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Dedicated and committed.

Annual report 2015.

At a glance

	2015 CHF m	2014 CHF m
Balance sheet		
Balance sheet total	23,178.4	21,492.0
Mortgage loans	17,070.2	16,611.2
Due to customers in savings and deposits	15,442.8	15,256.6
Income statement		
Operating income	371.7	354.0
Operating performance	191.2	175.7
Annual net profit	130.4	115.8
Dividends on certificate capital	20.0	19.4
Profit distribution to the canton (incl. interest on endowment capital)	56.0	45.5
Further details		
Personnel (head count) as per 31-12	760	750
Personnel (average of full-time equivalents)	639	650
Number of branches	24	24
Assets under management	19,606	19,625
Average interest margin	1.396%	1.310%
Return on equity	11.04%	9.03%
Cost-income ratio I	42.38%	44.15%
Cost-income ratio II	48.56%	50.35%
Kantonalbank Certificate		
Yearend share price (in CHF)	889.00	895.50
Nominal value (in CHF)	100.00	100.00
Dividend per certificate (in CHF)	35.00	34.00
Market capitalisation ¹⁾	1,929.1	1,943.2

¹⁾ Certificate and endowment capital

Highlights 2015.

191,190,055

Business performance.

In 2015, BLKB achieved a very solid operating performance of CHF 191 m.

42.38%

Cost-Income ratio.

As in the past years, the cost-income ratio of 42.4% represents again a peak value, also in cross-comparisons. At the same time, BLKB keeps investing in the future. The ratio lies at the lower end of the targeted range of 40% – 50% allowing for a more than average build-up of the reserves which, in turn, is essential for the bank's risk-bearing capacity.

83.8%

Refinancing ratio.

BLKB is able to refinance 83.8% of its loans by customer deposits. In 2015, our customers entrusted us with deposits of CHF 15,443 m (+186 m).

211.4%

Equity capital ratio.

The equity capital ratio of 211.4% corresponds to a leverage ratio of 8.5% thus contributing to a steadily growing risk buffer. BLKB is among the most solidly financed banks in Switzerland.

11.04%

Return on equity.

In spite of the magnitude of our equity capital ratio, return on equity of 11.04% is distinctly higher than our target (10-year swap plus 3%).

59,913,379

Dividend paid to the bearers of certificates.

Due to the very good results, ordinary distribution increased by almost CHF 6m to CHF 59,913,379. (Dividend of the previous year was adjusted for the extraordinary distribution

on the occasion of the anniversary in 2014). On the basis of the ordinary dividend payments of 2014 of CHF 33.00 per certificate, dividend on the certificates increased by CHF 2.00.

Erica Dubach Spiegler
Nadine Jermann
Stephan Naef
Marco Primavesi
Kurt Strecker



The percentage of women in the Bankrat 40%.

4 out of 10 members are women.

New members of the Bankrat.

With effect of 1 July 2015, the new Board of Directors took up office. It was the first time that BLKB published a call for tender for an election. The Landrat (legislative body of the canton), upon proposal by the Regierungsrat (executive body of the canton), had the chance to elect, from more than 100 candidates, five new members into the panel of ten.

40



Champions in sustainability.

In 2015, 40 employees were trained to be champions in sustainability. The training was done in cooperation with the WWF. It was a very intensive experience which makes us become even more aware of our own expectations of sustainability.

Sustainable success thanks to a visionary management.

The year 2015 began with a bombshell: on 15 January, the Swiss National Bank scrapped its cap on the currency's value of CHF 1.20 against the euro. Simultaneously, it pushed the negative interest rate for cash deposits on current accounts which exceed a certain tax allowance down into even lower territory. We as a bank, our customers, and the financial and economic location of Switzerland as a whole will feel the reverberations of the SNB decisions for a long time to come. In mid-2015, the consequences were not so visible everywhere, however, towards the end of 2015, the downside effects picked up momentum.

In times like these, it's vital to be capable of transforming challenges into chances. It's all about recognising your own possibilities and acting quickly and consistently by concentrating on your business model and its values. Our excellent operating result for 2015 goes to prove that this approach is worth it: the operating performance was CHF 191.2m and earnings increased by CHF 17.8m. By exercising a disciplined cost management, we could decrease the Cost-income ratio even further to 42.38 per cent (previous year 44.15 per cent) Moreover, we encountered only minor operational losses and few adverse events in the lending business. They were settled by means of our provisions.

Our loan-to-deposit ratio of 83.8 per cent is consistently high. Even in the previous years, we reached or even exceeded our targets except for the equity capital ratio.

The yearly results which are good and sustainable allow for an increase in the dividend paid to the bearers of certificates. At the same time, we continuously strengthen our capital base and thereby boost the bank's risk buffer.

BLKB is among the most solidly financed banks in Switzerland.

Customers profit from this security and we are able to fulfil our duty as a strong and reliable partner. Further growth in customer deposits and the increase in mortgage loans and credit limits to corporate customers during the past year is proof of how much customers appreciate our bank.

The fact that we consistently implement all the regulatory and legal requirements is another reason for our sustainable success. We don't have any unsolved issues, neither with the United States nor with Germany. Having no problem sites to worry about, we can concentrate on the further development of our business model and on investing in the future.

Continuing digitalisation and deregionalisation will have far-reaching consequences on our business model. Therefore, this issue is top of our agenda. Digitalisation has in the meantime become an integral part of our strategy. In 2016, we will continue to push business opportunities and channels digitalisation is opening up for us, and we will invest CHF 20m into that field. The developments in the areas of FinTech will be an inspiration to us.

The strong Swiss franc leaves some ugly signs of slowdown on the regional economy. A survey we conducted in cooperation with BAKBASEL in 2015, including more than 1,100 corporate customers of BLKB, showed just how much the economy is affected. This applies in particular to the chemistry, pharmaceutical, biotech, and the capital goods industries. They are expecting negative or very negative evaluations. More than 10 per cent are thinking about layoffs and expect lower salaries, higher prices and/or longer working hours. One of our core tasks is to put the financial means at our regional companies' disposal to enable them to operate successfully. We will continue to do so even in a more demanding environment.



Dr. Beat Oberlin chairman of the Executive Board, Elisabeth Schirmer-Mosset chairwoman of the Board of Directors

One of the main businesses of our bank is the interest margin business: customers entrust their savings to us and get paid interest in return. We put these funds at the disposal of private or corporate customers as loans in the form of mortgages or other loans. They, in turn, pay us interest. At the same time we refinance a major part of our loans with customer deposits. The decisions taken by the Swiss National Bank on 15 January 2015, had an immediate impact on the very foundations of our business model. The Executive Board did not hesitate to take decisions on the same day which, in retrospect, have turned out to be the right ones. They were implemented speedily and effectively across all levels of the bank. We did not impose any negative interest rates on our customers although the bank has to pay negative interest rates to the Swiss National Bank. On the other hand, we adjusted interest rates our customers have to pay on mortgage loans and the prepayment penalty in order to cover the higher hedging costs. Close cooperation between the employees of our sales/marketing department and those of asset and liability management was a decisive move. This interaction combined with our hedging strategy was instrumental for the net interest income of last year.

Balances on giro accounts of all commercial banks with the National Bank are still markedly higher than the cumulated exemption. This is the reason why additional money cannot be “parked” in the monetary cycle of the SNB without having to pay negative interest rates. In spite of that, we are trying to avoid the application of negative interest rates as long as possible because it would undermine our business model. Private customers are paid a minimum amount of interest. Institutional and corporate customers who want to deposit large amounts are subject to an individual evaluation taking into account the complete customer relation. Then we decide on the pricing. Negative interest rates are then applied. New customers who just “park” volatile funds without any intention of further business with BLKB have to pay negative interest rates.

The current interest rate environment is here to stay. We are quite sure that the policy of cheap money will prevail over the policy of reforming structural problems. Considering the fact that structural problems abroad are more likely to increase than to decrease, the SNB will have to continue to fight the appreciation of the Swiss franc. Negative interest rates will therefore remain a common feature.

In 2016, there will be a great deal of unforeseen factors coming our way. Most probably they will be unforeseeable and beyond our influence. It is therefore all the more important to be flexible, keep an open mind, and anticipate the future in the best possible way in order to remain the reliable partner for our customers that we have always been. Thanks to the successful realignment of the bank, we now have the necessary tools to do just that. Equipped with a very favourable capital base and a good cost-income ratio, we keep making headway, and we know that we are well prepared for the challenges of the new year.



Elisabeth Schirmer-Mosset
Bankpräsidentin



Dr. Beat Oberlin
Präsident der Geschäftsleitung

Situation report.

In spite of a complex and difficult environment we can look back at a successful year thanks to the foresight of our management. BLKB is among the most solidly financed banks in Switzerland.

Very good result in a complex and difficult environment.

In 2015, Basellandschaftliche Kantonalbank (BLKB) achieved a very good result with an operating performance of CHF 191.2 m. This represents an increase of 8.8 % compared to the previous year. Annual net profit went up by 12.6 per cent to CHF 130.4 m.

In comparison with the previous year (and adjusted for the extraordinary distribution for the anniversary 2014), the ordinary distribution to the canton of Basel-Landschaft increased by almost CHF 6 m to CHF 59.9 m. Dividend payment on the certificates, calculated on the basis of the ordinary dividend payments of 2014, increased by CHF 2.00 to CHF 35.00.

Business income rose by 5 per cent to CHF 371.7 m. Net income from the interest-related business and the trade income were the main contributors to this increase. The commission business remains a key source of revenue. The operational expenses saw a slight increase by 0.8 per cent to CHF 157.5 m.

Cost-income ratio is at 42.38 per cent which means an improvement of 1.8 percentage points compared to the previous year. The ratio still lies at the lower end of the targeted range of 40 – 50 per cent. Return on equity amounts to 11.04 per cent which is distinctly higher than our target of 10-year swaps plus 3 per cent. The equity capital ratio is at 211.4 per cent. Thus, BLKB has basically achieved or even exceeded all the objectives imposed by the Bankrat.

Continuing strong confidence in BLKB

BLKB continues to enjoy a strong confidence by its customers. The inflow of net new money of CHF 235.5 m is ample proof of that and shows an increase of 16.58 per cent in comparison with the previous year. At the same time, we consistently keep implementing the taxed-assets strategy. Liabilities from customer deposits went up by 1.2 per cent to a total of CHF 15,400 m. Customer assets amount to CHF 19,600 m of which

CHF 3,150 m under asset management contracts. The assets under management rose by CHF 186 m compared to the previous year. The lending business was largely refinanced by customer deposits and the loan-to-deposits ratio remained stable at 83.8 per cent.

Risk-awareness in the growth of mortgages and loans to private and corporate customers

BLKB was able to increase its mortgages by 2.8 per cent to CHF 17,100 m of which CHF 711.6 m are attributable to e-mortgages. Compared to the previous year, this means a constant growth of 28.5%. Lending to corporate customers rose by CHF 110 m to a total of CHF 5,000 m which corresponds to an increase of 2.2 per cent. In this way, BLKB contributes considerably to the economy of the region of north-western Switzerland. The quality and creditworthiness of our operations with customers is reflected in the building of value adjustments for default-risks and losses from the interest-related business of CHF 3.1 m thus remaining at the previous year's level.

Growth in the interest-related business

At an amount of CHF 281.8 m, income from the interest-related business exceeds that of the previous year by 5.7 per cent. The crucial contributor to this success is our disciplined, long-term strategy of managing the balance sheet. Another important part is attributed to the quick reaction time, the correct assessment of the economic trend, and the excellent cooperation within the different business areas of the bank following the SNB decisions of 15 January 2015.

Slight decline in the commission business

Income from the fee and commission business went down by 5.5 per cent to CHF 62.3 m. The reason is to be found particularly in the earnings decline of the securities and investment business.

Encouraging increase in the trading business

The income from the trading business rose by 21.7 per cent to CHF 18.3 m. The increase is mainly due to the abolishment of the minimum EUR exchange rate and the ensuing higher volatility and customer activities.

Other ordinary income

The other ordinary income went up by 42.2 per cent to CHF 9.4 m. The rise is mainly caused by the disposal of financial investments and income from participations.

Careful handling of costs and investments into the future

In 2015, BLKB handled its costs as carefully as ever and simultaneously invested into the future. The bank invested CHF 20 m to continue to modernise the infrastructure and to develop its digital requirements. Operating expenses on the whole rose slightly by 0.8 per cent to CHF 157.5 m. In comparison to the previous year, other operating expenses increased by 3.0 per cent to 57.6 m. Personnel expenses decreased slightly by 0.4 per cent to CHF 99.9 m. The average number of fulltime job equivalents was 639 as opposed to 650 in the previous year.

Reduction of indebtedness with private customers

The current interest rate environment does not benefit saving. This is exactly why our sustainable advice comprises both sides of our customers' balance sheet. On the one hand, there is the development of revenues and assets across the different life stages including the development of individual pension fund assets. On the other hand, there are the liabilities and the expenses involved, and also the capability of servicing loans across the different life stages. In our experience it is particularly important to offer homeowners such comprehensive and long-term planning. It gives them the best possible freedom to act. Considering the current environment, we advise our customers to give some thought to reducing their mortgage loans. It is our aim to secure the financial acceptability in the long term and in

a sustainable way. This approach is an expression of our credit and risk philosophy. The quality of loans is at the centre of our attention. It is also reflected in the extent of value adjustments and provisions.

Equity as a basis for credits

In the past, we kept strengthening our capital base thanks to good annual results. In the future, we will continue to do so because it is part of the bank's and the owner's strategy. In accordance with the cantonal law on Kantonallbank, one of the bank's main purposes is "to contribute within the framework of competition and its own financial means to a balanced development of the canton and the region of north-western Switzerland". We provide local companies with the necessary loans so that they are able to manage their businesses successfully. By the same token, we are the most important bank in the canton for homeowners. More than half the population of the canton of Basel-Landschaft has at least one account with BLKB. The basis for granting loans is our equity. Every loan has to be backed by equity. In the face of the increase in capital adequacy requirements a strong capital basis is crucial. The most important source of increasing equity for a cantonal bank is the retention of earnings. This is the only way we can keep greasing the wheels of the local economy because this is our bank's long-term task, even more so in such unpredictable times as these.

Realignment of BLKB successfully implemented

Three years ago, at the beginning of the realignment strategy of BLKB, one thought prevailed: how can we exploit our potential in a more efficient way. Our aim was to take customer behaviour much more seriously, link the different points of contact, make better use of synergies, and improve efficiency and effectiveness of our processes. In 2015, we reached two further milestones in our pursuit for realignment: the successful establishment of the customer centre as the main channel of contact, and the opening of our 24-hour bank in Lausen.

The customer centre takes all requests whether by phone or electronically, and processes them immediately, if possible. Advising customers, settling basic concerns and openings of products are things done immediately and irrespective of where the customer is. Should the customer require further advice, the customer centre will make an appointment with the relevant person at a suitable branch. At the same time, the customer centre may also approach customers actively which they obviously appreciate. This modern and useful customer centre enables BLKB to have a professional and direct channel offering a comprehensive set of services. The customer centre represents a key feature of the bank's range of services.

The first 24-hour bank of BLKB in Lausen is based on a new type of branches. Self-service is the key aspect. The bank counter is being replaced by an infopoint serving as the information office which also offers video connection by phone to the customer centre. The 24-hour bank in Lausen offers a meeting room where detailed discussions between customers and an expert sent from Liestal can take place. The realignment enables us to meet the challenges of the future, but only if we keep developing. We should never forget the old adage "Tomorrow, today will already be yesterday".

Digitalisation – Innovation

We are well prepared for the next steps into the digital world. In cooperation with external experts, we examined the "digital readiness" of our bank in different dimensions. The resulting findings will help us to develop specific measures and to advance the capabilities of our employees in the areas of strategy, governance, culture, customer interface, organisation, and processes. In the digital age, the online community plays an important role. More and more often, informative exchange and diverse business transactions take place directly between the parties concerned on the relevant platforms. In the future, crowd lending may take place directly between private persons and/or

companies thus shifting an essential part of our business out of reach. BLKB plans to establish itself as an innovative bank in this market. We will be the first Swiss bank to use crowd lending in order to arrange for loans between companies and creditors. The immediate objective is to acquire experience. In the long run, the point will be to generate additional income by means of market place and brokerage fees. Loans from the crowd (at www.miteinander-erfolgreich.ch) will complement the existing offer of crowd supporting.

Security

2015 saw the successful conclusion of the project "Integral Set of Rules" which enables the bank to systematically revise and harmonise processes, directives, risks, and control instructions. Thanks to the newly created process documentation, 2016 will be the first year for us launch process improvements on a large scale.

Changes in accounting rules for banks

As of 1 January 2015, the revised Banking Act regarding the accounting for banks, the corresponding ordinance, and the FINMA circular based thereon requires adjustments in the reporting of results. The new regulation does not affect BLKB's valuation adjustments, however, the balance sheet and the income statement are subject to structural changes. The annual report is categorised in a different way and comprises additional information. The previous year's values and key figures were adjusted so as to ensure comparability. The most striking new feature is the elimination of the gross profit from the balance sheet. Operating performance has become the most important parameter used for measuring the operating result. Operating performance is calculated on the basis of total business income and comprises operating expenses, depreciations, provisions and other value adjustments, and losses. It replaces the former interim result.

The new network made up of elements from the set of rules will be put at the disposal of those employees working at BLKB's process management portal. The techniques will be made available in digital form and will be based on the employees' qualification requirements. The integral set of rules is the basis for a modern internal control system and is an important step towards further development of compliance and risk management. At a meeting of 15 June 2015, the Bankrat put a comprehensive risk assessment into effect. Further information on risk management and risk control are detailed in the annex to the financial statement/notes on business activities.

Flexible work models and diversity

As a modern bank, we depend on a staff made up of excellent, highly motivated and committed employees. However, if we want to attract and keep those excellent employees, we have to offer them excellent work conditions. At the same time, customer behaviour is changing. They expect the added value of mixed teams and ask for flexibility and improved availability outside conventional office hours. Therefore, BLKB adopted principles for flexible working hours and makes sure they are consistently implemented starting from 2016. These flexible work models contribute to part-time jobs and job-sharing regardless of function, rank, and gender.

