risk capacity

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 exceeding 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. Scenario-specific stress test assumptions are reviewed on a regular basis and adjusted if necessary.

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 in identifying risks and is responsible for setting the parameters of the risk measurement method. 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 quarterly financial and risk report.



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. Default and credit risks
2. Market 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 and credit risks 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 credit risks is accorded a high priority at BLKB. Credit 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: earnings 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. Up to a pre-defined amount and complexity of the credit structure, lending decisions are

made at different hierarchical levels within BLKB's market areas, as BLKB is confident that local customer advisers know their customers best and can therefore assess the credit risk more reliably. In the case of large or complex credit exposures and exception-to-policy transactions, central authorisation is granted by Credit Risk Management or the Credit Committee. 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 credit risk of its commercial borrowers and determine the expected loss. Ratings are periodically reassessed. With this system, the credit 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 dealing with non-performing loans. When it comes to managing credit risks, 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 constitute credit risks.

Unilateral decisions by governments restricting currency transfers and payments, or moratoria of all kinds, are referred to as country risks. When assessing country risks, BLKB applies SERV's OECD rating (OECD country risk categories) 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 in compliance with minimum ratings within approved limits.

Market 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 both supervisory and internal requirements.

Interest rates on balance sheet items that grant the customer termination rights (e.g. variable rate mortgages and savings products) are simulated using replicating portfolios with a combination of market interest rates, taking into account the fluctuation in volumes. Historical product and market interest rates serve as a basis for the simulation. The relevance of the 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 risks in the trading book

To assess market 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.

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 re-determining the appropriateness or acceptability of the residual risk is an ongoing process. FINMA requires an independent unit to exercise a control function in relation to the protection of customer data; this forms part of information security.

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 used to identify default risks and determine the need for value adjustments

Mortgage-backed loans

The collateral values and affordability 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 granted 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 infor-

mation 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 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.

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%

Methods used 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 (past-due receivables);
- 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 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 impairment model of IFRS9 (International Financial Reporting Standards), 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.

The value adjustments and provisions for inherent default risks supplement the existing and continuing value adjustments and provisions for impaired receivables. In exceptional (crisis) situations, value adjustments and provisions for inherent default risks can be used for the creation of value adjustments and provisions 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 and impairments 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 and provisions 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 amount of value adjustment and reserves for inherent default risks. The recreation 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 2022 there was no utilisation of value adjustments and provisions for inherent default risks.

Valuation of collateral

Mortgage-backed loans

In the mortgage business, an up-to-date collateral valuation is available for every loan granted, with valuations dependent on the use of the property. The bank uses a hedonic valuation model to assess residential property. Investment properties (without buy-to-let) are generally valued on the basis of the capitalised 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 derivative financial instruments and hedge accounting

Derivative financial instruments are used for trading and hedging purposes. Trading in derivative financial instruments is performed exclusively 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. OTC derivatives are used for the purpose of hedging interest rate risks on interest rate-sensitive receivables and payables in the banking book (e.g. mortgages, financial investments, corporate loans). Hedging relationships, targets, and strategies of hedging transactions are documented by the bank on conclusion of the derivative hedging transaction. The effectiveness of the hedging relationship between the hedged item and the hedging transaction is assessed. A hedging relationship is deemed effective if the interest rate sensitivity of the bank's balance sheet in the individual time bands (key rates) is consistent with the target duration defined by the Board of Directors. The target duration results from the benchmark strategy of equity in the form of a rolling ten-year investment. The effectiveness of the hedging relationship is checked at monthly intervals. In accordance with regulatory requirements, if hedging relationships are effective, the change in the value of OTC derivatives is recognised in the balance sheet without affecting net income rather than being posted to the income statement.

Handling of risks at the subsidiaries

BLKB recognises and limits risks at its subsidiaries by means of:

- its own parent bank representatives in the responsible supervisory bodies,
- congruent bodies for the parent bank and the financial group,
- assumption of audit tasks in the subsidiaries by the parent bank's Internal Audit,
- a quarterly consolidated overview of the risk situation of the financial group, supplemented by the main, already applicable risk parameters of the subsidiaries as part of the financial and risk report.

Risks at the subsidiaries are handled in accordance with the risk policy of the BLKB parent bank. Neither radicant bank ag nor BLKB Services AG has any material risk positions at this time.

radicant bank ag is a digital bank. It can hold financial investments but does not enter into any credit exposure. The liquidity of radicant bank ag is guaranteed at all times thanks to its holding of an appropriate liquidity reserve at BLKB, third-party banks and the SNB as part of its liquidity management. The bank can enter into limited interest rate risks as part of a positive maturity transformation.

BLKB Services AG was established at the end of November 2022 as a project company and is currently in the setting-up phase. The purpose of the company is to provide services for BLKB and third parties in future. In this context, it can acquire, encumber, sell and manage properties in Switzerland and abroad. It can also engage in financing for its own or a third-party account and issue collateral for liabilities of associated companies. Owing to its status as a project company, there are currently no material risks for the BLKB financial group.

Group accounting and valuation principles

General accounting principles

The bank's bookkeeping, accounting and valuation policies are aligned with the Swiss Code of Obligations, the Banking Act, the Banking Ordinance, the Swiss Financial Market Supervisory Authority's FINMA Accounting Ordinance and FINMA Circular 20/1 "Accounting – Banks", the Listing Rules of the SIX Swiss Exchange and the Kantonalbank Act. These Group annual financial statements give a true and fair view of the financial position, the results of operations and the cash flows (true and fair view financial statements).

In the Notes, the individual figures are rounded for publication, but the calculations are made on the basis of the non-rounded figures; rounding differences may therefore arise.

Scope of consolidation

The Group financial statements comprise the financial statements of the parent bank and key Group companies, whether held directly or indirectly, in which BLKB holds the majority of the votes or capital. insignificant majority participations are an exception in the accounting context. We refer to table 7 "Disclosure of companies in which BLKB holds a permanent direct or indirect significant participation" and to the section on "Non-consolidated participations" for further information. The individual financial statements of the consolidated companies are integrated into the Group financial statements, based on uniform, Group-wide accounting and valuation principles. The scope of consolidation comprises the BLKB parent bank and the wholly-owned subsidiaries radicant bank ag in Zurich and BLKB Services AG in Liestal.

Method of consolidation

The companies in the scope of consolidation are integrated into the Group financial statements according to the full consolidation method. Significant minority participations with a stake of 20 to 50 per cent are recognised as a proportion of equity on the reporting date on the basis of the equity method. Capital consolidation is carried out in accordance with the purchase method. Here, the acquisition cost of the participation is offset against the equity of the subsidiaries at the time of acquisition or establishment. We refer to the section on "Intangible assets" regarding the handling of any goodwill. The assets and liabilities and the income and expenses of the consolidated subsidiaries are fully integrated into the Group financial statements, and any intra-Group transactions or interim profits or losses are eliminated.

Consolidation period

The consolidation period corresponds to the current calendar year. The financial year for all Group companies is the calendar year.

General valuation principles

Valuations are made on the assumption that the Group and the Group companies will continue as a going concern. The financial statements are therefore prepared on a going-concern basis.

