



We stay close.
Even when distancing.

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At a glance

	2020 CHF m	2019 CHF m	2018 CHF m	2017 CHF m	2016 CHF m
Balance sheet					
Balance sheet total	29,769.7	27,280.0	25,340.8	24,212.2	23,689.5
Mortgage loans	20,531.6	19,600.6	18,718.4	18,165.6	17,556.8
Due to customers in savings and deposits	18,794.0	17,486.8	16,717.7	16,689.7	15,729.8
Income statement					
Operating income	355.7	362.2	358.5	366.9	368.3
Operating profit	162.0	171.1	165.2	172.1	183.4
Annual net profit	138.1	136.8	134.5	133.3	133.6
Dividends on certificate capital	20.0	20.0	20.0	20.0	20.0
Profit distribution to the canton ¹⁾	60.0	60.0	60.0	60.0	60.0
Additional information					
Employees (FTE average)	710	687	685	673	657
Number of branches (includes Mobile Bank)	24	23	23	23	24
Assets under management	22,497	21,530	19,633	19,782	19,072
Average interest margin	1.126%	1.174%	1.245%	1.322%	1.405%
Return on equity	6.60%	7.21%	8.08%	8.99%	9.52%
Core capital ratio (CET 1)	20.16%	20.39%	20.35%	20.02%	19.86%
Cost/income ratio I	49.99%	47.42%	46.95%	48.10%	44.04%
Cost/income ratio II	54.46%	52.75%	53.93%	53.10%	50.20%
Kantonalbank certificate					
Year-end closing price (in CHF)	940.00	920.00	908.00	904.50	900.00
Nominal value (in CHF)	100.00	100.00	100.00	100.00	100.00
Dividend per certificate (in CHF)	35.00	35.00	35.00	35.00	35.00
Market capitalisation ²⁾	2,039.8	1,996.4	1,970.4	1,962.8	1,953.0

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

²⁾ Certificate and endowment capital

That was 2020

CHF 138.1 m

Society

A pleasing result

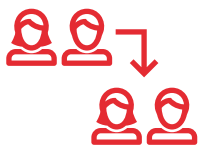
We generated a good operating profit of CHF 162 m in 2020. Our net profit was higher than in the previous year at CHF 138.1 m. In addition, the business volume rose by a significant CHF 2.1 bn. This was despite Covid-19 as well as the persistently difficult situation on interest rates.



People

Staying close – despite distancing

We stayed close to our customers even during the pandemic, in part with the help of digital customer events on financial topics, the “BLKB live” virtual cultural event series, as well as digital customer advisory services.



People

A stronger presence

We strengthened our presence in the Northwest Switzerland economic region with new branches in Basel, Frick and Rheinfelden. This enables us to advise our customers closer to home.



Society

Stronger together

The region remains strong and united despite the crisis. With a total of CHF 123.5 m in emergency loans as part of the federal government’s support programme during the Covid-19 crisis, BLKB made an important contribution to the region’s stability. In addition, the bank supported innovative start-ups with guaranteed loans totalling CHF 877,000. Even in difficult times, we are a dependable partner for the region and its people.



AA stable

Society

Solid and stable

BLKB remains one of the most solid regional banks in Switzerland and Europe. This is demonstrated by our very good core capital ratio (CET 1) of 20.16 per cent and excellent AA rating with a "stable" outlook from Standard & Poor's. S&P commends us for our healthy financial situation, strong market position, high-quality loan book and progress on digitalisation.



Environment

Sustainability rating improved

Sustainability rating agency *MSCI ESG* now rates BLKB an impressive A, in recognition of our major commitment to a fully sustainable business model.



Environment

Numerous accolades

We received various awards for our ongoing commitment as a sustainable, forward-looking bank. BLKB won the "Best Regional Sustainability Bank Switzerland" Award from international financial magazine *cfi.co*. The "BLKB Climate Basket" structured product was voted Best Climate Protection Product in the *Swiss Derivative Awards 2020*.

Fund analysis platform Morningstar awarded the BLKB fund "iQ Responsible Equity World ex Switzerland" (iQ Equity World) five stars. This fund incorporates environmental, social and governance factors.

“The people of the region can depend on us”

Chairman of the Board of Directors Thomas Schneider and CEO John Häfelfinger discuss a 2020 business year dominated by Covid-19, the benefits of sustainability for customers, and the opportunities presented by digitalisation.

In an economic environment dominated by uncertainty, BLKB achieved a slight increase in net profit compared with the previous year. What were the key factors behind this good result?

Thomas Schneider: BLKB coped well with the difficult overall conditions of 2020. We achieved qualitative, risk-conscious growth in our core business and increased our net profit. In difficult times, BLKB supported the region in a fast, straightforward way and fulfilled its public service mandate as a cantonal bank. At the same time we made further progress on the automation of our processes and systems, which impacted positively on our future sustainability and cost structure. Our cost/income ratio stayed within the target range despite the squeeze on margins as well as higher investment – clear evidence of the success of BLKB’s sustainability-led business model. BLKB is correctly positioned in strategic terms, and is rated one of the most stable regional banks in Switzerland and Europe.

John Häfelfinger: In what was an extremely challenging year, our employees performed very well and achieved a great deal. The good results were attributable to a strong performance in the core business as well as constant vigilance on the cost front. At operating level, the main drivers of our business developed very well. The business volume – the inflow of new money and mortgages, in other words – showed a significant increase. The fact that this growth was reflected in profitability is particularly encouraging. We generated higher income in our interest operations as well as our commission business. This shows that

we’re on the right track with our focus on providing advice and developing the skills of our employees.

BLKB generated significantly higher income in its commission business in the year under review. Do you attribute that to BLKB’s growing investment capability?

John Häfelfinger: Absolutely. In the commission business, we’re now reaping the rewards of the systematic advisory approach we’ve taken in recent years. Indeed we continued to make selective investments in our advisory quality in the year under review. The fact that we successfully grew our overall investment business is encouraging. First, we were able to transfer a portion of the inflow of new money into the investment business. Second, our in-house sustainable investment funds are proving popular and are contributing to growth. This shows that our offering meets a growing need on the part of our customers and that we’re investing in the right topics in terms of advice.

Staying with the difficult environment, 2020 was totally overshadowed by the pandemic. How did the Covid-19 crisis affect BLKB?

John Häfelfinger: 2020 was a difficult year for all of us. The pandemic had a serious impact on the economy and on society. Covid-19 brought a number of challenges for BLKB as well. But thanks to our distinctive team spirit and high degree of flexibility, the bank continued to function and was able to fulfil its mandate at all times. However, the crisis revealed just how valuable our long-standing relationships with our customers as well our business partners are. The people of the region can depend on us.

BLKB increased its value adjustments for credit risks in the year under review. What was the reasoning behind that, and should a further increase be expected this year?

John Häfelfinger: We've always created value adjustments and right now we're continuing to take a cautious approach with regard to the economic impact of Covid-19 on our loan book. The expectation is that many of our customers will only really notice the consequences of the pandemic over the course of this year. Fact is, the various financial support measures have helped cushion the impact so far. A lot now depends on how the economy develops – in other words, how quickly consumption picks up and global supply chains start to function properly again, and whether new waves of the pandemic can be avoided. It isn't possible to make forecasts at the current time. One thing is certain, however: Covid-19 will keep us busy in 2021 as well. That said, BLKB is well equipped for all eventualities thanks to its very solid capital adequacy.

The pandemic has significantly accelerated the digitalisation of everyday life, and customers are increasingly demanding digital financial services. How is BLKB responding to this trend?

Thomas Schneider: We're determined to grasp the opportunities presented by digitalisation and deliver what our customers expect. Our strategy is centred on a digitally savvy customer base in the Swiss market. As a logical step in the implementation of our strategy, we announced the launch of a digital financial services company at the end of 2020. This is aimed at a Switzerland-wide audience that is digitally literate and attaches great importance to sustainability. We're currently in the process of setting it up and are very excited about what we're doing. The plan is to create a comprehensive digital offering covering payments, financing, investing and pensions. With this approach we are staying true to our ambition of being a forward-looking partner that supports its customers in relation to all their financial needs.

The topics of sustainability and climate protection have increasingly shaped the public discourse since the start of the Covid-19 crisis and the climate protests. BLKB replaced its existing mission statement with a sustainable mission statement in the year under review. How significant are these issues for BLKB?

Thomas Schneider: Very. Sustainability is our business model. Sustainability and climate protection are not new to BLKB. The fact that we're Switzerland's forward-looking bank hasn't come about by chance. BLKB has been taking responsibility for the people of the region for over 150 years, and sustainable thinking and responsible action are the norm for us. We have a holistic, forward-looking understanding of sustainability and systematically implement this in day-to-day banking. The fact

that we've replaced our existing mission statement with a new, sustainable mission statement demonstrates this strong commitment. In terms of "people", "society" and the "environment", we aim to exert a positive influence and take responsibility beyond the bank itself.

What are the benefits of a sustainable business strategy for BLKB's customers?

John Häfelfinger: There are lots of advantages: A business model that is committed to sustainability reduces risks for the bank. Thinking and acting with the long term in mind makes us resilient and stable – which ultimately benefits our customers as well as our owners. What's more, our commitment to sustainability will open up new business opportunities for us. We see this as a chance to capture new income streams and thus safeguard our future. So, our sustainable business model supports us in terms of diversifying our income and will have a positive impact on our operating result. In addition, being a regional sustainable bank means we're close to our customers and the local economy. We're familiar with their needs, and can give them prudent, forward-looking advice.

BLKB has established sustainability as a business model. What is the bank doing to make an even greater impact?

John Häfelfinger: On the basis of our new mission statement we've defined a set of sustainability objectives which we intend to achieve by 2030. These overarching objectives will be used in the short term to define our annual objectives and in the long term as the basis for future strategy periods. At operating level, meanwhile, BLKB is continuously expanding its sustainable product line-up. On the investment side, we recognised the signs of the times early on and are one of the few universal banks in Switzerland to apply strict exclusion criteria to all investment products. In addition, BLKB is now systematically incorporating environmental, social and governance criteria into its commercial lending business. We view this as a forward-looking approach that will support the region on its path to becoming a resource-efficient economy. The new Future Account, E-Mortgage and growing volume of our in-house sustainably managed investment funds show how deeply rooted sustainability is within our core business.

Thomas Schneider: Also, the setting up of a Sustainability Advisory Committee in early 2020 shows how seriously we take these things. Three independent experts from business and politics advise us on our area of influence as a sustainable bank. We will continue to proactively shape the public discourse on sustainability. In addition, through our representation on the boards of Swiss Sustainable Finance and swisscleantech, we campaign for a sustainable Swiss financial sector and economy.

Looking to the future, what will you be focusing on in 2021?

Thomas Schneider: Quality will be a focal theme in 2021. We've put a number of innovations into action in recent years and laid important foundations for our future success. Our intention is to use this year to pursue our existing plans based on our high-quality approach and ensure their success. At the same time, sustainability will continue to be one of our main focal points. We've laid the basis for this by revising our mission statement and setting out our sustainability objectives. In 2021 we'll continue campaigning for a sustainable financial centre and climate protection, as well as make our contribution to the region and the environment. Also, our new Sales Mid-Office unit will help us streamline our processes and boost our efficiency even further.

John Häfelfinger: The creation of our new sustainable digital financial services company will obviously be one of our focal points. Our core business also remains our priority, and we will continue to invest in it. Examples include our expansion into Fricktal, the development of new advisory formats and the training of all customer advisers to become financial advisers and planners. In parallel, we'll continue to forge ahead with the digitalisation of our processes and a further strengthening of the customer experience. Our customers will once again be at the heart of everything we do in 2021.



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

Thomas Schneider
Chairman of the Board of Directors

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

John Häfelfinger
CEO

Management report

The pleasing annual result shows that our sustainability business model is paying off. We take responsibility for people, society and the environment.

BLKB achieved a good result in 2020 with a net profit of CHF 138.1 m. This is despite higher value adjustments for credit risks of CHF 18.8 m and a persistently difficult interest-rate situation. The distribution to the canton of Basel-Landschaft of CHF 60 m and dividend of CHF 35 per certificate are unchanged compared with the previous year.

Business performance

BLKB achieved a good result with an annual net profit of CHF 138.1 m despite higher value adjustments for credit risks of CHF 18.8 m and a persistently difficult situation on interest rates. This result was primarily attributable to a strong income performance in the core business as well as continued vigilance on the cost front.

Strong income performance

BLKB significantly increased the gross profit from interest-related business (CHF 275.6 m; +2.4%). Income from commission and service business also showed strong growth (CHF 73.4 m; +8.5%). Trading income was likewise higher than the previous year's level (CHF 18 m; +3.9%). Other ordinary income declined (CHF 7.6 m; -3.5%). Due to value adjustments for credit risks, net income from interest operations was lower than in the previous year at CHF 256.8 m (-3.9%). This also resulted in a lower operating profit of CHF 162 m (-5.3%).

Growth in customer assets

Customers continued to show a high level of trust in BLKB, as in the previous years. The inflow of net new money was CHF 964 m (previous year: CHF 687 m) and was broad-based. Amounts due to customers in savings and deposits grew to a total of CHF 18.8 bn (+7.5%).

Assets under management with BLKB now amount to CHF 22.5 bn (+ CHF 1 bn), of which CHF 3.7 bn are managed on the basis of mandates (+5.2%). Assets managed within the bank's in-house investment funds rose markedly, as in the previous year, to CHF 1.5 bn (+22.9%). This increase confirms that clients value sustainable investing. Lending business was 84.7 per cent refinanced by customer deposits.

Risk and margin-led growth in mortgages

Mortgage lending grew by CHF 931 m to CHF 20.5 bn (+4.8%). Despite the Covid-19 crisis, there was no substantial softening of the demand for mortgages. BLKB continues to pursue a cautious risk policy.

Fig. 1 Operating income

in CHF m

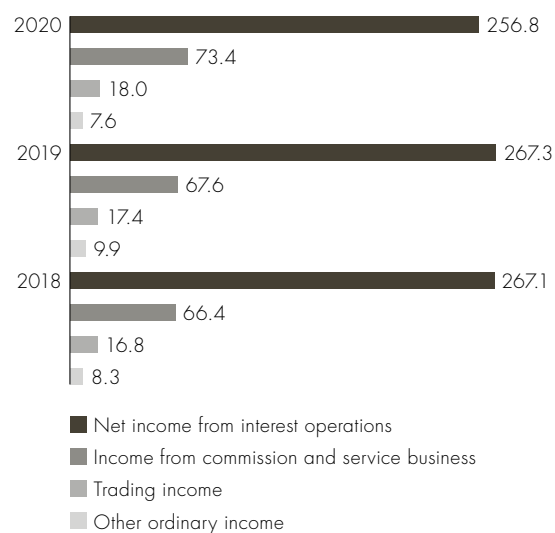


Fig. 2 Operating expenses

in CHF m

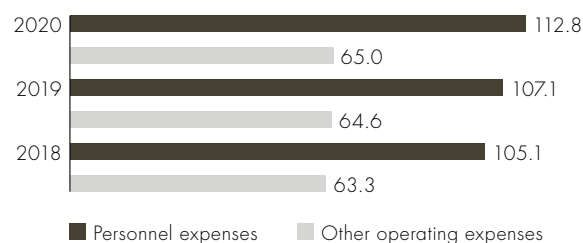
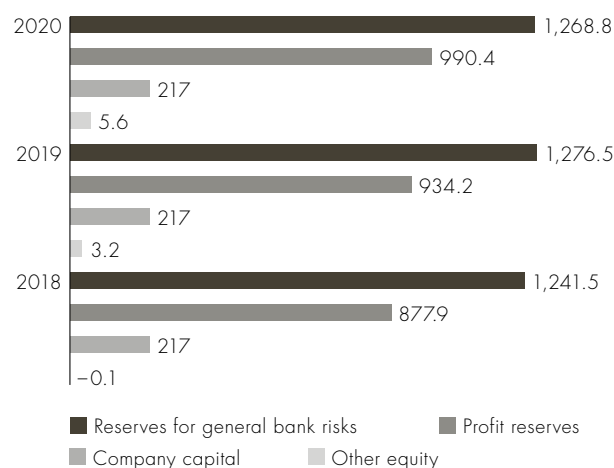


Fig. 3 Equity capital after profit distribution

in CHF m



Development of corporate lending affected by Covid-19 and value adjustments

Credit lines for companies (excluding Covid-19 loans) grew by CHF 899 m to CHF 6.8 bn (+15.3%). BLKB continues to take a cautious approach with regard to the economic impact of Covid-19 on its loan book. It therefore created value adjustments for credit risks totalling CHF 18.8 m in the year under review. From the very start of the Covid-19 pandemic, BLKB committed itself to providing liquidity bridging for its SME customers in a fast, straightforward way. The bank issued a total of 1,141 Covid-19 credits totalling CHF 123.5 m in 2020 as part of the federal government’s emergency support programme. Of this total, 110 loans with a volume of CHF 16.6 m had already been repaid by the end of December 2020. The total approved amount for the Covid-19 Credit Plus facility was CHF 36 m, split between eleven customers. In addition, together with the *Basel regional development agency*, BLKB implemented the federal government’s support tool for innovative start-ups in the Basel region. By the end of 2020, the bank granted guaranteed loans totalling CHF 877,000 to eight start-ups. In the event of any profit from the Covid-19 facilities following the netting of relevant operating expenses, BLKB will donate this sum or make it available to businesses in the canton in some other form.

Stringent cost management and low cost/income ratio

Operating expenses amounted to CHF 177.8 m last year (+3.6%). The average number of full-time equivalents rose by 22.7 year-on-year to 709.7 (+3.3%). Personal expenses rose as a result (+5.3%). Other operating expenses increased slightly (+0.7%).

The cost/income ratio increased to 50 per cent due to value adjustments for credit risks (previous year: 47.4%). This is still a very low level given the business model as well as by sector standards. Net other income amounted to CHF 7.6 m (-23.5%). This ultimately resulted in a net profit of CHF 138.1 m (+1%).

Extremely solid capitalisation

The 6.6 per cent return on equity remains well above our target of the rolling 10-year swap +3 per cent. The core capital ratio (CET 1) was an excellent 20.16 per cent. BLKB therefore remains one of the most solidly financed regional banks in Switzerland and Europe.

Outlook

2021 will be another challenging year. Gauging the full economic impact of Covid-19 remains difficult. At the same time, political uncertainties are affecting the currency situation and interest rates remain extremely low. Against this backdrop, BLKB expects a modest performance in 2021 and a result on a par with that of the previous year.

Fig. 4 Equity capital and core capital ratio

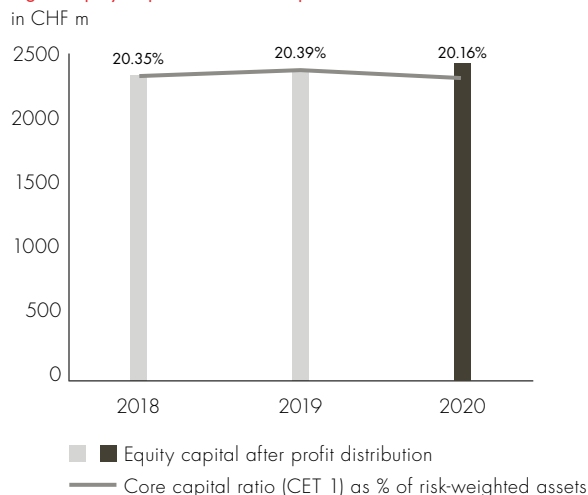


Fig. 5 Due to customers in savings and deposits

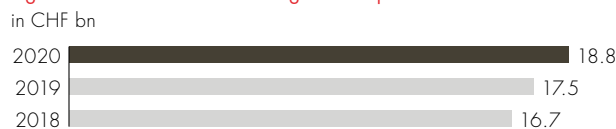
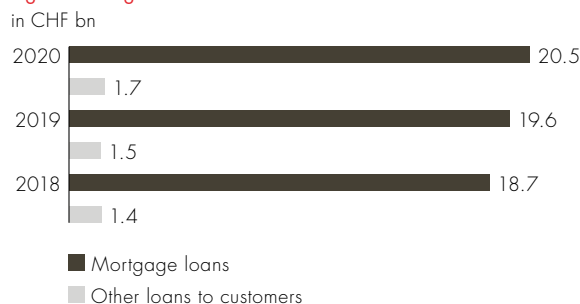


Fig. 6 Lending to customers



Organisation

BLKB continued to simplify its organisational structure and processes in the year under review, enabling it to act in a faster, more agile manner in future as well as focus even more closely on the needs of its customers. Efforts centred on the creation of a Sales Mid-Office as well as organisational changes in Corporate Banking Advisory and Human Resources.

Changes to the Board of Directors

Erica Dubach Spiegler stood down from the Board of Directors on 31 December 2020 in order to concentrate on digitalisation projects and management roles. Her successor will be decided in the first half of 2021. Further information on the changes to the Board of Directors can be found in the "Corporate governance" section on [page 42](#).

Changes to the Executive Board

Manuel Kunzelmann, a member of the Executive Board and head of Strategy & Market Services, left BLKB on 30 April 2020. He was succeeded by Alexandra Lau, former head of Legal & Compliance, who was appointed as a member of the Executive Board by the Board of Directors on 5 February 2020. Herbert Kumbartzki, Chief Financial Officer (CFO) and Deputy CEO of BLKB, will stand down from the bank's Executive Board on 31 July 2021. Luca Pertoldi will become the new CFO and head of Financial & Risk Management at BLKB on 1 August 2021. Beat Röhliberger, head of Corporate Banking Advisory, will take over as Deputy CEO of BLKB on 1 August 2021. Further information on the changes to the Executive Board can be found in the "Corporate governance" section on [page 44](#).

Efficient organisation

BLKB is planning a further increase in the quality and intensity of its advisory services. To enable them to deploy their skills and knowledge more effectively in future, customer advisers will be given additional time for the provision of advice and customer contact by relieving them of administrative tasks. In this connection, the bank created the Sales Mid-Office unit in the year under review and at the same time simplified its processes and procedures.

The Sales Mid-Office combines Processing, Private Investment & Financial Advisory and Corporate Banking Advisory services and includes contact persons for customer advisers, process experts as well as automation specialists. The unit became operational on 1 January 2021 and will report to the newly created function of Chief Operating Officer COO (head of Banking Operations). With a view to knowledge transfer and the need to ensure continuity, employees and managers were moved out of existing units into the new centralised unit, in particular from the Processing Centre and Front-Office Support.

In tandem with the creation of the Sales Mid-Office, BLKB made organisational changes in the Corporate Banking area in the

year under review. The bank now divides its corporate customers business into the two market areas of Lower Basel Region and Upper Basel Region as well as Executives & Entrepreneurs.

Strengthening of Human Resources

The importance of Human Resources has increased considerably in view of the transformation process the bank has undergone in recent years. The challenges have also changed at the same time. Organisational development topics, for example, are becoming increasingly important. BLKB therefore decided to reposition Human Resources in the year under review. The relationship between strategic Human Resources Management, Organisational Development and operational Human Resources Management has top priority and enables the bank to continuously develop its organisational structure and employees. BLKB therefore expanded the portfolio of the department, which was renamed HR & Organisational Development in September 2020.

Digital financial services provider

BLKB is creating a Swiss-wide digital and sustainable financial services company, in another major move forward for the implementation of its strategy. The plan is to set up a subsidiary that is independent from the state guarantee provided by the canton of Basel-Landschaft. Operations are due to commence in the first half of 2022.

New head of Servicehub AG

Michel Chapuis was appointed as the new CEO of *Servicehub* AG, a wholly owned subsidiary of BLKB, in November 2020. He took over the role from Thomas Lauber, who moved to a new position within the company.