Sustainability at BLKB

On the one hand, sustainability is about the way we, as a company, consume and exploit materials and goods. On the other hand, it's also about economic stability, financial security, and social credibility. This year is the first time that our disclosures are structured along the guidelines of G4, the current version of the Global Reporting Initiative on Sustainability Reporting. The most important new feature is that reporting is done only on those aspects which are material for the bank and its activities. For this purpose, we questioned internally relevant interest groups and 200 representatives of external stakeholders. The

result shows that aspects such as compliance, good governance, economic performance, protection of customer interest, quality of employment, and education and further education are particularly important for BLKB.

In the year under review, we advanced development and implementation of our sustainability strategy thereby favouring products, services, and plans benefiting the society. One example is the transformation of our asset management into a sustainable entity for asset management. Before, it was the solution for exceptional cases, now it's standard which, in the current difficult market situations, has proved its worth. Another example is the changeover of our vehicles to e-cars. We support the e-mobility initiative launched by EBL (energy supplier) and contribute to climate protection and energy efficiency. And with our Charity-Maestro-Card "Jobs for Juniors" we support young people on their way to a professional life.

New Bankrat

On 1 July 2015, the new Bankrat took up office. It was the first time BLKB published a call for tender for an election. More than 100 candidates expressed their interest. In the end, the Landrat, upon proposal by the Regierungsrat, elected five members into the panel of ten. Erica Dubach Spiegler, Nadine Jermann, Stephan Naef, Marco Primavesi, and Kurt Strecker. These nominations will further and deepen the expertise and professional competence of the Bankrat as a whole in the strategically important areas. Simultaneously, Claude Janiak, Hans Ulrich Schudel, Daniel Schenk, Wilhelm Hansen, and Andreas Spindler resigned from the Bankrat. Their commitment contributed greatly to the sustainable success of BLKB. They deserve our special gratitude.

Look ahead

2016 will be a challenging year. We are expecting a result slightly lower than the previous year's. Several positive special

items we could record last year, will no longer affect the balance sheet. Moderate growth, low inflation, and the capricious currency situation will put a strain on all of us. Apart from the technically demanding control of the monetary policy, banks will also have to face the reduction of greatly oversized balance sheets of the central banks in the medium time horizon.

Additional volatility will be produced by external events such as the so far unsolved EU debt crisis and speculation about the exit of some of the member states, turbulences at the financial markets, and difficult negotiations between Switzerland and the EU on the bilateral treaties, and the implementation of the initiative against mass immigration.

Checks and Balances in Harmony.

Basellandschaftliche Kantonalbank is a company under public law, independent of state administration.

The legal basis is formed by the following cantonal laws:

- Cantonal Law on Kantonalbank of 24 June 2004, in force since 1 January 2005 (Systematische Gesetzessammlung des Kantons Basel-Landschaft SGS 371).
- Decree on the determination of certificate and endowment capital of Basellandschaftliche Kantonalbank of 23 June 2005, in force since 1 September 2005 (SGS 371.1).
- Ordinance on the Cantonal Law on Kantonalbank of 14 December 2004, in force since 1 January 2005 (SGS 371.11).

On the basis of the Cantonal Law on Kantonalbank of 24 June 2004, the Board of Directors (Bankrat) of Basellandschaftliche Kantonalbank passed several rules. The enactments mentioned below are posted on the Internet (blkb.ch/rechtsgrundlagen).

- Rules of procedure and organisation of 1 July 2011, in force since 1 July 2011.
- Rules on the issuance of Kantonalbank certificates of 20 May 2015, in force since 1 November 2015.
- Rules on the Executive Committee of 1 July 2015, in force since 1 July 2015.
- Rules on the Audit and Risk Committee of 31 August 2009, in force since 1 January 2010.
- Rules on the Human Resources and Organization Committee of 19 December 2011, in force since 19 December 2011.
- Rules on Controlling of 31 August 2009, in force since 1 January 2010.
- Rules on Risk Control of 31 August 2009, in force since 1 January 2010.
- Rules on Compliance Function of 1 Mai 2015, in force since 1 July 2015.

- Rules on the Compensation Scheme of 21 May 2014, in force with retroactive effect of 1 January 2014
- Rules on the Areas of Responsibility of BLKB from 1 January 2012 in force since 1 January 2012.

Purpose, legal form, and state guarantee are governed by the Cantonal Law on Kantonalbank of 24 June 2004:

Art. 1 Company and Head Office

- ¹ „Basellandschaftliche Kantonalbank“ in the following called the “bank” is a bank with its head office in Liestal.
- ² The bank may set up branches or establish subsidiaries or participate in other companies.

Art. 2 Purpose

- ¹ The bank offers all the services of a universal bank.
- ² The bank serves the purpose of contributing, within the framework of competition and its own financial means, to a balanced development of the canton and the region of north-western Switzerland.

Art. 3 Legal Form

The bank is an independent public law company with its own legal personality.

Art. 4 State Guarantee

- ¹ The canton guarantees for the liabilities of the bank, in the case of the bank’s own means not being sufficient.
- ² The bank compensates the canton for the state guarantee. Payment is calculated according to the risk amount and the probability of non-payment. Details are set down in the ordinance.

Below, the terms “Regierungsrat” and “Landrat” are being used repeatedly.

- Regierungsrat is the executive body of the canton of Basel-Landschaft, elected by the people.
- Landrat is the legislative body of the canton of Basel-Landschaft, elected by the people.

The following notes are structured along the “Directive on Information Relating to Corporate Governance” (DCG), issued by the SIX Swiss Exchange in the version being valid on 1 October 2014. For reasons of clarity, subtitles may be combined with a relevant remark. In cases of facts not being applicable or relevant for Basellandschaftliche Kantonalbank, this will be indicated explicitly. In comparison with the previous year, there have not been any material changes.

1 STRUCTURE AND SHAREHOLDERS

1.1 Structure

1.1.1 Description of the operational structure

Basellandschaftliche Kantonalbank restricts its market presence on the region of Basel focusing thereby on the canton of Basel-Landschaft where it operates, at a total of 24 locations, retail banking, private banking (at four locations) credit and investment business for private customers as well as financing solutions for corporate customers. Additional locations are being served by a mobile bank. Bank authorities of Basellandschaftliche Kantonalbank are the Bankrat (Board of Directors) of Basellandschaftliche Kantonalbank, the chairperson of the Board of Directors, the three Bankrat committees “Executive Committee”, “Audit and Risk Committee”, “Human Resources and Organization Committee”, and the Executive Board. Responsibilities and competencies of the different bodies are detailed below, in items 3 (Bankrat) and 4 (Executive Board).

1.1.2 Listing

Company: Basellandschaftliche Kantonalbank (BLKB).

Registered office: Liestal.

Listed in: Zurich, SIX Swiss Exchange AG.

Market capitalisation:

- Market capitalisation of Kantonalbank certificates (570,000 at a nominal value of CHF 100) at the year-end rate of CHF 889.–: CHF 506.73 m.
- Market capitalisation of endowment capital of CHF 160m assuming an analogous valuation: CHF 1,422.4 m.
- Total market capitalisation (Kantonalbank certificates and endowment capital): CHF 1,929.1 m.

Percentage of participations of group companies: none

Securities identification number: 147355.

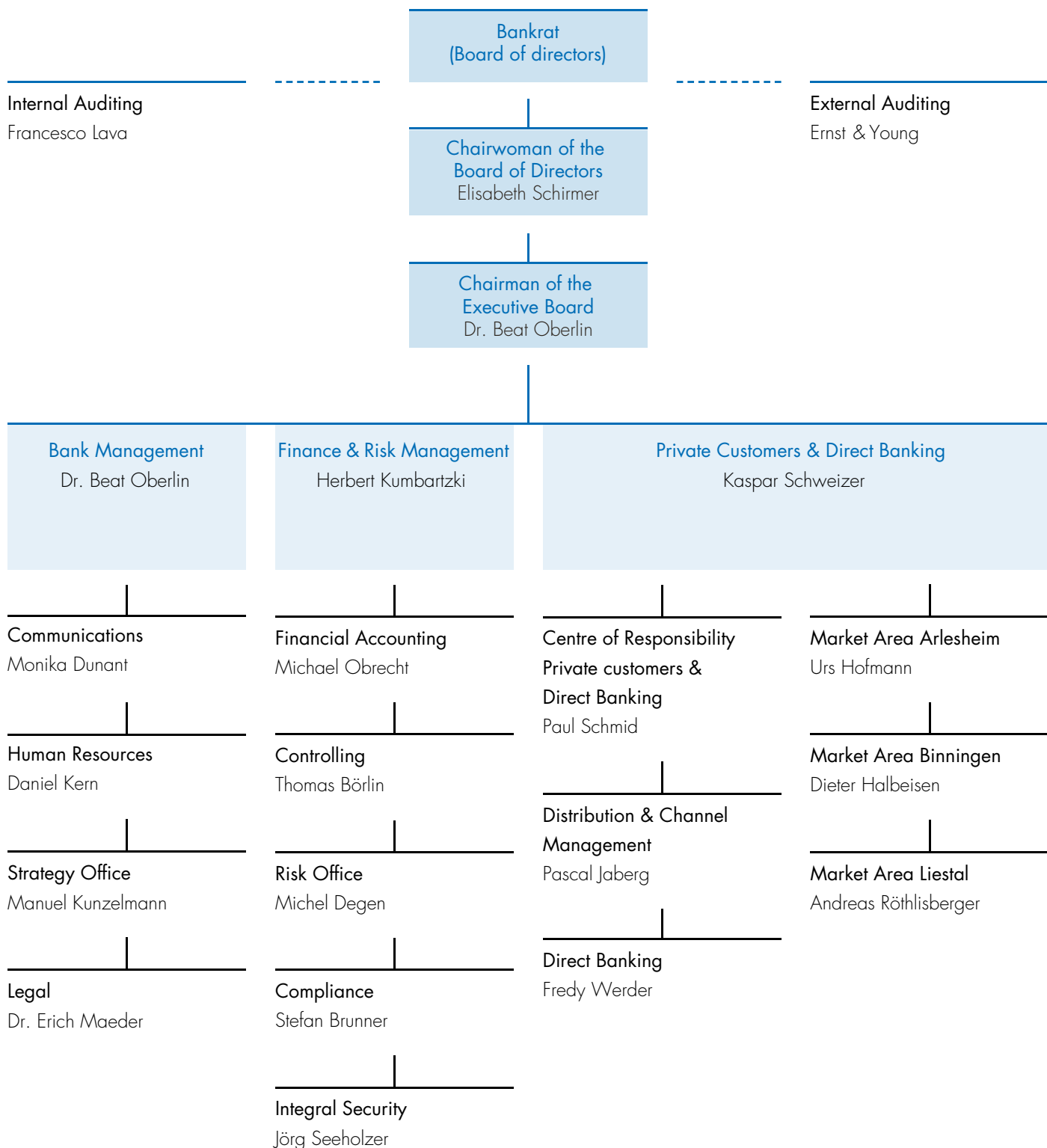
ISIN number: CH0001473559.

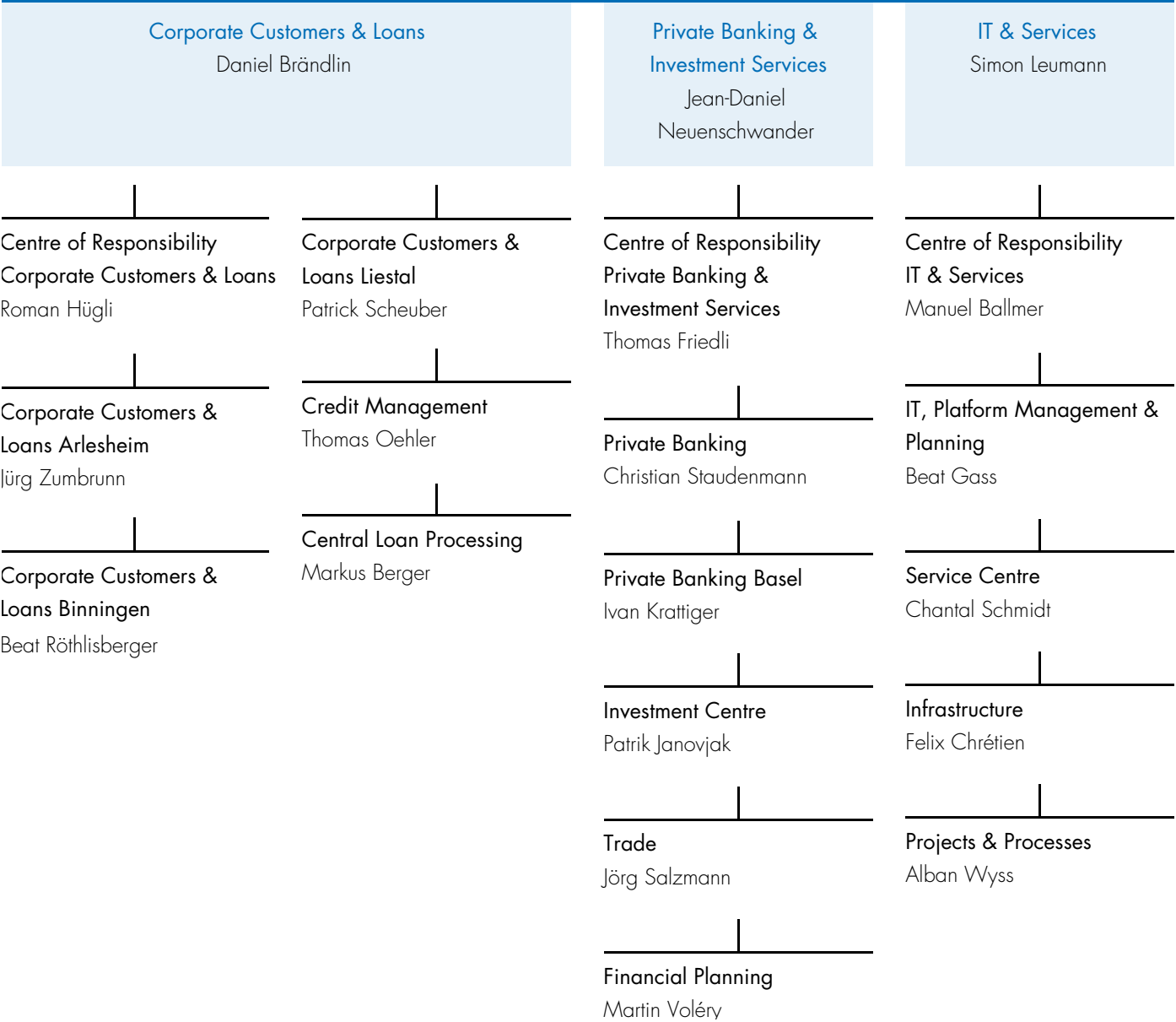
1.2 Significant shareholders

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

1.3 Cross-shareholdings

There are no cross-shareholdings.





2 CAPITAL STRUCTURE

2.1 Capital

The original capital of the bank consists of the endowment capital of the canton and the certificate capital (the term "certificate" corresponds to participation certificate and the term "certificate capital" to non-voting share capital in other companies). According to art. 5, para. 2 of the Cantonal Law on Kantonbank, the Landrat is responsible for changes of the endowment capital, whereas responsibility for the issuance of certificates, according to para. 3 of the said law, lies with the bank.

The endowment capital of the canton is CHF 160m. The certificate capital is CHF 57m and is broken down into 570,000 bearer certificates of CHF 100.– nominal value, each. Free float is 100%.

According to art. 5, para. 3 of the Cantonal Law on Kantonbank, the certificate capital must not exceed 50% of the endowment capital.

2.2 Conditional and authorised capital in particular

The legislative body (Landrat) may create authorised capital upon request by the executive body (Regierungsrat). Within this framework, Bankrat may raise the certificate capital and Regierungsrat may raise the endowment capital. As per 31 December 2015, there is neither conditional nor authorised capital.

2.3 Changes in capital

In the year 2008, the certificate capital of CHF 80m was reduced to CHF 57m.

2.4 Shares and participation certificates

The certificate capital amounts to CHF 57m and is broken down into 570,000 bearer certificates of CHF 100.– nominal value (see item 2.1 above). Certificates entitle the holder to

dividend payments, subscription rights and to a proportional share of potential 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 bearers of certificates to meetings in order to inform them of the course of the bank's business. These meetings are purely informative; resolutions cannot be passed (Cantonal Law on Kantonbank art. 5, para. 3; rules on the issuance of Kantonbank certificates and arts. 8 and 9); (blkb.ch/rechtsgrundlagen).

2.5 Dividend-right certificates

There are no dividend-right certificates.

2.6 Limitations on transferability and nominee registrations

There is non-voting share capital only (see item 2.4); consequently nominee registrations are not possible. There are no limitations as to transferability of certificates. Due to this particular legal form the following rules of DCG are not applicable:

2.6.1 Limitations on transferability for each share category, along with an indication of statutory group clauses, if any, and on rules for granting exceptions.

2.6.2 Reasons for granting exceptions in the year under review.

2.6.3 Admissibility of nominee registrations along with an indication of per cent clauses, if any, and registration conditions.

2.6.4 Procedure and conditions for cancelling statutory privileges and limitations on transferability.

2.7 Convertible bonds and options

There are no outstanding convertible bonds and options.

3 BANKRAT (BOARD OF DIRECTORS)

The Cantonal Law on Kantonbank (blkb.ch/rechtsgrundlagen) uses the term "Bankrat". The following explanations on item 3 "Board of Directors" of the Directive on Information Relating to Corporate Governance (DCG) refer to the Bankrat of Basellandschaftliche Kantonbank.

3.1 and **3.2** combine: education and professional career (3.1) as well as other activities and vested interests (3.2): All members of the Bankrat are Swiss citizens. All members of the Bankrat are non-executive; they do not exercise any operational management tasks at BLKB. No member of Bankrat performs any relevant advisory or other services for BLKB. In line with the FINMA circular 2008/24 "Supervision and internal control", at least one third of the Bankrat should consist of members meeting the requirements of independence as stated by margin no. 20 et seqq., FINMA circular 2008/24. With the exception of Anton Lauber who, as a member of the Regierungsrat of the canton of Basel-Landschaft, does not meet the criteria (margin no. 25 et seqq., FINMA circular 2008/24), all the other members of Bankrat are considered independent in accordance with the principles of the said circular. The following overview of Bankrat members also contains information on their first election and the remaining term of office which is again listed in a table in item 3.3.2.