Assets are recognised as such if, as a result of past events, they may be freely disposed of, a cash inflow is probable and their value can be reliably estimated. If no reliable estimate of the value of an asset can be made, it is considered to be a contingent asset and is disclosed in table 28 "Breakdown and explanations of contingent assets and liabilities". Liabilities are recognised as such if they have arisen as a result of past events, a cash outflow is probable and their magnitude can be reliably estimated. If no reliable estimate of the value of a liability can be made, it is considered to be a contingent liability and is disclosed in table 28 "Breakdown and explanations of contingent assets and liabilities". As a rule, assets are recognised in the balance sheet at acquisition cost less depreciation, amortisation or value adjustments, and liabilities at their nominal value, unless the following accounting and valuation principles for specific items require otherwise. Assets, liabilities and off-balance sheet transactions are generally valued individually 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 valued individually.

As a rule, there is no offsetting of assets and liabilities or of expenses and income. Receivables and payables are offset only in the following cases:

- Receivables and payables are offset if they arise from similar transactions with the same counterparty, in the same currency and with the same or earlier claim due date, and cannot give rise to any counterparty risks.
 - Positive and negative changes in book value with no effect on net income are offset in the compensation account.
 - Positive and negative replacement values of derivative financial instruments from transactions with the same counterparty, including the associated cash holdings deposited as collateral, are netted if there are recognised, legally enforceable netting agreements with the counterparty concerned.
 - Holdings of own bonds and cash bonds are offset against the corresponding liability item.
 - Value adjustments are deducted from the corresponding asset item.
 - Sub-participations in loans issued as the lead bank are offset against the principal claim.
 - Receivables and payables in respect of fully consolidated Group companies are offset as part of consolidation.
- Expense and income items are offset only in the following cases:
- Newly created default-risk-related value adjustments and losses from interest operations and newly created provisions and other value adjustments and losses are offset against the corresponding recoveries, and provisions and value adjustments that are no longer required.
 - Price gains and losses from trading activities and transactions valued using the fair value option are offset against price losses from these activities or transactions.
 - Positive value adjustments on financial investments valued at lower of cost or market are offset with negative value adjustments for the same.
 - Real estate expenses are offset against real estate income and disclosed in the "Income from real estate" item.
 - Expenses and income in respect of fully consolidated Group companies are offset as part of consolidation.

Liquid assets

Liquid assets primarily includes cash balances in Swiss francs and foreign currency, as well as sight deposits with the Swiss National Bank. These items are carried at nominal value.

Securities financing transactions

Securities financing transactions comprises repurchase and reverse repurchase transactions. Repurchase transactions include the sale of securities held for investment under agreement to repurchase, and reverse repurchase transactions include the purchase of securities under agreement to resell. 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 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 and mortgage loans

Amounts due from banks, amounts due from customers, and mortgage loans are recognised at their nominal value less any necessary value adjustments and provisions. Value adjustments and provisions for impaired and non-impaired receivables are created in accordance with the following principles:

Precious metal account deposits 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 where there is a high probability that the debtor will be unable to meet their future obligations are valued individually and 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 (past-due receivables);
- Where the debtor is in considerable financial difficulty;
- Where the bank 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 an impairment was recorded for the asset concerned in a previous 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 activities". 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 creditworthiness 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 activities".

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 for inherent default risks on off-balance sheet transactions for which provisions have not yet been recorded as there is a probable outflow that can be reliably estimated are created and released 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 on amounts due from banks, amounts due from customers, mortgage loans, financial investments, off-balance-sheet transactions and unutilised credit lines are created or reversed/released on each balance sheet date 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 portfolio assets and trading portfolio liabilities

The trading portfolio includes the bank's own holdings of securities and precious metals that are actively managed in order to benefit from fluctuations in market price or to generate profits from arbitrage. As a rule, trading portfolio assets and liabilities are valued and recognised at fair value on the balance sheet date. Fair value is the price determined on the basis of a price-efficient and liquid market or a price determined on the basis of a valuation model. In exceptional cases where no fair value is ascertainable, valuation and recognition follow the principle of the lower of cost or market value. Gains and losses incurred in the valuation process and interest and dividend income from the trading portfolios are disclosed in the item "Net income from trading activities and the fair value option". Income from the securities underwriting business, both commission-based and fixed-underwriting, is also stated in the item "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".

Positive and negative replacement values of derivative financial instruments

Derivative financial instruments are used for both trading and hedging purposes.

Trading business

All derivative financial instruments are valued at fair value, and their positive and negative replacement values recognised in the corresponding items. Fair value is based on market prices, traders' price quotations, discounted cash flow and option pricing models. Realised income from trading activities and unrealised valuation gains or losses on trading activities are stated in the item "Net income from trading activities and the fair-value option".

Hedging transactions

The bank also uses derivative financial instruments for asset and liability management purposes to hedge against interest rate, currency and default risks. Gains or losses on the valuation of hedging instruments are posted to the compensation account, unless a change in book value has been recorded in the hedged item. The net balance of the compensation account is disclosed in the "Other assets" or "Other liabilities" item.

Customer transactions

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

Netting

Positive and negative replacement values of derivative financial instruments from transactions with the same counterparty, including the associated cash holdings deposited as collateral, are netted if there are recognised, legally enforceable netting agreements with the counterparty concerned.

Financial investments

Financial investments comprise the bank's own holdings in 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".

Debt securities intended to be held to maturity

These are recognised at acquisition cost and the premium / discount is accrued over the term (accrual method). Here the premium or discount is reflected throughout the term right up until maturity via the "Accrued income and prepaid expenses" or "Accrued expenses and deferred income" items. Default-risk-related changes in book value are recognised by means of a charge to the item "Changes in value adjustments for default risks and losses from interest activities". Where financial investments acquired with the intention of being held to maturity are then sold or repaid prior to maturity, the realised gains and losses that relate to the interest component are accrued over the residual term up until maturity of the transaction via the "Other assets" or "Other liabilities" positions.

Debt securities not intended to be held to maturity

Valuation is based on the lower of cost or market principle. The lower of cost or market value is determined on the basis of the amortised cost. Where the fair value falls below the acquisition cost and then recovers, an upwards revaluation to the amortised cost at maximum is recognised. Market-based value adjustments from subsequent valuation are recognised net via the items "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".

Equity securities, physical precious metal holdings and real estate and commodities that have been acquired as a result of credit activities and are intended for resale (incl. fiduciary real estate)

Valuation is based on the lower of cost or market principle. Where the fair value falls below the acquisition cost and then recovers, an upwards revaluation to the historical or amortised cost at maximum is recognised. In the case of real estate and commodities acquired from credit activities and intended for resale, the lower of acquisition cost and liquidation value is used. Where real estate assets are acquired as the result of a forced realisation without interested third parties, any necessary initial depreciation of the property to the effective market value is recognised in the item "Change in value adjustments for default risks and losses from interest operations". Own physical precious metal holdings that serve to secure obligations arising from precious metal accounts are valued at fair value provided the precious metal is traded on a price-efficient, liquid market. Value adjustments are recorded net in the item "Other ordinary expenses" or "Other ordinary income".