Public service mandate

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 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 shall be based on sustainable and ethical principles" (see chart "Public service mandate", [page 14](#)). BLKB has been taking responsibility for its region for the past 150 years. Established in order to meet the financial needs of the population as well as the local economy, the bank now sees itself as a promoter of sustainable development for people, society and the environment. (see chart "Mission statement", [page 14](#)).

Economic development

BLKB is a responsible partner for private individuals, companies and the people of the canton. Through its responsible, forward-looking actions, the bank makes a major contribution to the positive economic development of the entire Northwest Switzerland region. In addition to its core business of granting loans to regional businesses and public institutions, the bank promotes innovative start-ups and SMEs in Northwestern Switzerland. With crowdfunding via *wemakeit* and commitments to *Business Parc Reinach*, as well as cooperation with the *University of Applied Sciences and Arts Northwestern Switzerland* on the *Swiss Innovation Challenge*, CAS "Entrepreneurship" and *CreaLab*, BLKB plays an active role in promoting innovation across the region.

In addition, together with the *University of Applied Sciences and Arts Northwestern Switzerland* and the *Basel regional development agency*, BLKB has run the *Basel Region 100* joint initiative since 2019. Its vision is to enable 100 innovative SMEs or start-ups with current or future value added in the Basel region to take the next crucial step in their continued development. The initiative facilitates access to finance as well as advisory services, thus combining a financial commitment with non-monetary support. 15 SMEs and start-ups participated in the initiative in the year under review, with BLKB providing total financial support of CHF 5.1 m in 2020.

BLKB is one of the most important employers in the canton of Basel-Landschaft. Most of its 710 employees (FTE basis) come from the region. In addition to its annual distribution of profit to the canton, the bank makes a significant contribution to the region's financial prosperity.

Basic financial services

BLKB aims to have a presence wherever its customers are located. As well as 21 branches in the canton of Basel-Landschaft, BLKB has a presence in Breitenbach (canton of Solothurn) and in the city of Basel. Since the beginning of December 2020, it has also had a presence in Rheinfelden (canton of Aargau). With its Mobile Bank, it additionally caters to customers in seven locations in the Upper Basel region. The bank also opened a new branch in Frick (canton of Aargau) in February 2021 for the provision of advisory services to private individuals and SMEs. In line with the growing needs of our customers for access to financial services regardless of time or location, BLKB offers various digital banking options as well as a broad array of digital customer advisory services. Understanding the financial needs of our customers is a prerequisite to providing financial services. We therefore focus our advice on life events and support our customers on the topics relevant to them. More information on our comprehensive advisory approach can be found on [page 18](#).

By providing loans to regional companies and awarding mortgages within the canton, BLKB plays an important role in financing the region's economy and society. During the Covid-19 crisis,

BLKB participated in the financial support package drawn up by the federal government and cantonal parliament for the region's economy (see "Management report" [p. 24](#)). BLKB itself made advance payments totalling CHF 1.8 m; thus its suppliers were provided with liquidity at an early stage.

Via the *Basel Region 100* initiative, BLKB also supported the federal programme for innovative start-ups in connection with the Covid-19 pandemic. Together with the *Basel regional development agency*, BLKB provided guaranteed loans totalling CHF 877,000 to start-ups in the canton of Basel-Landschaft.

In addition to the annual Kantonalbank Prize as well as the *Young Sporting Talent* and *Society* sponsorship awards, which have a combined value of CHF 20,000, the BLKB Foundation for Culture and Education provided additional funds of around CHF 400,000 for the preservation of the Northwest Switzerland region's voluntary cultural scene as well as for educational development. During the pandemic, the Foundation also made CHF 46,000 available to support amateur cultural associations within the region.

Commitment to wider society

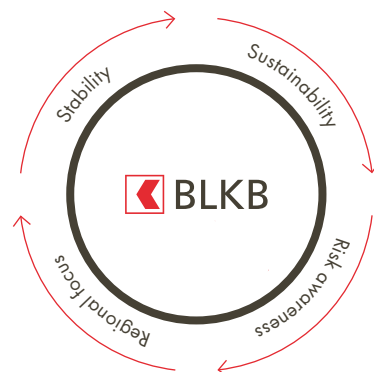
BLKB is the bank for the people of the canton of Basel-Landschaft. We are strongly committed to ensuring sustainable development for all, and act responsibly for the people who put their trust in us and for the society in which we live. With sponsorship funds of over CHF 1.4 m, the bank makes an important contribution to the social fabric and cultural life of the region. It supports over 400 sporting, cultural and social associations and events aimed at the general public across the region. Via crowdfunding on *wemakeit*, BLKB additionally fosters innovative, sustainable projects within the region. Twenty environmental, social and start-up projects were successfully financed in the reporting year. BLKB supports them financially and advertises them via its website and social media. As we were unable to hold any customer events in the year under review owing to the lockdown, we additionally supported local artists financially as part of a non-profit project on TV station Telebasel in spring 2020.

BLKB further expanded its existing commitments in the year under review. In October, it extended its multi-year commitment to *Theater Basel* and became the new main partner of the cultural centre. For the first time, the bank is now supporting not only ballet but also theatre and opera, and acts as official cultural partner to *Theater Basel*. With the support of *FinanceMission*, a joint project by the *FinanceMission* association, canton and BLKB, we continue to be actively involved in providing basic financial education for young people. As long-term partner to the *Basellandschaftliche Kantonal-Schwingerverband*, BLKB also supports the traditional sport of Swiss wrestling throughout the region. The bank is underscoring this commitment via its involvement as main partner to the Swiss Wrestling and Alpine Festival in Pratteln in 2022. In connection with the Covid-19 pandemic, BLKB supported *Mind Clinic* – a new type of online therapy

Our focal points

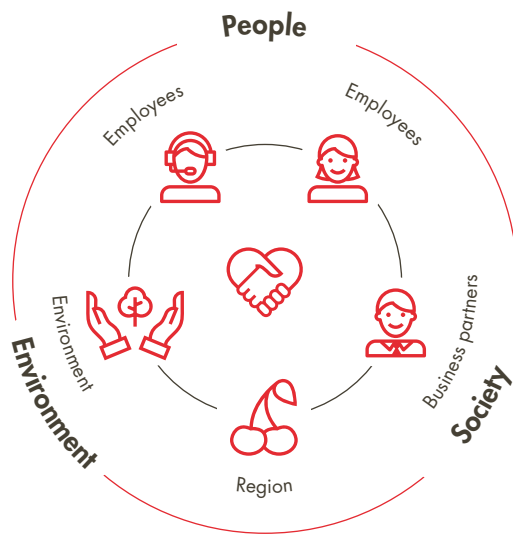
Public service mandate

The canton of Basellandschaft has given us a public service mandate. This constitutes the basis of our business activities.



Mission statement

We are the Northwest Switzerland region'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 an **innovative, friendly** bank with **integrity** and a clear opinion. What matters for our customers **tomorrow** is at the heart of everything we do.

Strategy 2017–2022

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

provided by the *Sonnenhalde clinic* in Riehen – with a financial kick-start. In addition, the bank has been a sponsor of the *Pro Senectute beider Basel* foundation since January 2021 and is therefore seeking to ensure that the Northwest Switzerland region is equipped for the challenges of an ageing population.

With the BLKB Foundation for Culture and Education, the bank fosters professional and scientific talent in the MINT (Mathematics, Information technology, Natural sciences and Technology) subjects and also works to support cultural events and projects in the Northwest Switzerland region. Every year, the Foundation awards the annual Kantonalbank Prize as well as the *Young Sporting Talent* and *Society* sponsorship awards, which have a combined value of CHF 20,000, for special achievement in the culture, social and sporting arena. In addition, the BLKB Foundation for Culture and Education provided funds of around CHF 400,000 for the preservation of the Northwest Switzerland region's voluntary cultural scene as well as for educational development; it also made CHF 46,000 available to support amateur cultural associations in the region during the pandemic. The Foundation was established in 1964 to mark BLKB's centenary year.

BLKB also assumes social responsibility in the form of participations. In April 2019, the bank became a shareholder in *Cargosous terrain AG (CST)*. This enables BLKB to play an active role in strengthening the Swiss economy as well as Switzerland's future sustainability.

Strategy

As a leading financial services provider in Northwestern Switzerland, BLKB helps shape the sustainable economic and social development of the region. Our aim is to capture new markets through innovation and achieve national reach through strong partnerships. We take a refreshingly simple approach to our customers' finances: in the Basel region, in Northwestern Switzerland, and across the country. Our focus is on three strategic business areas (see chart "Strategy" [↗](#) p. 14). In these areas, the bank intends to grow faster than the market and bolster its strong position.

Our strategy is implemented consistently and systematically. Flat hierarchies, clearly defined values, a modern understanding of management and a corporate culture geared towards individual responsibility constitute the framework for our business activities. The business strategy is managed and controlled via the core business, via innovation and systematic corporate development, as well as via complementary business. Our positioning as a forward-looking bank constitutes the basis for our sustainable business model and our sustainable business strategy.

Corporate culture

Only with motivated, capable and satisfied employees can we deliver on the ambitious objectives we have set ourselves as a forward-looking bank. BLKB views its employees as a crucial success factor in a highly dynamic market environment. Thus the bank places a strong emphasis on a motivating work environment in which employees can not only make maximum use of their personal potential but can also develop systematically. BLKB focuses on flat hierarchies, the personal responsibility of employees, as well as the development of their methodological and personal skills as individuals. In all our activities, we are guided by the values of simplicity, performance, innovation, integrity, security, proximity, market focus and future orientation. Our business activities are founded on a credible, fair and transparent approach. We regard a good reputation and high degree of risk awareness as essential to a strong partnership with our stakeholders. We nurture a corporate culture that offers flexibility and therefore fosters creativity and innovation. Diverse teams generate added value through creative ideas and a wide variety of perspectives. A constructive feedback culture and mutual respect foster a climate in which people can learn and develop. BLKB accommodates its employees' individual circumstances through flexible work models and methods. More information on our employees and our corporate culture can be found in the "Management report" on [↗](#) [page 23](#).

To respond in a more agile, faster way to changes within the industry and in customer requirements, BLKB launched a new corporate management process in the year under review and placed a stronger focus on strategy. The strategic management of the bank, management of the individual business areas, organisational management – that is, the line-up of departments and teams in the individual business areas – as well as team and employee management are closely coordinated and flow into one another. In this connection, the bank developed its target-setting process. Qualitative objectives now play a more important role and the entire target-setting process is more dynamically and systematically tailored to the strategy. The Executive Board sets out the strategic focal points and corporate objectives, and therefore the shared direction for the period ahead; the business areas and departments then draw up their own specific targets. Based on the overall bank strategy, the targets are therefore broken down for each individual area of the bank. This ensures there is no overweighting of objectives in favour of a specific area. All business areas defined the necessary competencies and roles for their activities in 2019 and 2020; they also identified the development potential of their area.

Business strategy

BLKB's core business generates the bank's primary income streams, and comprises private and business customers across the Northwest Switzerland region. Our aim is to systematically utilise and invest this business potential. In addition, the bank uses the resources from its core business to address opportunities in the market and conduct business with high-net-worth private customers, large corporates and external asset managers. In addition to tried-and-tested business, we systematically invest in innovations and therefore capture nascent markets and market niches on a Swiss-wide basis. This involves strategic cooperation with partners, a focus on digitally savvy customers, as well as the creation of brands aimed at specific target groups. Examples include online asset management with *True Wealth* as well as insurance modules for mortgage customers in partnership with *Anivo* and other service providers. Our business strategy is enabling us to strengthen our market position and bolster the bank's long-term success.

In the year under review, BLKB announced the creation of a Swiss-wide digital and sustainable financial services company. The focus is on digitally savvy customers for whom sustainability is a crucial criterion. The plan is to set up a subsidiary that is independent from the state guarantee provided by the canton of Basel-Landschaft. Operations are due to commence in the first half of 2022. The plan constitutes a logical step in the implementation of our strategy and strengthens our future sustainability.

Positioning

Sustainability is our business model. Sustainability, as well as thinking and acting responsibly, lie at the heart of our business activities and BLKB's responsibility as a cantonal bank. BLKB's approach is characterised by a holistic, comprehensive understanding of sustainability. We also talk about our forward-looking approach: A forward-looking approach means sustainability in all its diversity and a clear focus on what matters tomorrow. Our emphasis at operating level is on environmentally responsible banking operations, advising customers with care and integrity, sustainable products and services, a motivating work environment for our employees, as well as a far-sighted, responsible attitude within the bank. Sustainability is becoming the norm across all areas of the bank. BLKB is sustainable by conviction, and we are therefore committed to exerting our influence beyond the bank itself and showing responsibility towards the region and its people. We reaffirmed this in the year under review by replacing the bank's existing mission statement with a sustainable mission statement. The mission statement can be found on [page 17](#).

To more fully address the multiple facets of our sustainability approach, BLKB set up an independent Sustainability Advisory Committee in the first half of 2020. The Sustainability Advisory Committee has a purely advisory role and is independent of the Board of Directors and Executive Board. It addresses strategic and operating issues on all aspects of sustainability within the

bank's area of influence and draws up specific recommendations. The Sustainability Advisory Committee currently has three members, all of them expert in different specialist areas.

To gain a more nuanced understanding of customer expectations on sustainability, BLKB conducted a survey of existing and potential private customers in the year under review. Around 1,500 people from across Switzerland took part, although a majority were from BLKB's market area. The findings obtained help us in terms of developing and communicating sustainability.

With our marketing claim "What matters tomorrow", we convey BLKB's sustainable approach externally and position ourselves clearly as a forward-looking bank. In addition, the bank's brand profile highlights the fact that we have a clear view on topics from our core business and that we intend to encourage and shape the public discourse on sustainability topics. To give the topic of sustainability a platform within the region, BLKB launched "hüt&morn" – a sustainability magazine for Northwestern Switzerland – in the year under review. Our aim is to help raise awareness, provide readers with food for thought, and engage in an open debate with them.

Also in the year under review, BLKB dropped the new logo – featuring a stylised speech bubble – adopted in 2019; the logo is gradually being replaced. The decision followed a dialogue with the Association of Swiss Cantonal Banks.

Through various ecological measures, BLKB ensures that the bank's operations are managed as sustainably as possible. To this end, our focus is on a gradual reduction in our CO₂ emissions, electricity from climate-neutral sources, increased use of electric vehicles for business travel, heat that mainly comes from district heating sources, and most importantly recycled paper. In the year under review, BLKB lowered its direct and indirect greenhouse gas emissions by 6.7 per cent compared with 2019 from 933 kilogrammes to 871 kilogrammes of CO₂ equivalents per employee (CO₂/FTE).

BLKB's efforts to reduce its greenhouse gas emissions are having an impact: The bank has been carbon-neutral since 2019. In 2020, our CO₂ offsets were achieved through two climate projects in Rwanda and Zimbabwe. As a bank anchored within the region, we believe it is important to couple our CO₂ offset with our commitment to the sustainable development of the canton of Basel-Landschaft. From 2021, therefore, the bank will offset its CO₂ emissions via a local climate protection project it has developed in partnership with the *Ebenrain Centre for Agriculture, Nature and Food*. Through humus formation, soil in the canton of Basel-Landschaft is used for the storage of CO₂ and therefore the bank's achievement of carbon offsets. Additional information and facts about BLKB's sustainability efforts can be found in the Sustainability report 2020.

Mission statement

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

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

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

Awards

BLKB's commitment to being a sustainable business is recognised at an international level. In August 2020, BLKB won the "Best Regional Sustainability Bank Switzerland" Award from finance magazine *Capital Finance International (cfi.co)*. In particular, the jurors praised BLKB's integrated approach, commitment to being a forward-looking employer, across-the-board sustainable offering of investment products, achievement in reducing its own CO₂ emissions, as well as its good corporate management and transparency. The climate strike movement in Switzerland likewise awarded BLKB good marks for its climate strategy. The bank was one of eight financial institutions to "pass" the "How green is your bank" test. Additionally, the bank was rated by *Obermatt* as one of the *Top 10 Financial Firms in Switzerland* in the year under review, with CEO John Häfelfinger featuring in its ranking list. Every two years, the financial research firm chooses the best CEO of the year. In 2020, 29 listed Swiss financial firms were analysed in terms of growth, operating performance and investment record.

Memberships

BLKB campaigns for sustainability through various memberships and partnerships, thereby putting its holistic understanding of sustainability into practice. It has been a member of *Familienfreundliche Wirtschaftsregion Basel* – a programme that supports family-friendly employment and overall conditions in the economic region of Basel – for many years now; the bank is also a signatory to the *Work Smart charter*, a cross-company initiative that promotes flexible ways of working. The bank also joined the *womenmatters* association in the year under review and was thus an active campaigner for gender equality in the workplace.

BLKB has been a signatory to the *UN Principles for Responsible Investment* since 2014 and a signatory to the *Montréal Carbon*

Pledge since 2018. It has therefore been campaigning for a sustainable, environmentally friendly financial market for some time now. To further bolster its sustainability efforts, BLKB joined the *Swiss Sustainable Finance* association in December 2019. Alexandra Lau, head of Strategy and Market Services and a member of the Executive Board, was elected to the Board in June 2020. As a forward-looking bank, BLKB supports the efforts of *Swiss Sustainable Finance* to promote responsible banking in Switzerland.

BLKB also campaigned for greater climate projection in the year under review. It therefore took part in the PACTA (Paris Agreement Capital Transition Assessment) study conducted by the Federal Office for the Environment in 2020, which examined climate compatibility in the Swiss financial sector. In addition, BLKB has been a member of the *swisscleantech* business association – which campaigns for a carbon-neutral Swiss economy – since the end of 2019. Thomas Schneider, Chairman of the Board of Directors, was elected to *swisscleantech*'s Board in March 2020. BLKB also joined the *Smart Region Basel* association at the start of 2020. Together with its members and partners from the worlds of business, government and science, this association is spearheading the development of the Basel region into a "smart city".

BLKB signed the *#CEO4climate* initiative in February 2020 and therefore actively campaigns for a climate-friendly economy and effective Swiss climate policy. BLKB continues to support the *Baselbieter Energiepaket* (Basel Region Energy Package) and is committed to sustainable housing in the region. BLKB also entered into a partnership with *WaldBeiderBasel* in the year under review. Through the "Forests of tomorrow" project, the bank systematically supports the promotion of biodiversity within the region. The money will be used to plant additional climate-resistant trees in the Basel region.

Value creation

BLKB is Switzerland's forward-looking bank. This is in line with the public service mandate of the canton of Basel-Landschaft and clearly reflected in the bank's mission statement and brand promise. Taking responsibility lies at the heart of this: We act responsibly for the people who put their trust in us, for the society in which we live, and for the environment that makes life possible.

BLKB aims to exert influence as well as generate benefits and added value beyond its own boundaries. We are committed to sustainable development for all in the Northwest Switzerland region and to the frugal use of natural resources. We aim to instigate changes and facilitate developments that strengthen values-based co-existence within our region. We do so by focusing on our customers, employees, our owners, our business partners, the people of the region and the environment. We intend to exert influence wherever we can have the greatest impact – within the region, in other words. A total of over CHF 200 m flowed into the region in the year under review.

Regional focus

Within our value chain, we therefore place a major emphasis on local and regional focus. From 2021, for example, we will no longer be offsetting the bank's CO₂ emissions through global projects but instead through a local climate protection project in the canton of Basel-Landschaft. When it comes to awarding contracts, we favour locally based business partners. We participate in regional partnerships such as the *Basel Region 100* initiative for SMEs and start-ups with a clear connection with the region and provided CHF 20 m for this purpose. Via our sponsorship commitments, we invested over CHF 1.4 m in cultural centres within the region, as well as in regional sport and tourism, in the year under review. These are just four of many other examples of how we are having an impact in the region.

Creating value for stakeholders

The chart on [page 20](#) highlights the overall value creation process at BLKB. This shows what resources we invest in our business model in order to generate sustainable benefits and added value for our stakeholders. It includes financial as well as non-financial resources that contribute to our value creation. Our categorisation of these resources is based on the six types of capital developed by the *International Integrated Reporting Council (IIRC)* for its integrated reporting framework.

"Financial capital" describes the financial resources generated by – or provided to – BLKB to enable it to in turn create an impact for its stakeholders. "Intellectual capital" includes BLKB's organisational and knowledge-based resources. "Human capital" focuses on employees and their skills, which contribute to the success of the business. "Social and relationship capital" shows how BLKB strengthens relationships with its stakeholders (customers, employees, population) and therefore generates intangible

value (reputation, security, trust, satisfaction). "Manufactured capital" describes how – and with what tools – BLKB produces additional value for its stakeholders. "Natural capital" sets out which sustainable aspects, resources and processes contribute to the long-term prosperity of the business.

Forward-looking advice

Through forward-looking advice on investing and financing, together with innovative banking services, we support our customers competently and with integrity. BLKB continued to build on its capabilities in investing, financing and banking in the year under review and positioned its product and servicing offering on an even more forward-looking basis. Our goal is to systematically integrate environmental, social and governance (ESG) criteria in all products and services. We are committed to being a cautious, sustainable business. We only engage in transactions that accord with our values and principles.

Holistic advice

We aim to give our customers holistic advice when it comes to the big decisions and support them through every stage of life. We seek to live up to our claim to be a quality leader in advisory services. In the year under review, the bank therefore continued to invest in the advisory capabilities of its employees and ramped up the expansion of its advisory services.

BLKB continued to develop its advisory suite in the year under review; this is a digital tool with comprehensive modules for various life events and situations. In autumn 2020, the advisory suite was honoured with a bronze in the *Best of Swiss Web* in the Business category. In parallel, the bank continued to invest in the training of its customer advisers. Since autumn 2019, all customer advisers have undergone training in order to become a *Swiss-certified Financial Adviser (IAF)* or *Financial Planner*. Recertifications for our private and corporate banking advisers also took place in the year under review.

Since 2019, the bank has complemented its existing complaints and feedback management system with regular *mystery shopping* aimed at improving the quality of its advisory approach.

Sustainable investing

BLKB is convinced that sustainable investment brings long-term, ongoing success for its customers. Responsible investing also reflects the wishes of many investors. We are responding to this customer requirement and have focused almost entirely on sustainable investment products for a number of years. All investment recommendations issued by BLKB incorporate environmental, social and governance criteria alongside financial factors. In BLKB's asset management mandates and funds, the investment themes of microfinance and green/sustainable bonds are likewise systematically considered and investments selected.

BLKB expanded its sustainable investment offering in the year under review. In October 2020, it teamed up with Zürcher Kantonalbank to launch a tracker certificate on a global equity basket of digital solution providers that does not fall under BLKB's sustainability exclusion criteria and that takes into account the bank's ESG criteria. This certificate enables investors to participate in the digitalisation megatrend. The "BLKB Climate Basket" – a tracker certificate launched in 2019 – was rated Best Climate Protection Product in the *Swiss Derivative Awards* in July 2020. The jury honoured the fact that as well as investing in climate-friendly companies the certificate also applies a range of exclusions in relation to climate and biodiversity. In addition, BLKB expanded its sustainable funds line-up with the launch of the passive sustainable product "BLKB iQ Responsible Equity World ex Switzerland Pension" in the year under review. The fund is exempt from foreign withholding taxes and aimed at pension funds.

Since spring 2020, BKB has illustrated the sustainability and CO₂ ratings of its in-house funds on a transparent basis in the form of a graphic in its fund fact sheets. We have been a signatory to the *Montréal Carbon Pledge* since 2018, thereby committing ourselves to disclosing the CO₂ emissions of our investment products and lowering them over the long term.

BLKB monitors investment risks on a constant basis, enabling it to guarantee comprehensive quality assurance in relation to asset management. The bank has continued to step up its "Sustainable investing" training for customer advisers, having held a total of 16 training courses on the topic. In addition, our investment specialists support customer advisers on detailed issues as well as during consultations with customers on the subject of sustainable investing.

We are also focused on sustainability in terms of our range of precious metals, having offered gold bearing the *Fairtrade Max Havelaar* label since August 2020. As a forward-looking bank, we are therefore committed to fair, sustainable gold mining.