01

Elisabeth Schirmer-Mosset. Born in 1958. Chairwoman of the Board of Directors (Bankrat) and member of the Executive Committee, member of the Human Resources and Organization Committee. First election: 2000; current term of office 1-7-2015 to 30-6-2019. Lic. rer. pol. (university degree in economics); co-owner of Ronda AG, Lausen; member of the Board of Directors and the Executive Board; chairwoman of Personalvorsorge-stiftung Ronda, Lausen; chairwoman of Stiftung Oase, Liestal. Business connections with BLKB.



02

Anton Lauber. Born in 1961. Vice chairman of the Board of Directors. First election: 2013; current term of office: 1-7-2015 to 30-6-2019. Dr. jur., solicitor. Independent lawyer from 1997 to 2013. Member of the Regierungsrat of the canton of Basel-Landschaft since 1-7-2013, head of the cantonal department of Finance and Churches. Board member of: Verwaltungskommission der Basellandschaftlichen Gebäudeversicherung (house insurance, chm); ARA Rhein, Pratteln; Kraftwerk Birsfelden; member of the supervisory commission of Sozialversicherungsanstalt BL (social insurance, chm); member of the Diocesan Conference of the Roman Catholic Diocese of Basel; Chairman of the commission of Handschin-Stiftung. Member of the cooperative of Friends of Landhus, Allschwil.



03

Erica Dubach Spiegler. Born in 1969. Member of the Executive Committee. First election: 2015; current term of office: 1-7-2015 to 30-6-2019. Dr. sc ETH, independent management consultant for digital strategy with particular regard to the retail and consumer goods industry.



04

Doris Greiner. Born in 1977. Deputy chairwoman of the Audit and Risk Committee. First election: 2002; current term of office 1-7-2015 to 30-6-2019. Swiss certified public accountant. Lic. phil. (university degree in psychology, subsidiary subjects: economics/business administration and state/private law). BA in Business and Economics.



05

Nadine Jermann. Born in 1972. Member of the Executive Committee. First election: 2015; current term of office 1-7-2015 to 30-6-2019. Lic.oec. HSG, independent advisor in the area of Marketing. Business connections with BLKB.



06

Frenk Mutschlechner. Born in 1969. Member of the Audit and Risk Committee. First election: 2011; current term of office: 1-7-2015 to 30-6-2019. Lic. rer. pol. (university degree in economics). Managing partner at CFM partners AG, Zurich. Executive MBA. Business connections with BLKB.



07

Stephan Naef. Born in 1962. Deputy chairman of the Human Resources and Organization Committee. First election: 2015; current term of office 1-7-2015 to 30-6-2019. Lic. oec. publ., CFO Aebi Schmidt Holding AG. Outstanding record in the areas of Finance, Controlling, and Process management. Board member of: PK and Vorsorgefond Aebi & Co AG, chairman of the Stiftungsrat, Burgdorf; SKAN AG, Allschwil. Business connections with BLKB.



08

Marco Primavesi. Born in 1959. Chairman of the Executive Committee. First election: 2015; current term of office 1-7-2015 to 30-6-2019. Swiss-certified expert in organisation management, CEO AXAS AG, Basel. Board member of: ARSIS Software AG, Riehen; AXAS AG, Basel; Tecalto AG, Zurich (chm); Scope Solutions AG, Basel; Schweizerische Gesellschaft für Organisation, Glattbrugg. Business connections with BLKB.



09

Kurt Strecker. Born in 1963. Chairman of the Human Resources and Organization Committee. First election 2015; current term of office 1-7-2015 to 30-6-2019. Swiss-certified banking specialist, entrepreneur, founder, and co-owner of FIBA Group, Formex AG. Board member of : SK Invest AG, Hergiswil; FIBA Consulting AG, Aesch; FIBA Immobilien AG, Dornach; FIBA Invest AG, Aesch; FIBA Real Estate AG, Aesch; Palmhome Holding AG, Hergiswil; Formex AG, Bubendorf; Formex Immobilien AG, Bubendorf; Joya Immobilien AG, Hergiswil; Midwest Holding AG, Hergiswil; Midwest Real Estate AG, Aesch; Reval Investissement SA, Hergiswil; Suhre Park AG, Aesch; MSM Finanz AG, Aesch; MSM Holding AG, Aesch; MSM Immobilien AG, Aesch; Madison Investment AG, Hergiswil; MIGOMI Invest AG, Hergiswil; Felmos Invest AG, Hergiswil. Business connections with BLKB.



10

Dieter Völlmin. Born in 1956. Chairman of the Audit and Risk Committee. First election: 2007; current term of office: 1-7-2015 to 30-6-2019. Dr. iur., solicitor. Independent lawyer in Muttenz since 1988. Board member of: Herrenknecht Schweiz Holding AG, Altdorf; Herrenknecht (Schweiz) AG, Amsteg; Psychiatrie Baselland, Liestal. Chairman of the cantonal taxation commission. Business connections with BLKB.

3.3 Elections and terms of office

3.3.1 Principles of election procedures

The Cantonal Law on Kantonbank stipulates the following on the election of the members of Bankrat:

Art 10 Cantonal Law on Kantonbank

“The Bankrat consists of nine to eleven members. One member of the Regierungsrat is also a member of the Bankrat. All members of the Board of Directors (Bankrat) are elected by the Landrat upon proposal by the Regierungsrat. The Landrat is bound to the election proposals”. Based on these provisions, the members of the Board of Directors are elected in globo. Furthermore, the law lays down material criteria for the election into the Bankrat which were detailed by the executive body in the ordinance on the Cantonal Law on Kantonbank (blkb.ch/rechtsgrundlagen). The Board of Directors is self-constituting. Membership ends at age 70. The current term of office for all members of the Board of Directors (Bankrat) will end on 30 June 2019.

3.3.2 First election and remaining term of office of each member (see item 3.1 / 3.2)

Elisabeth Schirmer-Mosset */***

Chairwoman	2000	to 30-6-2019
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Anton Lauber

Vice chairman	2013	to 30-6-2019
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Erica Dubach Spiegler *	2015	to 30-6-2019
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Doris Greiner **	2002	to 30-6-2019
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Nadine Jermann *	2015	to 30-6-2019
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Frenk Mutschlechner **	2011	to 30-6-2019
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Stephan Naef ***	2015	to 30-6-2019
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Marco Primavesi*	2015	to 30-6-2019
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Kurt Strecker ***	2015	to 30-6-2019
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Dieter Völlmin **	2007	to 30-6-2019
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* Member of the Executive Committee

** Member of the Audit and Risk Committee

*** Member of the Human Resources and Organization Committee

3.4 Internal organisation

3.4.1 Allocation of tasks within the Board of Directors (Bankrat)

Chairwoman: Elisabeth Schirmer-Mosset.

Vice chairman: Anton Lauber.

3.4.2 Members list, tasks and area of responsibility for each committee of the Board of Directors

Executive Committee (ExC)

Members of the Executive Committee are: Marco Primavesi (chairman), Erica Dubach Spiegler, Nadine Jermann, and Elisabeth Schirmer-Mosset (deputy chairwoman). Organisation, responsibilities and tasks of the Executive Committee are detailed in the rules on the Executive Committee.

Members of the Executive Committee possess the knowledge and experience necessary for the fulfilment of their duties. Knowledge and experience preferably extend to the areas of leadership, strategy, corporate development, and the capability to defend an opinion in a knowledgeable and sustainable way, even against the current opinion of the Executive Board or any other operational authority. Members of the Executive Committee keep up, in theory and practice, with the developments of the banking environment. Once a year at least, the Executive Committee checks, if its composition, organisation, and working methods still comply with regulatory requirements, if they meet the internal guidelines, and if they follow their own objectives.

The Executive Committee examines developments in the banking environment on a regular basis and critically assesses business policy and strategic alignment of the bank. The committee proposes adjustments for the attention of the Bankrat concerning the normative disposition of the bank. In cooperation with the Audit and Risk Committee it analyses annual or multi-year planning, budgeting, reporting on the course of affairs, as well

as the economic and financial situation of the bank. The Executive Committee prepares the requests made by the Executive Board to the Bankrat and formulates a recommendation, for example in the assessment of cooperations and alliances, the evaluation of acquisitions and participations, activities in new fields of business, expansion into new market areas and the choice of the IT platform.

The Executive Committee does not take any operational decisions with the exception of loans and exposures to members of the bank's governing bodies and lending activities relevant to the bank's reputation. The rules on the Executive Committee are posted on the Internet (blkb.ch/executive-committee).

Audit and Risk Committee (ARC)

Members of the Audit and Risk Committee are: Dieter Völlmin (chairman), Doris Greiner (deputy chairwoman), and Frenk Mutschlechner.

Similarly to the Executive Committee, the members of the Audit and Risk Committee possess the required knowledge and experience whereby Bankrat specifically expects expertise in finance and accounting, knowledge of internal and external auditing and the basic principles of an internal control system. Members of the Audit and Risk Committee, therefore, regularly take part in trainings in order to keep up in theory and practice with the latest requirements of accounting and financial reporting.

Among other things, the Audit and Risk Committee evaluates the effectiveness of the auditing company, the internal auditing, and the bank's internal control. It regularly evaluates the adequacy of implementation of the regulatory framework with respect to the complexity of the bank and its risk profile. If necessary, it sees to the implementation of relevant measures. The Audit and Risk Committee decides whether acceptance of the annual financial statements is to be recommended to the Bankrat.

The rules on the Audit and Risk Committee are posted on the Internet (blkb.ch/audit-risk-committee).

Human Resources and Organization Committee (HROC)

Members of the Human Resources and Organization Committee are: Kurt Strecker (chairman), Stephan Naef (deputy chairman), and Elisabeth Schirmer-Mosset.

Members of the Human Resources and Organization Committee possess the knowledge and experience necessary for the fulfilment of their duties as well as the required amount of time. Knowledge and experience preferably extend to the areas of leadership, strategy, corporate development, and the capability to defend an opinion in a knowledgeable and sustainable way, even against the current opinion of the Executive Board or any other operational authority. Members of the Human Resources and Organization Committee keep up, in theory and practice, with the development of the banking environment, and personnel and pension fund matters.

Once a year at least, the Human Resources and Organization Committee checks, if its composition, organisation, and working methods still comply with regulatory requirements, and if they follow their own objectives.

Among other duties, the members of the Human Resources and Organization Committee prepare personnel matters the Board of Directors (Bankrat) has to deal with, check the usefulness and compliance of personnel policy and personnel planning with corporate policy and strategic alignment of the bank. They treat all personnel and organisational issues of the Bankrat in cooperation with the Executive Board and internal or external experts. On behalf of the Bankrat, the members of the Human Resources and Organization Committee also formulate principles and practice for the selection of the members of Bankrat and its committees.

In accordance with the chairperson of the Executive Board, the Human Resources and Organization Committee evaluates personnel policy of the bank, adopts the rules and procedures on salaries and pensions for the attention of the Bankrat, elects the members of any necessary group panels, evaluates and proposes suitable candidates for the election into the Executive Board. It regularly checks on the effectiveness of the bank's internal organisational structures.

The Human Resources and Organization Committee is responsible for the compensation policy, compensation practice, personnel pension plans, and the compensation guidelines for Bankrat members and Bankrat committees. It is also responsible for the compensation policy concerning the chairperson and the members of the Executive Board, the evaluation of participation plans or certificates for employees and the bank's overall compensation policy. It applies to the Board of Directors (Bankrat) for the latter's compensation.

The rules on the Human Resources and Organization Committee are posted on the Internet (blkb.ch/human-resources-and-organization-committee).

3.4.3 Work methods of the Board of Directors and its committees

The Bankrat (Board of Directors) is the governing and controlling body of the bank. It convenes upon invitation by the chairwoman of the Board of Directors as often as is required by the course of business. Bankrat meetings may be requested by three members of the Bankrat, the Executive Board or the auditors. In the period under review, the Board of Directors held nine meetings and a two-day meeting behind closed doors. Meetings lasted for an average of three to four hours.

Bankrat meetings are usually attended by the Executive Board upon invitation by the chairwoman of the Board of Directors. Meetings dealing with the balance of accounts and the report

of the external auditing are always attended by the head of the internal auditing and the auditor in charge of the external auditors. For specific topics, further internal and external experts are invited to the meetings.

In general, the Board of Directors (Bankrat) makes its decisions on the basis of a written presentment prepared by the Executive Board and/or preliminarily discussed by the Executive Committee, the Audit and Risk Committee, or the Human Resources and Organization Committee.

The Bankrat constitutes a quorum, if at least two thirds of the members are present. Votes are decided by a simple majority. The chairwoman has a casting vote which decides the issue in the event of a tied vote. Election is usually open; in the first ballot the absolute majority decides, in the second ballot a relative majority is required, in a tied vote lots are drawn.

In the reporting year, the Executive Committee held seven meetings, the Audit and Risk Committee eight, and the Human Resources and Organization Committee eight. Rules stipulate a minimum of one quarterly meeting for each of the three committees. On average, meetings of the above mentioned committees lasted three to four hours.

Valid decisions require the presence of a majority of members. Votes are decided by a simple majority. The chairperson has a casting vote which decides the issue in the event of a tied vote. Reporting relations are defined, so is interaction of all three committees with each other, with the Bankrat, the Executive Board, and further panels. The relevant rules are posted on the Internet (blkb.ch/rechtsgrundlagen).

3.5 Definition of areas of responsibility

Responsibilities of the individual panels and their interactions are regulated in detail in the regulation framework mentioned earlier (blkb.ch/rechtsgrundlagen).

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

Internal auditing: internal auditing acts independently of the Executive Board and follows the instructions of the chairwoman of the Board of Directors (Bankrat). The head of internal auditing is answerable to the chairwoman of Bankrat and reports to her directly. Internal auditing is conducted in accordance with recognised auditing standards; the head of internal auditing and his/her collaborators are qualified auditors. Auditing reports and management letters are discussed in detail by the Audit and Risk Committee.

Calls by Bankrat delegations: every year, on behalf of the chairwoman of the Board of Directors, internal auditing sets up a schedule for calls on the branches and the central departments. The findings of these calls are put down in reports and forwarded for the attention of the Bankrat.

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

External auditing: the representative of the statutory auditors attends Bankrat meetings dealing with the annual financial statements, the annual report and the auditing report. S/he is

also present at the yearly meeting with the Financial Commission of the Landrat (executive body) dealing with the financial statement. The auditor communicates regularly with the chairwoman of the Board of Directors, the head of the Audit and Risk Committee, the head of internal auditing, and the Chief Risk Officer (CRO). External auditing takes note of the reporting of the internal auditing and, if necessary, comments on it.

4 EXECUTIVE BOARD

4.1 and 4.2 combine: education and professional career (4.1) other activities and vested interests (4.2). The Executive Board of Basellandschaftliche Kantonalbank consists of six members. All members of the Executive Board are Swiss citizens.

4.3 Management contracts

Members of the Executive Board do not have any other permanent managing or advising functions. There are no management contracts.



01

Beat Oberlin. Born in 1955. Chairman of the Executive Board since 2005. Dr. jur., counsel and notary (canton of Solothurn). Management training at Stanford University, USA. More than 20 years of banking experience with UBS, among others as head of retail and head of corporate customers of the region of Basel, chief of staff and head of market and distribution management Business Banking Switzerland. Board member of: Verband Schweizerischer Kantonalbanken (Association of Swiss Cantonal Banks), Basel; Hirzbrunnenhaus AG, Basel; St. Clara AG, Basel; St. Clara Infra AG, Basel; St. Claraspital AG, Basel; Handelskammer beider Basel (Chamber of Commerce); member of the group of experts for the "Further development of the financial market strategy".



02

Daniel Brändlin. Born in 1961. Member of the Executive Board since 2010; head of Corporate Customers & Loans. Lic. rer.pol. (university degree in economics), 2 years as CFO and deputy CEO of the Congrex group. Eight years as CFO and deputy CEO of ALLDOS International AG, Reinach (BL). Ten years in the corporate customers business of Union Bank of Switzerland / UBS with positions in Basel, Zurich, and Sydney. Board member of: BTG Mezzfin AG, Basel; Congrex International AG, Basel; Erfindungs-Verwertung AG, Basel; Job Factory AG, Basel; Gysin-Debrunner AG, Liestal; Stöcklin Logistik AG, Aesch; Stiftung Pro Rehab, Basel; Stiftung Weizenkorn, Basel.



03

Herbert Kumbartzki. Born in 1962. Member of the Executive Board since 2010; head of Finance & Risk Management. University degree in theology and philosophy (lic.theol.), Basel; university degree in economy (lic.rer.pol.), Basel; financial analyst CFA; Executive Master in HR management FHNW (University of Applied Sciences Northwestern Switzerland) Olten; head of HR and Chief Investment Officer with CIC Bank, Switzerland; Chief Investment Officer with Bank Ehinger (UBS), financial analyst and portfolio manager UBS.



04

Simon Leumann. Born in 1976. Member of the Executive Board since 1 October 2013; head of IT & Services. Lic.rer.pol. (university degree in economics), certified auditor. With BLKB since 2004: deputy head of Credit Management, head of Institutional Customers, head of Strategic Projects. Board member of: AEB Alternativ-Energie Birsfelden AG.



05

Jean-Daniel Neuenschwander. Born in 1962. Member of the Executive Board since 2007; head of Private Banking & Investment Services. Swiss Banking School Diploma, Trust und Investment Banking; Swiss Certified Financial Analyst and Portfolio Manager CEFA. Head of Portfolio Management Switzerland with UBS in Basel. CIO with Bank Ehinger und Cie AG, Basel. Head of Private Banking Bank Cial (Schweiz), Basel. Joined BLKB as chief of staff, 1 January 2005. Board member of: Zum Löwenzorn AG, Basel; Stiftung FIAS, Basel.



06

Kaspar Schweizer. Born in 1964. Member of the Executive Board since 2001; head of Private Customers & Direct Banking. Lic.oec. (university degree from HSG); Executive Master of Business Administration in Business Engineering (E MBA in BE HSG). Joined BLKB in 1992: assistant to the senior management; head of IT-project "Migration" (changeover of bank IT to RTC); head of Strategy, Planning, Bank Logistics; head of Corporate Services.