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

Non-consolidated participations

Significant minority participations with a stake of 20 to 50 per cent are recognised as a proportion of equity in the Group financial statements. These companies are recognised in the Group financial statements with the proportionate business result that corresponds to the stake. Income for the participations recognised according to the equity method are booked in the income statement under "Participations valued according to the equity method", while negative value adjustments are debited to "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets". The goodwill arising from the acquisition of an equity stake is excluded and recognised under "Intangible assets". It is depreciated on a straight-line basis over its estimated useful life. The depreciation period is generally five years from the time of acquisition, and up to a maximum of ten years in justified cases.

Companies in which the BLKB Group holds a stake of less than 20 per cent or whose size does not exert any significant influence on the Group financial statements are valued individually at acquisition cost, less any economically necessary value adjustments. Individual participations are tested for impairment at each balance sheet date. This test is based on indications reflecting a possible impairment of individual assets. Where such indications are present, the recoverable amount is determined for each individual asset. The recoverable amount is deemed to be the higher of the net market value and the value-in-use. An asset is impaired if its book value exceeds its recoverable amount. If an impairment is deemed to exist, the book value is reduced to the achievable value and the corresponding impairment charged to the position "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets". Income from participations is disclosed under "Income from participations". Gains realised from the disposal of participations are disclosed under "Extraordinary income", and losses realised under "Extraordinary expenses".

The non-consolidated participations are listed – to the extent that this is significant – in table 7 "Disclosure of companies in which BLKB holds a permanent direct or indirect significant participation".

Tangible fixed assets

Investments in tangible fixed assets are recognised as assets if they are used for more than one accounting period, and exceed the minimum threshold for recognition as an asset of CHF 5,000. Smaller purchases and purchases with a useful life which is less than the normal useful life of the respective investment category, are charged in full to "General and administrative expenses".

Tangible fixed assets are recognised at acquisition cost less scheduled accumulated depreciation over their estimated useful life. Depreciation on tangible fixed assets is recognised on a straight line basis over a prudently estimated useful life of the asset under "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets". The estimated useful lives for individual categories of tangible fixed assets are:

Investment category	Useful life
Bank buildings	30 years
Other real estate	33 years
Proprietary or separately acquired software	3 years
Other tangible fixed assets	3–5 years

Real estate

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

Software

This item includes all software used by the bank (banking and special software) that satisfies the above criteria for recognition as an asset. Proprietary software is recognised in the balance sheet under tangible fixed assets, provided it satisfies the conditions for recognition as an intangible asset in accordance with Art. 22 para. 2 of the "FINMA Accounting Ordinance" *mutatis mutandis*.

Other tangible fixed assets

Other tangible fixed assets includes operating equipment, business furniture, office machinery, ATMs, company cars and hardware.

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 depreciation and amortisation of tangible fixed assets and intangible assets". Partial or full reversal of impairment is recorded in "Extraordinary income".

Gains realised from the disposal of tangible fixed assets are booked under "Extraordinary income", and losses realised under "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

Goodwill

If, upon the acquisition of a company – or parts of a company – of a consolidation participation or of a participation with a significant influence, the acquisition costs are higher than the acquired net assets, the residual amount is recognised as goodwill in intangible assets. This is depreciated over the estimated useful life and taken to the income statement under "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets". As a rule, depreciation is in accordance with the straight-line method. The depreciation period is generally five years from the time of acquisition and can be extended to a maximum of ten years in justified cases.

Other intangible fixed assets

Acquired intangible assets are recognised in the balance sheet if they yield measurable benefits for the bank over more than one year. They are valued and recognised at acquisition cost and depreciated over their estimated useful life. Depreciation is normally by the straight-line method over a period of five years. Internally generated intangible assets are not recognised as assets.

Accruals and deferrals

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

Other assets and liabilities

This balance sheet item includes the debit or credit balance on 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.

Amounts due to banks**Amounts due in respect of customer deposits**

These items are recognised at their nominal value. Amounts due in respect of precious metal account deposits are valued at fair value if the precious metal concerned is traded on a price-efficient, liquid market.

Medium-term notes, bonds and mortgage-backed loans

These are recognised at their nominal value. Holdings of own bonds and cash bonds are offset against the relevant liability items.

Provisions

Legal and *de facto* obligations are assessed on a regular basis. If a cash flow is probable and can be reliably estimated, the corresponding provision is created. If a cash flow cannot be reliably estimated, this is disclosed in the Notes under "Contingent assets and liabilities".

Existing provisions are revalued as at each balance sheet date. Based on this reassessment, they are either increased, maintained at the same level or released.

Reserves for general bank risks

Reserves for general bank risks are precautionary reserves established to hedge against 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).

The creation and release of reserves is booked to the income statement via the position "Changes in reserves for general banking risks". In those cantons where the Group companies are subject to taxation, the changes in the reserves for general banking risks are set off against direct taxes.

Retained earnings reserves

Internally generated funds, specifically the Group companies' accumulated net profit, are disclosed in the retained earnings reserve. The allocation to the retained earnings 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.

Own shares

Purchases of own shares are recognised at the time of acquisition at the fair value of the consideration paid, and are deducted from equity under "Own shares". The gain realised on the disposal of own shares is credited to the "Capital reserve". The "Own shares" item is reduced by

the acquisition value corresponding to the amount of shares sold. Dividends on own shares are credited to the item "Capital reserve".

Net interest income

Negative interest on the lending business is recognised as a reduction in the item "Interest and discount income. Negative interest on the borrowing business is recognised as a reduction in the item "Interest expense".

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".

Currency swaps are entered into in the banking book for the purpose of interest activities. These generate interest income. Interest income from currency swaps entered into exclusively for the purpose of pursuing interest activities, is shown in the item "Gross income from interest activities", the currency gains or losses are assigned to the trading book.

Taxes**Current taxes**

Current taxes are recurring – as a rule, annual – taxes on capital gains and profits. Transaction-related taxes are not included in current taxes. Liabilities from current income taxes and capital taxes are disclosed in the item "Accrued expenses and deferred income". Current income taxes and capital tax expenses are reported in the income statement in the item "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. The subsidiaries are subject to regular taxation.

Deferred taxes

The valuation differences between the figures in the single-entity financial statements applicable for tax purposes and the figures in the Group financial statements are systematically identified. Deferred tax effects on these are taken into account. Provisions are created for deferred tax liabilities. Receivables for deferred taxes are only recorded if it is probably that they will be realised through tax gains within the statutory time limit. Allocation to the provisions for deferred tax liabilities or recognition of deferred tax assets is booked in the income statement under "Taxes".

Off-balance sheet transactions

Off-balance sheet transactions are reported at nominal value. Provisions are created in the balance sheet for foreseeable risks in connection with off-balance sheet items.

Pension benefit obligations

The Group'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. 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.

Statement of business transactions

All transactions (both on- and off-balance-sheet) concluded up to the balance-sheet date are reported based on the trade date accounting principle and measured in accordance with the accounting and valuation principles mentioned below.