Sustainable financing

BLKB's goal is to systematically integrate environmental, social and governance criteria in financing too. In addition to credit checks, BLKB explicitly takes into account the sustainability of

the companies involved before granting loans. In the commercial lending business, BLKB only offers finance to sustainable companies – an approach it adopted many years ago. Since the year under review, the bank has systematically incorporated its ESG-based sustainability standards into the credit process. BLKB checks the integrity of borrowers and in its financing decision takes account not only of key financial data but also of the ESG criteria of the business models being financed in the case of companies that are active in risk sectors or have links to them. If a company exhibits room for improvement in relation to sustainability, we will – as a responsible bank – discuss the benefits of sustainable business management. We see this as a forward-looking approach that will support the region on its path to becoming a resource-efficient economy. More information about risk sectors is given on [page 30](#) of the Sustainability report.

BLKB remains one of the region's market leaders for mortgages. The bank further extended its offering in the year under review and placed the emphasis on sustainable real estate development in the region. In June 2020, BLKB launched an Energy Mortgage for the financing of energy-saving construction measures and simultaneously partnered with *Primeo Energie* and *Genossenschaft Elektra Baselland (EBL)* to introduce a digital platform sun2050.ch for calculating the solar potential of owner-occupied properties and requesting quotes from solar technology specialists. In September 2020, the SARON mortgage for private individuals was introduced along with various SARON-based credit products for companies.

We took an even more needs-based approach to our mortgage advisory services and mortgage line-up in the year under review. Customers have the opportunity to tailor their financial solution to their individual situation and needs. As well as traditional mortgage models, customers can now also take advantage of flexible modules such as unscheduled repayment or early extension of their mortgage as well as value-added services such as a tax check-up or property valuation. In addition, a newsletter informs property owners about important topics in relation to home ownership.

In parallel, BLKB introduced various services that put potential purchasers directly in touch with a BLKB property sales specialist. With the *Homeowner* service, househunters are advised and supported in their search for a suitable property. With the *Property sales service*, property owners can take advantage of a property valuation or comprehensive support with their property sale.

BLKB also included additional products in its insurance offering for homeowners; these are provided via its subsidiary *Servicehub AG* and in cooperation with other service providers. Besides family and property cover as well as death and legal protection policies, BLKB has also offered its mortgage customers income protection – endowment insurance in the event of incapacity due to disability – since 2020. As a forward-looking bank, we

Impact and added value

Resources we use

These are the resources (capital, see also [p. 18](#)) we use as part of our business model in order to generate impact and added value for our stakeholders. The figures relate to the year under review.



Financial capital

- Solidity and stability (AA+ stable, state guarantee, endowment capital held by canton BL, certificate capital)
- Total assets of CHF 29.8 bn
- Cost/income ratio of 50 per cent



Social and relationship capital

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



Intellectual Kapital

- Strong brand (good reputation, highly recognised in canton)
- Investments in innovation (CHF 3.7 m)
- Investments in training of specialists (CHF 1.1 m)
- Strategic partnerships and alliances



Manufactured capital

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



Human capital

- Committed, loyal employees (natural turnover of 5.3%)
- Regular training and development for employees
- Values-based, pro-diversity corporate culture
- Continuous improvement through change-friendly, agile organisational structures



Natural capital

- Sustainable business model
- Sustainable products and services
- Sustainable business strategy
- Commitment to the environment

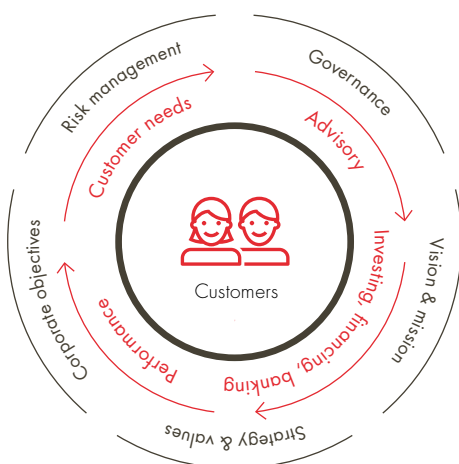
What we do

Our business activities are geared towards the public service mandate given to us by the canton of Basel-Landschaft (BL) and a corporate strategy derived from the mandate. Our business model is sustainable and forward-looking.

Public service mandate canton of Basel-Landschaft



Business model



What we deliver

With our sustainable business model, we generate benefits and added value for our stakeholders. The figures relate to the year under review.

People

Customers, business partners

- Basic financial services
- Broad-based, independent financial advice and expertise
- Physical and digital financial services
- Sustainable products and services
- Awarder of contracts in Northwestern Switzerland (CHF 29.2 m)
- Advance payments to suppliers during pandemic (CHF 1.8 m)

Employees

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

Society

- Distribution to canton BL (CHF 60 m)
- Fulfilment of public service mandate
- High return on equity (profitability, ROE 6.6%)
- Sponsorship commitments for sport, culture, society (CHF 1.4 m)
- Fostering innovation within the region
- Promotion of start-ups (CHF 5.1 m)
- Loans to companies and public-law entities (CHF 4.9 bn)
- Bridging credits during pandemic (CHF 123.5 m)
- Tax revenues from employees
- Important employer in the region (jobs for 848 people).

Environment

- CO₂ neutrality
- Regional CO₂ offsets (effective from 2021)
- Investing in "Forests of tomorrow" (1,000 trees)
- Environmentally friendly investment portfolio
- 100 percent of electricity purchases from renewables

have offered additional services covering all aspects of buying a home, such as a removal service in cooperation with the firms *Settelen*, *Rickli Transport*, *Marco Falchi AG* and *Jost Transport*, since 2019.

In the mortgage survey conducted by Comparis in 2020, BLKB once again achieved a good result with a score of 5.3 (good). This illustrates that customers want comprehensive advice that reflects their stage of life and confirms the efforts made by the bank to deliver excellent customer advisory services.

Innovative banking

We aim to make it as easy as possible for our customers to carry out simple banking transactions in a way that's tailored to their needs – preferably any time and anywhere. That is why we continuously invest in the development of our banking services and place a special emphasis on the expansion of our digital offering. We added to our cashless payment options in the year under review: Having introduced Swatch Pay, Garmin Pay, Fitbit Pay, Samsung Pay and Apple Pay in 2019, we also included Google Pay from March 2020. Customers are therefore able to benefit from comprehensive digital payment options. Use of the "Jobs for Juniors" charity Maestro card was also stepped up, thereby raising the donation to CHF 453,183. The sum donated was split equally between the *Job Factory* and *KMU Lehrbetriebsverbund AG* (SME apprenticeship association). November 2020 saw BLKB launch the "Visa Debit" bank card. This replaces existing Maestro cards and combines all key payment functions required for day-to-day use; it is also mobile-compatible and can be used online. The new card enables customers to make contactless, mobile and cashless payments worldwide. QR-bills were introduced by BLKB in July 2020.

In addition, BLKB launched a new account for sustainability-minded customers in the year under review. With the "Future Account", BLKB can participate in sustainable projects in the region. The first project to be supported is "Forests of tomorrow", run in cooperation with the *WaldBeiderBasel* association. The project promotes the planting of climate-resistant trees in the Basel region. The difference between the interest rate on the Future Account and the interest rate on the BLKB savings account constitutes the customer's contribution to the project.

Since December 2020, new customers have been able to open their relationship with BLKB on a fully digital basis using an online identification process. Customers can choose a private account including E-Banking access, a savings account, a Savings 3 account, as well as the new "Visa Debit" card. Additional products can be opened directly in E-Banking. The offering is continuously being developed, the next step being digital opening for legal entities. In addition, we introduced a new Mobile Banking app in September 2020. The most frequently used functions and app navigation were revised and completely redesigned. Customers can now use an IBAN

number scanner, while loans and mortgages are also displayed in the app. In addition, BLKB developed its EBICS offering in the year under review to include a multibank-compatible standard for the transfer of payment transaction data via the internet.

BLKB continued its branch refurbishment programme in the year under review. The branch in Aesch was reopened in July 2020 and the branch in Oberwil in October 2020. In addition, BLKB opened a new branch in Basel in February 2020 and has also had a presence in Rheinfelden (canton of Aargau) since December 2020. Furthermore, BLKB opened a branch in Frick (canton of Aargau) in February 2021. In addition, the bank implemented various measures to further increase security at its branches.

To protect the health of its customers and employees during the Covid-19 pandemic, BLKB introduced a home-to-home advisory service via a co-browsing solution in March 2020; this is in addition to its telephone-based advisory service. In addition, all specialist events for customers during the lockdown and from autumn onwards took place on a virtual basis.

Employees

Providing our employees with a motivating working environment that stimulates innovation is an important pillar of our strategy and conviction as a forward-looking bank. BLKB views its employees as a crucial success factor and consequently works hard to ensure its 710 employees (FTE) feel they are being treated well and are fully able to utilise and develop their skills. Through flexible work models, career opportunities for managers and specialists alike, training opportunities, an attractive work environment and a contemporary salary system, BLKB aims to boost long-term employee loyalty. The fact that BLKB is committed to its employees is also recognised externally: According to the *Swiss Employer Awards*, BLKB ranks among Switzerland's top employers.

Skills development for all

We view highly qualified employees as a key factor in BLKB's success. In a dynamic sector environment, our employees must be able to rapidly and systematically adapt to a varied range of customer requirements, individual stages of life and technological change. For that reason, the bank consistently invests in the specialist and personal development of its employees and accords top priority to continuous learning. BLKB started a training initiative in 2019, initially for the internal training of customer advisers to become a *Swiss-certified Financial Adviser (IAF)* or *Financial Planner*. This was followed in the year under review by our own "Future banking" CAS study program, which we developed in partnership with *Kalaidos University of Applied Sciences Switzerland*. The study program prepares participants for the banking world of tomorrow and focuses on the required competencies. The modules of the training programme can also be attended individually by specialist staff, particularly from the central organisational units.

BLKB explicitly grants all employees, irrespective of level, function or age, the right to development and to acquire additional competencies. The bank considers specialist and management roles to be of equal value, and this is additionally encouraged through our flat organisational structure. Continuous learning and information sharing between specialist staff is strengthened through specific network platforms for specialists. For example, specialists give presentations to other employees on topics from their work environment. The bank's presence at external specialist events is another key element in the strengthening of specialist careers. Employees are actively encouraged to attend external events and conferences. Since 2019 BLKB has also had its own *Leadership Academy*, in which the bank's value system and leadership principles are communicated to managers through courses and workshops lasting several days. All BLKB managers completed the *Leadership Academy* in the year under review. A new management tool for facilitating structured dialogue between employees and managers was developed in 2020 in the form of the *Cockpit* – a new set of competence-oriented objectives and development guidelines.

In November 2020, BLKB received the *Skilly Award* in the "Special long-term promotion initiative on employee development" category from Swiss-wide awareness campaign *Skillaware*. That BLKB attaches high importance to training is reflected in the fact that in the reporting year all apprentices were given a permanent position following the conclusion of their apprenticeship. In addition, 13 apprentices and six interns commenced their training programme at BLKB in summer 2020. Besides commercial training, BLKB has additionally offered apprenticeships in the specialist areas of application development, operational maintenance (building systems) since 2020 as well as mediamatics as of 2021.

Career and individual circumstances

The well-being of its employees is very important to BLKB. Through flexible work models, it therefore helps employees maintain a balance between career and individual circumstances. In addition, our corporate culture is characterised by respect and appreciation. We are convinced that diverse teams generate additional added value thanks to creative ideas and multiple perspectives.

The bank offers mothers the option of a staggered return to work up to one year following the birth of a child. Mothers can also extend paid maternity leave to 24 weeks on full pay (depending on number of years of service) and are entitled to structured support during pregnancy and on their return to work following maternity leave. BLKB employees additionally benefit from mobile/flexible work models, *Work Smart*, a mentoring offer, as well as events on a range of family-related topics. In the year under review, the bank also held seminars on work/life balance for employees. On a voluntary basis, BLKB additionally offers paid days of absence for employees to look after family members as well as simplified rules on looking after sick children.

When it comes to recruitment too, the bank places a special emphasis on the personality and competencies of its future employees. The aim is to ensure that vacancies are filled with the most suitable candidates. For that reason, the bank also hires candidates aged 50+ on a regular basis.

Fair compensation system

BLKB aims to offer its employees a fair, contemporary salary system. We therefore made further changes to our compensation model in the year under review. The total amount of variable compensation at overall bank level was reduced by around a half, in return for an increase in the total amount of fixed compensation at overall bank level. With the new salary system, BLKB can offer its employees greater security and at the same time continue to reward outstanding commitment to the bank in the form of variable compensation. These changes took effect on 1 April 2020. Since the year under review, members of the Executive Board have been required to take 25 percent of their variable compensation in the form of Kantonbank certificates.

Certificates are purchased at a discount of 25.274 per cent to the market price on the ex-dividend date and are blocked for five years following purchase. The CEO and the other members of the Executive Board were previously subject to an annual mandatory purchase of 50 and 30 Kantonallbank certificates respectively at a discount of 25.274 percent to the market price on the ex-dividend date and with a five-year blocking period. Detailed information on the compensation model can be found in the “Compensation report” on [page 58](#).

Equality of opportunity is a major priority at BLKB and the bank therefore seeks to ensure equal pay. In July 2020, the bank therefore arranged for its compliance with the internal requirement for equal pay between men and women to be audited by consulting firm *Comp-On* in accordance with the “*Fair-ON-Pay*” certification standard of product testing company SGS. Based on the use of the Logib analysis tool provided by the federal government, BLKB meets the requirements of the Federal Office for Equality between Women and Men for equal pay between women and men. This was certified by an external auditor. On that basis, SGS awarded BLKB the *Fair-ON-Pay+* certificate.

Support during Covid-19 pandemic

Owing to the Covid-19 pandemic, increased numbers of employees worked from home during the year under review via virtual platforms and digital tools. Numerous training programmes and events were held digitally. In addition, BLKB introduced various forms of support for its employees. It offered employees online courses on specific topics related to the new forms of working and recommended relevant tools and webinars to managers. In addition, a flexible approach was taken to childcare days in connection with additional childcare requirements during the lockdown. An internal podcast series launched for employees in December 2020 looked at how to deal with the personal challenges faced as a result of the Covid-19 situation. During the lockdown, employees were also able to sign up to digital sports offerings and in the event of mental challenges were able to use existing counselling services free of charge. As the pandemic prevented any Christmas events from being held, all employees received a “Baselland Card”. During the Covid-19 crisis, BLKB obtained feedback from employees regarding their work situation during the lockdown via a survey and interviews. In addition, all BLKB employees were able to take advantage of flu vaccinations free of charge and on a voluntary basis.

Business and risk policy

BLKB is committed to being a financially, environmentally and socially sustainable business. Good corporate governance and professional risk management are also among BLKB’s top priorities. Our forward-looking approach is firmly anchored in our business policy. BLKB’s business policy and actions are geared towards its customers and address the interests and needs of its business partners, its employees, wider society and the environment. BLKB chooses its business partners carefully and in line with its values.

Solid rating

BLKB has a sound business policy. This is reflected in the rating assigned by Standard & Poor’s (S&P), which confirmed BLKB’s outstanding AA rating with stable outlook. In addition, the bank is awarded a stand-alone rating (SACP) of A+ by S&P; this excludes the state guarantee provided by the canton of Basel-Landschaft. S&P cites BLKB’s healthy financial position, which is based on the bank’s excellent capitalisation, solid profitability and high level of liquidity, strong market position and the high quality of its loan book – particularly in the real estate sector. Our secure position benefits our customers as well as the canton, as owner. In addition, S&P commented positively on the progress made in digitalisation as well as the integration of sustainability criteria into the commercial lending business.

Handling conflicts of interest

We put the interests of our customers above those of the bank – and the interests of BLKB above our own. We seek to avoid operations and transactions that may lead to conflicts of interest. Should conflicts of interest nevertheless arise, they are identified, documented, mitigated and – if necessary – prohibited as part of a structured compliance risk management process.

Systematic reputation and risk management

BLKB enjoys a first-class reputation among customers, the wider public and the authorities. To safeguard this for the long term, the attitudes and conduct of each individual employee are of the utmost importance. Further information can be found in the code of conduct ([🔗 blkb.ch/verhaltenskodex](https://www.blkb.ch/verhaltenskodex)). In addition, BLKB has a comprehensive risk management process. The aim is to systematically identify and monitor reputation risks, and to define risk prevention or risk reduction measures. When granting loans, in particular larger loans or structured finance, BLKB complements the credit risk assessment with an evaluation of potential reputation risks. Along with the Credit Committee, specialists from Compliance, Legal, the Investment Centre and Communications assess potential loans from various risk perspectives. This information serves as a decision-making basis for the Credit Committee.

BLKB operates an integrated risk management and independent risk control system headed by its Chief Risk Officer. In

accordance with the owner strategy of the canton of Basel-Landschaft, BLKB pursues “a prudent risk policy with a view to cautious risk exposure for the canton” and “ensures effective risk management”. The principles of risk management and control are laid down in the risk policy, which stipulates a strict division between risk management and risk control.

The Board of Directors carried out a comprehensive risk assessment at its meeting on 17 June 2020. Additional information about risk management and control can be found in the notes to the financial statements and the information on business activities on [page 79](#).

Information and IT security

Data protection is accorded top priority by BLKB. Implementation of the Data Protection Act (FADP) is at a highly advanced stage, with the result that BLKB implemented the necessary changes prior to entry into force. For instance, BLKB has already fulfilled its duty to notify stakeholders about how their data is used and processed. Our privacy statement was published on the BLKB website at the end of 2018. Via a central unit, the bank continues to respond to requests for information from customers within the statutory time limits. The centralised processes required for this purpose have become established in practice.

In the year under review, BLKB also implemented various measures designed to further increase IT security. For instance, a Security Operations Centre and a Computer Security Incident Response Team were introduced. Together with Integral Security, these teams ensure constant monitoring of all BLKB systems and provide efficient, effective management of potential IT incidents on a round-the-clock basis. Additional information on information and IT security can be found in the notes to the financial statements from [page 83](#).

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, various measures aimed at raising employee awareness in relation to data protection, data security and phishing are undertaken on a regular basis.

Personal security

The measures taken in 2019 to increase security in branches with cash withdrawal facilities were conclusively implemented in the year under review. To protect its customers and employees during the Covid-19 pandemic, BLKB also implemented various measures at its branches in line with the recommendations of the federal government.

Specifically, all branches with employees were equipped with perspex screens, touch-free hand sanitiser dispensers, as well as social distancing signs. At the entrances to BLKB buildings,

visitors were made aware of the safety measures in place and hand sanitiser was provided. A range of measures have been taken in the back office too: Disinfectant facilities are provided at key locations internally, including entrances and exits, lifts, meeting rooms and rest areas. Maximum occupancy figures are given for meeting rooms, while rest areas are additionally provided with social distancing markings. Additional protective equipment such as face masks is made freely available to employees. Where possible, employees worked from home during the lockdown and from the autumn of the reporting year onwards. Teams with a mandatory on-site presence switched to a split-office system or reduced the number of persons in the office in other ways. In addition, mask-wearing was made compulsory in most situations in November 2020 in accordance with the requirements of the canton of Basel-Landschaft.

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. The bank introduced a sustainability agreement for service providers and suppliers in 2019, and also defined sustainability criteria for purchasing. We favour regional service providers and suppliers, as well as those that have a transparent commitment to compliance with environmental and social standards. The sustainability agreement can be viewed at <https://www.blkb.ch/nachhaltigkeitsvereinbarung>.

We are there. For the people who put their trust in us.

BLKB is the bank for the people of the Northwest Switzerland region. We do our utmost to make sure our customers, employees, business partners and the people of the region can prosper.

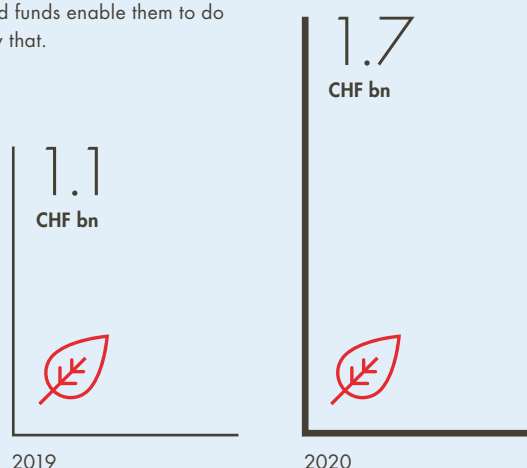
Every day we ask ourselves what impact our actions have on people as individuals, society as a whole, and the environment in which we live. We are committed to providing a setting in which there is equality of opportunity for all, and in which everyone can see a promising future.

**That's what drives us – what motivates us.
Each and every day.**

For our customers, employees, business partners and the people of the region.

Sustainable funds

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



Responsible employer

BLKB employs 848 people (710 FTEs) The bank's **employees** are crucial to its success. The bank does its utmost to ensure they are fully able to utilise and develop their skills.



Professional employees

BLKB encourages all its **employees** to develop their skills. On average, around 20 per cent of employees were in **training and development** during the year under review. BLKB used around CHF 1,100,000 for this investment in the future

CHF 1,100,000



Kantonalbank Prize for people

With the Kantonalbank Prize, the BLKB Foundation for Culture and Education honours **people** from the canton of Basel-Landschaft for outstanding achievement in the **culture, social or sporting** arena. With the Kantonalbank Prize and two sponsorship awards, the Foundation invested a total of CHF 20,000.

CHF 20,000



Own homes for the region

We have deep roots in the region. Over 90% of our **mortgage lending** of CHF 20.5 bn was undertaken in **Northwestern Switzerland** in the year under review.

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

“The Job Factory is a place of opportunity”

The Job Factory in Basel designs e-bikes, builds designer kitchens, and opens up new career prospects for young people. Equality of opportunity matters to BLKB, and is something we have supported for many years.

Looking back, Alessandro Buccigrossi sometimes cannot believe it himself. When the now 28-year-old – having previously quit his apprenticeship in plumbing – successfully completed his internship at the Job Factory in Basel in 2009, did a commercial apprenticeship and then left the Factory with a certificate of proficiency, no-one could have guessed he would be back in a few years' time. But this time it was not as a trainee – instead it was as team leader and a little later as departmental manager and coach to young adults eager to get advice from an experienced mentor on the sometimes rocky road to professional life. “The Job Factory is a place of opportunity,” says Buccigrossi. Together with his assembly team, he is responsible for the fine powder coating on the e-bikes produced and distributed under the in-house “Veo” brand.

The Job Factory provides opportunities for young people who wouldn't have any prospects otherwise.

What began as a start-up idea eight years ago has evolved into a profitable area of the business. Together with trained professionals, the juniors handle everything from design, through assembly, to distribution via the internet and in-house bike store, as well as pop-up shops in the right locations.



Discovering a variety of jobs

E-bikes are merely a cog in the wheel of the Job Factory's diverse line-up of products and services. As well as the bike workshop, there is a joinery shop that has developed into one of Switzerland's 20 biggest kitchen manufacturers. The restaurant in the blue building in Basel's Dreispitz neighbourhood serves 1,200 diners every day; in addition, it provides lunches for school students as well as a catering service for banquets, drinks receptions and weddings. There is also a store, hairdressers, print shop and advertising agency, as well as facility management. The Job Factory has a total of 250 internships and 16 apprenticeships to offer, ranging from culinary training to commercial apprenticeships. Ten of these internships are financed by BLKB every year, through its “Jobs for Juniors” initiative. Bank customers with a “Jobs for Juniors” card donate CHF 10 to the project annually. In addition, BLKB credits the donations account with 0.25 percent of the purchase amount of all payments made using the card. The places financed in this way are earmarked for young people from the canton of Basel-Landschaft. “Often they're young people who wouldn't have any prospects otherwise,” says Dirk Wahlandt, Head of the Job Training Foundation.