5 COMPENSATION, SHAREHOLDINGS AND LOANS

5.1 Compensation scheme

The bank pursues a modern, transparent and performance-based compensation policy.

The "Rules on the compensation scheme" adopted by the Bankrat on 21 May 2014, detail the bank's characteristic design of compensation. The Board of Directors (Bankrat) decides on the compensation policy, the total amount of fixed compensation, the total amount of variable compensation, the compensation of Bankrat members, and on the fixed and variable compensation of the members of the Executive Board. The Human Resources and Organization Committee, consisting of three members of the Bankrat, allocates the variable compensation to the different levels of function.

Compensation of the employees (levels of function 1–7) consists of a fixed amount based on the level of function, and a variable amount based on the overall result, the level of function, and the individual performance. Members of the Board of Directors (Bankrat) are paid a fixed compensation based on the individual person's level of function.

The variable compensation is based on the gross profit adjusted for special items. A percentage of 6.05 of the adjusted gross profit is deducted as variable compensation and funnelled into a pool. If the bank doesn't post an adjusted gross profit, all variable compensation is cancelled.

In 2015, the ratio of highest and lowest total compensation was 14.25:1.

5.2 Determination of fixed compensation

In order to determine the fixed compensation, a branch-of-business comparison is conducted annually. Fixed compensation of the employees is defined according to their level of function. Internal margins have been defined for the levels of function 1–7. Within the respective margins, fixed compensation is determined by the individual person's professional training, experience, and managerial responsibility. Based on these criteria, the employee's manager/superior decides at his/her mandatory discretion on an amount within the corresponding margin. The fixed compensation of the members of the Executive Board is determined at the Bankrat's discretion upon application by the Human Resources and Organization Committee (HROC). The fixed compensation takes into account the market environment, the position, experience, and the capabilities of the individual member 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 – such as the Cantonal Banks of Aargau, Graubünden, St. Gallen, or Thurgau – is taken as a criterion. The amount of the fixed compensation to Bankrat members depends on the level of responsibility of the individual member within the whole panel and the committees. The amount of the compensation to Bankrat members is decided at the Bankrat's discretion upon application by the Human Resources and Organization Committee (HROC). Equal levels of function are compensated equally. In order to determine the compensation, a comparison with other Cantonal Banks of similar proportions in terms of balance sheet total and market area – such as the Cantonal Banks of Aargau, Graubünden, St. Gallen, or Thurgau – is taken as a criterion.

5.3 Distribution of variable compensation according to levels of function

Each level of function is allocated a fixed percentage of the

variable compensation total. The percentage of the variable compensation with respect to the compensation total increases with each level of salary. The highest percentage of variable compensation is paid to the chairman of the Executive Board. Allocation to the levels of function 1–7 is decided by the Human Resources and Organization Committee (HROC) whereas the allocation to the Executive Board and its individual members is decided by the Bankrat upon application by the Human Resources and Organization Committee.

The following principles apply to the allocation of variable compensation: top performers and employees with extraordinary performances (daily work, assignments not belonging to their usual scope of activity, bank as a whole) should be considered. Managers/superiors have to hold an appraisal meeting with each employee at least once a year. This meeting, conducted according to established appraisal procedures, serves as the basis for the performance appraisal.

5.4 Variable compensation of the employees

Variable compensation to the employees is paid in cash.

The bank pays those non-wage benefits which are customary in the banking business (price reduction on REKA cheques, lunch allowance). In the year under review, the bank did not make any severance payments.

5.5 Variable compensation to the Executive Board

Within the proportion of total variable compensation set aside for the Executive Board, achieving the target is an essential criterion for the determination of the individual variable compensation.

Compensation of the CEO and the members of the Executive Board depend on the qualitative and quantitative targets

defined by the bank and based on its strategic objectives. In the framework of determining the bank's strategic targets, the Bankrat established several Key Performance Indicators (KPI). Variable compensation to the members of the Executive Board is determined on the basis of these KPI.

The following criteria – in addition to the overall performance – are decisive for the determination of the variable compensation to the chairman and to the Executive Board:

- Achievement of the management targets
- Cost-Income Ratio
- Gross profit
- Equity efficiency

In 2011, the Bankrat defined the criteria for the different KPIs. They are submitted to an annual strategy review and adjusted, if need be. Said KPIs are the basis for the evaluation of the chairman of the Executive Board and consequently also for the assessment of the latter's variable compensation. For the determination of the variable compensation, weighting of the achievement of targets is a discretionary decision.

The individual performance targets of the individual members of the Executive Board are based on specific indicators within that particular area of business the members of the Executive Board can effectively influence. Among these count for example the achievement of volume targets, compliance with the defined risk framework, compliance with the budget, timely project handling, compliance with defined quality standards or service level agreements, employee satisfaction, and internal service quality. The individual achievement targets of the members of the Executive Board are defined by the chairman of the Executive Board. These targets are a substantial contribution to the achievement of the bank's strategic targets. For the

determination of the variable compensation, weighting of the achievement of targets is a discretionary decision.

In addition to the variable compensation, the members of the Executive Board receive KB certificates at a reduced subscription price. The CEO draws 50 KB certificates per year, the remaining members of the Executive Board 30 KB certificates per year. All certificates are subject to a lock-up period of five years starting from the date of acquisition. Acquisition is done at a reduction of 25.27% on the price ex-dividend. In 2015, the variable compensation total to the Executive Board was CHF 1,606,000. The benefits granted to the Executive Board for the acquisition of Kantonbank certificates amount to a total of CHF 45,443. The scope of the ratio between fixed and variable compensation of the Executive Board is between 65.4 per cent and 98.9 per cent with the share of the chairman of the Executive Board being the highest.

The bank pays those non-wage benefits which are customary in the banking business (price reduction on REKA cheques, lunch allowance, company cars). In the year under review, the bank did not make any severance payments.

Fees and compensation resulting from board memberships paid to members of the Executive Board are remitted to BLKB in their entirety and are entered in "Other ordinary income".

5.6 Subscription to Kantonbank certificates by members of the Bankrat

In addition to their compensation, Bankrat members are entitled to 20 Kantonbank certificates at a reduced price. The Bankrat member who is also a member of the Regierungsrat is exempt from this ruling. All certificates are subject to a lock-up period of five years starting from the date of acquisition. Acquisition is done at a reduction of 25.27% on the price ex-dividend. In

2015, the benefits granted to the Bankrat for the acquisition of Kantonbank certificates amounted to a total of CHF 40,898.

Bankrat members are not entitled to any attendance fees. Membership in the Board of Directors does not entail the right to membership in the bank's pension fund. The bank does not provide any severance payments nor are there any benefits in kind.

5.7 Overview of the compensation paid to the Bankrat and the Executive Board

Details of compensation, ownership of KB certificates and loans to members of the Board of Directors and the Executive Board of BLKB are listed in the financial report on pages 76 to 79 and posted on the Internet (blkb.ch/geschaeftsbericht).

6 SHAREHOLDERS' PARTICIPATION RIGHTS

Due to its legal form, BLKB has non-voting share capital only, and consequently shareholders have no voting rights. All voting rights are exclusively held by the canton of Basel-Landschaft. The Bankrat and the Executive Board may invite bearers of certificates to meetings and inform them of the bank's course of affairs. These meetings are purely informative; resolutions cannot be passed. Certificates do not entitle their holders to any participation rights such as the right to vote, object or challenge. (Cantonal Law on Kantonbank, art. 3 para. 3, and Rules on the issuance of Kantonbank certificates arts. 8 and 9; (blkb.ch/rechtsgrundlagen).

Items 6.1 to 6.5 of DCG (voting right restrictions, statutory quorums, convocation of the general meeting, rules on the agenda, and inscriptions into the share register) are not applicable due to BLKB's legal form.

BLKB makes use of the possibility of holding an informative meeting. Notice is given by mail to the addresses of those

shareholders known to the bank. Additionally, the invitation is published in the official gazettes and the regional daily papers.

7 CHANGES OF CONTROL AND DEFENCE MEASURES

Due to the legal form of BLKB (see explanations item 6) a change of ownership by means of buying certificates may not take place under any circumstances whatever. The question of the duty to make an offer and the clauses on change of control (item 7.1 and 7.2 RLCG) is therefore not applicable.

8 AUDITORS

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

The auditor is set in by the Regierungsrat upon request by the Board of Directors (Bankrat). The audit is performed by Ernst & Young AG.

8.1.1 Date of assumption of the current audit mandate
– Ernst & Young AG: assumption of mandate in 1997.

8.1.2 Date on which the lead auditor responsible for the current audit mandate took up office

Patrick Schwaller, auditor of Ernst & Young AG, who is responsible for the current audit mandate, took up office in 2011, and performed the audit of the annual accounts of 2011 for the first time in this function. Pascal Berli has been lead auditor since 2010.

8.2 Auditing fees

The total auditing fees invoiced in the year under review by the auditors for the fulfilment of their legally required duties was CHF 431,831. Calculation of these auditing expenses was done according to the principle of accrual.

8.3 Additional fees

Fees for additional services ordered by the bank (regular audits of IT and data security, as well as audit-related services) amounted to CHF 9,150 in the year under review. Calculation of these auditing expenses was done according to the principle of accrual.

8.4 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, the internal auditors, and the internal control. The ARC discusses the reports and planning documentation in several meetings with the auditor in charge of the statutory auditors and regularly informs the Board of Directors (Bankrat) of their findings.

In the business year 2015, representatives of the statutory auditors took part in five ARC meetings. Once a year at least, the auditor in charge meets the complete Board of Directors. In the course of this meeting, the Bankrat evaluates the auditing and supervising reports done by the external auditors and receives information on their most relevant findings. In the business year 2015, representatives of the external auditors took part in one Bankrat meeting. The ARC regularly assesses the risk-oriented auditing strategy and the relevant auditing plan of the external auditors, analyses the auditing reports making sure that shortcomings are rectified and the auditors' recommendations are implemented. The ARC discusses the results of its analyses with the auditor in charge. Based on its experience and resulting from the yearly assessment interview of the ARC and the external auditors, the ARC assesses the performance and compensation of the auditors, verifies their independence, and evaluates the cooperation of the auditing company and the internal auditors.

9 INFORMATION POLICY

Basellandschaftliche Kantonalbank pursues a policy of communication based on the truthful presentation of facts and the openness towards questions put forward by relevant groups of stakeholders, within or without the company. The head of Communications is directly answerable to the chairman of the Executive Board.

Basellandschaftliche Kantonalbank publishes the annual results at the media conference on balances in February/March. At the beginning of the second term, the mid-year results are made public.

The annual report in German is available in printed form and online. An English translation of the financial section and selected parts of the report section is posted on the Internet (blkb.ch/geschaeftsbericht).

Since 2005, the sustainability report has been integrated into the annual report. In this way, the Board of Directors and the Executive Board emphasise that sustainable actions are firmly anchored in BLKB's corporate strategy and philosophy. Further press releases are made at the time of the yearly meeting of bearers of BLKB certificates (March/April). Ad hoc releases follow according to relevance and need. The complete press releases are available on the Internet (blkb.ch/medien).

It is part of BLKB's information policy to communicate information to the employees at least at the same time as to relevant external groups of stakeholders. Our Intranet platform "blkb.piazza" is regularly and consistently used for that purpose.

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blkb.ch/investor-relations

Information for the media:

Current news: blkb.ch/medien

Newsletter Service:

blkb.ch/newsletter

Mail address:

Basellandschaftliche Kantonalbank
Rheinstrasse 7
4410 Liestal

Balance sheet on 31 December 2015 (before profit appropriation)

Assets

	31-12-2015 CHF 1000	31-12-2014 ¹⁾ CHF 1000	Change CHF 1000	Change %
Liquid funds	2,630,633	1,093,739	1,536,894	140.52
Due from banks	306,636	239,543	67,093	28.01
Due from securities financing transactions	20,020	291,134	-271,114	-93.12
Due from customers	1,432,945	1,568,010	-135,066	-8.61
Mortgage loans	17,070,177	16,611,215	458,962	2.76
Trading business	5,730	2,969	2,762	93.02
Positive replacement values of derivative instruments	11,006	10,120	886	8.76
Financial investments	1,482,900	1,426,131	56,769	3.98
Accrued income and prepaid expenses	47,995	58,467	-10,472	-17.91
Participations	34,214	42,251	-8,036	-19.02
Tangible fixed assets	121,969	131,235	-9,266	-7.06
Other assets	14,202	17,140	-2,938	-17.14
Total assets	23,178,427	21,491,953	1,686,475	7.85
Total subordinated claims	206	0	206	-
of which mandatory convertibles and/or debt waiver	0	0	0	0.00

¹⁾ Adjustment of the previous year's figures due to the new accounting rules for banks.

Liabilities

	31-12-2015 CHF 1000	31-12-2014 ¹⁾ CHF 1000	Change CHF 1000	Change %
Due to banks	429,122	261,999	167,124	63.79
Due to securities financing transactions	740,701	64,584	676,117	1,046.88
Due to customers in savings and deposits	15,442,845	15,256,650	186,195	1.22
Negative replacement value of derivative instruments	3,076	14,145	-11,069	-78.25
Cash bonds	69,503	102,606	-33,103	-32.26
Bonds and mortgage-backed bonds	4,269,000	3,655,000	614,000	16.80
Accrued expenses and deferred income	84,799	88,438	-3,639	-4.11
Other liabilities	44,173	90,793	-46,621	-51.35
Provisions	19,189	23,186	-3,997	-17.24
Reserves for general bank risks	1,067,500	985,000	82,500	8.38
Company capital	217,000	217,000	0	0.00
Legal reserve	659,943	617,547	42,396	6.87
Own shares	-9,837	-11,349	1,512	-13.32
Retained earnings brought forward	10,966	10,550	416	3.95
Annual net profit	130,446	115,802	14,644	12.65
Total liabilities	23,178,427	21,491,953	1,686,475	7.85
Total subordinated liabilities	0	0	0	0.00
of which mandatory convertibles and debt waiver	0	0	0	0.00

¹⁾ Adjustment of the previous year's figures due to the new accounting rules for banks.

Off-balance sheet transactions

	31-12-2015 CHF 1000	31-12-2014 CHF 1000	Change CHF 1000	Change %
Contingent liabilities	179,408	161,234	18,174	11.27
Irrevocable commitments	227,279	249,600	-22,321	-8.94
Liabilities for calls on shares and other equities	42,995	42,495	500	1.18
Confirmed credits	0	0	0	0.00

Income statement 2015

	2015 CHF 1000	2014 ¹⁾ CHF 1000	Change CHF 1000	Change %
Net interest income				
Interest and discount income	408,125	414,816	-6,691	-1.61
Interest and discount income from financial investments	21,458	23,987	-2,529	-10.54
Interest expenses	-144,700	-168,750	24,050	-14.25
Gross profit from interest-related business	284,883	270,053	14,830	5.49
Changes of value adjustments due to default-risk as well as losses from the interest-related business	-3,119	-3,591	472	-13.15
Net income from interest-related business	281,764	266,461	15,302	5.74
Net fee and commission income				
Commission income from securities and investment transactions	43,804	48,292	-4,488	-9.29
Commission income from lending activities	6,006	5,474	532	9.71
Commission income from other services	20,011	18,954	1,057	5.58
Commission expenses	-7,554	-6,860	-694	10.11
Net fee and commission income	62,267	65,860	-3,593	-5.45
Net income from trading activities and the Fair-Value option	18,269	15,016	3,253	21.66
Net other income				
Income from the sale of financial investments	3,270	2,205	1,065	48.28
Income from participations	3,800	1,901	1,898	99.83
Real estate income	2,403	2,408	-5	-0.23
Other ordinary income	158	125	32	25.90
Other ordinary expenses	-225	-25	-200	800.49
Other ordinary income	9,405	6,616	2,790	42.17
Net operating income	371,705	353,953	17,753	5.02
Personnel expenses	-99,873	-100,322	449	-0.45
Other operating expenses	-57,641	-55,954	-1,686	3.01
Operating expenses	-157,514	-156,276	-1,238	0.79
Value adjustments on participations and write-offs of tangible fixed assets	-21,070	-21,676	606	-2.80
Changes in provisions and other value adjustments, and losses	-1,931	-271	-1,659	611.25
Operating income	191,190	175,728	15,462	8.80
Extraordinary income	22,310	646	21,664	3,352.00
Extraordinary expenses	-365	-12,186	11,821	-97.01
Changes in reserves for general bank risks	-82,500	-48,000	-34,500	71.88
Taxes	-190	-387	197	-50.99
Annual net profit	130,446	115,802	14,644	12.65
Profit appropriation				
Annual net profit	130,446	115,802	14,644	12.65
Retained earnings brought forward	10,966	10,550	416	3.95
Retained earnings	141,412	126,352	15,060	11.92
Interest on endowment capital	-2,413	-3,506	1,093	-31.18
Dividend paid on certificate capital	-19,950	-19,380	-570	2.94
Compensation for state guarantee	-3,913	-8,500	4,587	-53.96
Payment to the canton of Basel-Landschaft	-53,587	-42,000	-11,587	27.59
Allocation to legal reserve	-53,587	-42,000	-11,587	27.59
Retained earnings brought forward	7,962	10,966	-3,005	-27.40

¹⁾ Adjustment of the previous year's figures due to the new accounting rules for banks.