Treatment of past due interest

Past due interest and related commissions are not included in interest income. Interest and commissions are past due where they are more than 90 days overdue. In the case of current account credit facilities, interest and commissions are considered past due where the credit facility limit has been exceeded for more than 90 days. From then on, future interest and commissions accruing may no longer be credited to the income statement item "Interest and discount income" until no overdue interest has been outstanding for longer than 90 days.

Past due interest is not cancelled retroactively. The receivables arising from interest accrued up to the expiry of the 90-day period (due and unpaid interest and accrued interest) are written off via the item "Changes in value adjustments for default risks and losses from interest operations".

Foreign currencies

The consolidated companies' accounts are prepared in Swiss francs. Transactions in foreign currency are translated at the exchange rates applicable at the time of the transaction. Assets and liabilities are translated as of the balance sheet date at the exchange rate prevailing on that date (mean rate of exchange on the balance sheet date). In the case of participations, tangible fixed assets and intangible assets, historical exchange rates are used. Income from currency translation is included in the item "Net income from trading activities and the fair-value option".

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

	31.12.2022	31.12.2021
Year-end rate EUR/CHF	0.9875	1.0362
Year-end rate USD/CHF	0.9252	0.9112

Changes compared with the previous year

The Group financial statements have been prepared for financial year 2022 for the first time. Prior-year consolidated figures are shown here.

Events after the balance sheet date

No extraordinary events occurred after the balance sheet date which could have a material impact on the BLKB Group's assets, liabilities, financial position and results of operations.

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

1 Breakdown of securities financing transactions (assets and liabilities)

	31.12.2022 CHF 1000	31.12.2021 CHF 1000
Book value of claims from cash deposits related to securities borrowing and reverse repurchase business ¹⁾	46,461	28,586
Book value of liabilities from cash deposits related to securities lending and repurchase business ¹⁾	1,284,525	1,173,720
Book value of own securities lent in securities lending or deposited as collateral in securities borrowing or transferred in repurchase business	1,243,442	1,162,176
- 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	46,679	28,678
- of which repledged securities	0	0
- of which resold securities	0	0

¹⁾ Before inclusion of any 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	269,881	466,829	1,329,340	2,066,050
Mortgage loans	23,064,666	4,567	59,468	23,128,702
– Residential real estate	20,364,616	3,518	4,942	20,373,077
– Office and business buildings	1,321,092	0	7,081	1,328,173
– Trade and industry	1,038,929	243	65	1,039,237
– Others	340,029	806	47,381	388,215
Total receivables (before set-off with value adjustments) as per 31.12.2021	23,334,546	471,396	1,388,808	25,194,751
Previous year	21,857,417	448,195	1,868,277	24,173,889
Total loans (before set-off with value adjustments) as per 31.12.2021	23,263,732	471,396	1,304,232	25,039,360
Previous year	21,774,763	448,195	1,788,644	24,011,602
Off-balance-sheet				
Contingent liabilities	49,633	39,627	100,329	189,589
Irrevocable commitments	351,862	51,418	1,738,844	2,142,124
Liabilities for calls on shares and other equities	0	0	93,739	93,739
Confirmed credits	0	0	0	0
Total off-balance-sheet as per 31.12.2022	401,495	91,045	1,932,912	2,425,452
Previous year	589,818	94,556	681,999	1,366,373

Impaired receivables

	Gross debt amount CHF 1000	Estimated realisation of securities CHF 1000	Net debt CHF 1000	Individual value adjustments CHF 1000
Impaired receivables as at 31.12.2022	348,589	174,310	174,279	133,254
Previous year	392,780	198,809	193,971	136,704

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

	31.12.2022 CHF 1000	31.12.2021 CHF 1000
Assets		
Trading business		
Debt securities, money market instruments and transactions	41,899	16,041
– of which listed on an exchange	41,899	16,041
Equity securities	1,067	659
Precious metals and commodities	336	439
Total trading business	43,302	17,139
Total assets	43,302	17,139
– 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	101	0
Debt securities, money market instruments and transactions	0	0
– of which listed on an exchange	0	0
Equity securities	101	0
Precious metals and commodities	0	0
Other financial instruments measured at fair value	0	0
Total liabilities	101	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 31.12.2022 CHF 1000	Negative replacement value 31.12.2022 CHF 1000	Contract volume 31.12.2022 CHF 1000	Positive replacement value 31.12.2022 CHF 1000	Negative replacement value 31.12.2022 CHF 1000	Contract volume 31.12.2022 CHF 1000
Interest rate contracts	2,129	860	81,000	220,542	282,866	8,282,600
Futures contracts incl. FRAs	0	0	0	0	0	0
Swaps	2,129	860	81,000	220,542	282,866	8,282,600
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	5,018	4,707	414,321	4,990	5,634	586,913
Futures contracts	5,018	4,707	412,616	4,990	5,634	586,913
Combined interest and currency swaps	0	0	0	0	0	0
Futures	0	0	1,705	0	0	0
Options (OTC)	0	0	0	0	0	0
Options (exchange traded)	0	0	0	0	0	0
Total before inclusion of netting contracts	7,148	5,566	495,321	225,533	288,500	8,869,513
– of which determined on the basis of a valuation model	7,148	5,566		225,533	288,500	
Previous year	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	
			Positive replacement value (cumulative) CHF 1000		Negative replacement value (cumulative) CHF 1000	
Total after inclusion of netting contracts			5,324			9,209
Previous year			6,713			2,248
			Central clearing party CHF 1000	Banks and securities dealers CHF 1000	Other customers CHF 1000	
Positive replacement values (after inclusion of netting contracts), broken down by counterparties			0	0	5,324	

5 Breakdown of financial investments

	31.12.2022 Book value CHF 1000	31.12.2021 Book value CHF 1000	31.12.2022 Fair value CHF 1000	31.12.2021 Fair value CHF 1000
Debt securities	1,879,478	1,682,294	1,756,128	1,694,827
– of which held to maturity	1,869,795	1,672,316	1,746,372	1,684,820
– of which available for sale	9,683	9,978	9,756	10,008
Equity securities	83,685	58,480	104,681	99,158
– of which qualified participations ¹⁾	1,000	0	1,000	215
Precious metals	1,369	1,369	5,675	5,652
Crypto currencies	0	0	0	0
Fiduciary real estate ²⁾	8,913	8,913	50,257	49,035
Real estate intended for sale	441	1,535	441	1,535
Total financial investments	1,973,887	1,752,592	1,917,183	1,850,208
– of which securities eligible for repo transactions acc. to liquidity standards (HQLA)	1,851,286	1,587,301	1,724,931	1,599,826

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	Below B- CHF 1000	Without rating CHF 1000
Book value of debt securities	566,361	15,018	0	0	0	1,298,099

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

6 Presentation of participations

	Acquisition cost CHF 1000	Accumulated depreciation or adjustment / (equity valuation) CHF 1000	Book value end of 2021 CHF 1000	Reclassifications 2022 ¹⁾ CHF 1000	Investments 2022 CHF 1000	Disinvestments 2022 CHF 1000	Write-offs 2022 CHF 1000	Value adjustments of participations/write-ups acc. to the equity method 2022 CHF 1000	Book value end of 2022 CHF 1000	Market value end of 2022 CHF 1000
Participations accounted for using the equity method	20,108	-15,659	4,449	0	0	0	0	-1,197	3,253	0
– of which with quoted value	0	0	0						0	
– of which without quoted value	20,108	-15,659	4,449					-1,197	3,253	
Other participations	35,142	-5,163	29,979	0	1,000	0	-701	0	30,279	1,350
– of which with market value	220	0	220						220	1,350
– of which without market value	34,922	-5,163	29,759		1,000		-701		30,059	
Total participations	55,251	-20,822	34,429	0	1,000	0	-701	-1,197	33,532	1,350