Good craftsmanship skills are needed in bike assembly – although the future of the trade is digital. At the Job Factory, interns learn both.

Flying start for eight out of ten

Good craftsmanship skills are required in bike assembly. At the same time, Alessandro Buccigrossi and his team are assisted by innovative digital technologies. The future of the trade is digital: Internships therefore include regular workshops with experts during which participants acquire the necessary skills such as how to program apps. The aim is to enable them to put their own ideas and developments into use again immediately on the job itself. Special tuition and job application training are also

offered. After around four months, 80 percent of participants successfully complete their internship and 95 percent of leavers continue with vocational training. They take the experience gained during their time at the Job Factory with them as they embark on their career. And sometimes their path takes them back to where they started out – as Alessandro Buccigrossi's success story impressively illustrates.

Corporate governance

We are committed to strong corporate governance – the basis of our responsible actions and transparent communication.

Corporate governance at BLKB underpins the bank's sustainability and stability-led business model. A transparent communication policy vis-à-vis our stakeholders is a key element of our corporate governance principles.

BLKB is committed to strong corporate governance aimed at ensuring sustainable, forward-looking business activities in the interests of its owners and other stakeholders.

This includes:

- 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.

Corporate governance begins at top management level and must be lived across the bank. Our corporate culture and our values – simplicity, performance, innovation, integrity, security, proximity, market focus and future orientation – help us in this process.

New mission statement

In spring 2020, the Board of Directors decided to implement a new mission statement at the request of the Executive Board. In it, we state that sustainability is our business model and that we are positioning ourselves as Switzerland's forward-looking bank. The mission statement confirms our commitment to a responsible approach towards the people of the region, society and the environment. The mission statement is the overarching vision around which our strategy, objectives and activities are based. More detailed information on the new mission statement and BLKB's positioning can be found in the management report on [page 16](#) and [17](#).

New code of conduct

BLKB's code of conduct applies to our employees, Executive Board and Board of Directors. The code of conduct was revised in 2020 with the aim of further strengthening our culture of acting as a responsible, ethical and sustainable business. To underscore its importance, the code of conduct was jointly issued by the Board of Directors and Executive Board.

Legal form, public service mandate and state guarantee

BLKB is a cantonal participation and independent public-law entity with its own legal personality. 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 region of Northwestern Switzerland. There is a state guarantee. The state (canton) provides a guarantee for all liabilities of the bank should the latter's own means not be sufficient. In return for the state guarantee, the bank pays the canton a fee. BLKB is listed on the SIX Swiss Exchange and issues its own participation certificates, or "Kantonalbank certificates" (see "Capital structure" [p. 36](#)).

Relevant legislation at federal level

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 20 June 2019 sets out the content and scope of the information to be published in this Annual report. The following legislation is applicable at cantonal level:

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

Furthermore, through its owner strategy the canton controls BLKB as its participation. It sets out the bank's objectives and 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 20 November 2019, in force since 1 March 2020; **Rules on the Issuance of Kantonalkbank Certificates** of 20 May 2015, in force since 1 November 2015; **Rules on Auditing** of 11 December 2017, in force since 1 July 2018; **Rules on Risk Control** of 7 February 2018, in force since 1 July 2018; **Rules on the Compensation Scheme** of 29 April 2020, in force since 1 April 2020.

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

Control mechanisms and definition of areas of responsibility

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

Reporting methodology

The following information in the corporate governance report is structured in accordance with the "Directive on Information Relating to Corporate Governance" (DCG) of the SIX Exchange Regulation of 20 June 2019. For reasons of clarity, subtitles may be combined with a relevant remark. Matters not relevant or applicable to BLKB are explicitly indicated.

Structure and shareholders

BLKB is listed on the Swiss Exchange with its Kantonalkbank certificates. Given its legal form as an independent public-law entity, the participation rights lie with the canton.

Operating structure

BLKB restricts its market presence to the Northwest Switzerland region, in particular the canton of Basel-Landschaft. It has been represented in Basel since February 2020 with a branch at Barfüsserplatz and in Fricktal since December 2020, initially

in Rheinfelden but also in Frick as of February 2021. The bank has 24 branches, with additional locations served by BLKB's Mobile Bank. In addition, it maintains various digital distribution channels.

Servicehub AG was set up by BLKB in 2018 with the purpose of providing insurance brokerage services specifically in connection with risks in the mortgage business. *Servicehub's* share capital is wholly owned by BLKB. In the year under review, the Board of Directors of *Servicehub AG* was entirely comprised of members of the BLKB Executive Board (Chairman of the Board of Directors: Kaspar Schweizer (as successor to Manuel Kunzelmann since April 2020), member of the Board of Directors: Herbert Kumbartzki). BLKB does not prepare consolidated financial statements, since the participation in *Servicehub AG* has no material influence on the bank's financial reporting or risk situation.

In the year under review, BLKB announced the creation of a Swiss-wide digital and sustainable financial services company. The plan is to set up a subsidiary that is independent from the state guarantee provided by the canton of Basel-Landschaft. Operations are due to commence in the first half of 2022 (see management report, [p. 12](#)).

Listing

Name: Basellandschaftliche Kantonalkbank (BLKB)

Registered office: Liestal.

Listed: Zurich, SIX Swiss Exchange Ltd.

Market capitalisation:

- Market capitalisation of Kantonalkbank certificates
- (570,000 units at a nominal value of CHF 100) at the year-end price of CHF 940: CHF 535.8 m
- Market capitalisation of the endowment capital of CHF 160 m assuming an analogous valuation: CHF 1,504 m
- Total market capitalisation (Kantonalkbank certificates and endowment capital): CHF 2,039.8 m

Participations held in group companies: none. (BLKB's wholly owned subsidiary *Servicehub AG* has no material influence on the bank's financial reporting or risk situation. The preparation of consolidated financial statements is therefore waived.)

Security ID number: 147355

ISIN number: CH0001473559.

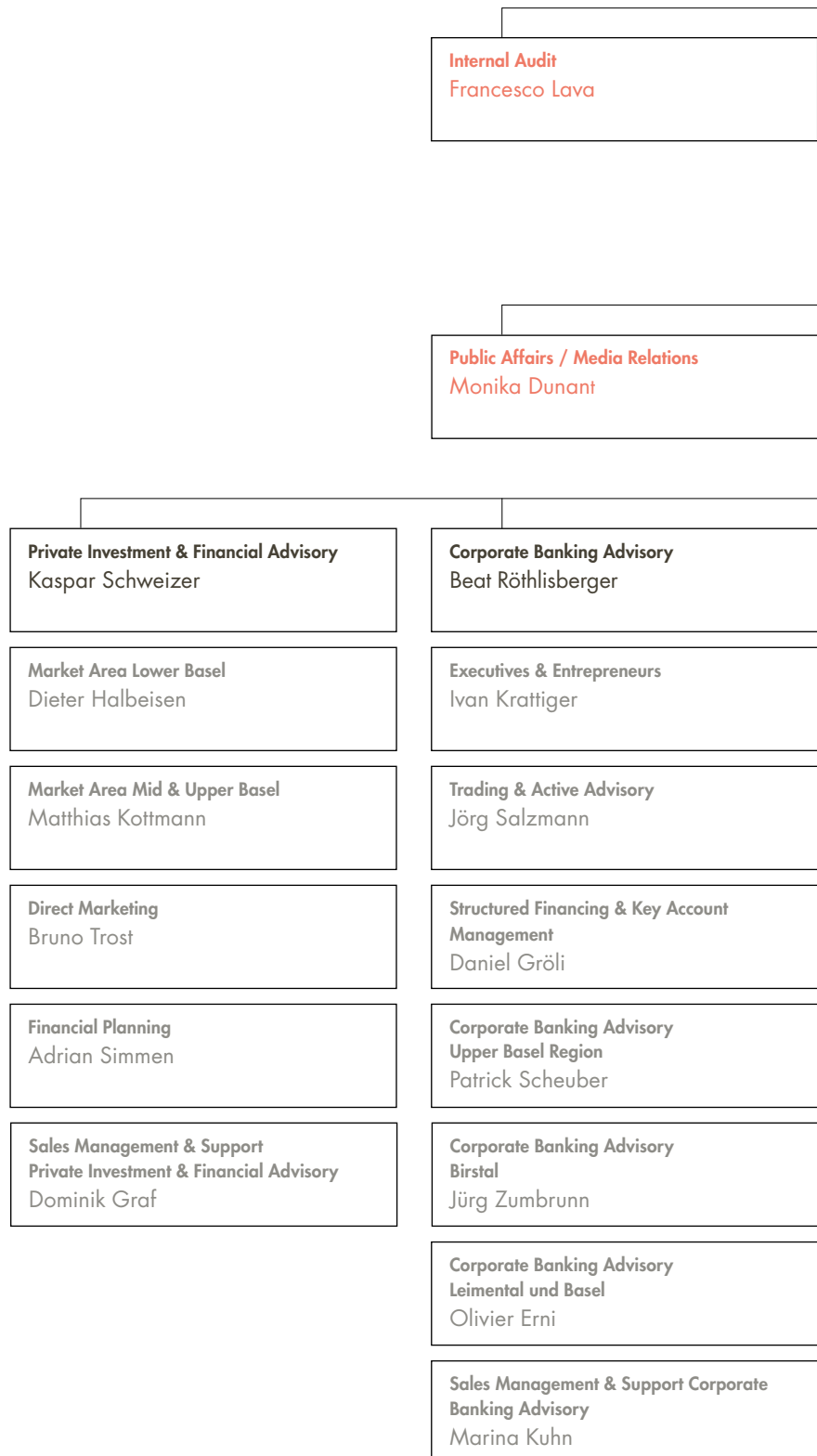
Significant shareholders

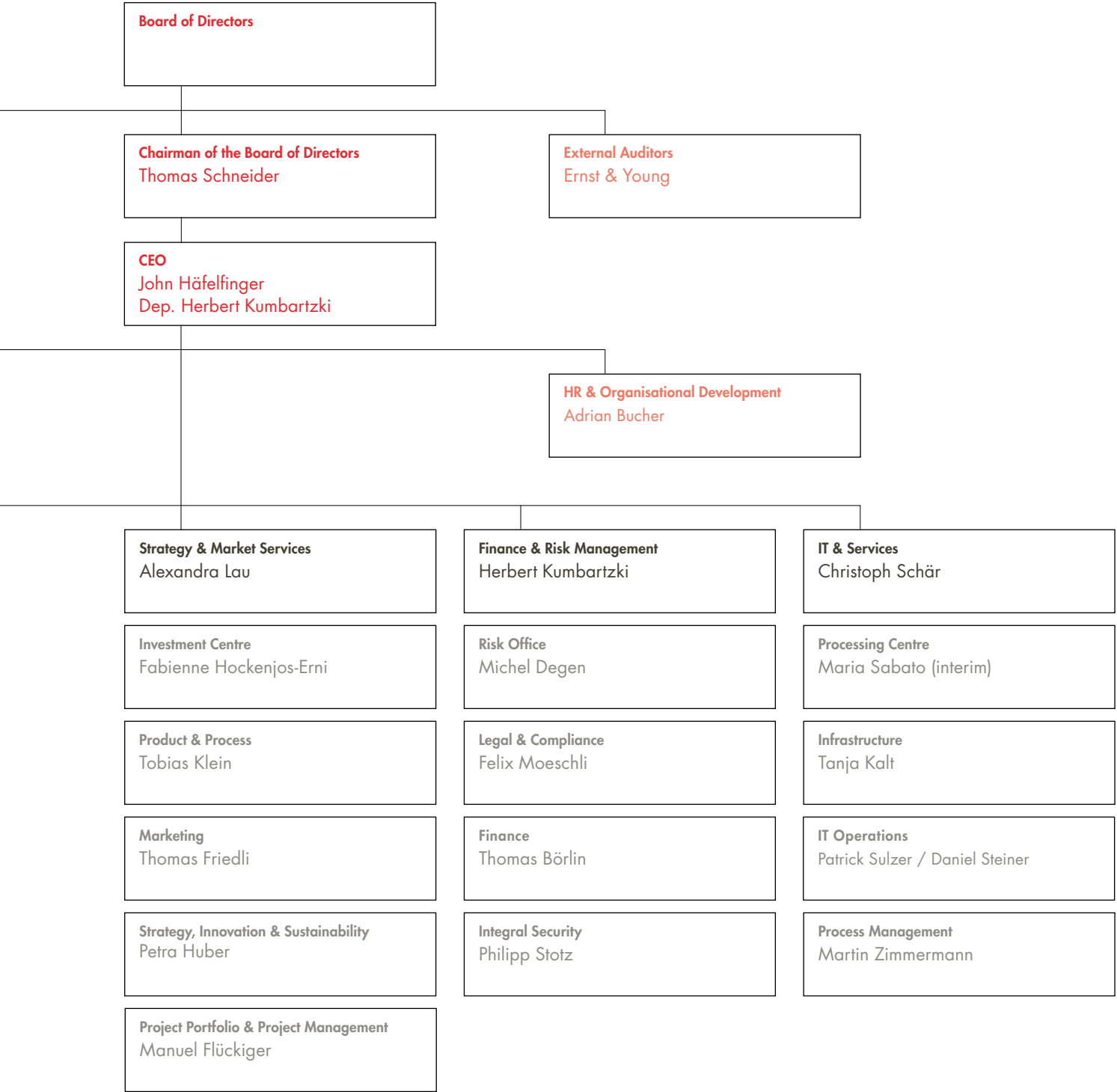
Due to its legal form, BLKB has non-voting share capital only and consequently shareholders have no voting rights. All voting rights are held exclusively by the canton of Basel-Landschaft.

Cross-shareholdings

There are no cross-shareholdings.

Organisational chart





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 § 5 para. 2 of the Basellandschaftliche Kantonallbank 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 § 5 para. 3 of the Basellandschaftliche Kantonallbank 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 2020, 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 section above). 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 Kantonallbank Act, § 5 para. 3; Rules on the Issuance of Kantonallbank Certificates, §§ 8 and 9; [blkb.ch/rechtsgrundlagen](https://www.blkb.ch/rechtsgrundlagen)).

Dividend-right certificates

There are no dividend-right certificates.

Limits 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 of the Board of Directors are non-executive; they do not perform any operational management tasks at BLKB. No members of the Board of Directors were members of the Executive Board during the three years preceding the period under review.

In line with FINMA 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.

Since 1 December 2019, 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. This replaced a previous set of rules which only applied to the Board of Directors.

The Ordinance against Excessive Compensation in Listed Companies (OaEC) does not apply to BLKB, since it is an independent public-law entity. Therefore, there are no statutory rules regarding the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC.

The information regarding the initial election of the members of the Board of Directors and their remaining term of office is incorporated into the overview starting on [page 37](#).

Board of Directors



Thomas Schneider

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

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

Significant directorships: Member of the Board of swisscleantech, Zurich (since April 2020); member of the Board of Directors of GAM Investments, Zurich (since May 2020).

Business connections with BLKB: none.



Anton Lauber

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

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

Significant directorships: Councillor of the canton of Basel-Landschaft (owner of BLKB); Chairman of Basellandschaftliche Gebäudeversicherung (buildings insurer), Liestal; Chairman of the Handschin Foundation, Liestal; member of the Board of Directors and Committee of the Board of Directors of Swiss Saltworks AG, Pratteln; member of the Board of Directors of Kraftwerk Birsfelden AG, Birsfelden; member of the Board of Trustees of Georg H. Endress Foundation, Reinach (since July 2019).

Business connections with BLKB: none.



Erica Dubach Spiegler

Member of the Board of Directors; member of the Strategy and Executive Committee. Born 1969; Swiss citizen; PhD (Dr.sc.) ETH. First elected 2015. Stepped down from the Board of Directors on 31 December 2020.

Erica Dubach Spiegler has been an independent management consultant for digital transformation since 2012. From 2009 to 2012 she was a scientific advisor and doctoral student at ETH Zurich. From 2007 to 2009 she managed the SAP Future Retail Centre at SAP in Zurich; from 2002 to 2006 Erica Dubach Spiegler was a managing consultant with IBM in Zurich. From 1993 to 2002 she held various positions at the Northwestern University, USA, at UBS and at Atraxis (Swissair).

Significant directorships: Member of the advisory group on digitalisation, Metall Zug (V-Zug), Zug.

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.

Stephan Eugster has been a member of the Board of Directors of BLKB since 1 July 2019 and is Chairman of the Audit and Risk Committee. From 2017 until early 2019 he 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 directorships: 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 President 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 directorships: Chairwoman of the BLKB Foundation for Culture and Education (formerly BLKB Anniversary Foundation), Liestal; member of the Consultative Commission on the Division of Tasks and Fiscal Equalisation of the canton of Basel-Landschaft.

Business connections with BLKB: none.



Stephan Naef

Member of the Board of Directors; Deputy Chairman of the Strategy and Executive Committee. Born 1962; Swiss citizen; university degree (lic. oec. publ.). First elected 2015; current term of office: 1 July 2019 to 30 June 2023.

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

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

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



Marco Primavesi

Member of the Board of Directors; Chairman of the Strategy and Executive Committee. Born 1959; Swiss citizen; Swiss Certified Expert in Organisational Management. First elected 2015; current term of office: 1 July 2019 to 30 June 2023.

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

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

Business connections with BLKB: Scope Solutions AG, Basel.



Nadia Tarolli Schmidt

Member of the Board of Directors; member of the Audit and Risk Committee. Born 1973; Swiss/Italian citizen; lawyer and Swiss Certified Tax Expert. First elected 2019; current term of office: 1 July 2019 to 30 June 2023.

Nadia Tarolli Schmidt is a partner at commercial law firm Vischer AG, Basel, where she has worked since 2005. She is Head of Tax and Social Insurance. Nadia Tarolli Schmidt also works as a part-time 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 directorships: Member of the Board of Directors of EGK Privatversicherungen AG and EGK Services AG, Laufen; member of the Board of Directors of Parkresort Rheinfelden Holding AG, Rheinfelden; member of the Board of Trustees of Ikea Occupational Benefits Foundation, Spreitenbach; member of the Board of Trustees of the Nordic Cultural and Educational Foundation, Basel; member of the Board of Directors of the Genossenschaft Stadion St. Jakob-Park, Basel (since August 2020).

Business connections with BLKB: Vischer AG.

Election and terms of office

In accordance with the Basellandschaftliche Kantonalbank 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 (§ 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 Kantonalbank Ordinance. The term of office is four years.

Unless other arrangements have been made by way of special provisions in the Basellandschaftliche Kantonalbank Act, the election of the members of the Board of Directors shall be subject to the Public Corporate Governance Act (PCGA). § 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, individual members of the Board of Directors and the Chair. The requirements specification complies with FINMA Circular 2017/1 "Corporate Governance – Banks". The requirements specification can be found at blkb.ch/rechtsgrundlagen.

The Basellandschaftliche Kantonalbank Act states that the Board of Directors shall comprise seven to nine members, including the Chair.

Size and composition

Since the start of the current term of office from 2019 to 2023, the Board of Directors has consisted of eight members: Chairman Thomas Schneider, Deputy Chairman Anton Lauber, Erica Dubach Spiegler, Stephan Eugster, Nadine Jermann, Stephan Naef, Marco Primavesi and Nadia Tarolli Schmidt.

In August 2020, Erica Dubach Spiegler announced she was stepping down on 31 December 2020. Her successor on the Board of Directors will be decided in the first half of 2021.

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 the recommendations contained in 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 of Directors 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 43](#).

The CEO attends the meetings on a regular basis. 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 19 meetings in the year under review; eleven of these were ordinary meetings, while seven were on specific topics and one was a two-day retreat. The ordinary meetings lasted 3 hours and 15 minutes on average, while the meetings on specific topics lasted an average of 30 minutes.

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 Kantonalbank 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 2020

	Strategy and Executive Committee (SEC)	Audit and Risk Committee (ARC)
Members	Marco Primavesi (Chair) Stephan Naef (Deputy) Erica Dubach Spiegler	Stephan Eugster (Chair) Nadine Jermann (Deputy) Nadia Tarolli Schmidt
Other attendees	The CEO and the head of Strategy & Market Services attend all meetings.	The CFO and the head of Internal Audit attend all meetings; the CRO attends when risk issues are discussed, while the external auditors also attend in the case of selected topics.
Decisions	Presence of a majority of members required. Votes are decided by a simple majority. The Chair votes with the others, and has the casting vote in the event of a tie.	
Meetings in the year under review	11 (of which 10 ordinary meetings and 1 additional meeting on specific topics)	9 (of which 8 ordinary meetings and 1 additional meeting on specific topics)
Average duration of meetings	The ordinary meetings lasted 3 hours on average, while the additional meeting lasted 30 minutes.	The ordinary meetings lasted 3 hours and 45 minutes on average, while the additional meeting lasted 45 minutes.

Committees of the Board of Directors

The two committees – the Strategy and Executive Committee, and the Audit and Risk Committee – prepare the business of the Board of Directors and fulfil instructions issued by the Board of Directors in individual cases. They also monitor the bank's operations, supervise the individuals entrusted with the bank's operational management, in particular with regard to their compliance with laws and regulations, and receive reports from the Executive Board. They report on their activities to the Board of Directors on a continuous basis.

The members of the Board of Directors may sit on more than one committee; however, the Audit and Risk Committee must differ sufficiently from the other committees in personnel terms. Furthermore, the Chairman of the Board of Directors may not belong to the Audit and Risk Committee – either as a member or as chair. Each committee comprises at least three members.

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

Strategy and Executive Committee (SEC)

The Strategy and Executive Committee has the following specific tasks:

- It examines developments in the banking environment and assesses the bank's business policy and strategic alignment;
- It deals with bank operational matters that lie within the decision-making authority of the Board of Directors;
- It reviews the appropriateness and compliance of the HR policy and organisational structure with the corporate and business strategies;

- In cooperation with the ARC, it analyses annual and multi-year planning, budgeting, reporting on the course of business, as well as the economic and financial situation of the bank;
- It expresses a recommendation on potential cooperation and alliances, evaluation of acquisitions and participations, activities in new fields of business, expansion into new market areas and choice of IT platform.

Audit and Risk Committee (ARC)

The Audit and Risk Committee has the following specific tasks:

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

Self-appraisal by the Board of Directors and its committees

In line with FINMA Circular 2017/1 "Corporate Governance – Banks", the Board of Directors and 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 meet their own objectives.

Definition of areas of responsibility

The responsibilities of the Board of Directors and the Executive Board, as well as cooperation between the Board of Directors and the two committees, are defined in the Operational Guidelines and Regulations of 20 November 2019, as well as in annex 1 "Definition of Areas of Responsibility" ([🔗 blkb.ch/rechtsgrundlagen](https://blkb.ch/rechtsgrundlagen)).

In Art. 4 para. 1 and 2 a–m and in Art. 5, the Operational Guidelines and Regulations specify the non-transferable and inalienable duties of the Board of Directors. The Definition of Areas of Responsibility assigns the respective responsibilities (decision, taking note, proposal) to the Board of Directors, bank committees and Executive Board in a matrix.

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

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

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

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

Executive Board

The Executive Board comprises six members. The individual members are shown on [page 45](#) onwards. Alexandra Lau, former head of Legal & Compliance, was appointed by the Board of Directors as a member of the Executive Board and head of Strategy & Market Services on 5 February 2020, having served in this role on an interim basis since 10 January 2020. Alexandra Lau succeeds Manuel Kunzelmann, who left the bank on 30 April 2020 in order to take up a new role outside the bank.

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

Management contracts

There are no management contracts with third parties.

Executive Board



John Häfelfinger

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

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

Significant directorships: Chairman of the BLKB 2014 Anniversary Foundation, Liestal; member of the Board of Directors of the Association of Swiss Cantonal Banks, Basel; board member of the Basel Chamber of Commerce; Chairman of the Basel Banking Association; member of the Board of Trustees of Finanzplatz Basel; member of the Board of Directors of True Wealth AG, Zurich (since May 2020).