Statement of cash flow

	2015 Cash inflow CHF 1000	2015 Cash outflow CHF 1000
Cash flow from operations (internal financing)		
Annual net profit	130,446	
Changes in the reserves for general bank risks	82,500	
Value adjustments on participations, write-offs on tangible fixed assets and non-tangible assets	21,070	
Provisions and other value adjustments		3,997
Changes of value adjustments due to default-risk as well as losses	7,899	
Accrued income and prepaid expenses	10,472	
Accrued expenses and deferred income		3,639
Other positions		43,682
Profit distribution previous year		73,386
Cash flow balance from operations (internal financing)	127,682	
Cash flow from equity capital transactions		
Endowment and Certificate capital		
Recorded in reserves		
Changes in own equity instruments	1,908	
Cash flow balance from equity transactions	1,908	
Cash flow from transactions with participations, tangible fixed assets and intangible assets		
Participations	3,181	
Real estate	1,191	
Other tangible fixed assets		8,141
Cash flow balance from transactions with participations, tangible fixed assets and intangible assets		3,768
Cash flow from banking operations		
Medium to long-term transactions (> 1 year)		
Due to banks		50,000
Due to customers in savings and deposits	1,601,086	
Cash bonds		33,103
Bonds	335,000	
Mortgage-backed bonds	279,000	
Due from customers		15,975
Mortgage loans		466,053
Financial investments		56,769
Short-term business		
Due to banks	217,124	
Due to securities financing transactions	676,117	
Due to customers in savings and deposits		1,414,891
Negative replacement value of derivative instruments		11,069
Due from banks		67,093
Due from securities financing transactions	271,114	
Due from customers	150,233	
Trading business		2,762
Positive replacement value of derivative instruments		886
Liquidity		
Liquid funds		1,536,894
Cash flow balance from banking operations		125,822
Total	129,590	129,590

Statement of equity

Presentation of equity¹⁾

	Company capital CHF 1000	Legal reserve CHF 1000	Reserves for general bank risks CHF 1000	Retained earnings/losses brought forward CHF 1000	Own shares (minus position) CHF 1000	Annual profit CHF 1000	Total CHF 1000
Equity at the beginning of the reporting period	217,000	617,547	985,000	10,550	-11,349	115,802	1,934,551
Disposal of own equity shares					1,512		1,512
Profit (loss) from disposal of own equity shares		396					396
Dividends and other payments						-73,386	-73,386
Other allocations to (releases from) reserves for general bank risks			82,500				82,500
Other allocations to (releases from) other reserves		42,000				-42,000	0
Changes in retained earnings brought forward				416		-416	0
Annual net profit						130,446	130,446
Equity at the end of the reporting period	217,000	659,943	1,067,500	10,966	-9,837	130,446	2,076,019

¹⁾ Adjustment of previous year's figures due to the new accounting rules for banks.

Notes on the financial statement (statutory single-entity financial statement True and Fair View)

1 NOTES ON BUSINESS ACTIVITIES

1 General

Baselandschaftliche Kantonalbank (BLKB), incorporated in Liestal, is the leading bank in Baselland and one of the leading banks in the north-western part of Switzerland. Legitimised by cantonal law, the bank operates independently from state administration as a public law company with its own legal personality. On 31 December 2015, the canton of Basel-Landschaft holds 74 per cent of the capital stock, the remaining 26 per cent are spread in private ownership. The canton of Basel-Landschaft holds all voting rights and, according to the law, guarantees for the bank's liabilities.

Geographically seen, BLKB operates in the economic region of Basel providing an extensive range of bank services for the private sector, institutional or corporate customers, and the public sector with its 21 branches in the canton of Basel-Landschaft, one in Breitenbach (SO), and one for Private Banking in Basel. A number of ATMs at various locations as well as a mobile bank catering for smaller communities are completing the services BLKB offers to its customers in the canton.

2 Retail and commercial banking

The income statement is significantly marked by the interest balance of about 76 per cent of the net operating income. The assets side business is dominated by the mortgage business with the chief segment being residential real estate. On the liabilities side, there are the customer deposits of approximately 67 per cent of the balance sheet total.

3 Fee and commission business

Fee and commission business contributes approximately 17 per cent to the net operating income. The principal source of this income originates from the investment and securities business with customers.

4 Trading income

Trading income sums up income from customer and proprietary trading (foreign exchange, foreign currencies, precious metals, securities) the latter being done to a rather limited extent.

5 Other income

Financial investment consists primarily of fixed-interest securities held to maintain liquidity by means of repo transactions with

the Swiss National Bank and other banks. Financial investment also includes equity and other securities held by the bank for a medium to long-term horizon.

6 Notes on risk management and risk control

BLKB applies an integrated risk management and an independent risk control headed by the Chief Risk Officer. The last time the Board of Directors (Bankrat) or its committees assessed the relevant risks for the bank was 15 June 2015. In order to do so, the bank uses a comprehensive standardised risk catalogue to evaluate the likelihood of occurrence of risks as well as their potential financial effects. These risks are avoided, decreased or passed, on the basis of relevant measures decided on by the Bankrat. Those risks the bank has to bear itself are persistently monitored. On the basis of the latest risk assessment by the Board of Directors, the present annual statement adequately covers current risks by means of value adjustments or provisions. For further details concerning risk management we refer to the explanations below.

Risk management and risk control

Recognising, assessing, managing, and monitoring of risks is a central task of BLKB's management. An integral part of any bank business is the taking on, managing and controlling of risks. The general framework for risk policy is established by the Bankrat. 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 risk control is to attain a well-balanced proportion of risk and income.

Risk acceptability

In its business principles, the bank takes responsibility for a business behaviour compliant with the risk strategy and thereby guarantees the acceptability of the risks. The intention is to cover potential risks, lying within an ordinary range of expectation, by means of the current income. Extraordinary losses – in the framework of stress scenarios – are to be covered by the current income and free reserves.

Principles

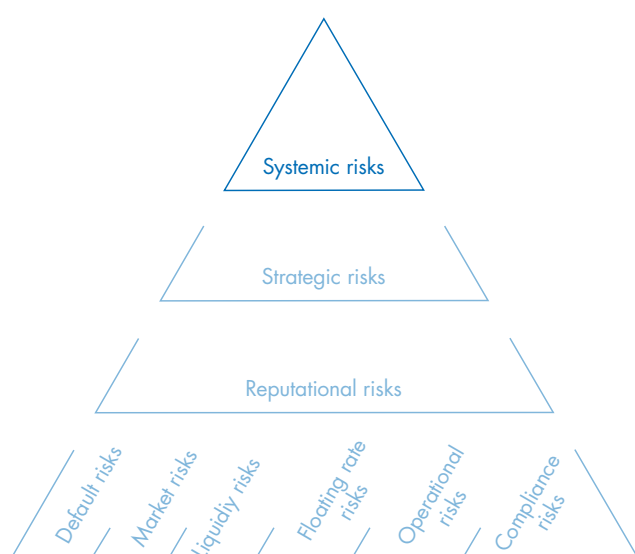
Principles for the management and control of risks are laid down in the risk policy which stipulates a strict division of risk management and risk control. Risk management, according to

BLKB's rules, means authorising individual persons (e.g. heads of branches) or groups of persons (e.g. trade) to incur risks, in line with the rules of responsibility or the rules of limits, on behalf of the bank and to manage them. The incurrance of risks requires an approved limit as well as identifying, measuring, and monitoring of risks. Introducing a new product necessitates a preceding clarification of the risks involved.

The Risk Office is independent of risk management and is responsible for risk control. It helps to identify risks and decides on the risk measuring method. It decides on procedures for new products and evaluation methods, and implements quality assurance of the applied risk measuring method.

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 (Bankrat) is informed of the findings in the course of the risk report as per 31 December and 30 June each year. Scenario analyses are periodically submitted to checks and, if necessary, adjusted.

Systemic risks, strategic risks, reputational risks, and compliance risks



The highest level encloses the systemic risks of the Swiss financial market. Supervision and regulation thereof are carried out by the Swiss National Bank and the Swiss Financial Market Supervisory Authority (FINMA). The crisis of the financial markets demonstrated that in extraordinary situations the Federal Council may also be actively involved.

Strategic risks result from the overall bank strategy and come under the responsibility of the senior bank management. The reputational risk includes the danger of damage to the bank's reputation. Managing of reputational risks consists mainly of assuring competency, integrity, and reliability of all business activities of the entire bank, as this risk may easily arise from the bank's business and operating activities. It is a very complex task comprising the whole range of operational and strategic guiding instruments on the part of the bank. At BLKB, strategic risks and reputational risks are qualitatively controlled.

Default, market, and operational risks

The Executive Board is responsible for the operational implementation of the management and control of credit, market, and operational risks as defined by the Basel Committee. They comprise the entirety of the capital accord for banks which was implemented in Switzerland by means of the Swiss Federal Ordinance on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (CAO) which was transposed into national law on 1 January 2007. For that purpose, the Executive Board issues detailed guidelines, directives, and instructions, with particular regard to strategy-compliant risk behaviour. It makes sure that risk acceptability is guaranteed and risk-adequate prices are ensured.

In order to harmonise and simplify BLKB's implementation of risk policy, the different risks were split into three commonly used and internationally recognised risk categories:

1. Credit and default risks
2. Market, price-, and liquidity risks
3. Operational and legal risks

The individual risk types will be explained below including the precautions taken by BLKB. Details are laid down in the risk policy and the relevant internal procedures. Risk management will continue to pose a challenge for the entire banking world, a point thoroughly proven by the current efforts to overcome the financial crisis.

6.1 Default and credit risks

Default or credit risk is the risk of non-compliance with an obligation a counter party has incurred with BLKB. Due to its strong lending business and the concentration of risks, particularly in home building in the north-western part of Switzerland (a geographically restricted area), managing credit risk is top of the agenda for the risk management at BLKB. Default risks are limited by quality requirements and covering margins.

The appraisal and lending principles of real estate are laid down in the relevant procedures. Based on a risk-oriented scheme, recoverability of a property is reappraised periodically. The frequency of reappraisal ranges between three and fifteen years and depends on the following criteria:

- type of real estate
- loan-to-value ratio
- collateral value
- amortisation
- acceptability
- payment discipline

As soon as a loan is assessed as doubtful or profitless, a reappraisal is done. The current market value serves as a basis for lending and is determined as follows:

- property inhabited by owner: real value
- income property: earnings value
- commercial or industrial property used by owner: recoverable property value in the market or value-in-use
- building estate: market value in view of future use

The highest possible financing depends on the one hand on internally defined collateral value and on the other hand on its acceptability. Second mortgages without marketable additional cover must be amortised. Depending on the amount and complexity of the loan, decisions are made at different hierarchical levels and branches. BLKB is confident that branch managers know their customers best and are therefore in a good position to assess credit risk. Creditworthiness and possible collateral are important factors in assessing the probability of default risk. Default risk of the bank's commercial borrowers is measured and managed by a rating system. Ratings are periodically reassessed. This system is extremely helpful in assessing the credit risk of exposures and in determining value adjustments.

Periodical meetings and continued training of the persons in charge of lending help to reduce losses and ensure a consistent lending policy by BLKB.

A team of specialists at head office takes care of exceptional cases and deals with non-performing loans. The Loan Committee, consisting of members of the Executive Board, issues relevant rules and procedures, ensures a consistent lending policy, a competitive pricing policy and monitors compliance with the rules. Changes in the credit rating of counter parties as well as compliance with the regulations aimed at avoiding large exposures in the case of large counter parties or customers are part of the same 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 (CBZ), adopts CBZ's country rating and chooses its partners abroad according to strict criteria in order to limit country risk to the barest minimum.

Money market business on the basis of unsecured transactions, and over-the-counter derivatives may only be concluded with approved counter parties and within approved limits.

6.2 Market-, price- and liquidity risks

Market risks emerge as the result of price movements in the stock-, interest-, foreign exchange-, and commodity markets. Compliance with internal limits as well as the development of the individual markets are constantly being monitored.

6.2.1 Interest rate risks in the banking book

Interest rate risks are controlled by the income- and price effect. The income effect measures the impact of interest rate changes on the performance of a certain period of time (e.g. 12 months). Consequently, the interest rate changes influence those items on the balance sheet which will expire within twelve months and will be renewed or whose reset date recurs within the next twelve months. The price effect analyses changes of the cash value of equity under different assumed rate scenarios (e.g. parallel shift of the rate curve by 100 basis points). BLKB controls the interest rate risk primarily by means of the price effect.

Calculation of the income effect is also done in line with supervisory requirements.

Balance sheet items which grant the customer the right to give notice (e.g. variable rate mortgages and savings) will be simulated by benchmark portfolios, in a way that variance of the margin between customer rate and yield of the replicating portfolio is minimised, taking into account the fluctuation of volumes on these balance sheet items. Historic products and market rates serve as a basis for the simulation. Replication keys determined in this way are checked for their relevance on a yearly basis. Limits for the different scenarios of income and price effect have been defined.

6.2.2 Market- and price risks in the trading book

In order to assess market risks in the trading book, the compliance with market value and nominal limits is checked daily. A "List of Instruments" ensures that BLKB only uses products which can be correctly assessed and entered.

Market liquidity risks are generated by the failure of markets to have fair buying and selling prices for certain products at all times. Market liquidity risks are restricted by limitations of 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 is operated by qualified and experienced dealers.

6.2.3 Liquidity risks

The aim of liquidity risk management is to assure the current liquidity at any time, above all in times of stress periods, be they specific to banks and/or market wide, when secured and unsecured financing possibilities are considerably impaired.

In this way, concentration on the liabilities side may be avoided as far as counter parties, currencies, or maturities are concerned. Compliance with the bank specific liquidity risk tolerance as stipulated by the Liquidity Coverage Ratio (LCR) is closely supervised. A set of qualitative and quantitative indicators helps to identify potential liquidity crises early on. In order to prepare for an efficient management of liquidity squeezes, BLKB establishes liquidity stress scenarios and sets up an emergency plan in accordance with regulatory requirements.

6.3 Operational and legal risks

Operational risks are defined as being "dangers 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 and directions as to organisation and control. A security committee coordinates the individual areas and sets priorities. Internal auditing regularly checks internal controlling and reports the findings. A panel, set up for this purpose, monitors compliance with the procedures and authorises IT-access rights to the staff in order to minimise operational risks. The implementation of the integral set of rules, ensuring on an on-going basis that directives, procedures, and controls are correct and up-to-date, contributes significantly to an effective control environment. Representation of the integral set of rules is tool-supported and enables the bank to have a systematic risk and control assessment process. The systemic risk (failure of IT-platform) is analysed in cooperation with the outsourcing partner Swisscom (Switzerland) AG on an on-going basis and minimised by suitable measures. A disaster manual defines procedures in case of failure of individual systems or system groups. Continued training for all employees, the transparent organisation of the bank and open communication does, however, represent the most efficient method of mitigating operational risks.

Legal risks include:

- Lack of authorisation or lack of competence and expertise required for concluding a contract (risk of concluding unwanted commitments).
- Conclusion of incorrect or incomplete contracts (the risk of a counter party not being able to meet its obligations, risk associated with claims for damages or negligence).

In order to minimise these risks, the bank uses standardised contracts and individual transaction confirmations. Moreover, certain transactions 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 regulation issued by national (FINMA, SBA, SIX etc.) or international institutions (BIS, SEC etc.).

Within the limits of the normal course of business, BLKB is involved in different legal proceedings. The bank sets aside

provisions for actual and threatened litigation actions as well as potential obligations or expenses resulting thereof, if an outflow of funds is probable and their approximate amount can be reliably established.

6.4 Compliance risks

Compliance risks may result from a breach of rules, standards, or codes of conduct, and may lead to legal and regulatory sanctions, financial losses, and damage to the reputation. The Compliance department assures that business activities are consistent with current regulatory specifications and the due diligence of a financial intermediary. This department is responsible for the implementation of requirements and developments on the part of supervisory and legislative bodies or other organisations. It is also responsible for the adjustment of directives to the regulatory developments and the compliance therewith.

6.5 Integral security

Integral security aims at offering adequate and permanent protection for persons, information, assets and services. Information security, protection of persons and buildings, and the Business Continuity Management have been consolidated in the department of Integral Security. This concentration enables us to have a holistic view of all security areas for the development and operation of protective measures, of training and awareness raising of the employees, and it builds the hub for all questions of security. Security is not an unchangeable entity. Internal and external parameters may change and they require the adaptation of protective measures. Checking and possibly redetermining of the appropriateness or rather the acceptability of the remaining risk is a continuing process. The independent unit for supervisory responsibilities concerning the protection of customers' data, as required by FINMA, is part of information security.

The business continuity management is responsible for systematic safety measures to be taken in the case of extraordinary harmful events. The most important precautions are those which deal with the continuation of IT services crucial for banking processes in crisis situations.

6.6 Outsourcing of business areas

Basellandschaftliche Kantonbank delegated a number of pro-

cessing services belonging to the business areas of securities back-office and payment transactions to Swisscom (Switzerland) AG. The operation of the computer centre and decentralised IT have also been delegated to Swisscom (Switzerland) AG. These outsourcing orders are regulated in detail in service level agreements as stipulated by FINMA. Confidentiality is assured by the fact that the entire staff of these providers is subject to bank secrecy.

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

7.1 Mortgage-backed loans

Lending values of mortgage-backed loans are checked periodically. Payment arrears on interest and amortisations are analysed as well. In this way, the bank identifies mortgage loans implicating a higher risk. If necessary, the bank will ask for higher collaterals or will build a corresponding value adjustment on the basis of the lack of collateral.

7.2 Securities-covered loans

The commitments and the value of collaterals of securities-backed loans are monitored daily. If the loan value of the securities' cover falls below the amount of the credit commitment, the bank will demand a reduction of the debt amount or additional collateral. Should the coverage gap increase or should there be unusual market situations, the securities will be disposed of and the loan closed out.

7.3 Loans without cover

Loans without cover are usually commercial operating loans or overdrafts without cover of retail customers. In the case of commercial operating loans without cover, the bank will collect information from the customer on a yearly basis or at shorter intervals depending on the necessity. This information will enable the bank to draw conclusions as to the financial development of the company. It may comprise data concerning turnover, sales, and product development. The audited annual statement as well as interim statements are requested at regular intervals. These data are evaluated in order to identify a potential risk increase. If the bank detects a higher risk, measures for minimising risks will be set in motion. If these steps lead to the assumption that credit commitments are at risk, the bank will build a corresponding value adjustment.

7.4 Procedure to determine value adjustments and provisions

New need for value adjustments and provisions is identified according to the procedures described in chapter 7.1 to 7.3. Known risk positions which were identified as being impaired at an earlier time, are assessed again as per each balance sheet date and, if necessary, the value is adjusted. Executive Board and the Bankrat have to approve of the value adjustments.

8 Valuation of collateral

8.1 Mortgage-backed loans

When granting real estate loans/mortgage loans, the bank relies on its current evaluation of collaterals. Evaluations depend on the use of the property. In order to assess residential property, the bank has recourse to a hedonic valuation model. As a matter of principle, income property is assessed according to its earnings value. Else, evaluations by an external qualified real estate appraisers may be considered as well.

The lowest value of the internal assessment, purchase price, and external assessment serves as a basis for granting a loan.

8.2 Securities-backed loans

In order to grant Lombard loans and other securities-backed loans, the bank accepts mainly transferrable financial instruments (such as bonds and shares) which are liquid and may be traded actively. Transferrable structured products for which regular rate information and a Market Maker are available are also accepted.