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 31.12.2022 in %	Share of votes 31.12.2022 in %	Share of capital 31.12.2021 in %	Share of votes 31/12/2021 in %
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 (liquidated in 2022)	Drying plant	–	–	–	16.28	16.28
WeBuild Ventures SA, Morges (established as of 08.04.2022)	Consulting services	1,000	18.18	18.18	–	–
Disclosed in participations						
Fully consolidated participations						
BLKB Service AG, Liestal (established as of 14.11.2022)	Service provider	1,000	100.00	100.00	–	–
radicant bank AG, Zurich	Financial services	20,000	100.00	100.00	100.00	100.00
Participations accounted for using the equity method						
swisspeers AG, Winterthur	Financial services	379	17.72	20.21	17.76	20.21
True Wealth Ltd., Zurich	Financial services	217	40.66	40.66	40.66	40.66
Participations accounted for at the lower of cost or market value						
inQbator AG, Muttenz	Consulting services	450	33.33	33.33	33.33	33.33
Pfandbriefzentrale der schweiz. Kantonalbanken, Zurich	Bank financing	2,225	5.18	5.18	5.18	5.18
Servicehub AG, Liestal	Insurance brokerage services	200	100.00	100.00	100.00	100.00
SIX Group Ltd., Zurich	Financial services	19,522	0.41	0.41	0.41	0.41
Ultra-Brag AG, Muttenz	Shipping / warehousing / trading	3,000	11.67	11.67	11.67	11.67
Viseca Payment Services Ltd., Zurich	Financial services	25,000	3.08	3.08	3.08	3.08

The table shows all 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 500,000 or the book value is at least CHF 1,000,000.

BLKB is not applying full consolidation to the majority stake in Servicehub AG as this company ceased operations in autumn 2021. As of 31.12.2022, the equity capital of Servicehub AG accounted for 0.008% of consolidated equity.

All participations are held directly by BLKB.

10 Breakdown of other assets and other liabilities

	31.12.2022 Other assets CHF 1000	31.12.2021 Other assets CHF 1000	31.12.2022 Other liabilities CHF 1000	31.12.2021 Other liabilities CHF 1000
Compensation account	62,345	8,574	4,958	27,391
Deferred tax assets	5,666	2,549	0	0
Settlement accounts	6,317	7,757	2,622	2,529
Indirect taxes	1,860	1,999	2,592	2,323
Coupons and debt securities, due and not realised			1,516	1,584
Other liabilities from deliveries and services			7,706	2,381
Compensation fiduciary real estate			8,913	8,913
Other items	106	186	18	0
Total	76,294	21,064	28,325	45,121

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

	31.12.2022 Book value CHF 1000	31.12.2022 Actual liability CHF 1000	31.12.2021 Book value CHF 1000	31.12.2021 Actual liability CHF 1000
Pledged/ceded assets				
Pledged or ceded mortgage loans for mortgage-backed securities	7,652,578	3,251,000	6,310,117	2,927,000
Ceded loan receivables pursuant to COVID-19 Joint Surety Ordinance	85,922	0	92,654	88,000
Financial investments	54,637	0	131,088	0
Fiduciary real estate	8,913	8,913	8,913	8,913
Assets under reservation of ownership				
none	0	0	0	0
Total	7,802,050	3,259,913	6,542,772	3,023,913

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

	31.12.2022 CHF 1000	31.12.2021 CHF 1000
Liabilities to customers	372,141	500,532
Bonds ¹⁾	11,048	9,631
Cash bonds ¹⁾	0	0
Negative replacement values	0	0
Total	383,189	510,163

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

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

	31.12.2022 Number	31.12.2021 Number
Kantonalbank certificates	0	0

13 Disclosures of the economic position of own pension schemes

BLKB pension fund

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.

Pension fund of radicant bank ag

All employees are insured both for the mandatory benefits of the BVG/LPP as well as the extra-mandatory benefits of the Nest collective foundation, with the exception of employees with an annual salary of less than CHF 21,510 or whose employment contract has a term not exceeding 3 months. The pension scheme is of the defined-contribution type. The normal retirement age is 64 for women and 65 for men. As of age 50, an insured person can purchase additional years with a view to early retirement.

Pension fund of BLKB Service AG

BLKB Service AG did not have any employees in 2022 and thus did not have a pension fund in the year under review.

a) Employer contribution reserve (ECR)

	31.12.2022 Nominal value CHF 1000	31.12.2022 Waiver of use CHF 1000	31.12.2022 Net amount ¹⁾ CHF 1000	31.12.2021 Net amount ¹⁾ CHF 1000	2022 Influence of ECR on personnel expenses CHF 1000	2021 Influence of ECR on personnel expenses CHF 1000
BLKB pension fund	0	0	0	0	0	0
Pension fund of radicant bank ag	0	0	0	0	0	0

¹⁾ Must be capitalised.

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

	31.12.2022 Over/ under- funding CHF 1000	31.12.2022 Economic share of BLKB CHF 1000	31.12.2021 Economic share of BLKB CHF 1000	Change in economic share versus previous year (economic bene- fit or liability) CHF 1000	Paid-in contributions for the reporting period CHF 1000	2022 Pension expenses in personnel expenses CHF 1000	2021 Pension expenses in personnel expenses CHF 1000
BLKB pension fund, defined-contribution ¹⁾	32,900	0	0	0	13,521	13,564	12,568
Pension fund of radicant bank ag, defined-contribution ²⁾	0	0	0	0	442	703	162
Total	32,900	0	0	0	13,963	14,268	12,730

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 2022, 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 2021 and quarterly financial statement as at 30 September 2022. According to the extrapolation of the independent pension fund expert as at 31 December 2022, the coverage ratio was 106.5%. The fluctuation reserve is not paid up in full. 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.

²⁾ radicant bank ag has a defined-contribution pension fund with the Nest collective foundation. 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. As at 31.12.2022 the estimated coverage ratio of this pension scheme was 101%. The fluctuation reserve is not paid up in full. There is no employer's contribution reserve. Hence there is no economic benefit for radicant bank ag.