Herbert Kumbartzki

Deputy CEO; CFO; head of Financial & Risk Management. Born 1962; Swiss/German citizen; university degree (lic. theol. et lic. rer. pol.), Chartered Financial Analyst (CFA).

Herbert Kumbartzki has been a member of BLKB's Executive Board since 2010, having joined the bank in 2007. From 2001 to 2007, Herbert Kumbartzki served as head of Human Resources and Chief Investment Officer at Bank CIC (Switzerland). From 1996 to 2001, he held the role of Chief Investment Officer with Bank Ehinger & Cie. and worked as a financial analyst and portfolio manager with Union Bank of Switzerland (later UBS).

Significant directorships: Member of the Board of Trustees of the BLKB 2014 Anniversary Foundation, Liestal; member of the Board of Directors of Servicehub AG, Liestal; member of the Board of Directors of Ronda AG, Lausen; member of the Board of Directors of Pax Asset Management AG; Basel.



Alexandra Lau

Member of the Executive Board; head of Strategy & Market Services (since 10 January 2020). Born 1980; Swiss/German citizen; M.A. International Affairs and Governance HSG.

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

Significant directorships: Member of the Board of Trustees of the BLKB 2014 Anniversary Foundation (since January 2020), Liestal; member of the Board of Swiss Sustainable Finance (since June 2020).



Beat Röhliberger

Member of the Executive Board; 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. 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 directorships: Member of the Board of Trustees of the BLKB 2014 Anniversary Foundation, Liestal; member of the Steering Committee of "Swiss Innovation Challenge" (since June 2017); member of the Board of Trustees of GSR (a centre for hearing, speech and communication), Aesch.



Christoph Schär

Member of the Executive Board; Chief Digital Officer; head of IT & Services. Born 1976; Swiss citizen; Executive MBA HSG, Master of Science ETH, Advanced Executive Program SFI.

Christoph Schär has been a member of the Executive Board of BLKB since 2018, having joined the bank in the same year. 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 directorships: Member of the Board of Trustees of the BLKB 2014 Anniversary Foundation, Liestal; member of the Conference Board of Business Agility Day, Zurich; member of the sponsorship team of be-digital – an initiative by the Basel Chamber of Commerce, Basel.



Kaspar Schweizer

Member of the Executive Board; head of Private Investment & Financial Advisory. Born 1964; Swiss citizen; university degree (lic. oec.) HSG, Executive MBA in Business Engineering HSG.

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

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

Compensation

An attractive working environment enables BLKB to create the conditions required for a motivating and performance-driven work culture. That includes a contemporary compensation policy that is guided by our business performance and values. Information on compensation, shareholdings and loans is explained in the compensation report on [page 57](#) onwards.

Shareholders' participation rights

Due to its legal form as an independent public-law entity with its own legal personality, BLKB has non-voting share capital only and consequently shareholders have no voting rights. All participation rights are exclusively held by the canton of Basel-Landschaft. The Board of Directors and the Executive Board may invite holders of certificates to meetings in order to inform them of the course of the bank's business. BLKB holds these information meetings every April, with holders of Kantonalkbank certificates who are known to the bank receiving a personal written invitation. Additionally, the invitation is published in the cantonal official gazette as well as regional newspapers. Due to the Covid-19 pandemic, the meeting of certificate holders could not take place in the year under review. Certificates do not entitle the holder to exercise any participation rights such as the right to vote, object or challenge (Basellandschaftliche Kantonalkbank Act, § 5 para. 3; Rules on the Issuance of Kantonalkbank Certificates, §§ 8 and 9; blkb.ch/rechtsgrundlagen). For further details, see "Participation certificates" on [page 36](#).

Items 6.1 to 6.5 in the annex of the DCG (voting rights restrictions and representation, quorums required by the articles of association, convocation of the general meeting of shareholders, inclusion of items on the agenda and entries in the share register) are not applicable due to BLKB's legal form.

Changes of control and defence measures

Due to BLKB's legal form (see explanations in "Shareholders' participation rights"), a change of ownership by means of the purchase of certificates cannot take place under any circumstances whatsoever. The question of the duty to make an offer and the clauses on change of control (items 7.1 and 7.2 in the annex to the DCG) are therefore not applicable.

Auditors

The auditor is appointed by the cantonal government to audit the annual financial statements based on the proposal of the Board of Directors. The audit is performed by Ernst & Young AG, which is also entrusted with the regulatory audit.

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

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

Auditing fees and additional fees

The total auditing fees invoiced by the auditors for the fulfilment of their legally required duties in the year under review was CHF 432,070. These auditing expenses were calculated in accordance with the accrual principle. There were fees of CHF 102,609 for additional, general audit-related services commissioned by the bank in the year under review.

Information instruments pertaining to the external audit

One of the tasks of the Audit and Risk Committee is to assess the effectiveness of the external auditors, Internal Audit, and 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 six 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 two 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. The Public Affairs/Media Relations unit reports directly to the CEO.

BLKB 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](https://www.blkb.ch/geschaeftsbericht)).

The description of our activities in relation to sustainability has been incorporated into the management report. In addition, a detailed sustainability report is prepared in accordance with the standards of the *Global Reporting Initiative* (GRI) and is primarily aimed at the rating agencies and investors. This is published online at [🔗 blkb.ch/nachhaltigkeitsbericht](https://www.blkb.ch/nachhaltigkeitsbericht). In this way, the Board of Directors and the Executive Board highlight the fact that sustainable, forward-looking actions are firmly anchored within BLKB's corporate strategy and philosophy.

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.

Press releases are published at the time of the annual and half-yearly results and at the time of the annual meeting of BLKB certificate holders (April) and where necessary or appropriate (ad hoc publicity). All press releases can be viewed online at [🔗 blkb.ch/medien](https://www.blkb.ch/medien).

In accordance with BLKB's information policy, employees receive information at the latest at the same time as it is communicated to external stakeholders. The intranet is systematically used as an internal platform for sharing information, knowledge and opinion.

Contact for investors and the media

🔗 investoren@blkb.ch

🔗 medien@blkb.ch

Information for investors and the media

🔗 [blkb.ch/investor-relations](https://www.blkb.ch/investor-relations)

🔗 [blkb.ch/medien](https://www.blkb.ch/medien)

Newsletter service

🔗 [blkb.ch/newsletter](https://www.blkb.ch/newsletter)

Postal address

BLKB

Rheinstrasse 7

4410 Liestal

Foundations

As at 31 December 2020

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

We are there. For the society in which we live.

BLKB has been taking responsibility for the people of the Northwest Switzerland region for over 150 years. Today we aim to go a step further. We intend to play our part in actively shaping the region and make a positive impact.

We are committed to a stable society in which everyone can find their place. We foster economic development that is consistent with the environmental resources available. We support a creative region in which innovative ideas lead to great outcomes. We are dedicated to ensuring Northwestern Switzerland has a thriving cultural, sporting and social life.

We are a part of this strong region, and answerable to its community. Every time.

For society in the Northwest Switzerland region.

 CHF 5.1 m


Good ideas for a strong region

Via the Basel Region 100 cooperation, we are promoting the region's **innovative SMEs and start-ups**. This strengthens **innovation capacity** and generates added value for the Basel region's economy. We invested CHF 5.1 m in the year under review.

 60
CHF m

Profit for the canton

CHF 60 m of our profit goes to the **canton of Basel-Landschaft**.

CHF 206 / 

That's equivalent to CHF 206 for every **resident**.



CHF 4.9 bn

Stability for the region

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



CHF 1.4 m

Commitment to the region

We show **responsibility** towards the region and promote its social and cultural life as well as sport. In the **sport, culture and society** arena, our commitments include running and Swiss wrestling, the region's cultural centres, low-impact tourism and the hiking trails of the Basel region.

453,183  CHF

Young people are our future

Young people are important to us. With every payment made using the **"Jobs for Juniors"** charity Maestro card, BLKB donates a portion of the amount to the **Job Factory** and **KMU Lehrbetriebsverbund AG** (SME apprenticeship association). This totalled CHF 453,183 in the year under review.

When research and practice go hand in hand

Who determines how we live tomorrow? What will our homes look like in future? In the *CreaLab*, students at the *University of Applied Sciences and Arts Northwestern Switzerland* address the issues of the future. The students develop innovative thoughts and ideas as well as concrete proposals for implementation. BLKB has been on board since the start.



Sometimes good ideas can appear during cooking. But people can also be inspired by a creative setting – and that’s why the *CreaLab* came about.

“The students show us what’s important to their generation.”

Creative ideas sometimes appear out of the blue – when you are out for a run or cooking, for example. But it’s also possible to create an appropriate environment that is conducive to the emergence of innovative solutions. With the *CreaLab*, Professor Tina Haisch has set up just such a platform. A lecturer and Head of the Centre of Excellence for Innovation and Space at the University of Applied Sciences and Arts Northwestern Switzerland, Professor Haisch was inspired by a seminar she attended at a German university in her capacity as an expert. “It’s an exciting format for Northwestern Switzerland too; that’s why I initiated the *CreaLab* at the university here,” she explains.

Creative laboratory that works for the region’s businesses

The *CreaLab* was held for the first time in the autumn of 2019. As part of their innovation module, bachelor students on the business administration course attend the one-week programme – which has since been held once every semester. In a type of creative laboratory, students spend the week devising solutions to specific questions submitted by the region’s companies and organisations. Subjects range from food waste, through spatial development, to the bank branch of the future, and must be linked to sustainability or digitalisation. Theoretical input on the innovation process is provided by Professor Haisch as well as guest lecturer Dr Carsten Hutt. Various techniques such as brainstorming, competency mapping and presentations are used to create innovative solutions. At the end of the week, the students present their proposals to the companies and organisations that submitted the questions. It is up to the companies and organisations to decide what they do with the ideas.



When research and practice come together. Professor Tina Haisch in discussion with a student in the university lobby.

A win-win situation

BLKB has supported the CreaLab since it was set up. "The CreaLab is interesting to us as a bank, because it comes up with innovative thoughts and ideas for future developments," says Marilen Dürr, head of Sustainability at BLKB. In previous project weeks, BLKB invited a discussion on the topic of carbon neutrality and communication on sustainability. "The students showed us what matters to their generation," says the sustainability expert. Indeed the proposals for communication on sustainability led to very specific proposals. "The launch of the Future Account, which enables customers to support sustainable projects in the region, had already been planned. However, the idea of planting trees showed us that we're on the right track with our partnership with WaldBeiderBasel," says a delighted Marilen Dürr.

The future of our region

Our ability to determine what our lives will be like tomorrow as well as identify which innovations are already shaping the future therefore depends on the importance we attach to education. Even in an era of digitalisation, the generation and implementation of innovative ideas requires geographical proximity. As Professor Haisch stresses: "Burning issues can only be resolved within foreseeable networks. Communicating in person is important, and closeness creates trust." It is an approach that is also pursued by BLKB. Though various memberships and alliances, the bank is committed to sustainable development for the region and its people – thus ensuring the future has a home in the region.

"Real examples are enormously important"

Bringing together research and practice is a win-win. Companies benefit from young minds that can take a fresh look at a subject and point out aspects that had not previously been considered. Conversely, it is also enormously important for research to be able to implement real examples in order to apply innovation processes in practice. "Particularly at a time when businesses are increasingly focused on their core business, it's important for research that companies don't withdraw completely and instead continue to provide inputs which the students can expand upon," says Tina Haisch.

Compensation report

Our compensation model is based on our values and supports a motivating corporate culture.

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

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

Compensation policy

Our principles

An attractive working environment enables us to create the conditions required for a modern, motivating and performance-driven work culture. That also includes a contemporary compensation policy that is guided by our business performance and values. As a forward-looking employer, equality of opportunity is important to us and we offer equal pay for equal work – irrespective of age and gender. In the year under review, BLKB arranged for its compliance with the internal requirement for equal pay between men and women to be audited and was awarded the *Fair-ON-Pay+* certificate. Based on the use of the *Logib* analysis tool provided by the federal government, BLKB meets the requirements of the Federal Office for Equality between Women and Men for equal pay between women and men.

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

Relevant legislation and provisions

- FINMA circular 2010/1: Remuneration schemes
- FINMA circular 2016/1: Disclosure – banks
- FINMA circular 2017/1: Corporate governance – banks
- SIX guidelines for listed companies

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

At cantonal level, the canton's owner strategy stipulates that compensation for the Board of Directors and the Executive Board must be in line with industry levels. Total compensation for the

Board of Directors and the Executive Board must not exceed the average for similar banks and must be commensurate with roles and performance. The compensation system must strengthen the long-term focus and be geared towards the sustainable growth of the bank's value. The overall compensation of the Board of Directors is decided by the cantonal council.

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

The "Rules on the Compensation Scheme" were revised in the year under review. The changes involve the introduction of a new salary model, new rules on variable compensation for the Executive Board and changes in relation to the fringe benefits of the Board of Directors.

Compensation system

Compensation model

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

BLKB continued to develop its compensation model in the year under view. The total amount of variable compensation at overall bank level was reduced by around a half, in return for an increase in the total amount of fixed compensation at overall bank level. With the new salary system, BLKB can offer its employees greater security and at the same time continue to reward outstanding commitment to the bank in the form of variable compensation.

The changes took effect on 1 April 2020. All employees will continue to have the opportunity to receive variable compensation. Variable compensation will now be determined based on predefined guidelines for each function level; individual guidelines were approved by the Executive Board for individual employees. As in the past, the final allocation will be decided by line managers, depending on the overall pool of variable compensation approved by the Board of Directors. The total amount of variable

Responsibilities and procedures

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

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

compensation will be calculated based on the relevant business result in future too. These changes apply to employees in function levels 1 to 7.

Components of compensation

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

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

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

Expense allowances: The members of the Board of Directors, CEO, other members of the Executive Board and employees in function levels 5 to 7 receive expense allowances. In the case of members of the Board of Directors, their expense allowance is based on their function and tasks within the Board of Directors.

Fringe benefits: All employees enjoy favourable interest rates on loans and savings, as well as reduced banking charges. They also receive subsidised lunches, discounted Reka money, vouchers for reduced-price travelcards, marriage and baby allowances, as well as long-term service awards (discounted purchase of Kantonalbank certificates as well as crediting of leave and/or long-term service allowances). BLKB commits time and money to the training and development of employees, thus boosting their marketability. BLKB pays 60 per cent of contributions to the pension fund rather than the 50 per cent required by law. In addition, the bank finances up to two AHV bridging pensions and employees retire when they reach the age of 64.

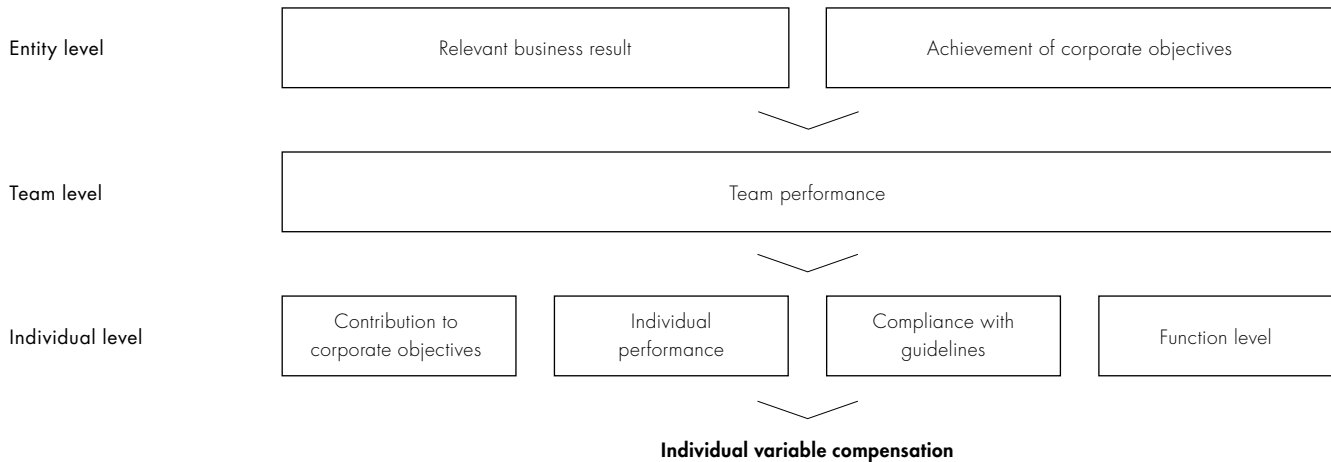
In addition, members of the Executive Board are entitled to a company car. Since 2020, the members of the Board of Directors have received preferential interest rates on loans and savings as well as reduced fees for banking services.

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

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

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

Basis for variable compensation



Responsibilities and competencies

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

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

Variable compensation: The total amount of variable compensation is calculated based on the relevant business result (5.83% of the relevant business result up to 31 March 2020 and 3.31% from 1 April 2020). It is determined by the Board of Directors once a year based on the proposal of the Chairman of the Board of Directors. Furthermore, the Board of Directors determines the variable compensation for the CEO (based on the proposal of the Chairman of the Board of Directors) and the other members of the Executive Board (based on the proposals of the Chairman of the Board of Directors and the CEO). In addition, the Chairman of the Board of Directors determines the variable compensation of the head of Internal Audit based on the proposal of the Audit and Risk Committee. The variable compensation

of employees is determined by the respective line manager. If the bank does not post a positive relevant net operating profit, no variable compensation is paid.

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

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

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

Compensation groups

Board of Directors

The members of the Board of Directors receive fixed compensation depending on their function and tasks within the Board of Directors (chair, deputy chair, committee chair, committee member). Equal compensation is paid for equal functions, and compensation must be in line with industry levels. In addition, members are paid an expense allowance that is likewise based on their role and tasks. No variable compensation is paid to the members of the Board of Directors. They receive preferential interest rates on loans and savings, as well as reduced banking charges. They are also required to purchase Kantonbank certificates annually on preferential terms. The member of the cantonal government is exempt from this rule. Certificates are

purchased at a discount of 25.274 per cent to the market price on the ex-dividend date. All certificates are blocked for five years following purchase.

The following annual mandatory purchases and minimum holdings apply after five years in post:

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

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

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

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

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

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

The compensation system must strengthen the long-term focus and be geared towards the sustainable growth of the bank's value. In this connection, the members of the Executive Board have been required to take a minimum of 25 per cent of their variable compensation in the form of Kantonallbank certificates

Compensation components and groups

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

since the year under review. Certificates are purchased at a discount of 25.274 per cent to the market price on the ex-dividend date and are blocked for five years following purchase. The CEO and the other members of the Executive Board were previously subject to the mandatory purchase of 50 and 30 Kantonallbank certificates respectively at a discount of 25.274 percent to the market price on the ex-dividend date and a five-year blocking period.

Various additional benefits are paid to the members of the Executive Board; in addition, they are entitled to a company car.

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

Other employees

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

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

Compensation in 2020

Total compensation in the year under review amounted to CHF 92,842,720 CHF (previous year: CHF 84,914,663). Compared with 2019, average full-time equivalents rose by 22.7 to 709.7 (+3.3%) in the year under review.

The total amount of fixed compensation was 11.2 per cent higher than in the previous year at CHF 78,923,876 (CHF 70,996,637). This is mainly attributable to the change to the salary system: It was decided in the year under review to increase the total amount of fixed compensation at overall bank level and instead reduce the total amount of variable compensation at overall bank level by around a half. Individual fixed salaries were adjusted on the basis of a review of all fixed compensation within the bank.

The total amount of variable compensation available in 2020 was slightly lower than in the previous year at CHF 11,056,469 (CHF 11,123,470). The new salary system described does not affect variable compensation until the 2021 financial year.

The other elements of total compensation, in addition to fixed and variable compensation, are fringe benefits at CHF 1,172,296 (previous year: CHF 1,283,184), expense allowances at CHF 1,111,715 (previous year: CHF 1,021,372) and the value of discounted purchases of Kantonbank certificates at CHF 578,363 (previous year: CHF 490,001).

Total fixed compensation for the members of the Executive Board amounted to CHF 2,001,332 in the year under review, with the highest individual share going to the CEO at CHF 425,100.

The total amounts of Kantonbank certificates of individual members of the Board of Directors and Executive Board are shown in the notes to the financial statements on [pages 118 and 119](#).

Sign-on and severance compensation

No sign-on or severance compensation was paid to members of the Executive Board in the year under review. A total of CHF 133,500 in sign-on compensation was paid to eight employees for forfeited compensation claims against their previous employer.

Ratio between highest and lowest compensation

The ratio between the lowest and highest total compensation (fixed and variable compensation) in 2020 was 1 : 14.05.

Compensation for the members of the Board of Directors for financial years 2020 and 2019

Name		Fixed compensation	Variable compensation	Fringe benefits	Expense allowance	Value of discounted KBC purchase	Total compensation	Employer contributions to social insurance	Total personnel expense
T. Schneider, Chairman									
	2020	200,000	0	–	10,000	4,681	214,681	54,516	269,197
	2019	200,000	0	–	8,500	2,285	210,785	54,078	264,862
A. Lauber, Deputy Chairman¹⁾									
	2020	55,000	0	–	2,500	0	57,500	0	57,500
	2019	55,000	0	–	2,250	0	57,250	0	57,250
M. Primavesi²⁾									
	2020	85,000	0	–	4,500	4,681	94,181	20,955	115,136
	2019	85,000	0	–	4,050	4,570	93,620	20,593	114,212
S. Eugster³⁾									
	2020	85,000	0	–	4,500	2,340	91,840	7,469	99,309
	2019	42,500	0	–	2,250	0	44,750	3,661	48,411
D. Völlmin⁴⁾									
	2020	–	–	–	–	–	–	–	–
	2019	50,000	0	–	1,800	4,570	56,370	3,837	60,206
K. Strecker⁵⁾									
	2020	–	–	–	–	–	–	–	–
	2019	50,000	0	–	1,800	4,570	56,370	3,837	60,206
E. Dubach Spiegler									
	2020	65,000	0	–	3,000	4,681	72,681	14,017	86,698
	2019	65,000	0	–	2,750	4,570	72,320	13,901	86,220
D. Greiner⁶⁾									
	2020	–	–	–	–	–	–	–	–
	2019	35,000	0	–	1,250	4,570	40,820	2,680	43,500
N. Jermann									
	2020	65,000	0	–	3,000	4,681	72,681	13,302	85,983
	2019	65,000	0	–	2,750	4,570	72,320	13,185	85,505
F. Mutschlechner⁶⁾									
	2020	–	–	–	–	–	–	–	–
	2019	35,000	0	–	1,250	4,570	40,820	2,686	43,505
S. Naef									
	2020	65,000	0	–	3,000	4,681	72,681	14,732	87,413
	2019	65,000	0	–	2,750	4,570	72,320	14,611	86,930
N. Tarolli Schmidt⁷⁾									
	2020	65,000	0	–	3,000	2,340	70,340	13,880	84,220
	2019	32,500	0	–	1,500	0	34,000	6,884	40,884
Total compensation									
	2020	685,000	0	–	33,500	28,084	746,584	138,871	885,455
	2019	705,000	0	–	29,150	38,841	772,991	129,406	902,397

¹⁾ The fee is paid to the canton of Basel-Landschaft.