The bank applies discounts on the market value in order to cover the market risk related to marketable and liquid securities and to determine the loan value.

9 Business policy in the use of derivative financial instruments and hedge accounting

Derivative financial instruments are used for trading and hedging purposes. Trade with derivative financial instruments is exclusively done by especially trained dealers. The bank does not engage in Market Maker activities. Trading is done with both standardised and OTC instruments for its own account and for customers' accounts, preferably in interest-, currency-, and equity instruments/indices-related instruments. Commod-

ities are used to a lesser extent. There is no trade with credit derivatives.

In the framework of risk management, the bank uses derivative financial instruments mainly in order to secure interest and foreign currency risks. In the framework of Asset and Liability Management which is used to control interest rate risks in the banking book, the bank uses mainly OTC derivatives which enjoy high market liquidity. Hedge relations, targets, and strategies of hedging transactions are documented by the bank upon conclusion of the derivative hedging transaction. Thereby, efficiency of the hedging transactions is evaluated. Hedging transactions, therefore, are only effective, if they adjust interest sensitivity of the bank's balance sheet to the targeted set profile within the individual maturity bands. The set duration results from the benchmark strategy of equity in the form of a rolling ten-year investment. Efficiency of the hedging relation is checked at monthly intervals.

Income of those derivatives held for hedging and managing interest rate risks is determined by the accrual method.

2 ACCOUNTING PRINCIPLES

General accounting principles

Accounting and valuation principles comply with the provisions of the Swiss Code of Obligations and the Swiss banking law, the accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) as stipulated by the Swiss Financial Market Supervisory Authority FINMA, by the cantonal law on cantonal banks, and the SIX Swiss Exchange listing rules. The present annual financial statement of BLKB provides a realistic view of the bank's asset, finance, and income situation according to the principle of "true and fair view" (statutory single-entity financial statements true and fair view).

Closing date

BLKB closes its business year on December 31. Accounting is done on the basis of accrual. Expenses and income which occur time-based are accrued by maturity.

Reporting of transactions

All transactions (on-balance sheet and off-balance sheet) are recorded as of closing date and valued according to the accounting and valuation principles. Accounting is based on the assumption that the bank will continue as a going concern for the foreseeable future. This is why valuations are made on a going-concern basis.

General valuation principles

In general, positions recorded in a certain balance sheet item are evaluated individually, if they are significant and are usually not summarised for evaluation as a group because of their homogeneity. Participations, tangible fixed assets and intangible assets are always evaluated individually.

Offsetting of assets and liabilities as well as of expenses and income is not done as a matter of principle. Offsetting is usually done in the following cases:

- deduction of value adjustments from the corresponding asset positions
- offsetting of positive and negative value adjustments in the compensation account, not affecting the balance sheet
- positive and negative replacement values of derivative financial instruments vis-à-vis the same counterparty are offset, if there exist recognised and legally enforceable netting contracts.

Foreign currencies

Bookkeeping and accounting are done in Swiss francs. Transactions are entered at the respective day's rate. Foreign currency monetary assets are translated into Swiss francs at rates valid on balance-sheet date. Income from exchange rate differences is entered in item "Result from trading activities and the fair value option".

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

	2015	2014
Average exchange rate EUR/CHF	1.0646	1.2126
Year-end rate EUR/CHF	1.0874	1.2023
Average exchange rate USD/CHF	0.9652	0.9197
Year-end rate USD/CHF	1.0010	0.9936

Accounting and valuation principles

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

Valuation is done at nominal value.

Dues and liabilities from 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. Market value of obtained or supplied securities are monitored daily in order to make available or request additional securities, if need be.

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

Dues from banks and customers, mortgage loans

Recording is done at nominal value. Doubtful dues, meaning dues from customers who have failed to meet their capital and interest liabilities for 90 days or longer or dues from customers with a high probability of not being able to meet their future liabilities are valued individually. The impairment is covered by individual value adjustments which are deducted from the assets position. The amount of the value adjustment is based on the difference between the book value of the claim and the likely income, taking into account the risk of the counterparty and of the net income from selling off collateral. When determining net income of the collateral, cost of carry such as interest, maintenance and sales costs etc. up to the estimated time of sale are deducted, so are potential taxes and fees. The bank checks the whole exposure of the customer or the economic entity for the presence of counterparty risks.

Bills of exchange are accrued by a discount. Precious metal liabilities on metal accounts are valued at fair value, if the corresponding precious metal is traded at a price efficient and liquid market.

Interest overdue for more than 90 days but not paid is not recorded as income from interest related business but is entered in "Changes in value adjustments due to default-risk and losses from interest-related business" and written off.

Value adjustments for default-risks from one accounting period which, from an economical point of view, are not needed any more, are liquidated and recorded in the income statement or used for new individual value adjustments.

First and later building of risk provisions for loans with credit limits whose use is typically subject to frequent and high fluctuations (for example current account credits) is done in one go (e.g. value adjustments for the actual use and provisions for not fully utilised credit limits). The same applies to liquidation of freed-up value adjustments or provisions in the item "Changes in value adjustments for default risks and losses from interest operations". In case of changes in the full utilisation, a transfer not affecting the balance sheet, between value adjustments and provisions is done.

As soon as outstanding amounts of capital and interest are paid in due time and according to the contracts, and other requirements concerning creditworthiness are met, impaired loans are reclassified as full-value debt. Liquidation of the corresponding value adjustment is recorded affecting the balance sheet, in "Changes in value adjustments for default risk and losses from interest operations".

Trading business

As a matter of principle, trading portfolios are valued and recorded at fair value as per balance sheet date. Fair value is the price determined on the basis of a price-efficient and liquid market or a price determined on the basis of a valuation model. In the exceptional case of fair value not being available recording and valuation is done according to the principle of minimum value. Valuation income, realised profits and losses, and interest and dividend income from trading transactions are entered in the income statement as "Income from the trading business and the fair value option" Expenses for funding for the trading business in securities is debited to "Income from trading business and the fair value option" and credited to "Interest and discount income".

Structured products

A structured product (hybrid financial instrument) consists of at least two components: a host instrument and an embedded derivative which is not related to bank-owned equity securities. Together, they build a combined investment product. On the asset side of the balance sheet, structured products valued at fair value, are entered in item "Other financial instruments valued at fair value". In structured products which are valued separately, the host instrument is valued and recorded according to valuation principles for host instruments. The derivative is valued at fair value and entered in item "Positive replacement value of derivative financial instruments" or "Negative replacement value 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, currencies, indices, credit rating). Derivatives are valued at fair value.

Positive and negative replacement values of derivative financial instruments from transactions for the bank's own account or that of customers, outstanding on balance sheet date, are recorded in this item.

Replacement values from off-balance sheet traded contracts (OTC transactions), in which the bank acts as a commission agent, are recorded.

BLKB offsets positive and negative replacement values vis-à-vis the same counterparty in the frame-work of concluded netting contracts.

Financial investment

Financial investments comprise debt securities, equity securities, physical precious metal holdings, as well as real estate and commodities acquired from credit activities and intended for resale. BLKB purchases real estate on behalf of the canton of Basel-Landschaft and its communities in trust. Ownership of such real estate is entered in financial investments and fiduciary obligation in other liabilities.

Valuation of equity securities, of own physical precious metal holdings, and real estate and commodities intended for resale is done according to the lower of cost or market value. In real estate and commodities acquired from credit activities and intended for resale, lower of cost or market value is determined as being the lower of cost or liquidation value. Own physical precious metal holdings, serving as collateral for dues from precious metal accounts, are valued at fair value, and value adjustments are recognised in item "Other ordinary expenses" or "Other ordinary income".

Financial investments valued at lower of cost or market value are revalued upwards to the historical cost or amortised acquisition cost at maximum, if the fair value, having dropped below the acquisition cost has recovered again. Value adjustments are recorded in 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 acc. to the principle of acquisition cost, premiums and discounts are accrued over the remaining term. Capital gains, realised on the premature sale of financial investments, are accrued over the remaining term. Default-risk-related valuation changes are debited immediately to item "Changes in value adjustments for default risks and losses from interest operations".

Available-for-sale: valuation is done according to the principle of lower of cost or market value. An upwards revaluation to the historical cost or amortised acquisition cost at maximum is recognised, if the fair value, having dropped below the acquisition cost recovers again. Value adjustments are recorded in item "Other ordinary expenses" or "Other ordinary income". Default-risk-related value adjustments are entered in "Changes in value adjustments for default risks and losses from interest operations".

Switches between trading positions, financial investments, and participations are possible. They are done at fair value, valid when the decision to switch is made. Results thereof are treated in the same way as results from disposals.

Participations

Participations are equity securities owned by the bank in undertakings held as long-term investments irrespective of voting right shares. They include in particular, participations in joint organisations of banks of an infrastructural nature. Valuation of the participations is done at acquisition cost less economically necessary value adjustments.

Impairment testing of the participations is carried out yearly. The assessment is done on the basis of signs suggesting that individual assets might be affected by such an impairment. If signs of impairment are detected, the bank defines the recoverable value which is the higher of the net market value and the value-in-use. An impairment means that the book value exceeds the recoverable value. The book value is then reduced to the recoverable value. The impairment is debited to item "Value adjustments on participations and write-offs on tangible fixed assets and intangible assets".

Profits or losses from the disposal of participations are entered in item "Extraordinary income or extraordinary expenses".

Tangible fixed assets

Tangible fixed assets are recorded at cost value less economically necessary straightline write-offs on the basis of the estimated useful life, defined in the following way and unchanged compared to the previous year:

	2015
bank buildings	30 years
other real estate	33 years
other tangible fixed assets	3–5 years

Tangible fixed assets are valued individually according to each single property.

Impairment testing of tangible fixed assets is carried out in the same way as that of participations. If there is a change in the asset's useful life, the remaining book value is subjected to scheduled depreciation over the newly determined useful life. Ordinary and out-of-schedule write-offs, if any, are recorded in item "Value adjustments on participations and write-offs of

tangible fixed assets and intangible assets". A write-up from the reversal of an impairment is entered in "Extraordinary income".

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

Intangible assets

Purchased intangible assets are recorded, if there is a measurable benefit for the company over a period of several years. Purchased intangible assets are entered according to the principle of acquisition cost, worked-for intangible assets at production cost. They are written off over the estimated useful life and entered in the income statement. In general, write-off is done according to the straight-line method. In accordance with the accounting rules stipulated by FINMA, purchased IT programmes are entered in item "Tangible fixed assets".

Accrued income and expenses, prepaid expenses, deferred income

All income statement positions are accrued according to the matching principle.

Other assets and liabilities

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

Provisions

Provisions are built for all legal and defacto liabilities whose amounts or maturities are uncertain but may, nevertheless, be estimated reliably and which are recognisable on balance sheet date. The amount of the provisions corresponds to the expected value of future cash outflows and takes into account their probability and reliability. Existing provisions are evaluated again as per each balance sheet date. On the basis of these reassessments they are maintained at the same level or increased or released.

Provisions which are no longer economically necessary and which are not simultaneously used for similar purposes are released to income.

If the accounting rules for banks do not state any other way of handling, these provisions are entered in the income statement in item "Changes in provisions and other value adjustments and losses".

Provisions for pension schemes:

BLKB's pension scheme for employees is contribution-defined. The economic benefit and economic cost of this pension scheme is calculated annually, following a static method according to Swiss GAAP FER 26 (accounting of pension funds) by an independent qualified actuary. Underfunding or overfunding of the pension scheme may result in an economic benefit or an economic liability. Possible economic benefit or liability is entered in "Other receivables" or in "Provisions". The difference between the year under review and the previous year is recorded as personnel expenses in the income statement. 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 offset with the relevant liability item. The balance of equity securities is deducted at acquisition cost from the own equity (negative item) in the separate item "Own equity". If own shares are disposed of, the realised difference between the cash inflow and the book value is recorded in item "Legal reserve". Dividends on own shares are credited to "Legal reserve".

Reserves for general bank risks

Reserves for general bank risks are precautionary reserves established to cover risks in the operating activities of the Bank. These reserves are considered to be equity in line 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 with the direct taxes. Building and releasing of reserves for general bank risks are recorded in "Changes in reserves for general bank risks".

Legal reserve

Allocation to the legal reserves complies with the general rules of the Swiss Code of Obligation and the rules on the distribution of net profit as stipulated by the Cantonal Law on Kantonalbank from 24 June 2004.

Taxes

BLKB, as a public law institution, is exempt from direct federal tax and from cantonal tax in the canton of Basel-Landschaft. It is, however, not exempt from tax payments for branches outside the canton. Direct tax due for on-going assessment is recorded in accrued expenses and deferred income.

Off-balance sheet transactions

Off-balance sheet transactions are recorded at par value. Appropriate provisions are made for all risks recognisable.

Changes compared to the previous year

In the framework of the introduction of new accounting rules for banks and securities dealers, we adapted our accounting principles to the new legal regulation. The introduction of the new accounting rules, however, has not led to a revaluation of our assets and liabilities. Figures of the previous year were also adjusted to the new rules.

Events after the balance sheet date

None.

3 INFORMATION ON THE BALANCE SHEET, ON OFF-BALANCE TRANSACTIONS, AND THE INCOME STATEMENT

1. Breakdown of securities financing transactions (assets and liabilities)

	31-12-2015 CHF 1000	31-12-2014 CHF 1000
Book value of claims from cash deposits related to securities borrowing and reverse repurchase business ¹⁾	20,020	291,134
Book value of liabilities from cash deposits related to securities lending and repurchase business ¹⁾	740,701	64,584
Book value of own securities lent in securities lending or deposited as collateral in securities borrowing or transferred in repurchase business	737,226	58,757
– 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	20,204	290,733
– of which repledged securities	0	0
– of which resold securities	0	0

¹⁾ Before inclusion of netting contracts.

2. Presentation of collaterals for receivables and off-balance sheet transactions as well as for impaired receivables

Collateral for receivables and off-balance sheet transactions

	Mortgage cover CHF 1000	Other cover CHF 1000	Without cover CHF 1000	Total CHF 1000
Receivables (before set-off with value adjustments)				
Due from customers	307,450	287,697	875,561	1,470,708
Mortgage loans				17,175,069
– Residential real estate	14,768,132	6,634	7,655	14,782,421
– Office and business buildings	748,620	7,488	2,420	758,528
– Trade and industry	1,069,204	14,267	14,070	1,097,541
– Others	513,076	3,176	20,328	536,580
Total receivables (before set-off with value adjustments) as per 31-12-2015	17,406,482	319,262	920,033	18,645,777
Previous year	16,937,510	252,146	1,124,325	18,313,981
Total receivables (after set-off with value adjustments) as per 31-12-2015	17,301,257	310,158	891,707	18,503,122
Previous year	16,839,709	245,377	1,094,139	18,179,225
Off-balance-sheet				
Contingent liabilities	13,592	37,381	128,435	179,408
Irrevocable commitments	114,634	6,921	105,724	227,279
Liabilities for calls on shares and other equities			42,995	42,995
Confirmed credits				0
Total off-balance-sheet as per 31-12-2015	128,226	44,302	277,154	449,682
Previous year	161,974	22,121	269,234	453,329

Impaired receivables

	Total debt	Estimated realisation of securities	Net debt	Specific provisions
Impaired receivables as per 31-12-2015	476,609	321,795	154,814	142,874
Previous year	420,863	259,631	161,232	134,975

3. Breakdown of trading positions and other financial instruments measured at fair value (assets and liabilities)

	31-12-2015 CHF 1000	31-12-2014 CHF 1000
Assets		
Trading business		
Debt securities, money market instruments and transactions	4,811	1,699
– of which listed on an exchange	4,811	1,699
Equity securities	812	1,096
Precious metals and commodities	107	173
Total trading business	5,730	2,969
Other financial instruments at fair value		
Total assets	5,730	2,969
– of which determined by a valuation model	0	0
– of which securities eligible for repo transactions acc. to liquidity standards (HQLA)	843	632
Liabilities		
Total liabilities	0	0

4. Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments			Hedging instruments		
	Positive replacement value 31-12-2015 CHF 1000	Negative replacement value 31-12-2015 CHF 1000	Contract volume 31-12-2015 CHF 1000	Positive replacement value 31-12-2015 CHF 1000	Negative replacement value 31-12-2015 CHF 1000	Contract volume 31-12-2015 CHF 1000
Interest rate contracts	8,735	8,673	114,000	208,818	237,060	7,631,000
Futures contracts incl. FRAs	0	0	0	0	0	0
Swaps	8,735	8,673	114,000	208,818	237,060	7,631,000
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	5,504	5,372	532,825	0	0	0
Futures contracts	3,949	3,829	279,835	0	0	0
Combined interest and currency swaps	0	0	0	0	0	0
Futures	0	0	0	0	0	0
Options (OTC)	1,554	1,543	252,990	0	0	0
Options (exchange traded)	0	0	0	0	0	0
Total before inclusion of netting contracts	14,239	14,044	646,825	208,818	237,060	7,631,000
– of which determined on the basis of a valuation model	14,239	14,044		208,818	237,060	
Previous year	11,933	11,902	472,856	181,850	193,234	8,205,000
– of which determined on the basis of a valuation model	11,933	11,902		181,850	193,234	
			Positive replacement value (cumulated)			Negative replacement value (cumulated)
Total after inclusion of netting contracts			11,006			3,076
Previous year			10,120			14,145
			Central clearing party	Banks and securities dealers	Other customers	
Positive replacement value (after inclusion of netting contracts)			0	0	11,006	

5. Breakdown of financial investments

	31-12-2015 Book value CHF 1000	31-12-2014 Book value CHF 1000	31-12-2015 Fair value CHF 1000	31-12-2014 Fair value CHF 1000
Debt securities	1,413,232	1,347,414	1,468,836	1,407,326
– of which held to maturity	1,413,232	1,347,414	1,468,345	1,406,825
– of which available for sale	0	0	491	502
Equity securities	48,970	58,828	72,422	85,004
– of which qualified participations ¹⁾	501	501	501	501
Precious metals	1,369	1,369	3,651	4,062
Fiduciary real estate	9,795	9,076	9,795	9,076
Real estate intended for sale	9,535	9,444	9,535	9,444
Total financial investments	1,482,900	1,426,131	1,564,239	1,514,912
– of which securities eligible for repo transactions acc. to liquidity standards (HQLA)	1,413,232	1,347,414	1,468,345	1,406,825

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

Counterparties broken down by ratings¹⁾

	AAA to AA–	A+ to A–	BBB+ to BBB–	BB+ to B–	Lower than B–	Without rating
Book value of debt securities	553,049	29,745	0	0	0	830,438

¹⁾ Ratings are based on the rating agency Standard & Poor's.