14 Presentation of issued structured products

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

15 Presentation of bonds outstanding and mandatory convertible bonds

Type of bond	Year of issue	Interest rate %	Maturities	31.12.2022 Balance CHF 1000	31.12.2021 Balance CHF 1000
Non-subordinated	2012	1.000	04.10.2022	0	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	2022	0.010	28.07.2026	200,000	0
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	175,000
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	200,000
Non-subordinated	2022	1.600	13.05.2032	245,000	0
Non-subordinated	2020	0.250	02.09.2032	175,000	175,000
Non-subordinated	2021	0.010	28.01.2033	150,000	150,000
Non-subordinated	2022	1.700	13.05.2042	225,000	0
Non-subordinated	2022	2.125	04.10.2052	135,000	0
Own holding of bonds				0	0
Total bonds (issuer: Basellandschaftliche Kantonbank) ¹⁾		0.606		4,130,000	3,625,000
Mortgage-backed bonds		0.610		3,251,000	2,927,000
Total outstanding bonds and mortgage-backed securities		0.608		7,381,000	6,552,000

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	31.12.2022 Total CHF 1000
Total outstanding bonds	410,000	275,000	150,000	425,000	600,000	2,270,000	4,130,000

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

	Balance 31.12.2021 CHF 1000	Changes in scope of consolidation CHF 1000	Appropriate usage CHF 1000	Reclass- ifications CHF 1000	Translation differences CHF 1000	Interest overdue, recoveries CHF 1000	Newly created charged to income CHF 1000	Reversals, credited to income CHF 1000	Balance 31.12.2022 CHF 1000
Provisions for deferred taxes	317							-127	190
Provisions for pension fund obligations	0								0
Provisions for default risks (potential cash outflow related to off-balance-sheet transactions)	53,070			-9,602			823	-6,079	38,212
– of which provisions for impaired off-balance-sheet transactions	45,387			-9,602			30	-5,712	30,103
– of which provisions for inherent default risks ¹⁾	7,684						793	-367	8,109
Provisions for other business risks	1,058		-31						1,027
Other provisions	0				0				0
Total provisions	54,445	0	-31	-9,602	0	0	823	-6,206	39,429
Reserves for general bank risks	1,303,832						37,000		1,340,832
Value adjustments for default risks and country risks	162,406	0	-11,775	9,602	-510	-121	44,973	-45,297	159,278
– of which value adjustments for default risks from impaired receivables	136,704		-11,775	9,602	-510	-121	35,740	-36,386	133,254
– of which value adjustments for inherent default risks ¹⁾	25,702						9,233	-8,911	26,024

¹⁾ As at 31 December 2021 and 31 December 2022, there was no funding gap in relation to value adjustments and provisions for inherent default risks.

17 Presentation of the bank's capital

Disclosure in accordance with the accounting rules for banks applies solely for the parent bank (see Annual Report of the parent bank, page 90).

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			
	31.12.2022 Number	31.12.2021 Number	31.12.2022 CHF 1000 ¹⁾	31.12.2021 CHF 1000 ¹⁾
Members of the Board of Directors	120	120	-27	-28
Members of the Executive Board	328	492	-74	-113
Employees	538	559	-435	-509
Total	986	1,171	-536	-650

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.

The BLKB Group had not issued any options as at 31 December 2022 and 31 December 2021.

The subsidiaries radicant bank ag and BLKB Services AG do not have any equity securities or options on equity securities held by executives and directors or by employees.

19 Disclosure of amounts due from/to related parties

	Receivables		Payables	
	31.12.2022 CHF 1000	31.12.2021 CHF 1000	31.12.2022 CHF 1000	31.12.2021 CHF 1000
Qualified shareholders	0	0	307,776	59,154
Group companies	0	0	205	450
Affiliated companies	227,596	281,365	567,555	727,887
Governing bodies	13,272	13,407	4,088	6,261
Other related parties ¹⁾	2,000	2,000	5,030	5,291

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 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

Disclosure in accordance with the accounting rules for banks applies solely for the parent bank (see Annual Report of the parent bank, page 92).

21 Disclosure of own shares and composition of equity capital

	2022 Number	2022 Average transaction price in CHF	2021 Number	2021 Average transaction price in CHF
Number of Kantonalbank certificates held by the bank on 1 January	5,569		3,714	
+ acquisitions	5,992	905	6,927	918
- sales	-5,877	908	-5,072	919
Balance on 31 December	5,684		5,569	
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	3,802		3,360	

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

Disclosure in accordance with the accounting rules for banks applies solely to the parent bank (see Annual Report of the parent bank, page 103).

23 Presentation of the maturity structure of financial instruments

	On demand CHF 1000	Callable CHF 1000	Due within 3 months CHF 1000	Due within 3 to 12 months CHF 1000	Due within 12 months to 5 years CHF 1000	Due after 5 years CHF 1000	Immobilised CHF 1000	Total CHF 1000
Assets / financial instruments								
Liquid funds	6,771,593							6,771,593
Due from banks	105,383	779	451,070	67,008	20,000			644,240
Due from securities financing transactions			46,461					46,461
Due from customers	5,071	368,210	861,448	297,434	342,597	96,918		1,971,677
Mortgage loans	1,579	197,375	2,542,190	2,876,868	11,312,892	6,136,779		23,067,683
Trading business	43,302							43,302
Positive replacement values of derivative financial instruments	5,324							5,324
Financial investments	82,046		111,859	198,180	868,604	703,842	9,355	1,973,887
Total as per 31.12.2022	7,014,297	566,364	4,013,028	3,439,490	12,544,094	6,937,538	9,355	34,524,166
Previous year	5,603,622	630,661	3,788,970	4,078,011	12,188,962	6,355,822	10,449	32,656,496
Loans / financial instruments								
Due to banks	42,178	668	1,327,827	24,626	145,000			1,540,298
Due to securities financing trans- actions			1,284,525					1,284,525
Due to customers in savings and deposits	11,491,171	7,878,056	1,854,944	340,987	85,912	443		21,651,513
Due to trading business	101							101
Negative replacement values of derivative financial instruments	9,209							9,209
Cash bonds			125					125
Bonds and mortgage-backed bonds			410,000	188,000	2,858,000	3,925,000		7,381,000
Total as per 31.12.2022	11,542,659	7,878,724	4,877,421	553,613	3,088,912	3,925,443	-	31,866,771
Previous year	12,167,479	7,853,283	3,062,580	556,283	2,472,125	3,880,000	-	29,991,750

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

	31.12.2022 Domestic CHF 1000	31.12.2022 Foreign CHF 1000	31.12.2021 Domestic CHF 1000	31.12.2021 Foreign CHF 1000
Assets				
Liquid funds	6,771,593		5,441,967	
Due from banks	591,614	52,626	1,351,342	46,554
Due from securities financing transactions		46,461	28,586	
Due from customers	1,735,952	235,725	2,063,783	281,784
Mortgage loans	23,067,683		21,666,036	
Trading business	38,723	4,579	14,679	2,460
Positive replacement value of derivative financial instruments	5,324		6,559	154
Financial investments	1,653,605	320,282	1,451,647	300,945
Accrued income and prepaid expenses	44,042	2,482	23,224	2,684
Non-consolidated participations	33,270	261	34,167	261
Tangible fixed assets	90,327		89,672	
Intangible assets	2,601		7,993	
Other assets	76,246	48	21,064	
Total assets	34,110,981	662,463	32,200,720	634,842
Liabilities				
Due to banks	762,784	777,514	798,384	749,599
Due to securities financing transactions	1,074,900	209,625	1,073,720	100,000
Due to customers in savings and deposits	21,062,614	588,899	20,066,904	646,560
Due to trading business		101	0	
Negative replacement values of derivative financial instruments	9,209		2,248	
Cash bonds	125		2,336	
Bonds and mortgage-backed bonds	7,381,000		6,552,000	
Accrued expenses and deferred income	105,392	326	98,154	
Other liabilities	27,778	548	44,427	694
Provisions	39,429		54,445	
Reserves for general bank risks	1,340,832		1,303,832	
Bank's capital	217,000		217,000	
Capital reserve	3,070		2,875	
Retained earnings reserves	1,047,280		997,110	
Own shares	-5,172		-5,068	
Consolidated profit	130,191		130,342	
Total liabilities	33,196,430	1,577,014	31,338,710	1,496,852