²⁾ Chairman of the SEC

³⁾ Joined 1 July 2019, Chairman of the ARC since 1 July 2019

⁴⁾ Stepped down 30 June 2019, Chairman of the ARC until 30 June 2019

⁵⁾ Stepped down 30 June 2019, Chairman of the HROC until 30 June 2019

⁶⁾ Stepped down 30 June 2019

⁷⁾ Joined 1 July 2019

 Compensation for the members of the Executive Board for financial years 2020 and 2019

Name		Fixed compensation	Variable compensation	Fringe benefits ¹⁾	Expense allowance	Value of discounted KBC purchase	Total compensation	Employer contributions to social insurance	Total expenses
John Häfelfinger, CEO									
	2020 ²⁾	425,100	470,000	7,741	24,000	11,702	938,543	177,488	1,116,031
	2019 ³⁾	425,100	420,000	7,741	24,000	11,424	888,265	176,209	1,064,475
Rest of Executive Board									
	2020 ⁴⁾	1,576,232	856,666	41,843	82,534	39,006	2,596,281	671,002	3,267,283
	2019	1,672,441	845,000	44,595	90,668	41,749	2,694,453	728,575	3,423,028
Total, Executive Board									
	2020	2,001,332	1,326,666	49,584	106,534	50,707	3,534,824	848,490	4,383,314
	2019	2,097,541	1,265,000	52,337	114,668	53,173	3,582,718	904,784	4,487,503

¹⁾ Discounted Reka money, lunch allowance, company car

²⁾ Variable compensation: 2020: of which CHF 70,000 in the form of additional Kantonalbank certificates with a 25.274 per cent discount and a blocking period of five years

³⁾ Variable compensation: 2019: of which CHF 20,000 in the form of the 25.274 per cent discount (according to Swiss Federal Tax Administration) on the KB certificates additionally purchased by the CEO with a blocking period of five years

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

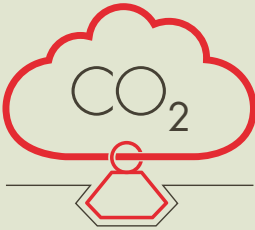
We are there. For the environment that makes life possible.

What we do today will shape the world of tomorrow. That is why it needs special protection. Safeguarding our environment is the only way to ensure our society thrives, people feel fulfilled, and the economy flourishes.

We believe in taking a responsible approach to the resources available. We also campaign for the sustainable development of the region's economy and stand for a climate-friendly Swiss financial centre. And we are committed to a region in which sustainability is the norm for business and society.

Now is the time to take a clear stand on the environment. Together we can do it.

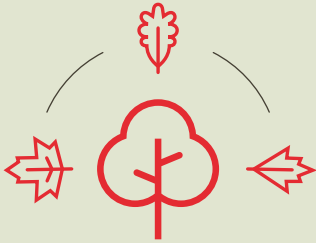
For a strong, intact environment.



-1,000 metric tons CO₂

Regional climate protection project

We link BLKB's carbon offsets to our commitment to a **sustainable future for the region**. From 2021, we will therefore be offsetting the bank's CO₂ emissions within the canton of Basel-Landschaft. In future, more than 1,000 metric tons of CO₂ will be stored every year on 1,086 hectares of land belonging to 51 local farmers.



1,000 trees

Forests of tomorrow

BLKB is financing **1,000 climate-resistant trees** such as oak, field maple and wild service tree, with the aim of strengthening the Basel region's forests in the years ahead. Through the **"Future Account"**, BLKB's customers are likewise showing their support for the "Forests of tomorrow" project.



"BLKB Climate Basket"

Outstanding climate protection product

We offer a broad array of sustainable products. The "BLKB Climate Basket" was voted **Best Climate Protection Product** in the *Best Derivative Awards 2020*. The basket invests in companies that contribute to tackling climate change.



93,523 kWh

Electricity from the roof

We produce our own electricity. The **solar panels** on the roof of our head office in Liestal generate over 90,000 kWh of electricity every year – equivalent to the annual energy requirements of **21 households**.



Carbon-neutral

We are CO₂-neutral

BLKB has been **climate-neutral** since 2019. We have successfully **reduced** CO₂ emissions per employee by 21 per cent over the past five years. From 2021, the bank is offsetting its CO₂ emissions via a regional climate project.

Humus for climate protection

Can humus formation be used to protect the climate? The answer is yes! Though it may sound a little bizarre, it is already being put into practice in the Northwest Switzerland region. This pioneering climate protection project was launched by BLKB in partnership with the *Ebenrain Centre for Agriculture, Nature and Food* together with local farmers.

Climate change has far-reaching consequences, including for agriculture. Extreme weather events such as heatwaves, droughts, storms and torrential downpours are increasing, with the warmer climate also bringing harmful pests and diseases to Switzerland.

A fragile Northwest Switzerland

Northwest Switzerland is particularly vulnerable to climate change. "Compared with other regions, Northwest Switzerland records less precipitation and higher temperatures; so the soil here dries out more quickly," explains Lukas Kilcher, Head of the Ebenrain Centre. In addition, there are few natural waters. For irrigation purposes, farmers therefore have to use drinking water or build expensive rainwater harvesting systems. With crops such as fruit and vegetables that require regular irrigation also being grown in Northwest Switzerland, this represents a major challenge for agriculture. Supplying the region with food is therefore becoming more of a challenge, as well as more expensive. "Farmers are constantly having to work harder to protect their crops; at the same time, the risks they face are steadily increasing," explains Lukas Kilcher.

Protecting the soil and the climate

For many years now, the Ebenrain Centre for Agriculture, Nature and Food has been looking at how farmers can be better equipped for climate change and at the same time at how they can make a contribution to climate protection. That is where the humus formation project comes in: The aim is to make agricultural soils more adaptable and climate-resistant through the formation of humus and at the same time store CO₂ in the ground. Humus is the finely divided organic matter in soil and is important for supplying plants with nutrients as well as the air and heat balance of the soil. "The humus content is increased through the build-up of biomass. Through photosynthesis, CO₂ is absorbed



The humus content in the soil is measured again in three years' time.



The way we act today will impact on tomorrow's generation. The future should have a home in the Northwest Switzerland region.

from the atmosphere and later added to the soil in the form of humus. This increases the fertility and storage capacity of the soils," explains Lukas Kilcher. Farmers can therefore make the soil more adaptable to climate change and at the same time help

It helps make the soil more adaptable to climate change.

protect the climate. "It's a win-win situation for all concerned," says Kilcher. The current assumption is that around one metric ton of CO₂ can be offset per hectare of land per year. BLKB pays the farmers CHF 100 per ton of newly stored CO₂.

Advantages for agriculture

Oberwil farmer Martin Thürkauf is likewise impressed by the project. For several years, he has been exploring how farms can operate using smaller amounts of chemicals. "I think it's important not just to tackle a problem but also to deal with the causes," he says. "With the higher humus content in the soil, crops are less prone to pests and diseases. This enables the use of chemical agents to be reduced." It does not mean there will not be any more poor harvests, but it does significantly reduce the risk.

The project therefore creates benefits for agriculture from an economic perspective too.

54 farmers, with over 1,000 hectares of land, have already been involved in the project since launch. The initial measurements of the humus content were completed at the end of 2020. Follow-up measurements will be taken in three and six years' time. This will show how much CO₂ can effectively be absorbed into the soil. One thing is already clear, however: With this project, the farmers involved are demonstrating pioneering spirit as well as a concern for the climate.

Annual financial statements

We generated a very good operating profit of CHF 162 m. Net profit was higher than in the previous year at CHF 138.1 m.

Balance sheet

on 31 December 2020

(before profit appropriation)

Assets

	31.12.2020 CHF 1000	31.12.2019 CHF 1000	Change CHF 1000	Change %
Liquid funds	4,793,684	3,819,246	974,438	25.51
Due from banks	1,066,321	719,603	346,718	48.18
Due from securities financing transactions	22,100	3,306	18,794	568.49
Due from customers	1,657,549	1,470,709	186,840	12.70
Mortgage loans	20,531,644	19,600,552	931,092	4.75
Trading business	16,695	13,784	2,911	21.12
Positive replacement values of derivative financial instruments	4,649	4,396	254	5.77
Financial investments	1,515,288	1,480,247	35,042	2.37
Accrued income and prepaid expenses	28,418	29,282	-864	-2.95
Participations	24,565	24,165	400	1.66
Tangible fixed assets	93,555	107,093	-13,538	-12.64
Other assets	15,219	7,581	7,638	100.75
Total assets	29,769,688	27,279,962	2,489,726	9.13
Total subordinated claims	0	2,000	-2,000	-
– of which mandatory convertibles and/or debt waiver	0	0	0	0.00

Liabilities

	31.12.2020 CHF 1000	31.12.2019 CHF 1000	Change CHF 1000	Change %
Due to banks	814,619	312,489	502,130	160.69
Due to securities financing transactions	1,336,996	1,258,834	78,162	6.21
Due to customers in savings and deposits	18,794,050	17,486,757	1,307,293	7.48
Due to trading business	0	0	0	–
Negative replacement values of derivative financial instruments	969	804	165	20.51
Cash bonds	4,778	9,687	–4,909	–50.68
Bonds and mortgage-backed bonds	6,041,000	5,528,000	513,000	9.28
Accrued expenses and deferred income	99,824	93,261	6,563	7.04
Other liabilities	69,161	51,161	18,000	35.18
Provisions	46,330	28,011	18,320	65.40
Reserves for general bank risks	1,268,832	1,276,500	–7,668	–0.60
Company capital	217,000	217,000	0	0.00
Legal reserve	934,427	878,208	56,219	6.40
Own equity	–3,491	–3,861	370	–9.58
Retained earnings brought forward	7,057	6,296	762	12.10
Annual net profit	138,135	136,816	1,319	0.96
Total liabilities	29,769,688	27,279,962	2,489,726	9.13
Total subordinated liabilities	0	0	0	0.00
– of which mandatory convertibles and/or debt waiver	0	0	0	0.00

Off-balance-sheet transactions

	31.12.2020 CHF 1000	31.12.2019 CHF 1000	Change CHF 1000	Change %
Contingent liabilities	232,366	164,966	67,400	40.86
Irrevocable commitments	1,020,038	967,238	52,799	5.46
Liabilities for calls on shares and other equities	70,017	70,817	–800	–1.13
Confirmed credits	0	0	0	0.00

Income statement and profit appropriation 2020

	2020 CHF 1000	2019 CHF 1000	Change CHF 1000	Change %
Net interest income				
Interest and discount income	288,578	309,244	-20,665	-6.68
Interest and dividend income from financial investments	8,741	13,377	-4,636	-34.66
Interest expenses	-21,767	-53,528	31,761	-59.34
Gross profit from interest-related business	275,552	269,092	6,460	2.40
Change in value adjustments due to default risk as well as losses from the interest-related business	-18,788	-1,817	-16,971	934.20
Net income from interest-related business	256,764	267,276	-10,511	-3.93
Net fee and commission income				
Commission income from securities and investment transactions	53,022	47,504	5,518	11.62
Commission income from lending activities	8,347	7,115	1,232	17.31
Commission income from other services	21,586	21,424	162	0.76
Commission expenses	-9,587	-8,405	-1,183	14.07
Net fee and commission income	73,368	67,638	5,730	8.47
Net income from trading activities and the fair-value option	18,043	17,364	679	3.91
Net other income				
Income from the sale of financial investments	3,390	8,736	-5,347	-61.20
Income from participations	2,757	3,469	-712	-20.53
Real estate income	1,471	1,694	-223	-13.14
Other ordinary income	58	138	-81	-58.25
Other ordinary expenses	-101	-4,133	4,031	-97.55
Net other income	7,574	9,905	-2,330	-23.53
Net operating income	355,750	362,183	-6,433	-1.78
Personnel expenses	-112,805	-107,128	-5,677	5.30
Other operating expenses	-65,025	-64,602	-423	0.66

Income statement and profit appropriation (continued)

	2020 CHF 1000	2019 CHF 1000	Change CHF 1000	Change %
Operating expenses	-177,830	-171,730	-6,100	3.55
Value adjustments on participations and write-offs of tangible fixed assets and intangible assets	-19,640	-19,364	-276	1.42
Changes in provisions and other value adjustments and losses	3,747	51	3,695	7205.64
Operating profit	162,026	171,140	-9,114	-5.33
Extraordinary income	1,328	2,783	-1,454	-52.26
Extraordinary expenses	-30	-429	399	-93.02
Changes in reserves for general bank risks	-24,000	-35,000	11,000	-31.43
Taxes	-1,189	-1,677	488	-29.11
Annual net profit	138,135	136,816	1,319	0.96
Profit appropriation				
Annual net profit	138,135	136,816	1,319	0.96
Retained earnings brought forward	7,057	6,296	762	12.10
Retained earnings	145,193	143,112	2,081	1.45
Dividend paid on certificate capital	-19,950	-19,950	0	0.00
Compensation for state guarantee	-4,144	-4,104	-40	0.96
Payment to the canton of Basel-Landschaft	-56,000	-56,000	0	0.00
Allocation to legal reserve	-56,000	-56,000	0	0.00
Retained earnings brought forward	9,099	7,057	2,041	28.92

Statement of cash flow

	2020 Cash inflow CHF 1000	2020 Cash outflow CHF 1000	2019 Cash inflow CHF 1000	2019 Cash outflow CHF 1000
Cash flow from operations (internal financing)				
Annual net profit	138,135		136,816	
Changes in the reserves for general bank risks	24,000		35,000	
Value adjustments on participations, write-offs on tangible fixed assets and intangible assets	19,640		19,364	
Provisions and other value adjustments	4,030			2,364
Changes in value adjustments due to default risk as well as losses	18,339		1,596	
Accrued income and prepaid expenses	864		4,752	
Accrued expenses and deferred income	6,563		16,569	
Other items	10,349		44,682	
Profit distribution previous year		80,054		79,984
Cash flow balance from operations (internal financing)	141,865		176,432	
Cash flow from equity capital transactions				
Endowment and certificate capital				
Recorded in reserves				
Changes in own equity instruments	589		2,829	
Cash flow balance from equity transactions	589		2,829	
Cash flow from transactions with participations, tangible fixed assets and intangible assets				
Participations		2,000		2,078
Real estate	1,146			5,488
Other tangible fixed assets		13,928		14,470
Cash flow balance from transactions with participations, tangible fixed assets and intangible assets		14,782		22,036
Cash flow from banking operations				
Medium to long-term transactions (> 1 year)				
Due to banks				28,173
Due to customers in savings and deposits		33,000	40,000	
Cash bonds		4,909		7,596

Statement of cash flow (continued)

	2020 Cash inflow CHF 1000	2020 Cash outflow CHF 1000	2019 Cash inflow CHF 1000	2019 Cash outflow CHF 1000
Bonds	205,000		1,530	
Mortgage-backed bonds	308,000		358,000	
Due from banks				
Due from customers		172,725	70,911	
Mortgage loans		930,307		876,021
Financial investments		45,533	104,051	
Short-term business				
Due to banks	502,130			84,412
Due to securities financing transactions	78,162		788,127	
Due to customers in savings and deposits	1,340,293		729,106	
Due to trading business			2	
Negative replacement values of derivative financial instruments	165			445
Due from banks		346,719		259,586
Due from securities financing transactions		18,794		3,306
Due from customers		42,643		104,189
Trading business		2,911	10,796	
Positive replacement values of derivative financial instruments		254	1,298	
Financial investments	10,811		63,876	
Liquidity				
Liquid funds		974,438		961,194
Cash flow balance from banking operations		127,672		157,224
Total	142,454	142,454	179,261	179,261

Statement of equity

Presentation of equity

	Company capital CHF 1000	Legal reserve CHF 1000	Reserves for general bank risks CHF 1000	Retained earnings/losses brought forward CHF 1000	Own equity (minus position) CHF 1000	Annual profit CHF 1000	Total CHF 1000
Equity at the beginning of the reporting period	217,000	878,208	1,276,500	6,296	-3,861	136,816	2,510,959
Disposal of own equity					370		370
Effect of subsequent measurement of own equity		83					83
Profit (loss) from disposal of own equity		-6					-6
Dividends and other payments		142				-80,054	-79,912
Other allocations to (releases from) reserves for general bank risks			24,000				24,000
Other allocations to (releases from) other reserves		56,000				-56,000	0
Other releases from reserves for general bank risks for the purpose of creating value adjustments for inherent default risks			-31,668				-31,668
Changes in retained earnings brought forward				762		-762	0
Annual net profit						138,135	138,135
Equity at the end of the reporting period	217,000	934,427	1,268,832	7,057	-3,491	138,135	2,561,961

Notes to the financial statements

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

Notes on business activities

Basellandschaftliche Kantonalbank (BLKB), which is headquartered in Liestal, is the leading bank in the canton of Basel-Landschaft and one of the leading banks in Northwestern Switzerland. Established by cantonal law, the bank operates independently of state administration as a public-law entity with its own legal personality. The canton of Basel-Landschaft held 74 per cent of the capital stock as at 31 December 2020, the remaining 26 per cent being broadly distributed between private owners. The canton of Basel-Landschaft holds all voting rights and, according to the law, guarantees the bank's liabilities should the latter's own means not be sufficient.

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

Balance sheet business

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

Fee and commission business

Fee and commission business contributes approximately 21 per cent of net operating income. The lion's share of this income comes from securities and investment business with customers.

Trading business

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

Notes on risk management and risk control

BLKB 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 17 June 2020. 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 institution-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 objective 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.

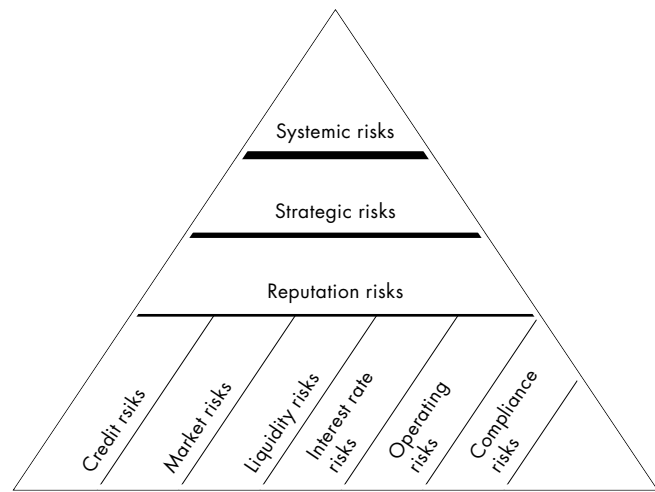
Risk capacity

In its business principles the bank is committed to ensuring that risk behaviour is in line with its strategy, thus guaranteeing that risks remain at an acceptable level. The aim is to ensure that any risks arising within a reasonable range of expectations can be covered by current income. Extraordinary losses would be covered by current income together with free reserves.

Principles

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

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



Systemic, strategic, reputation and compliance risks

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

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

Credit, market and operating risks

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

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

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

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

Default and credit risks

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

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

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

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

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

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

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

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

A team of specialists in Credit Risk Management is responsible for exceptional cases and deals with non-performing loans. The Credit Committee ensures consistent implementation of the lending policy and competitive pricing, and also monitors compliance with the rules.

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

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

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

Market price and liquidity risks

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

Interest rate risks in the banking book

Interest rate risks are managed via the income and wealth effect. The income effect measures the impact of changes in interest rates on net income over a certain period of time (e.g. twelve months). Consequently, changes in interest rates influence those items on the balance sheet that will mature or be renewed within twelve months or whose rate-fixing date is within the next twelve months. The wealth effect analyses the changes in the net

present value of equity based on various interest rate scenarios (e.g. parallel shift in the interest rate curve by 100 basis points). BLKB controls interest rate risk primarily by means of the wealth effect. Calculation of the income effect is performed in line with supervisory requirements.

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

Market price risks in the trading book

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

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

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

Liquidity risks

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

BLKB avoids liabilities-side concentration risks in terms of counterparties, currency and maturity. Furthermore, compliance with bank-specific liquidity risk tolerance on the basis of the liquidity coverage ratio (LCR) is closely supervised. BLKB already meets the net stable funding ratio requirements.

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

Operating and legal risks

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

Legal risks include:

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

To minimise these risks, the bank uses standardised contracts and individual transaction confirmations. Moreover, certain types of transaction may only be carried out at the head office by authorised bodies. Mandatory procedures ensure that due care is exercised when signing contracts. Legal risks also include the possibility of changes in the regulations issued by national regulatory institutions (FINMA, SBA, SIX, etc.) as well as international institutions (BIS, SECB, etc.). BLKB is involved in various legal proceedings in the normal course of business. The bank sets aside provisions for actual and threatened litigation, as well as resulting potential obligations or expenses, where an outflow of funds is probable and the amount can be reliably established.

Compliance risks

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

Integral Security

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

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 has delegated a number of processing services in the securities back-office and payment transactions area to Swisscom (Switzerland) Ltd. Operation of the computing centre and decentralised IT have also been delegated to Swisscom (Switzerland) Ltd. These outsourcing contracts are governed by detailed service level agreements, as stipulated by FINMA. Confidentiality is assured due to the fact that all employees of these service providers are subject to banking confidentiality.

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

Mortgage-backed loans

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

Securities-backed loans

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

Loans without collateral

Loans without collateral are usually commercial operating loans or overdrafts of retail customers. In the case of commercial operating loans without collateral, the bank obtains information from the customer on a yearly basis, or at shorter intervals if required. This enables it to draw conclusions as to the financial performance of the company. As well as audited annual financial statements and interim statements, if applicable, this information may include more detailed information concerning turnover, sales and product development. BLKB works closely with Risk Solution Network (RSN) AG. This network of over 25 banks promotes exchange of the latest, specialised credit risk expertise and offers its members state-of-the-art models for quantifying credit risk. In addition, the network has one of the largest data pools containing information on financial results of small and medium-sized enterprises in Switzerland. BLKB uses the CreditMaster tool provided 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 applied to determine the need for value adjustments

Value adjustments and provisions for default risks on impaired receivables

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

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

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

Experience has shown that a credit portfolio with no specific signs of impairment can contain implicit default risks that only become an issue at a later date. To cover these default risks, value adjustments and provisions are created for inherent default risks in addition to value adjustments and provisions for default risks on impaired receivables and off-balance-sheet transactions. Value adjustments and provisions for inherent default risks are created or reversed in accordance with a calculation model based on the expected loss. The expected loss on individual credit exposures or off-balance-sheet transactions is based on a rating-dependent, one-year probability of default (PD) multiplied by a loss given default (LGD). 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 probabilities of default for each rating category are shown in the table above.

The value adjustments for inherent default risks supplement the existing and continuing value adjustments for impaired receivables. In exceptional (crisis) situations, value adjustments for inherent default risks can be used for the creation of value adjustments for impaired receivables or the direct recording of credit defaults without affecting net income. According to its own definition, an extraordinary situation exists at BLKB when the need to create value adjustments and provisions as well as cover credit losses exceeds the threshold of 5 per cent of gross interest income in the current year.

In principle, BLKB increases the amount of value adjustments for inherent default risks – once utilised – on a straight-line basis within five years. However, the funding gap can also be closed in full on a one-time basis at any time prior to expiry of this five-year creation phase. In the event of the occurrence of a multi-

year crisis scenario and therefore the accompanying multi-year utilisation of value adjustments for inherent default risks, the bank reserves the right to delay re-creation until the end of the extraordinary situation. The end of an extraordinary situation is signalled by the first-time non-utilisation of the value adjustment pot for inherent default risks. The re-creation following a utilisation therefore begins no later than the first subsequent financial year in which there is no utilisation of value adjustments and provisions for inherent default risks.

Valuation of collateral

Mortgage-backed loans

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

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

Securities-backed loans

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

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

Business policy on the use of derivatives and hedge accounting

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

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

Accounting and valuation principles

General accounting principles

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

Closing date

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

Reporting of transactions

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

Consolidation

BLKB does not consolidate majority participations that are of marginal significance to financial reporting or the risk situation.

General valuation principles

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

- Deduction of value adjustments from the corresponding asset position;
- Positive and negative value adjustments recorded in the compensation account with no income effect;

- Positive and negative replacement values of derivative financial instruments vis-à-vis the same counterparty, together with cash deposited as collateral, are netted if there are recognised, legally enforceable netting agreements;
- Own debt securities acquired;
- Sub-participations ceded in syndicated loans as lead bank.