6. Presentation of participations

	Acquisition cost CHF 1000	Accumulated depreciation or adjustment (equity valuation) CHF 1000	Book value end of 2014 CHF 1000	Reclassifica- tions 2015 CHF 1000	Investments 2015 CHF 1000	Disinvestments 2015 CHF 1000	Write-offs 2015 CHF 1000	Book value end of 2015 CHF 1000	Market value end of 2015 CHF 1000
– of which with quoted value	42,154	–19,318	22,836	0	0	0	–4,355	18,481	18,481
– of which without quoted value	33,262	–13,847	19,415	0	500	–3,681	–500	15,733	
Total participations^{1) 2)}	75,415	–33,165	42,251	0	500	–3,681	–4,855	34,214	18,481

¹⁾ BLKB does not value any equities according to the equity method.

²⁾ Effects of a theoretical application of the equity method: the application of the equity method for the year 2015 results in a positive contribution to the income statement of CHF 301,000.–
The equity share in the balance sheet is CHF 1,594,000.–.

7. Disclosure of companies BLKB holds a significant permanent direct or indirect stake in

Company name and headquarters	Business activities	Company capital CHF 1000	Interest share 31-12-2015 %	Interest share 31-12-2014 %
Disclosed in financial investments				
Landwirtschaftliche Trocknungs-Anlagen LTA AG Pratteln	Drying plant	900	16.28	16.28
AEB Alternativ-Energie Birsfelden AG, Birsfelden	Energy generation	3,300	–	12.12
Ultra-Brag AG, Muttenz	Shipping/warehousing/trade	3,000	11.67	11.67
BTG Mezzfin AG, Aesch ¹⁾	Financial services	1,400	14.29	14.29
Disclosed in non-consolidated participations				
ErfindungsVerwertung AG, Basel	Knowledge transfer	1,592	42.37	42.49
Caleas AG, Zurich	Financing company	800	11.19	11.19
Swissquote Group Holding SA, Gland	Financial services	3,066	4.77	4.77
Pfandbriefzentrale der schweiz. Kantonalbanken AG, Zurich	Bank financing	1,025,000	5.18	5.18
Swisscanto Holding AG, Berne	Financial services	24,204	–	4.99
Aduno Holding AG, Zurich	Credit cards	25,000	3.08	3.08
SIX Group AG, Zurich	Financial services	19,522	0.41	0.41
newhome.ch AG, Zurich	Information provider	100	7.14	7.14
S.W.I.F.T., La Hulpe, Belgium	Bank telecommunications	13,887 *	0.02	0.02

* EUR

All participations are held directly by Basellandschaftliche Kantonalbank.

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

¹⁾ Plus participation certificates worth CHF 800,000.– (representing 50 % of non-voting share capital).

8. Presentation of tangible fixed assets

	Acquisition cost CHF 1000	Accumulated depreciation or adjustment (equity valuation) CHF 1000	Book value end of 2014 CHF 1000	Reclassifications 2015 CHF 1000	Investments 2015 CHF 1000	Disinvestments 2015 CHF 1000	Write-offs 2015 CHF 1000	Write-ups 2015 CHF 1000	Book value end of 2015 CHF 1000
Tangible fixed assets									
Real estate	207,041	–90,544	116,497	0	139	–1,330	–6,238	0	109,067
– of which bank buildings	163,455	–76,991	86,464	0	139	–1,330	–5,041	0	80,231
– of which other real estate	43,586	–13,553	30,033	0	0	0	–1,197	0	28,836
Self-developed or separately acquired software	35,724	–28,202	7,521	0	4,994	0	–5,755	0	6,761
Other tangible fixed assets	22,030	–14,814	7,216	0	3,183	–36	–4,222	0	6,141
Total tangible fixed assets	264,795	–133,560	131,235	0	8,316	–1,366	–16,215	0	121,969

There is no property in finance leasing and no liability from operational leasing.

9. Presentation of intangible assets

BLKB does not own any intangible assets.

10. Breakdown of other assets and other liabilities

	31-12-2015 Other assets CHF 1000	31-12-2014 Other assets CHF 1000	31-12-2015 Other liabilities CHF 1000	31-12-2014 Other liabilities CHF 1000
Compensation account	0	0	19,370	55,222
Settlement accounts	9,891	12,431	2,896	9,874
Indirect taxes	1,898	1,203	9,241	12,005
Interest on endowment capital	2,413	3,506		
Bank-owned funds without any legal personality such as pension schemes or welfare funds			0	56
Coupons and debt securities, due and not realised			2,410	2,432
Other liabilities from deliveries and services			460	2,129
Compensation fiduciary real estate			9,795	9,076
Total	14,202	17,140	44,173	90,793

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

	31-12-2015 Book value CHF 1000	31-12-2015 Actual liability CHF 1000	31-12-2014 Book value CHF 1000	31-12-2014 Actual liability CHF 1000
Pledged/ceded assets:				
Pledged and ceded mortgage loans for mortgage-backed securities	2,958,838	1,699,000	2,881,344	1,420,000
Financial investments	136,405	0	136,527	0
Fiduciary real estate	9,795	9,795	9,076	9,076
Assets under reservation of ownership				
None				
Total	3,105,039	1,708,795	3,026,946	1,429,076

12. Disclosure of liabilities relating to own pension schemes as well as number and nature of equity instruments held by the bank's own pension schemes

	31-12-2015 CHF 1000	31-12-2014 CHF 1000
Liabilities to customers	403,257	678,266
Bonds ¹⁾	230	96
Cash bonds ¹⁾	0	0
Negative replacement values	0	0
Total	403,487	678,362

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

	31-12-2015 CHF 1000	31-12-2014 CHF 1000
Kantonalbank certificates	0	0

13. Disclosures of the economic situation of the pension schemes

All employees of BLKB profit both from the compulsory BVG/LPP benefits and from the additional benefits of the pension fund of Basellandschaftliche Kantonalbank (BLPK) with the exception of part-time employees with a minimal workload. The pension scheme is contribution-defined. Regular retirement age is reached after completion of the 63rd year. Early retirement is possible after attaining the age of 60 years.

a) Reserves of the employer (AGBR)

AGBR	31-12-2015 Nominal value CHF 1000	31-12-2015 Waiver of use CHF 1000	31-12-2015 Net contribution ¹⁾ CHF 1000	31-12-2014 Net contribution ¹⁾ CHF 1000	2015 Influence of AGBR on personnel expenses CHF 1000	2014 Influence of AGBR on personnel expenses CHF 1000
Pension schemes	0	0	0	0	167	0

¹⁾ Activation is mandatory.

13.1. Disclosures of the economic situation of the bank's own pension schemes

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

	31-12-2015 Excess cover/ Deficient cover CHF 1000	31-12-2015 Economic share of BLKB CHF 1000	31-12-2014 Economic share of BLKB CHF 1000	Changes compared to previous year of the economic share (economic benefit or liability) CHF 1000	Paid-in contri- butions for the reporting period CHF 1000	2015 Pension expenses within personnel expenses CHF 1000	2014 Pension expenses within personnel expenses CHF 1000
Pension fund contribution-defined ¹⁾	42,428	0	0	0	9,748	9,862	10,260
Total	42,428	0	0	0	9,748	9,862	10,260

¹⁾ BLKB offers a contribution-defined pension plan with Basellandschaftliche Pensionskasse (BLPK). Employer contribution is continually debited to the income statement. Pension expenses consist of these accrued contributions, the changes in the employer's contribution reserves, and the changes in the economic liabilities which are recorded in provisions. BLKB's share of deficient or excess cover in this pension fund was extrapolated for the year 2015 by an independent expert on pension funds on the basis of BLPK's annual financial statement as per 31-12-2014 and the quarterly financial statement as per 30-09-2015. On 30-09-2015, coverage ratio was 111.3 %. The set margin of the value fluctuation reserve has not been reached; therefore, there is no economic benefit for the bank. The employer's contribution reserves were used to pay for the employer's contribution.

14. Presentation of issued structured products

As per 31-12-2015 and 31-12-2014, Basellandschaftliche Kantonalbank has not issued any structured products.

15. Presentation of bonds outstanding and mandatory convertible bonds

Type of bond	Year of issue	Interest rate %	Maturities	31-12-2015 Balance CHF 1000	31-12-2014 Balance CHF 1000
Non-subordinated	2007	3.000	14-12-2017	300,000	300,000
Non-subordinated	2012	0.625	27-02-2018	250,000	250,000
Non-subordinated	2010	1.750	25-06-2019	300,000	300,000
Non-subordinated	2009	2.500	16-12-2019	300,000	300,000
Non-subordinated	2010	1.750	09-11-2020	300,000	300,000
Non-subordinated	2012	1.000	04-10-2022	300,000	300,000
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	2015	0.250	13-05-2025	150,000	
Non-subordinated	2015	0.750	30-03-2028	185,000	
Total bonds ¹⁾		1.564		2,570,000	2,235,000
Loans of mortgage-backed securities		1.097		1,699,000	1,420,000
Total outstanding bonds and mortgage-backed securities		1.378		4,269,000	3,655,000

¹⁾ No call for premature redemption of any of the bonds.

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	31-12-2015 Total CHF 1000
Total outstanding bonds	0	300,000	250,000	600,000	300,000	1,120,000	2,570,000

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

	Balance 31-12-2014 CHF 1000	Appropriate usage CHF 1000	Book transfer CHF 1000	Translation differences CHF 1000	Interest overdue, recoveries CHF 1000	Recoveries (debited to income) CHF 1000	Recoveries credited to income CHF 1000	Balance 31-12-2015 CHF 1000
Provisions for default risks (potential cash outflow related to off- balance sheet transactions)	21,524		-5,541			1,175	-203	16,956
Provisions for other business risks	1,138					660		1,798
Other provisions	524	-88						436
Total provisions	23,186	-88	-5,541	0	0	1,835	-203	19,189
Reserves for general bank risks	985,000					82,500		1,067,500
Value adjustments for default risks and country risks	134,975	-650	5,541	0	-336	27,420	-24,076	142,874
– of which value adjustments for default risks from impaired receivables	134,975	-650	5,541		-336	27,420	-24,076	142,874
– of which value adjustments for latent risks	0							0

Basellandschaftliche Kantonalbank is exempt from tax on profit and capital; therefore, building of latent tax on the reserve for general bank risks is not necessary.

17. Presentation of the bank's capital

	31-12-2015 Total nominal value CHF 1000	31-12-2015 Quantity	31-12-2015 Capital entitled to dividend CHF 1000	31-12-2014 Total nominal value CHF 1000	31-12-2014 Quantity	31-12-2014 Capital entitled to dividend CHF 1000
Company capital						
Endowment capital	160,000	–	160,000	160,000	–	160,000
Certificate capital	57,000	570,000	57,000	57,000	570,000	57,000
– of which paid-up	57,000			57,000		
Total company capital	217,000	570,000	217,000	217,000	570,000	217,000
Approved capital	0			0		
– of which capital increases were carried out	0			0		
Conditional capital	0			0		
– of which capital increases were carried out	0			0		

The canton of Basel-Landschaft holds 100% of the endowment capital. The funds are brokered by BLKB who assumes responsibility for the debt service.

Certificates do not entitle the holder to 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 disclosure of any employee participation schemes

	Equity securities			
	31-12-2015 Number	31-12-2014 Number	31-12-2015 CHF 1000	31-12-2014 CHF 1000
Members of the Bankrat	910	1,820	809	1,630
Members of the Executive Board	2,479	2,279	2,204	2,041
Employees ¹⁾	4,949	8,741	4,400	7,828
Total	8,338	12,840	7,412	11,498

¹⁾ Locked-up Kantonalbank certificates from staff participation programme.

19. Disclosure of dues to/from related parties

	Receivables		Payables	
	31-12-2015 CHF 1000	31-12-2014 CHF 1000	31-12-2015 CHF 1000	31-12-2014 CHF 1000
Qualified shareholders	39,501	269,745	355,255	258,596
Affiliated companies	50,536	89,837	484,783	775,795
Governing bodies	26,631	30,139	13,555	13,516

Transactions with related parties

Transactions (securities transactions, payment, credit accommodation, compensation on deposits) with related parties are done at conditions valid for third parties. The bank's employees enjoy the conditions valid for personnel.

20. Disclosure of holders of significant participations

Relevant parties and relevant groups of parties bound by voting rights	31-12-2015 Nominal value CHF 1000	31-12-2015 Share in %	31-12-2014 Nominal value CHF 1000	31-12-2014 Share in %
With voting rights				
Canton of Basel-Landschaft	160,000	74	160,000	74
Without voting rights				
Bearers of certificates	57,000	26	57,000	26

21. Disclosure of own shares and composition of equity capital

	2015 Number	2015 Average transaction price CHF
Number of Kantonalbank certificates held by the bank on 01-01	12,673	
+ acquisitions	2,837	886
- sales	-4,445	900
Balance on 31-12	11,065	
Contingent liabilities regarding own equity instruments, sold or acquired, in CHF 1000	0	
Number of Kantonalbank certificates held by subsidiaries, joint ventures, affiliated companies and foundations related to the bank	1,325	
Number of Kantonalbank certificates of own equity instruments reserved for a certain purpose and certificates held by persons related to the bank	0	

The endowment capital is divided into the following sections:

	Year of issue	Interest rate %	Maturities	31-12-2015 Balance CHF 1000	31-12-2014 Balance CHF 1000
Bond	2014	0.500	30-03-2022	50,000	50,000
Loan	2012	0.930	01-10-2022	40,000	40,000
Bond	2010	2.550	05-03-2025	70,000	70,000
Total				160,000	160,000

Information on transactions with shareholders in their capacity as shareholders

All transactions with shareholders were executed with liquid funds or balanced with other transactions and were done at normal market conditions.

22. Disclosure in accordance with the Ordinance Against Excessive Compensation in Listed Companies and art. 663c para. 3 of the Code of Obligation for banks whose equity instruments are listed

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

In 2015, there was no compensation paid to former members of the Bankrat nor was there any compensation on unusual terms to persons related to members of the Bankrat or the Executive Board. There was no compensation paid to former members of the Executive Board.

23. Presentation of the maturity structure of financial instruments

	On demand CHF 1000	Callable CHF 1000	Due within 3 months CHF 1000	Due after 3 to 12 months CHF 1000	Due after 12 months to 5 years CHF 1000	Due after 5 years CHF 1000	Immobilised CHF 1000	Total CHF 1000
Assets/Financial instruments								
Liquid funds	2,630,633							2,630,633
Due from banks	224,069	11,866	70,700					306,636
Due from securities financing transactions			20,020					20,020
Due from customers	854	326,457	586,595	81,514	250,978	186,547		1,432,945
Mortgage loans	1,269	354,056	977,500	1,891,599	9,319,508	4,526,245		17,070,177
Trading business	5,730							5,730
Positive replacement value of derivative financial instruments	11,006							11,006
Financial investments	59,873		28,944	71,278	732,463	580,547	9,795	1,482,900
Total as per 31-12-2015	2,933,433	692,379	1,683,759	2,044,391	10,302,949	5,293,339	9,795	22,960,046
Previous year	1,291,635	741,426	1,965,853	2,210,065	9,497,392	5,527,414	9,076	21,242,861
Loans/Financial instruments								
Due to banks	113,586	443	215,093	50,000	50,000			429,122
Due to securities financing transactions			740,701					740,701
Due to customers in savings and deposits	3,958,951	8,979,673	379,988	169,147	493,582	1,461,504		15,442,845
Negative replacement value of derivative financial instruments	3,076							3,076
Cash bonds			10,924	12,739	40,672	5,168		69,503
Bonds and mortgage-backed bonds				126,000	2,170,000	1,973,000		4,269,000
Total as per 31-12-2015	4,075,613	8,980,116	1,346,706	357,886	2,754,254	3,439,672	0	20,954,247
Previous year	4,524,063	10,475,818	129,351	163,517	2,133,551	1,928,684	0	19,354,984

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

	31-12-2015 Domestic CHF 1000	31-12-2015 Foreign CHF 1000	31-12-2014 Domestic CHF 1000	31-12-2014 Foreign CHF 1000
Assets				
Liquid funds	2,626,730	3,903	1,091,706	2,033
Due from banks	114,104	192,532	99,698	139,844
Due from securities financing transactions		20,020	123,746	167,388
Due from customers	1,339,508	93,437	1,478,195	89,815
Mortgage loans	17,070,177		16,611,215	
Trading business	3,411	2,319	1,874	1,095
Positive replacement value of derivative financial instruments	11,006		10,120	
Financial investments	1,090,354	392,546	1,000,486	425,645
Accrued income and prepaid expenses	44,312	3,683	52,373	6,094
Participations	34,214		42,251	
Tangible fixed assets	121,969		131,235	
Other assets	14,202		17,140	
Total assets	22,469,987	708,440	20,660,039	831,914
Liabilities				
Due to banks	245,740	183,382	254,969	7,030
Due to securities financing transactions	640,701	100,000	64,584	
Due to customers in savings and deposits	14,985,733	457,112	14,749,739	506,910
Negative replacement value of derivative financial instruments	3,076		14,145	
Cash bonds	69,503		102,606	
Bonds and mortgage-backed bonds	4,269,000		3,655,000	
Accrued expenses and deferred income	81,977	2,822	79,217	9,222
Other liabilities	38,349	5,824	75,248	15,545
Provisions	19,189		23,186	
Reserves for general bank	1,067,500		985,000	
Company capital	217,000		217,000	
Legal reserve	659,943		617,547	
Own shares	-9,837		-11,349	
Retained earnings brought forward	10,966		10,550	
Annual net profit	130,446		115,802	
Total liabilities	22,429,287	749,140	20,953,246	538,707