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

	31.12.2022 CHF 1000	31.12.2022 Share %	31.12.2021 CHF 1000	31.12.2021 Share %
Assets				
Switzerland	34,110,981	98.09	32,200,720	98.07
Europe	509,784	1.47	502,118	1.53
North America	82,919	0.24	65,121	0.20
Asia/Australasia	68,260	0.20	66,017	0.20
Others	1,500	0.00	1,586	0.00
Total assets	34,773,444	100.00	32,835,562	100.00

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

Rating category ¹⁾	Net foreign exposure 31.12.2022 CHF 1000	Net foreign exposure 31.12.2022 Share %	Net foreign exposure 31.12.2021 CHF 1000	Net foreign exposure 31.12.2021 Share %
1	647,312	98.97	627,792	99.69
2	0	0.00	0	0.00
3	233	0.04	356	0.06
4	5,032	0.77	5	0.00
5	15	0.00	29	0.00
6	1,485	0.23	1,558	0.25
7	1	0.00	1	0.00
No rating	0	0.00	0	0.00
Total	654,077	100.00	629,741	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	6,761,545	9,475	344	229
Due from banks	359,059	58,156	124,804	102,222
Due from securities financing transactions			39,784	6,677
Due from customers	1,448,342	488,210	33,769	1,357
Mortgage loans	23,045,464	22,219		
Trading business	42,907	0	59	336
Positive replacement values of derivative financial instruments	5,324			
Financial investments	1,905,170	62,746	4,602	1,369
Accrued income and prepaid expenses	43,331	2,420	650	122
Non-consolidated participations	33,270		261	
Tangible fixed assets	90,327			
Intangible assets	2,601			
Other assets	76,090	199	5	0
Total on-balance-sheet assets	33,813,430	643,425	204,278	112,311
Delivery claims from spot exchange dealings, forward exchange deals and foreign exchange options	365,602	264,060	284,544	77,130
Total assets 31.12.2022	34,179,032	907,484	488,823	189,441
Liabilities				
Due to banks	1,388,829	94,196	56,417	856
Due to securities financing transactions	1,247,000	37,525		
Due to customers in savings and deposits	20,725,170	569,581	187,631	169,132
Due to trading business	101			
Negative replacement values of derivative financial instruments	9,209			
Cash bonds	125			
Bonds and mortgage-backed bonds	7,381,000			
Accrued expenses and deferred income	105,022	243	324	129
Other liabilities	28,313	3	7	3
Provisions	39,429			
Reserves for general bank risks	1,340,832			
Bank's capital	217,000			
Capital reserve	3,070			
Retained earnings reserves	1,047,280			
Own shares	-5,172			
Consolidated profit	130,191			
Total on-balance-sheet liabilities	33,657,398	701,548	244,379	170,119
Delivery liabilities from spot exchange dealings, forward exchange deals and foreign exchange options	426,519	264,027	284,439	16,699
Total liabilities 31.12.2022	34,083,917	965,575	528,818	186,818
Net position per currency	95,114	-58,090	-39,995	2,623

28 Breakdown and explanations of contingent assets and liabilities

	31.12.2022 CHF 1000	31.12.2021 CHF 1000
Guarantee for collateralisation of loans and similar	122,850	119,738
Guarantee for warranty and similar	66,699	79,669
Irrevocable commitments from documentary letters of credit	40	86
Total contingent liabilities	189,589	199,493
Other contingent claims	0	0
Total contingent claims	0	0

29 Breakdown of credit commitments

There are no credit commitments.

30 Breakdown of fiduciary transactions

	31.12.2022 CHF 1000	31.12.2021 CHF 1000
Fiduciary deposits with third-party companies	0	0
Total	0	0

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

a) Breakdown of assets under management

Type of assets under management	31.12.2022 CHF 1000	31.12.2021 CHF 1000
Assets in collective investment instruments managed by the bank	1,973,333	1,979,526
Assets with management mandate	3,719,306	4,480,316
Other assets under management	21,110,314	20,652,197
Total assets under management (including double counting)	26,802,954	27,112,039
– of which double counting	1,969,727	1,979,526

Assets under management comprise assets in securities accounts including fiduciary assets and amounts due in respect of customer deposits. Accounts held purely for transaction purposes are excluded, unless customers request additional advisory and management services. Assets managed by external asset managers and assets in respect of which functions similar to that of a custodian are exercised are also not included in assets under management.

b) Presentation of the development of assets under management

	2022 CHF 1000	2021 CHF 1000
Total assets under management (including double counting) at the beginning of the year	27,112,039	23,960,497
+/- Net new money inflow or net new money outflow	1,653,929	1,552,303
Changes in double counting	-10,014	515,762
+/- price movement, interest, dividend, and currency development	-1,724,243	871,550
+/- other effects	-229,098	211,928
Total assets under management (including double counting) at year-end	26,802,613	27,112,039

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, commissions, price movements and interest payments are excluded. Custody assets do not count as net new money.

32 Breakdown of the result from trading transaction and the fair value option

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

	2022 CHF 1000	2021 CHF 1000
BLKB Group ¹⁾	22,430	17,934
Total	22,430	17,934

¹⁾ The BLKB Group 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	2022 CHF 1000	2021 CHF 1000
Interest rate contracts (incl. funds)		2,469	2,419
Equity instruments (incl. funds)		-20	7
Foreign exchange		19,701	15,203
Commodities / precious metals		280	306
Total net trading income		22,430	17,934
- 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

	2022 CHF 1000	2021 CHF 1000
Refinancing income from trading positions	81	141
Negative interest claims (reduction in interest income)	-3,529	-6,264
Negative interest liabilities (reduction in interest expenses)	22,210	31,042

The negative interest rates of the hedging transactions have not been taken into account.