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

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

Foreign currencies

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

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

	2020	2019
Average rate EUR/CHF	1.0706	1.1108
Year-end rate EUR/CHF	1.0816	1.0870
Average rate USD/CHF	0.9339	0.9932
Year-end rate USD/CHF	0.8840	0.9684

Hedge relationships

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

Specific accounting and valuation principles

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

These items are carried at nominal value.

Due from, and due to, securities financing transactions

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

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

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

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

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

Due from banks, due from customers, mortgage loans

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

Interest due but not paid for more than 90 days is not recorded as income from interest-related business but written off via the item "Changes in value adjustments for default risks and losses from interest operations".

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

Value adjustments and provisions for default risks on impaired receivables

Impaired receivables where there is a high probability that the debtor will be unable to meet its future obligations are valued individually. The impairment is covered by individual value adjustments, which are deducted from the asset item. Signs of impairment are present in the following cases:

- Where the contractually agreed principal, interest and commission payments have not been made in full for 90 days or more (overdue claims);
- Where the debtor is in considerable financial difficulty;
- Where BLKB grants concessions to the debtor owing to

economic or legal circumstances in connection with financial difficulties on the part of the debtor which it would not otherwise grant;

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

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

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

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

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

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

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

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). If individual value adjustments for impaired receivables already exist in the case of a particular customer, no value adjustments or provisions for inherent default risks are recorded.

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

Trading business

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

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

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

Structured products

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

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

Positive and negative replacement values of derivative financial instruments

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

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

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

Financial investments

Financial investments comprise debt securities, equity securities, physical precious metal holdings as well as property and commodities acquired from credit activities and intended for resale. BLKB purchases property on behalf of the canton of Basel-Landschaft and its municipalities on a fiduciary basis. Ownership of these properties is reported under "Financial investments" and the fiduciary obligation under "Other liabilities".

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

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

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

Held-to-maturity: valuation according to the acquisition cost principle; premiums and discounts are accrued over the remaining term (cost amortisation method). Capital gains realised on the premature sale of financial investments are accrued over the remaining term on a pro rata basis. Default-risk-related valuation changes are immediately charged to the item "Changes in value adjustments for default risks and losses from interest operations".

Available-for-sale: valuation is based on the lower of cost or market principle. A write-up to a maximum of historical cost or amortised cost is recognised if fair value, having dropped below acquisition cost, recovers again. Value adjustments are recorded net in the item "Other ordinary expenses" or "Other ordinary income". Default-risk-related value changes are recorded in the item "Change in value adjustments for default risks and losses from interest operations".

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

Participations

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

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

Tangible fixed assets

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

	2020
Bank buildings	30 years
Other real estate	33 years
Other tangible fixed assets	3–5 years

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

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

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

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

Intangible assets

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

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

Accrued income and expenses, accrued expenses and deferred income

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

Other assets and liabilities

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

Provisions

This balance sheet item comprises:

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

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

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

Provisions for pension schemes

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

Own debt and equity securities

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

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

Reserves for general bank risks

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

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

Legal reserve

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

Taxes

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

Off-balance sheet transactions

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

Changes compared with the previous year

Due to the new FINMA Accounting Ordinance, in force since 1 January 2020, and the new FINMA Circular 2020/1 "Accounting – Banks", the accounting and valuation principles were adjusted accordingly. The rules on the reclassification of trading transactions, financial investments and participations were brought into line with the new requirements.

The principles on value adjustments and allowances for default risks on impaired receivables were specified in detail and the principles for value adjustments and provisions for non-impaired receivables were included for the first time. The creation of value adjustments and provisions for inherent default risks in 2020 was performed at the expense of reserves for general bank risks without affecting net income. The changes are shown in Table 16 in the notes to the financial statements, "Presentation of value adjustments and provisions, reserves for general bank risks, and changes therein during the current year".

Events after the balance sheet date

None.

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

1 Breakdown of securities financing transactions (assets and liabilities)

	31.12.2020 CHF 1000	31.12.2019 CHF 1000
Book value of claims from cash deposits related to securities borrowing and reverse repurchase business ¹⁾	22,100	3,306
Book value of liabilities from cash deposits related to securities lending and repurchase business ¹⁾	1,336,996	1,258,834
Book value of own securities lent in securities lending or deposited as collateral in securities borrowing or transferred in repurchase business	1,283,343	1,221,932
– 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	22,049	3,261
– 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	No collateral CHF 1000	Total CHF 1000
Loans (before set-off with value adjustments)				
Due from customers	181,948	472,034	1,086,416	1,740,398
Mortgage loans	20,526,132	54,240	32,804	20,613,176
– Residential real estate	17,978,214	8,129	3,574	17,989,917
– Office and business buildings	1,254,431	2,667	860	1,257,958
– Trade and industry	983,909	41,951	9	1,025,869
– Others	309,577	1,493	28,361	339,432
Total loans (before set-off with value adjustments) as per 31.12.2020	20,708,080	526,274	1,119,220	22,353,573
Previous year	19,750,232	340,067	1,117,599	21,207,898
Total loans (after set-off with value adjustments) as per 31.12.2020	20,626,413	526,274	1,036,506	22,189,194
Previous year	19,667,915	340,067	1,063,278	21,071,261
Off-balance-sheet				
Contingent liabilities	45,972	38,321	148,072	232,366
Irrevocable commitments	437,222	60,894	521,922	1,020,038
Liabilities for calls on shares and other equities			70,017	70,017
Confirmed credits				0
Total off-balance-sheet as per 31.12.2020	483,194	99,215	740,012	1,322,420
Previous year	436,507	105,533	660,981	1,203,021

Impaired receivables

	Gross debt CHF 1000	Estimated realisation of securities CHF 1000	Net debt CHF 1000	Specific provisions CHF 1000
Impaired receivables as per 31.12.2020¹⁾	451,184	228,265	222,920	140,869
Previous year ²⁾	128,276	72,521	55,755	41,255

¹⁾ Due to the economic situation in connection with Covid-19, impaired receivables increased significantly compared with the previous year.

²⁾ Excludes allowances for outstanding interest

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

	31.12.2020 CHF 1000	31.12.2019 CHF 1000
Assets		
Trading business		
Debt securities, money market instruments and transactions	15,483	13,138
– of which listed on an exchange	15,483	13,138
Equity securities	536	377
Precious metals and commodities	676	269
Total trading business	16,695	13,784
Total assets	16,695	13,784
– of which determined by a valuation model	0	0
– of which securities eligible for repo transactions according to liquidity standards (HQLA)	0	0
Liabilities		
Dues		
Trading business	0	0
Debt securities, money market instruments and transactions	0	0
– of which listed on an exchange	0	0
Equity securities	0	0
Precious metals and commodities	0	0
Other financial instruments measured at fair value	0	0
Total liabilities	0	0
– of which determined by a valuation model	0	0

4 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments			Hedging instruments		
	Positive replacement value	Negative replacement value	Contract volume	Positive replacement value	Negative replacement value	Contract volume
	31.12.2020 CHF 1000	31.12.2020 CHF 1000	31.12.2020 CHF 1000	31.12.2020 CHF 1000	31.12.2020 CHF 1000	31.12.2020 CHF 1000
Interest rate contracts	2,304	2,294	40,000	65,597	50,867	4,101,000
Futures contracts including FRAs	0	0	0	0	0	0
Swaps	2,304	2,294	40,000	65,597	50,867	4,101,000
Futures	0	0	0	0	0	0
Options (OTC)	0	0	0	0	0	0
Options (exchange-traded)	0	0	0	0	0	0
Foreign exchange contracts/precious metals	2,798	1,876	798,631	0	0	0
Futures contracts	2,762	1,837	790,295	0	0	0
Combined interest and currency swaps	0	0	0	0	0	0
Futures	0	0	0	0	0	0
Options (OTC)	36	40	8,336	0	0	0
Options (exchange-traded)	0	0	0	0	0	0
Total before inclusion of netting contracts	5,102	4,171	838,631	65,597	50,867	4,101,000
– of which determined on the basis of a valuation model	5,102	4,171		65,597	50,867	
Previous year	5,216	5,117	852,314	72,364	73,647	4,844,000
– of which determined on the basis of a valuation model	5,216	5,117		72,364	73,647	
			Positive replacement values (cumulated) CHF 1000			Negative replacement values (cumulated) CHF 1000
Total after inclusion of netting contracts			4,649			969
Previous year			4,396			804
			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	308	4,342	

5 Breakdown of financial investments

	31.12.2020 Book value CHF 1000	31.12.2019 Book value CHF 1000	31.12.2020 Fair value CHF 1000	31.12.2019 Fair value CHF 1000
Debt securities	1,451,149	1,424,151	1,485,411	1,461,871
– of which held to maturity	1,451,149	1,424,151	1,485,381	1,461,842
– of which available for sale	0	0	30	30
Equity securities	49,998	41,411	80,196	71,725
– of which qualified participations ¹⁾	501	501	501	805
Precious metals	1,369	1,369	5,690	5,133
Crypto currencies	0	0	0	0
Fiduciary real estate ²⁾	8,913	9,145	49,035	49,267
Real estate intended for sale	3,859	4,170	3,859	4,170
Total financial investments	1,515,288	1,480,247	1,624,191	1,592,166
– of which securities eligible for repo transactions acc. to liquidity standards (HQLA)	1,451,149	1,424,151	1,485,381	1,461,842

¹⁾ At least 10 per cent of capital or voting rights

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

Counterparties broken down by ratings¹⁾

	AAA to AA– CHF 1000	A+ to A– CHF 1000	BBB+ to BBB– CHF 1000	BB+ to B– CHF 1000	Lower than B– CHF 1000	No rating CHF 1000
Book value of debt securities	508,276	15,025	0	0	0	927,848

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 2019 CHF 1000	Reclassifica- tions 2020 CHF 1000	Investments 2020 CHF 1000	Disinvest- ments 2020 CHF 1000	Write-offs 2020 CHF 1000	Value adjust- ments of participa- tions/write- ups acc. to the equity method 2020 CHF 1000	Book value end of 2020 CHF 1000	Market value end of 2020 CHF 1000
– of which with quoted value	0	0	0	0	0	0	0	0	0	
– of which without quoted value	31,853	–7,689	24,164	0	2,000	0	–1,600	0	24,564	
Total participations^{1), 2)}	31,853	–7,689	24,164	0	2,000	0	–1,600	0	24,564	0

¹⁾ BLKB does not measure any participations on the basis of the equity method.

²⁾ Effects of a theoretical application of the equity method: a gain of CHF 519,000 is recorded from participations in 2020 (previous year: CHF 211,000). The equity share in the participations is CHF 1,087,000 (previous year: CHF 448,000).

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

Company name and headquarters	Business activities	Company capital	Interest share CHF 1000	Interest share 31.12.2020 %	Interest share 31.12.2019 %
Disclosed in financial investments					
Landwirtschaftliche Trocknungs-Anlagen LTA AG, Pratteln	Drying plant		900	16.28	16.28
Ultra-Brag AG, Muttenz	Shipping/warehousing/trade		3,000	11.67	11.67
BioMedInvest III LP, St Peter Port, Guernsey	Holding company		100,000	5.00	5.00
Disclosed in non-consolidated participations					
Viseca Holding AG, Zürich ¹⁾	Credit cards		25,000	3.08	3.08
Cargo sous terrain AG, Basel	Logistics		255	1.88	2.62
Pfandbriefzentrale der schweiz. Kantonalbanken AG, Zürich	Bank financing		1,625,000	5.18	5.18
Servicehub AG, Liestal	Insurance broking		2,000	100.00	100.00
SIX Group AG, Zürich	Financial services		19,522	0.41	0.41
True Wealth AG, Zürich	Financial services		181	30.12	25.98

¹⁾ Name changed from Aduno Holding AG to Viseca Holding AG in 2020

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

BLKB does not consolidate majority participations that are of marginal significance to financial reporting or the risk situation. All participations are held directly by BLKB.

None of the participations recorded in the balance sheet holds voting shares; the share of capital therefore corresponds to the share of voting rights.

8 Presentation of tangible fixed assets

	Acquisition cost CHF 1000	Accumulated depreciation CHF 1000	Book value end 2019 CHF 1000	Reclassifica- tions 2020 CHF 1000	Investments 2020 CHF 1000	Divestments 2020 CHF 1000	Write-offs 2020 CHF 1000	Write-ups 2020 CHF 1000	Book value 2020 CHF 1000
Tangible fixed assets									
Real estate	195,746	-109,019	86,727	320	992	-10,737	-5,448	0	71,853
– of which bank buildings	163,607	-96,074	67,533	0	992	-8,598	-4,694	0	55,232
– of which other real estate	32,138	-12,945	19,194	320	0	-2,138	-754	0	16,621
Internally developed or separately acquired software	27,699	-19,865	7,835	0	8,853	0	-6,636	0	10,051
Other tangible fixed assets	26,673	-14,141	12,532	0	5,121	-47	-5,956	0	11,651
Total tangible fixed assets	250,118	-143,025	107,093	320	14,966	-10,784	-18,040	0	93,555
Liabilities: future lease instalments arising from operating leases			37						341

There are no properties under financial leases.

9 Presentation of intangible assets

BLKB does not own any intangible assets.

10 Breakdown of other assets and other liabilities

	31.12.2020 Other assets CHF 1000	31.12.2019 Other assets CHF 1000	31.12.2020 Other liabilities CHF 1000	31.12.2019 Other liabilities CHF 1000
Compensation account	0	0	43,645	26,306
Settlement accounts	11,682	4,599	12,590	2,525
Indirect taxes	2,661	2,976	2,114	2,831
Bank-owned "funds" with no legal personality such as pension schemes or welfare funds			0	0
Coupons and debt securities, due and not realised			1,614	1,653
Other liabilities from deliveries and services			285	101
Compensation fiduciary real estate			8,913	9,145
Other items	876	6		8,600
Total	15,219	7,581	69,161	51,161

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

	31.12.2020 Book value CHF 1000	31.12.2020 Actual liability CHF 1000	31.12.2019 Book value CHF 1000	31.12.2019 Actual liability CHF 1000
Pledged/ceded assets				
Pledged or ceded mortgage loans for mortgage-backed securities	5,989,789	2,791,000	5,532,247	2,483,000
Ceded loan receivables pursuant to COVID-19 Joint Surety Ordinance	129,292	122,000	–	–
Financial investments	134,350	0	136,416	0
Fiduciary real estate	8,913	8,913	9,145	9,145
Assets under reservation of ownership				
None				
Total	6,262,344	2,921,913	5,677,808	2,492,145

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

	31.12.2020 CHF 1000	31.12.2019 CHF 1000
Liabilities to customers	471,888	426,244
Bonds ¹⁾	885	678
Cash bonds ¹⁾	0	0
Negative replacement values	0	0
Total	472,773	426,922

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

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

	31.12.2020 Number	31.12.2019 Number
Kantonalbank certificates	0	0

13 Disclosures of the economic position of own pension schemes

All employees of BLKB are insured for the mandatory benefits of the BVG/LPP as well as the extra-mandatory benefits of the Pension Fund of Basellandschaft (BLPK), with the exception of part-time employees on minimal working hours. The pension scheme is of the defined-contribution type. The normal retirement age is 64. Early retirement is possible at age 60.

a) Employer contribution reserve (AGBR)

	31.12.2020 Nominal value CHF 1000	31.12.2020 Waiver of use CHF 1000	31.12.2020 Net amount ¹⁾ CHF 1000	31.12.2019 Net amount ¹⁾ CHF 1000	2020 Influence of AGBR on personnel expenses CHF 1000	2019 Influence of AGBR on personnel expenses CHF 1000
Pension schemes	0	0	0	0	0	0

¹⁾ Must be capitalised

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

	31.12.2020 Over/ under- funding CHF 1000	31.12.2020 Economic share of BLKB CHF 1000	31.12.2019 Economic share of BLKB CHF 1000	Change in economic share compared with the previous year (economic benefit or liability) CHF 1000	Paid-in contributions for reporting period CHF 1000	2020 Pension expenses within personnel expenses CHF 1000	2019 Pension expenses within personnel expenses CHF 1000
Defined-contribution pension scheme ¹⁾	88 864	0	0	0	12 035	11 720	10 666
Total	88 864	0	0	0	12 035	11 720	10 666

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 2020, 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 statement as per 31 December 2019 and quarterly financial statement as per 30 September 2020. According to the extrapolation of the independent pension fund expert as per 31 December 2020, the coverage ratio was 119%. As the target value for the fluctuation reserve is not reached, there is no economic benefit for the bank. The employer's contribution reserves were used to pay for the employer contributions.

14 Presentation of issued structured products

BLKB had not issued any structured products as per 31 December 2020 and 31 December 2019.

15 Presentation of bonds outstanding and mandatory convertible bonds

Type of bond	Year of issue	Interest rate %	Maturities	31.12.2020 Total CHF 1000	31.12.2019 Total CHF 1000
Non-subordinated	2016	0.000	20.04.2020		200,000
Non-subordinated	2010	1.750	09.11.2020		300,000
Non-subordinated	2017	0.000	06.10.2021	150,000	150,000
Non-subordinated	2012	1.000	04.10.2022	300,000	300,000
Non-subordinated	2018	0.000	23.03.2023	150,000	150,000
Non-subordinated	2013	1.125	27.03.2023	260,000	260,000
Non-subordinated	2011	1.750	22.11.2024	225,000	225,000
Non-subordinated	2019	1.750	22.11.2024	50,000	50,000
Non-subordinated	2015	0.250	13.05.2025	150,000	150,000
Non-subordinated	2018	0.375	23.03.2026	225,000	225,000
Non-subordinated	2018	0.250	25.01.2027	300,000	300,000
Non-subordinated	2019	0.250	04.08.2027	150,000	150,000
Non-subordinated	2020	0.250	04.08.2027	150,000	–
Non-subordinated	2015	0.750	30.03.2028	185,000	185,000
Non-subordinated	2019	0.380	13.05.2030	400,000	400,000
Non-subordinated	2020	0.050	28.01.2031	380,000	–
Non-subordinated	2020	0.250	02.09.2032	175,000	–
Own holding of bonds				0	0
Total bonds ¹⁾		0.522		3,250,000	3,045,000
Loans of mortgage-backed securities		0.611		2,791,000	2,483,000
Total outstanding bonds and mortgage-backed securities		0.563		6,041,000	5,528,000

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	31.12.2020 Total CHF 1000
Total outstanding bonds	150,000	300,000	410,000	275,000	150,000	1,965,000	3,250,000

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

	Balance 31.12.2019 CHF 1000	Appropriate usage CHF 1000	Reclassifications CHF 1000	Translation CHF 1000	Overdue interest, differences CHF 1000	New creation charged to income CHF 1000	Reversals credited to income CHF 1000	Balance 31.12.2020 CHF 1000
Provisions for deferred taxes	0							0
Provisions for pension fund obligations	0							0
Provisions for default risks (potential cash outflows related to off-balance-sheet transactions)	25,862		22,327			65	-3,532	44,722
of which provisions for impaired off-balance-sheet transactions	25,862		14,290			65	-3,532	36,685
of which provisions for inherent default risks ¹⁾	0		8,037					8,037
Provisions for other business risks	1,713	-74					-544	1,095
Other provisions	436	-78				155		513
Total provisions	28,011	-152	22,327	0	0	220	-4,075	46,330
Reserves for general bank risks	1,276,500		-31,668			28,000	-4,000	1,268,832
Value adjustments for default risks and country risks	136,757	-305	9,341	-63	-425	56,739	-37,545	164,500
- of which value adjustments for de- fault risks from impaired receivables ²⁾	41,673	-305	49,539	-63	-425	56,739	-6,289	140,869
- of which value adjustments for inherent default risks ¹⁾	0		23,631					23,631
- of which value adjustments for latent risks ³⁾	95,084		-63,828				-31,255	0

¹⁾ New item in accordance with FINMA-AO. The creation was performed once at the expense of reserves for general bank risks without affecting net income. The calculation methodology is described in the accounting and valuation principles on page 88. As at 31 December 2020, there was no funding gap in relation to value adjustments and provisions for inherent default risks.

²⁾ Due to the economic situation in connection with Covid-19, impaired receivables increased significantly compared with the previous year.

³⁾ Pursuant to FINMA-AO, value adjustments for latent default risks were transferred as at 31 December 2020. BLKB released value adjustments for latent default risks totalling CHF 31,255,498 in 2020 and reclassified CHF 63,828,386 to value adjustments for impaired receivables based on the defined criteria pursuant to the accounting and valuation principles

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

17 Presentation of the bank's capital

	31.12.2020 Total nominal value CHF 1000	31.12.2020 Quantity	31.12.2020 Capital entitled to dividend CHF 1000	31.12.2019 Total nominal value CHF 1000	31.12.2019 Quantity	31.12.2019 Capital entitled to dividend CHF 1000
Company capital						
Endowment capital	160,000	–	160,000	160,000	–	160,000
Certificate capital	57,000	570,000	57,000	57,000	570,000	57,000
– of which paid-up	57,000			57,000		
Total company capital	217,000	570,000	217,000	217,000	570,000	217,000
Approved capital	0			0		
– of which capital increases carried out	0			0		
Conditional capital	0			0		
– of which capital increases carried out	0			0		

The canton of Basel-Landschaft holds 100 per cent of the endowment capital. These funds are brokered by BLKB.

The certificates do not carry any voting rights.

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

	Equity securities			
	31.12.2020 Number	31.12.2019 Number	31.12.2020 CHF 1000 ¹⁾	31.12.2019 CHF 1000 ¹⁾
Members of the Board of Directors	120	170	-28	-39
Members of the Executive Board	286	303	-67	-69
Employees	601	495	-483	-402
Total	1,007	968	-578	-510

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 Kantonalbank 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. 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 Kantonalbank certificates. In the case of members of the Executive Board, the compensation of variable salary in the form of Kantonalbank 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 Kantonalbank 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 Kantonalbank certificates are not subject to a blocking period.

BLKB had not issued any options as at 31 December 2020 and 31 December 2019.

19 Disclosure of amounts due from/to related parties

	Due from		Due to	
	31.12.2020 CHF 1000	31.12.2019 CHF 1000	31.12.2020 CHF 1000	31.12.2019 CHF 1000
Qualified shareholders	7,939	14,515	193,220	64,152
Affiliated companies	184,915	119,248	748,684	660,224
Governing bodies	9,756	6,155	8,853	6,300
Other related parties ¹⁾	2,000	2,000	5,550	5,316

¹⁾ The BLKB Foundation for Culture and Education and the 2014 Anniversary Foundation are deemed to be other related parties for the first time as per 31 December 2020.

Transactions with related parties

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

20 Disclosure of holders of significant participations

Significant shareholders and groups of shareholders with voting rights	31.12.2020 Nominal value CHF 1000	31.12.2020 Share in %	31.12.2019 Nominal value CHF 1000	31.12.2019 Share in %
With voting rights				
Canton of Basel/Landschaft	160,000	74	160,000	74
Without voting rights				
Certificate holders	57,000	26	57,000	26

21 Disclosure of own shares and composition of equity capital

	2020 Number	2020 Average transaction price CHF	2019 Number	2019 Average transaction price CHF
Number of Kantonalbank certificates held by the bank on 1 January	4,197		7,044	
+ Purchases	7,752	901	4,118	909
- Sales	-8,235	902	-6,965	917
Balance on 31 December	3,714		4,197	
Contingent liabilities in connection with 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 own equity instruments reserved for a certain purpose and Kantonalbank certificates held by persons related to the bank	3,143		2,796	

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 on 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

Detailed information is contained in section 4 "Information on compensation and participations"

No compensation was paid to former members of the Board of Directors in 2020; nor was there any compensation on unusual terms to persons related to members of the Board of Directors or the Executive Board. No compensation was paid to former members of the Executive Board.