34 Breakdown of personnel expenses

	2022 CHF 1000	2021 CHF 1000
Salaries (attendance fees and fixed compensation paid to bank authorities, salaries and benefits)	-104,070	-95,376
– of which expenses related to share-based compensation and alternative forms of variable compensation	-2,082	-764
Social benefits	-24,156	-22,153
Value adjustments in relation to the economic benefit or liability of pension schemes	0	0
Other personnel expenses	-6,288	-4,703
Total personnel expenses	-134,515	-122,232

35 Breakdown of other operating expenses

	2022 CHF 1000	2021 CHF 1000
Premises expense	-6,313	-6,947
Expense for IT and communications technology	-25,229	-27,968
Expense for vehicles, machinery, furniture, other equipment, and operational leasing	-1,085	-1,080
Fees for the auditing company	-615	-563
– of which for accounts and supervision audit	-588	-512
– of which for other services	-27	-51
Service expenses	-15,495	-12,998
Other operating expenses	-30,143	-24,499
– of which compensation for state guarantee	0	0
Total operating expenses	-78,882	-74,056

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

	2022 CHF 1000	2021 CHF 1000
Extraordinary income	780	361
– of which profits from sales of participations, real estate and tangible fixed assets ¹⁾	780	203
– of which revaluations of participations, real estate, and tangible fixed assets ²⁾	0	158
– of which other extraordinary income	0	0
Extraordinary expenses	-3	-3
– of which realised losses from disposal of shares, real estate and tangible fixed assets	-3	-3
– of which other extraordinary expenses	0	0
Changes in reserves for general bank risks	-37,000	-35,000
– of which creation of reserves for general bank risks	-37,000	-35,000
– of which release of reserves for general bank risks	0	0
– of which reclassification of reserves for general bank risks without affecting net income	0	0

In 2022 and 2021, the bank did not register any substantial losses or releases of value adjustments and provisions.

¹⁾ 2022: This mainly concerns the income from the capital reduction of a participation and the gain on the disposal of other real estate and tangible fixed assets. 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.

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

No revaluations took place in 2022. 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

The BLKB Group does not have any foreign operational sites.

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

	2022 CHF 1000	2021 CHF 1000
Creation of provisions for deferred taxes	0	-317
Release of provisions for deferred taxes	127	0
Capitalisation of deferred tax assets on loss carryforwards	3,117	2,549
Release of tax assets on loss carryforwards	0	0
Expenses for current income taxes and capital taxes	-306	-779
Total taxes	2,938	1,453
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.

The average tax rate for the radicant bank ag subsidiary is 0.4% (previous year: 0.4%).

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

	2022 CHF	2021 CHF
Undiluted result for the endowment capital / per Kantonalbank Certificate	60.15	60.22
Diluted result for the endowment capital / per Kantonalbank Certificate	60.15	60.22

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 weighted average 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.

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

Basellandschaftliche Kantonal- bank

Liestal

Report of the statutory auditor to the Cantonal
Council for the attention of the Cantonal
Parliament

on the consolidated financial statements 2022



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

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Report of the statutory auditor

to the Cantonal Council for the attention of the Cantonal Parliament of the Canton of Basel-Landschaft on Basellandschaftliche Kantonalbank, Liestal

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Basellandschaftliche Kantonalbank and its subsidiaries ('the Group') which comprise the consolidated balance sheet as at 31 December 2022, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies. Basellandschaftliche Kantonalbank is preparing consolidated financial statements for the first time.

In our opinion, the accompanying consolidated financial statements (pages 38 to 85) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable accounting rules for banks and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: CHF 8,359,000



We conducted a full scope audit at Basellandschaftliche Kantonalbank AG and at radicant bank ag.

As key audit matter, the following area of focus was identified:

Valuation of loans to customers (due from customers and mortgage loans)

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

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

On the basis of our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 8,359,000
Benchmark used	Consolidated net profit before changes in reserves for general bank risks
Rationale for the materiality benchmark applied	We chose consolidated net profit before changes in reserves for general bank risks as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. Additionally, consolidated net profit before changes in reserves for general bank risks is a generally accepted benchmark for materiality considerations.

We agreed with the Board of Directors (Bankrat) that we would report to it misstatements above CHF 835,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The approach for the audit of the consolidated financial statements was determined taking into the work performed at both Group companies. As Group auditor, we performed the audit of the consolidation, the disclosures and the presentation of the consolidated financial statements as well as the audit of Basellandschaftliche Kantonalbank.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the reporting 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.

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

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Valuation of loans to customers (amounts due from customers and mortgage loans)

Key audit matter	How our audit addressed the key audit matter
<p>Basellandschaftliche Kantonalbank is involved in the traditional mortgage business and commercial loans business.</p> <p>We consider the valuation of loans to customers to be a key audit matter in view of the significance of this asset category in relation to total assets and the scope for judgement by management in assessing the extent and amount of the value adjustments for default risks.</p> <p>As loans to customers, due from customers and mortgage loans amounting to CHF 25,039 million (prior year: CHF 24,012 million) were reported in the balance sheet as at the end of 2022. This represents 72.0% (prior year: 73.1%) of total assets in the amount of CHF 34,773 million (prior year: 32,836 million).</p> <p>The recognition and valuation principles applied to due from customers and mortgage loans and the methods used to identify default risk, determine the need for any value adjustment and evaluate collateral are described in the annual report (pages 46, 47, 49, 50, 51, 54 and 55).</p> <p>In the case of loans to customers, the Bank considers various influencing factors to individually assess whether a negative change will lead to an impairment of loans to customers. The factors considered include, among others, local economic conditions, the financial situation of the borrower and the valuation of the collateral.</p> <p>Individual value adjustments amounting to CHF 133.3 million were applied as deductions from loans to customers (prior year: CHF 136.7 million).</p> <p>On the basis of the expected longer-term development of the loan portfolio's quality, the Bank creates value adjustments for inherent default risks on non-impaired loans to customers. The Bank uses a calculation method based on an expected loss approach (historical default rates) to determine the amount of value adjustments for inherent default risks on loans to customers.</p> <p>As at 31 December 2022, the Bank has value adjustments for inherent default risks in the amount of CHF 26.0 million (prior year: CHF 25.7 million).</p>	<p>Primarily, we performed functional tests on internal controls relating to loans to customers, assessed the key controls and tested on a sample basis compliance with them. This gave us a basis to assess whether the Board of Directors' requirements were respected. In addition, we examined whether the instructions and implementing regulations of Basellandschaftliche Kantonalbank were systematically applied.</p> <p>We tested the adequacy and effectiveness of the following key controls relating to the valuation of loans to customers:</p> <ul style="list-style-type: none"> • <i>Credit analysis and approval</i>: compliance with the authorisation regulations, verification of the financial suitability calculations and assessment of collateral; • <i>Credit processing</i>: check of loan disbursement • <i>Credit monitoring</i>: review the use of loan monitoring lists and of the related reports. <p>Further, we performed the following substantive tests of detail on a sample basis:</p> <ul style="list-style-type: none"> • We assessed the impairment of loans to customers and tested the applied <i>process to identify customer loans with a potential need for value adjustment</i>. Our sample included a random selection of items from the entire loan portfolio as well as a risk-based selection. For our assessment, we used, among others, the expert opinions obtained by the Bank regarding collateral with no observable market price as well as other available information on market prices and price comparisons. • In addition, we made an assessment of the <i>method to estimate impairments</i>. We also checked whether the value adjustments were made in accordance with the accounting rules and the accounting policies of the Bank. • We assessed the approach for determining and creating <i>value adjustments for inherent default risks</i>. In doing so, we assessed the assumptions underlying the calculation and tested whether they are applied consistently. <p>The assumptions made were in line with our expectations.</p>

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

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Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the Accounting Rules for Banks and the law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or the Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or the Audit and Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or the Audit and Risk Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the reporting period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and other regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Philippe Bingert
Audit expert
Auditor in charge

Philipp Gämperle
Audit expert

Basel, 14 February 2023

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