23 Presentation of the maturity structure of financial instruments

	On demand CHF 1000	Callable CHF 1000	Due within 3 months CHF 1000	Due after 3 to 12 months CHF 1000	Due after 5 years CHF 1000	Due after 5 years CHF 1000	Immobilised CHF 1000	Total CHF 1000
Assets/financial instruments								
Liquid funds	4,793,684							4,793,684
Due from banks	104,193	800	646,828	264,501	50,000			1,066,321
Due from securities financing transactions			22,100					22,100
Due from customers	4,312	217,554	664,921	305,475	369,580	95,706		1,657,549
Mortgage loans	1,057	168,065	2,068,807	3,129,440	10,306,242	4,858,033		20,531,644
Trading business	16,695							16,695
Positive replacement values of derivative financial instruments	4,649							4,649
Financial investments	51,366		26,622	121,942	622,968	679,618	12,772	1,515,288
Total as at 31.12.2020	4,975,956	386,419	3,429,278	3,821,357	11,348,790	5,633,358	12,772	29,607,931
Previous year	3,954,073	398,821	2,877,448	3,314,391	11,710,782	4,843,011	13,315	27,111,841
Liabilities/financial instruments								
Due to banks	97,390	122,729	431,500	38,000	125,000			814,619
Due to securities financing transactions			1,336,996					1,336,996
Due to customers in savings and deposits	5,354,253	12,941,797	320,000	23,000	125,000	30,000		18,794,050
Due to trading business								0
Negative replacement values of derivative financial instruments	969							969
Cash bonds			1,575	867	2,336			4,778
Bonds and mortgage-backed bonds			184,000	257,000	2,138,000	3,462,000		6,041,000
Total as at 31.12.2020	5,452,612	13,064,526	2,274,071	318,867	2,390,336	3,492,000	0	26,992,411
Previous year	4,692,994	12,485,453	1,292,565	907,780	2,321,778	2,896,000	0	24,596,570

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

	31.12.2020 Domestic CHF 1000	31.12.2020 Foreign CHF 1000	31.12.2019 Domestic CHF 1000	31.12.2019 Foreign CHF 1000
Assets				
Liquid funds	4,793,684		3,817,438	1,807
Due from banks	1,014,820	51,501	648,015	71,588
Due from securities financing transactions	22,100		0	3,306
Due from customers	1,406,678	250,871	1,255,191	215,518
Mortgage loans	20,531,644		19,600,552	
Trading business	15,238	1,457	12,828	955
Positive replacement values of derivative financial instruments	4,403	247	4,396	0
Financial investments	1,253,254	262,035	1,173,484	306,763
Accrued income and prepaid expenses	25,759	2,659	26,448	2,834
Participations	24,461	104	24,061	104
Tangible fixed assets	93,555		107,093	
Other assets	5,264	9,955	7,581	
Total assets	29,190,859	578,828	26,677,087	602,875
Liabilities				
Due to banks	335,762	478,857	193,819	118,670
Due to securities financing transactions	923,460	413,536	939,920	318,914
Due to customers in savings and deposits	18,287,464	506,586	16,998,360	488,397
Due to trading business			0	
Negative replacement values of derivative financial instruments	951	18	804	
Cash bonds	4,778		9,687	
Bonds and mortgage-backed bonds	6,041,000		5,528,000	
Accrued expenses and deferred income	99,824	0	93,253	8
Other liabilities	58,268	10,893	50,548	613
Provisions	46,330		28,011	
Reserves for general bank risks	1,268,832		1,276,500	
Company capital	217,000		217,000	
Legal reserve	934,427		878,208	
Own shares	-3,491		-3,861	
Retained earnings brought forward	7,057		6,296	
Annual net profit	138,135		136,816	
Total liabilities	28,359,797	1,409,891	26,353,360	926,602

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

	31.12.2020 CHF 1000	31.12.2020 Share in %	31.12.2019 CHF 1000	31.12.2019 Share in %
Assets				
Switzerland	29,190,859	98.06	26,677,087	97.79
Europe	474,241	1.59	546,747	2.00
North America	46,441	0.16	33,751	0.12
Asia/Australasia	55,825	0.19	15,108	0.06
Others	2,321	0.01	7,269	0.03
Total assets	29,769,688	100.00	27,279,962	100.00

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

Rating category ¹⁾	Net foreign exposure 31.12.2020 CHF 1000	Net foreign exposure 31.12.2020 Share in %	Net foreign exposure 31.12.2019 CHF 1000	Net foreign exposure 31.12.2019 Share in %
1	591,120	99.58	612,585	98.82
2	0	0.00	0	0.00
3	139	0.02	44	0.01
4	3	0.00	9	0.00
5	699	0.12	620	0.10
6	1,626	0.27	1,637	0.26
7	0	0.00	5,014	0.81
kein Rating	0	0.00	0	0.00
Total	593,587	100.00	619,910	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	4,782,619	10,442	345	278
Due from banks	802,308	45,919	107,930	110,164
Due from securities financing transactions			22,100	
Due from customers	1,141,484	457,596	57,778	691
Mortgage loans	20,530,941	703		
Trading business	16,019	-0	0	676
Positive replacement values of derivative financial instruments	4,649			
Financial investments	1,422,661	84,193	7,065	1,369
Accrued income and prepaid expenses	26,084	1,864	410	61
Participations	24,461		104	
Tangible fixed assets	93,555			
Other assets	5,188	9,974	57	0
Total on-balance-sheet assets	28,849,970	610,690	195,788	113,239
Delivery claims from spot exchange dealings, forward exchange deals and foreign exchange options	336,702	278,177	92,676	86,576
Total assets 31.12.2020	29,186,673	888,867	288,464	199,815
Liabilities				
Due to banks	749,002	40,131	19,767	5,719
Due to securities financing transactions	1,276,000		60,996	
Due to customers in savings and deposits	18,014,565	494,425	113,881	171,178
Due to trading business				
Negative replacement values of derivative financial instruments	969			
Cash bonds	4,778			
Bonds and mortgage-backed bonds	6,041,000			
Accrued expenses and deferred income	99,816		8	
Other liabilities	69,105	55	1	0
Provisions	46,330			
Reserves for general bank risks	1,268,832			
Company capital	217,000			
Legal reserve	934,427			
Own shares	-3,491			
Retained earnings brought forward	7,057			
Annual net profit	138,135			
Total on-balance-sheet liabilities	28,863,527	534,611	194,652	176,898
Delivery obligations from spot exchange dealings, forward exchange deals and currency option transactions	335,225	345,446	92,948	19,587
Total liabilities 31.12.2020	29,198,752	880,057	287,600	196,485
Net position per currency	-12,079	8,810	864	3,331

28 Breakdown and explanations of contingent assets and liabilities

	31.12.2020 CHF 1000	31.12.2019 CHF 1000
Guarantees for collateralisation of loans and similar	123,857	70,926
Guarantees for warranty and similar	108,381	93,856
Irrevocable commitments from documentary letters of credit	128	184
Total contingent liabilities	232,366	164,966
Other contingent assets	0	0
Total contingent assets	0	0

29 Breakdown of credit commitments

There are no credit commitments.

30 Breakdown of fiduciary transactions

	31.12.2020 CHF 1000	31.12.2019 CHF 1000
Fiduciary deposits with third party companies	4,383	5,717
Total	4,383	5,717

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

a) Breakdown of assets under management

Type of assets under management	31.12.2020 CHF 1000	31.12.2019 CHF 1000
Assets in collective investment instruments managed by the bank	1,463,765	1,190,683
Assets with management mandate	3,727,768	3,545,008
Other assets under management	18,768,965	17,984,922
Total assets under management (including double counting)	23,960,497	22,720,613
– of which double counting	1,463,765	1,190,683

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

b) Presentation of the development of assets under management

	2020 CHF 1000	2019 CHF 1000
Total assets under management (including double counting) at the beginning of the year	22,720,613	20,484,334
+/- Net new money inflow or net new money outflow	964,011	686,918
Changes in double counting	273,081	339,468
+/- Price movement, interest, dividend, and currency development	-8,434	994,494
+/- Other effects	11,226	215,399
Total assets under management (including double counting) at year-end	23,960,497	22,720,613

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

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

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

	2020 CHF 1000	2019 CHF 1000
BLKB ¹⁾	18,043	17,364
Total	18,043	17,364

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

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

	2020 CHF 1000	2019 CHF 1000
Trading income from		
Interest rate contracts (incl. funds)	3,317	2,126
Equity instruments (incl. funds)	-20	73
Foreign exchange	14,349	14,917
Commodities/precious metals	397	248
Total net trading income	18,043	17,364
- 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

	2020 CHF 1000	2019 CHF 1000
Refinancing income from trading positions	0	0
Negative interest claims (reduction in interest income)	-2,313	-2,905
Negative interest liabilities (reduction in interest expenses)	20,137	7,903

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

34 Breakdown of personnel expenses

	2020 CHF 1000	2019 CHF 1000
Salaries (attendance fees and fixed compensation paid to bank authorities, salaries and benefits)	-87,586	-82,694
– of which expenses related to share-based compensation and alternative forms of variable compensation	-578	-510
Social benefits	-20,643	-19,441
Value adjustments in relation to the economic benefit or liability of pension schemes	0	0
Other personnel expenses	-4,576	-4,994
Total personnel expenses	-112,805	-107,128

35 Breakdown of other operating expenses

	2020 CHF 1000	2019 CHF 1000
Premises expense	-6,824	-8,212
Expense for IT and communications technology	-21,074	-21,668
Expense for vehicles, machinery, furniture, other equipment, and operating leases	-1,006	-1,113
Fees for the auditing company	-535	-417
– of which for accounts and supervisory audit	-432	-417
– of which for other services	-103	0
Service expenses	-9,369	-9,358
Other operating expenses	-26,218	-23,834
– of which compensation for the state guarantee	0	0
Total operating expenses	-65,025	-64,602

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

	2020 CHF 1000	2019 CHF 1000
Extraordinary income	1,328	2,783
– of which profits from sales of participations, real estate and tangible fixed assets ¹⁾	1,286	2,782
– of which revaluations of participations, real estate, and tangible fixed assets	0	0
– of which other extraordinary income	43	0
Extraordinary expenses	–30	–429
– of which realised losses from disposal of shares, real estate and tangible fixed assets ²⁾	–30	–429
– of which other extraordinary expenses		
Changes in reserves for general bank risks	7,668	–35,000
– of which creation of reserves for general bank risks	–28,000	–35,000
– of which release of reserves for general bank risks	4,000	0
– of which reclassification of reserves for general bank risks without affecting net income ³⁾	31,668	0

In 2020 and 2019, the bank did not register any substantial losses or releases of value adjustments and provisions.

¹⁾ 2020: This mainly concerns the gain from the disposal of two properties.

2019: This mainly concerns the gain from the reclassification of a participation to the balance-sheet item "Financial investments".

²⁾ 2019: This mainly concerns the loss incurred on the disposal of a property.

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

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

No revaluations took place.

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

BLKB does not have any foreign operational sites.

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

	2020 CHF 1000	2019 CHF 1000
Expenses for current taxes	–1,189	–1,677
Creation of provisions for latent taxes	0	0
Total taxes	–1,189	–1,677
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 interest rate.

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

	2020 CHF	2019 CHF
Undiluted result for endowment capital/per Kantonbank certificate	63.77	63.17
Diluted result for endowment capital/per Kantonbank certificate	63.77	63.17

The undiluted profit from the endowment capital or per Kantonbank certificate is calculated on the basis of the profit for the business year divided by the number of outstanding certificates at year-end (after deduction of Kantonbank certificates held by the bank).

The endowment capital was converted into certificates with a nominal value of CHF 100. There is no difference between the diluted and the undiluted result.

Information on compensation and participations

Overview of compensation paid to the Board of Directors and the bank's employees for financial years 2020 and 2019

Below is a summarised overview of the key figures:

	Fixed compensation	Variable compensation	Fringe benefits ¹⁾	Expense allowance	Value of discounted price of KBC purchase	Total compensation	Employer's contribution to social benefits
2020	78,923,876	11,056,469	1,172,296	1,111,715	578,363	92,842,720	20,643,460
2019	70,996,637	11,123,470	1,283,184	1,021,372	490,001	84,914,663	19,440,520

¹⁾ Discounted Reka money and lunch allowances

Amount of outstanding deferred benefits

	Kantonalbank certificates
31.12.2020	1,969 units
31.12.2019	1,963 units

Ratio of lowest to highest gross compensation

2020	1 to 14.05
2019	1 to 13.29

Compensation for the members of the Board of Directors for financial years 2020 and 2019

Name		Fixed compensation	Variable compensation	Fringe benefits	Expense allowance	Value of discounted KBC purchase	Total compensation	Employer's contributions to social benefits	Total personnel expense
T. Schneider, Chairman									
	2020	200,000	0	–	10,000	4,681	214,681	54,516	269,197
	2019	200,000	0	–	8,500	2,285	210,785	54,078	264,862
A. Lauber, Deputy Chairman¹⁾									
	2020	55,000	0	–	2,500	0	57,500	0	57,500
	2019	55,000	0	–	2,250	0	57,250	0	57,250
M. Primavesi²⁾									
	2020	85,000	0	–	4,500	4,681	94,181	20,955	115,136
	2019	85,000	0	–	4,050	4,570	93,620	20,593	114,212
S. Eugster³⁾									
	2020	85,000	0	–	4,500	2,340	91,840	7,469	99,309
	2019	42,500	0	–	2,250	0	44,750	3,661	48,411
D. Völlmin⁴⁾									
	2020	–	–	–	–	–	–	–	–
	2019	50,000	0	–	1,800	4,570	56,370	3,837	60,206
K. Strecker⁵⁾									
	2020	–	–	–	–	–	–	–	–
	2019	50,000	0	–	1,800	4,570	56,370	3,837	60,206
E. Dubach Spiegler									
	2020	65,000	0	–	3,000	4,681	72,681	14,017	86,698
	2019	65,000	0	–	2,750	4,570	72,320	13,901	86,220
D. Greiner⁶⁾									
	2020	–	–	–	–	–	–	–	–
	2019	35,000	0	–	1,250	4,570	40,820	2,680	43,500
N. Jermann									
	2020	65,000	0	–	3,000	4,681	72,681	13,302	85,983
	2019	65,000	0	–	2,750	4,570	72,320	13,185	85,505
F. Mutschlechner⁶⁾									
	2020	–	–	–	–	–	–	–	–
	2019	35,000	0	–	1,250	4,570	40,820	2,686	43,505
S. Naef									
	2020	65,000	0	–	3,000	4,681	72,681	14,732	87,413
	2019	65,000	0	–	2,750	4,570	72,320	14,611	86,930
N. Tarolli Schmidt⁷⁾									
	2020	65,000	0	–	3,000	2,340	70,340	13,880	84,220
	2019	32,500	0	–	1,500	0	34,000	6,884	40,884
Total compensation									
	2020	685,000	0	–	33,500	28,084	746,584	138,871	885,455
	2019	705,000	0	–	29,150	38,841	772,991	129,406	902,397

¹⁾ The fee is paid to the canton of Basel-Landschaft.

²⁾ Chairman of the SEC

³⁾ Joined 1 July 2019, Chairman of the ARC since 1 July 2019

⁴⁾ Stepped down 30 June 2019, Chairman of the ARC until 30 June 2019

⁵⁾ Stepped down 30 June 2019, Chairman of the HROC until 30 June 2019

⁶⁾ Stepped down 30 June 2019

⁷⁾ Joined 1 July 2019

Compensation for the members of the Executive Board for financial years 2020 and 2019

Name		Fixed compensation	Variable compensation	Fringe benefits ¹⁾	Expense allowance	Value of discounted KBC purchase	Total compensation	Employer's contributions to social benefits	Total expenses
John Häfelfinger, CEO									
	2020 ²⁾	425,100	470,000	7,741	24,000	11,702	938,543	177,488	1,116,031
	2019 ³⁾	425,100	420,000	7,741	24,000	11,424	888,265	176,209	1,064,475
Rest of Executive Board									
	2020 ⁴⁾	1,576,232	856,666	41,843	82,534	39,006	2,596,281	671,002	3,267,283
	2019	1,672,441	845,000	44,595	90,668	41,749	2,694,453	728,575	3,423,028
Total Executive Board									
	2020	2,001,332	1,326,666	49,584	106,534	50,707	3,534,824	848,490	4,383,314
	2019	2,097,541	1,265,000	52,337	114,668	53,173	3,582,718	904,784	4,487,503

¹⁾ Discounted Reka money, lunch allowance, company car

²⁾ Variable compensation: 2020: of which CHF 70,000 in the form of additional Kantonalbank certificates with a 25.274 per cent discount and a blocking period of five years

³⁾ Variable compensation: 2019: of which CHF 20,000 in the form of the 25.274 per cent discount (according to Swiss Federal Tax Administration) on the KB certificates additionally purchased by the CEO, with a blocking period of five years

⁴⁾ Value of discounted KBC purchase: includes discounted KBC purchase for financial year 2019 by a member of the Executive Board who stepped down from the Executive Board in 2019.

The rest of the Executive Board consisted of six members as at 1 January 2019. Jean-Daniel Neuenschwander left the Executive Board on 31 August 2019. The rest of the Executive Board consisted of five members as at 31 December 2019.

Manuel Kunzelmann stepped down from the Executive Board on 30 April 2020. Alexandra Lau joined the Executive Board on 5 February 2020. The rest of the Executive Board consisted of five members as at 31 December 2020.

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

Name	Function	Loans and credits 31.12.2020	Loans and credits 31.12.2019	KBC subscribed in 2020	KBC subscribed in 2019	KBC total (blocked) 31.12.2020	KBC total (blocked) 31.12.2019
T. Schneider	Chairman	0	0	20	10	30 (30)	10 (10)
A. Lauber	Deputy Chairman	0	0	0	0	0	0
M. Primavesi	Member	0	0	20	20	90 (90)	70 (70)
S. Eugster ¹⁾	Member	0	0	10	0	10 (10)	0
D. Völlmin ²⁾	Member	–	–	–	20	–	–
K. Strecker ²⁾	Member	–	–	–	20	–	–
E. Dubach Spiegler	Member	0	0	20	20	90 (90)	70 (70)
D. Greiner ²⁾	Member	–	–	–	20	–	–
N. Jermann	Member	250,000	250,000	20	20	90 (90)	70 (70)
F. Mutschlechner ²⁾	Member	–	–	–	20	–	–
S. Naef	Member	160,000	0	20	20	90 (90)	70 (70)
N. Tarolli Schmidt ¹⁾	Member	0	0	10	0	10 (10)	0
Total Board of Directors		410,000	250,000	120	170	410 (410)	290 (290)

¹⁾ Joined 1 July 2019

²⁾ Stepped down 30 June 2019

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

Name Function	Funktion	Loans and credits 31.12.2020	Loans and credits 31.12.2019
Kaspar Schweizer ¹⁾	Member of the EB	2,643,750	2,671,250
Remaining members of the EB	Member of the EB	3,724,600	1,090,000
Total Executive Board		6,368,350	3,761,250

¹⁾ Maximum amount to a member of the Executive Board

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

Name	Function	KBC subscribed in 2020	KBC subscribed in 2019	KBC total (blocked) 31.12.2020	KBC total (blocked) 31.12.2019
John Häfelfinger	CEO	152	143	395 (324)	243 (188)
Herbert Kumbartzki	Member of the EB	30	30	255 (150)	225 (150)
Manuel Kunzelmann ¹⁾	Member of the EB	–	35	–	50 (45)
Alexandra Lau ²⁾	Member of the EB	–	–	0 (0)	–
Jean-Daniel Neuenschwander ³⁾	Member of the EB	30	30	–	–
Beat Röhliberger	Member of the EB	35	30	80 (75)	45 (45)
Christoph Schär	Member of the EB	30	15	62 (45)	32 (15)
Kaspar Schweizer	Member of the EB	30	30	616 (150)	586 (150)
Total Executive Board		307	313	1,408 (744)	1,181 (593)

¹⁾ Stepped down from the EB on 30 April 2020

²⁾ Joined the EB on 5 February 2020

³⁾ Stepped down from the EB on 31 August 2019

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


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

Basle, 9 March 2021

Basellandschaftliche Kantonalbank, Liestal

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Basellandschaftliche Kantonalbank, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 71 to 119), for the year ended 31 December 2020.



Board of Directors' responsibility

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



Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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



Opinion

In our opinion, the financial statements for the year ended 31 December 2020 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the accounting rules for banks and comply with Swiss law and the law on Basellandschaftliche Kantonalbank.

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



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

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

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

Measurement of value adjustments and provisions for default risks from impaired receivables

Area of focus The measurement of value adjustments and provisions for default risks from impaired receivables requires the application of significant judgement in making estimates and assumptions. The outbreak of the coronavirus pandemic and the resulting economic impact have increased the estimation uncertainty. As of 31 December 2020, loans to customers, reported under the balance sheet items "due from customers" and "mortgage loans", amount to CHF 22,189.2 m (equivalent to 74.5%) and are a material part of the total balance sheet of Basellandschaftliche Kantonalbank.

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

Basellandschaftliche Kantonalbank describes the accounting and valuation principles applied to loans to customers as well as value adjustments and provisions for default risks from impaired receivables on page 87 and 88 of the annual report and discloses its approach to risk management of default risks on pages 81 to 85. For further information we refer to disclosure no. 2 and 16 in the notes to the financial statements.

Our audit response

Our procedures included the assessment of processes in connection with the granting and monitoring of loans to customers as well as the measurement of value adjustments and provisions for default risks from impaired receivables.

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



Further procedures included the assessment of the accounting and valuation principles used as well as the assessment of the disclosures in the notes to the financial statements.

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

First-time adoption of revised accounting rules on the measurement of value adjustments and provisions for default risks from receivables that are not-impaired

Area of focus As of 31 December 2020, the bank has early adopted the provisions on the measurement of value adjustments and provisions for default risks from receivables that are not-impaired, in accordance with the new FINMA Accounting Ordinance (ReIV-FINMA) and the new FINMA circular 2020/01 “Accounting – Banks”. These provisions require Basellandschaftliche Kantonalbank to create value adjustments for inherent default risks. The first-time creation of value adjustments and provisions for inherent default risks in a total amount of CHF 31.7 m occurred by a one-time reclassification of reserves for general banking risks. The new provisions for determining value adjustments from receivables that are not-impaired apply for the items “due from banks” (CHF 1,066.3 m) and “due from customers” (CHF 1,657.5 m) as well as “mortgage loans” (CHF 20,531.6 m) and “debt securities held to maturity” (CHF 1,451.1 m) shown in the position “financial investments”. When implementing the new provisions, the bank applied a simplified expected loss model. The amount of the expected loss will be influenced by the utilization and model assumptions for the probability of default and loss given default.

Because of inherent uncertainties about future events, model assumptions have a significant influence on the amount of value adjustments and provisions for default risks from receivables that are not-impaired. Due to judgmental matters as well as to the complexity arising from new accounting rules being applied for the first time, this area represents a key audit matter.

The bank has adapted its accounting and valuation principles and describes the treatment of value adjustments and provisions for default risks from receivables that are not-impaired on page 88 of the annual report; in addition, the bank discloses its approach to risk management of default risks on pages 81 to 85. Further information on the transition from the previous model are provided in the disclosure no. 16 in the notes to the financial statements.

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



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Our audit response

As part of the implementation of the new provisions for determining value adjustments and provisions for default risks from receivables that are not-impaired, we assessed whether the model applied for the implementation of the new accounting rules is suitable to reflect the inherent default risks in accordance with the new accounting rules.

We assessed the processes and controls in connection with the definition of model parameters. We also analyzed the first-time calculation as well as recording and disclosures in the notes to the financial statements.

Our audit procedures did not lead to any reservations concerning the new accounting rules on value adjustments and provisions for default risks from receivables that are not-impaired.

**Report on other legal requirements**

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

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

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

Ernst & Young Ltd



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(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



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Details of our branches, ATMs and Mobile Bank can be found at blkb.ch/niederlassungen.

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