25. Breakdown of total assets by country or country groups (domicile principle)

	31-12-2015 CHF 1000	31-12-2015 Share in %	31-12-2014 CHF 1000	31-12-2014 Share in %
Assets				
Switzerland	22,469,987	96.94	20,660,039	96.13
Europe	648,673	2.80	787,763	3.67
North America	42,123	0.18	33,835	0.16
Asia/Australasia	11,775	0.05	4,663	0.02
Other	5,869	0.03	5,652	0.03
Total assets	23,178,427	100.00	21,491,953	100.00

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

Rating category ¹⁾	Net foreign exposure 31-12-2015 CHF 1000	Net foreign exposure 31-12-2015 Share in %
1	729,200	99.23
2	110	0.01
3	0	0.00
4	10	0.00
5	114	0.02
6	5,435	0.74
7	0	0.00
No rating	14	0.00
Total	734,883	100.00

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

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	Total CHF 1000
Assets					
Liquid funds	2,615,125	14,690	476	342	2,630,633
Due from banks	125,995	56,716	97,913	26,011	306,636
Due from securities financing transactions			20,020		20,020
Due from customers	1,147,416	238,756	42,429	4,343	1,432,945
Mortgage loans	17,068,763	1,414			17,070,177
Trading business	5,611	21		98	5,730
Positive replacement value of derivative financial instruments	10,968		38		11,006
Financial investments	1,339,187	124,843	17,502	1,369	1,482,900
Accrued income and prepaid expenses	45,454	2,270	252	19	47,995
Participations	34,214				34,214
Tangible fixed assets	121,969				121,969
Other assets	14,175	27			14,202
Total on-balance-sheet assets	22,528,879	438,736	178,630	32,182	23,178,427
Delivery claims from spot exchange dealings forward exchange deals and foreign exchange options	163,185	121,718	73,195	5,146	363,244
Total assets 31-12-2015	22,692,064	560,454	251,825	37,328	23,541,671
Liabilities					
Due to banks	315,147	34,167	79,808		429,122
Due from securities financing transactions	650,000	70,681	20,020		740,701
Due to customers in savings and deposits	15,025,765	309,639	77,965	29,475	15,442,845
Negative replacement value of derivative financial instruments	3,036		40		3,076
Cash bonds	69,503				69,503
Bonds and mortgage-backed bonds	4,269,000				4,269,000
Accrued expenses and deferred income	84,796		3		84,799
Other liabilities	44,169	3			44,173
Provisions	19,189				19,189
Reserves for general bank risks	1,067,500				1,067,500
Company capital	217,000				217,000
Legal reserve	659,943				659,943
Own shares	-9,837				-9,837
Retained earnings brought forward	10,966				10,966
Annual net profit	130,446				130,446
Total on-balance-sheet liabilities	22,556,625	414,491	177,837	29,475	23,178,427
Delivery liabilities from spot exchange dealings, forward exchange deals and foreign exchange options	160,788	123,975	73,116	5,243	363,122
Total liabilities 31-12-2015	22,717,413	538,466	250,953	34,718	23,541,549
Net position per currency	-25,349	21,989	873	2,610	

28. Breakdown of and explanations on contingent assets and liabilities

	31-12-2015 CHF 1000	31-12-2014 CHF 1000
Guarantee for collateralisation of loans and similar	70,842	63,850
Guarantee for warranty and similar	100,179	85,008
Irrevocable commitments from documentary letters of credit	8,387	12,377
Total contingent liabilities	179,408	161,234
Other contingent claims	p. m. ¹⁾	0
Total contingent claims	0	0

¹⁾ Within the sale of the swisscanto participation to ZCB, part of the proceeds will be paid in the years 2016 to 2018 in three yearly payments (earn-out). The amount depends on the contribution to the business performance BLKB makes with swisscanto products. Therefore, the amount of the earn-out cannot accurately be estimated.

29. Breakdown of credit commitments

There are no confirmed credits.

30. Breakdown of fiduciary transactions

	31-12-2015 CHF 1000	31-12-2014 CHF 1000
Fiduciary deposits with third party companies	3,344	3,241
Total	3,344	3,241

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

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

	2015 CHF 1000	2014 CHF 1000
Basellandschaftliche Kantonalbank ¹⁾	18,269	15,016
Total	18,269	15,016

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

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

Trading income from	2015 CHF 1000	2014 CHF 1000
Interest rate contracts (incl. funds)	1,368	1,170
Equity instruments (incl. funds)	32	-1
Foreign exchange	16,843	13,519
Commodities/precious metals	26	327
Total net trading income	18,269	15,016
- of which from fair value option	0	0

32. Disclosure of significant refinancing income in the item interest and discount income as well as on significant negative interest

	2015 CHF 1000	2014 CHF 1000
Refinancing income from trading positions	0	14
Negative interest claims	-237	0
Negative interest liabilities	6,617	0

33. Breakdown of personnel expenses

	2015 CHF 1000	2014 CHF 1000
Salaries (attendance fees and fixed compensation paid to bank authorities, salaries and benefits)	-78,829	-79,136
– of which expenses related to share-based compensation and alternative forms of variable compensation	-593	-1,287
Social benefits	-16,900	-17,301
Value adjustments as to the economic benefit or liability of pension schemes	167	0
Other personnel expenses	-4,311	-3,885
Total personnel expenses	-99,873	-100,322

34. Breakdown of other operating expenses

	2015 CHF 1000	2014 CHF 1000
Premises expense	-4,913	-5,826
Expense for IT and communications technology	-21,422	-21,778
Expense for vehicles, machinery, furniture, other equipment, and operational leasing	-1,289	-1,472
Fees for the auditing company	-441	-440
– of which for accounts and supervision audit	-432	-428
– of which for other services	-9	-12
Other operating expenses	-29,576	-26,439
– of which compensation for the state guarantee	0	0
Total operating expenses	-57,641	-55,954

35. Explanations regarding material losses, extraordinary income and expenses as well as material releases of hidden reserves, reserves for general bank risks and freed-up value adjustments and provisions

	2015 CHF 1000	2014 CHF 1000
Extraordinary income	22,310	646
– of which profits from sales of participations, real estate and tangible fixed assets ¹⁾	22,227	644
– of which other extraordinary income	83	3
Extraordinary expenses	–365	–12 186
of which realised losses from disposal of shares, real estate and tangible fixed assets	–11	0
– of which other extraordinary expenses ²⁾	–353	–12,186
Deposits in reserves for general bank risks	–82,500	–48,000

In 2015, the bank did not register any substantial losses and freed-up value adjustments and provisions.

¹⁾ This concerns mainly the sales profit from the sale of the shares in swisscanto Holding AG.

²⁾ 2014: Including a non-recurring expense concerning the bank's anniversary not being part of the ordinary business.

36. Information on and justification of the revaluation of participations and tangible fixed assets up to acquisition costs

None

37. Presentation of income by domestic and foreign origin according to the operational site principle.

Basellandschaftliche Kantonalbank does not have any foreign operational sites.

38. Presentation of on-going taxes and latent taxes as well as disclosure of the tax rate

	2015 CHF 1000	2014 CHF 1000
Expenses for on-going taxes	-190	-387
Building of provisions for latent taxes	0	0
Total taxes	-190	-387
Weighted average interest rate	-	-

In its capacity as a public-law institution, Basellandschaftliche Kantonalbank is exempt from direct federal taxes and from taxes in the canton of Basel-Landschaft. Therefore, the bank does not state an average interest rate.

39. Disclosures of and explanations on the earnings per equity security with listed banks

	2015 CHF	2014 CHF
Undiluted result for the endowment capital/per Kantonalbank Certificate	60.42	53.68
Diluted result for the endowment capital/per Kantonalbank Certificate	60.42	53.68

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

4 INFORMATION ON COMPENSATION AND PARTICIPATIONS

4.1 Responsibilities and procedures

The following table explains the responsibilities and procedures used in determining compensation

	BR	BRP	ExC	ARC	HROC	GL
Fixed and variable compensation						
Compensation policy	D				P	
Determination of fixed compensation total	D				P	
Fixed compensation to the total of the Executive Board	D				P	
Fixed compensation to the members of the Board of Directors	D				P	
Fixed compensation to CEO	D	P			P	
Fixed compensation to the members of the Executive Board	D				P	P (CEO)
Fixed compensation to the head of Internal Auditing		D		P		
Fixed compensation to the members of the Senior Management						D
Fixed compensation to the remaining personnel						D
Annual determination of pool total of variable compensation	D				P	P
Annual allocation ratio of variable compensation according to level of function	TN				D	P
Non-wage benefits	TN				D	P
Pension regulation	D				A	P

BD = Board of Directors, ChwBD = Chairwoman of the Board of Directors, ExC = Executive Committee, ARC = Audit and Risk Committee, HROC = Human Resources and Organization Committee, EB = Executive Board, CEO = chairman of the Executive Board.

D= decision, P= petition, TN= take note

4.2 Overview of compensation paid to the Board of Directors (Bankrat) and the bank's employees for the business years 2015 and 2014

Below, there is a summarised overview of the most important key figures:

	Fixed compensation	Variable compensation	Non-wage benefits ¹⁾	Lump sum expenses	Value of reduced price of KBC ²⁾	Total compensation	Employer's contribution to social benefits
2015	65,711,750	11,407,950	1,153,730	798,446	593,461	79,665,338	16,732,618
2014	67,014,547	11,127,975	1,113,958	834,004	1,351,410	81,441,894	17,300,895

¹⁾ Benefits for REKA cheques and lunch allowance.

²⁾ 2014: including gifts to employees for the bank's anniversary.

Amount of outstanding postponed benefits

31-12-2015	5,943 pcs.
31-12-2014	9,816 pcs.

Ratio of highest to lowest gross compensation

2015	1 to 14.25
2014	1 to 13.04

4.3 Compensation paid to the members of the Board of Directors for the business years 2015 und 2014

Name	Fixed compensation	Variable compensation	Non-wage benefits	Lump sum expenses	Value of reduced price of KBC	Total compensation	Employer's contribution to social benefits	Total personnel expenses
E. Schirmer, Chairwoman								
2015	191,000	0	–	13,800	4,544	209,344	14,225	223,569
2014	187,000	0	–	13,800	4,787	205,587	15,950	221,537
A. Lauber, Vice-chairman								
2015	50,000	0	–	1,400	0	51,400	3,810	55,210
2014	45,000	0	–	2,800	0	47,800	3,720	51,520
A. Ballmer, Vice-chairman¹⁾								
2015	0	0	–	0	0	0	0	0
2014	0	0	–	0	0	0	230	230
M. Primavesi²⁾								
2015	50,000	0	–	3,250	0	53,250	3,810	57,060
2014	–	–	–	–	–	–	–	–
D. Völlmin³⁾								
2015	98,250	0	–	6,500	4,544	109,294	7,552	116,846
2014	96,500	0	–	6,500	4,787	107,787	8,506	116,293
H. U. Schudel⁴⁾								
2015	48,250	0	–	3,250	4,544	56,044	4,186	60,230
2014	96,500	0	–	6,500	4,787	107,787	8,506	116,293
K. Strecker⁵⁾								
2015	50,000	0	–	3,250	0	53,250	3,810	57,060
2014	–	–	–	–	–	–	–	–
U. Baumann⁶⁾								
2015	0	0	–	0	0	0	0	0
2014	34,500	0	–	2,200	4,787	41,487	3,405	44,892
E. Dubach Spiegler⁷⁾								
2015	35,000	0	–	2,200	0	37,200	2,667	39,867
2014	–	–	–	–	–	–	–	–
D. Greiner								
2015	69,500	0	–	4,400	4,544	78,444	5,361	83,805
2014	69,000	0	–	4,400	4,787	78,187	6,052	84,239
W. Hansen⁸⁾								
2015	34,500	0	–	2,200	4,544	41,244	3,138	44,382
2014	69,000	0	–	4,400	4,787	78,187	6,052	84,239
C. Janiak^{8) 9)}								
2015	34,500	0	–	2,200	4,544	41,244	2,126	43,371
2014	72,000	0	–	4,400	4,787	81,187	4,080	85,267
N. Jermann⁷⁾								
2015	35,000	0	–	2,200	0	37,200	2,667	39,867
2014	–	–	–	–	–	–	–	–
F. Mutschlechner								
2015	69,500	0	–	4,400	4,544	78,444	5,361	83,805
2014	69,000	0	–	4,400	4,787	78,187	6,052	84,239

S. Naef⁷⁾									
2015	35,000	0	–	2,200	0	37,200	2,667	39,867	
2014	–	–	–	–	–	–	–	–	
D. Schenk⁸⁾									
2015	34,500	0	–	2,200	4,544	41,244	3,138	44,382	
2014	69,000	0	–	4,400	4,787	78,187	6,052	84,239	
A. Spindler⁹⁾									
2015	34,500	0	–	2,200	4,544	41,244	2,990	44,234	
2014	69,000	0	–	4,400	4,787	78,187	6,052	84,239	
Total compensation									
2015	869,500	0	–	55,650	40,898	966,048	67,509	1,033,558	
2014	876,500	0	–	58,200	47,869	982,569	74,657	1,057,226	

¹⁾ Vice-chairman of the Board of Directors up to 30-06-2013

²⁾ Joined on 01-07-2015, chairman of the ExC since then

³⁾ Chairman of the ACR

⁴⁾ Resigned as per 30-06-2015, chairman of the HROC up to then

⁵⁾ Joined on 01-07-2015, chairman of the HROC since then

⁶⁾ Resigned as per 14-5-2014

⁷⁾ Joined on 01-07-2015

⁸⁾ Resigned as per 30-06-2015

⁹⁾ Including CHF 3,000 fee for chair of Cultural Foundation in 2014

4.4 Compensation paid to the members of the Executive Board for the business years 2015 und 2014

Name	Fixed remuneration	Variable remuneration	Non-wage benefits ¹⁾	Lump sum expenses	Value of reduced price of KBC	Total remuneration	Employer's contribution to social benefits	Total expenses
B. Oberlin, CEO								
2015	444,964	440,000	9,576	24,000	11,361	929,901	194,011	1,123,911
2014	444,964	400,000	9,616	24,000	17,165	895,745	182,069	1,077,814
Remaining members of the Executive Board								
2015	1,551,095	1,166,000	43,134	80,001	34,082	2,874,312	650,180	3,524,492
2014	1,658,302	1,155,000	50,788	85,334	47,703	2,997,127	704,736	3,701,863
Total Executive Board								
2015	1,996,059	1,606,000	52,710	104,001	45,443	3,804,213	844,191	4,648,404
2014	2,103,266	1,555,000	60,404	109,334	64,868	3,892,872	886,806	4,779,678

¹⁾ Benefits for REKA cheques, lunch allowance, company car.

On 1 January 2014, the remaining Executive Board consisted of six members. With effect of 30-04-2014, Othmar Cueni went into retirement. Ever since, the remaining Executive Board has consisted of five members.

4.5 Loans and credits, subscription to Kantonalbank Certificates (in the business year) and KBC balance of the Board of Directors and persons related to them

Name	Function	Loans and credits 31-12-2015	Loans and credits 31-12-2014	KBC subscribed for in 2015	KBC subscribed for in 2014	KBC balance (restricted) 31-12-2015	KBC balance (restricted) 31-12-2014
E. Schirmer	Chairwoman of the Board of Directors	850,000	1,150,000	20	20	320 (120)	300 (140)
A. Lauber	Vice-chairman	0	0	0	0	0	0
M. Primavesi ¹⁾	Member	0	-	0	-	0	-
D. Völlmin	Member	780,000	780,000	20	20	170 (110)	170 (130)
H.U. Schudel ²⁾	Member	-	569,200	20	20	-	350 (140)
K. Strecker ¹⁾	Member	2,500,000	-	0	-	0	-
U. Baumann ²⁾	Member	-	0	-	20	-	-
E. Dubach Spiegler ¹⁾	Member	0	-	-	-	0	-
D. Greiner	Member	0	0	20	20	340 (120)	320 (140)
W. Hansen ²⁾	Member	-	0	20	20	-	200 (140)
C. Janiak ²⁾	Member	-	680,500	20	20	-	120 (120)
N. Jermann ¹⁾	Member	250,000	-	0	-	0	-
F. Mutschlechner	Member	0	0	20	20	80 (80)	60 (60)
S. Naef ¹⁾	Member	0	-	0	-	0	-
D. Schenk ²⁾	Member	-	0	20	20	-	240 (140)
A. Spindler ²⁾	Member	-	930,000	20	20	-	60 (60)
Total Board of Directors		4,380,000	4,109,700	180	200	910 (430)	1,820 (1070)

¹⁾ Joined on 1-7-2015

²⁾ Resigned on 30-6-2015

³⁾ Resigned on 14-5-2014

4.6 Loans and credits to members of the Executive Board and persons related to them

Name	Function	Loans and credits 31-12-2015	Loans and credits 31-12-2014
Beat Oberlin ¹⁾	Chairman of the Executive Board	1,600,000	1,600,000
Remaining members of the Executive Board		3,519,150	3,532,250
Total Executive Board		5,119,150	5,132,250

¹⁾ Maximum loan amount to a member of the Executive Board.

4.7 Subscription to Kantonalbank Certificates (in the business year) by members of the Executive Board and persons close to them

Name	Function	KBC subscribed for in 2015	KBC subscribed for in 2014	KBC Balance (restricted) 31-12-2015	KBC Balance (restricted) 31-12-2014
Beat Oberlin	Chairman of the EB	50	50	1216 (306)	1166 (356)
Daniel Brändlin	Member of the EB	35	30	141 (135)	106 (105)
Herbert Kumbartzki	Member of the EB	30	30	210 (140)	180 (136)
Simon Leumann	Member of the EB	30	30	161 (78)	131 (76)
Jean-Daniel Neuenschwander	Member of the EB	30	30	300 (176)	275 (196)
Kaspar Schweizer	Member of the EB	30	30	461 (166)	431 (216)
Total Executive Board		205	200	2489 (1001)	2289 (1085)

5 CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURE

In Switzerland, the new capital adequacy rules of the international Basel III framework entered into force on 1 January 2013, allowing for some transitional provisions. The present chapter shows the capital adequacy requirements for Basellandschaftliche Kantonalbank as detailed by the FINMA circular 08/22 margin number 3. The present quantitative and qualitative information refers to the annual financial statement of Basellandschaftliche Kantonalbank as per 31-12-2015.

At an equity capital ratio of 211.4%, Basellandschaftliche Kantonalbank clearly meets the current capital adequacy requirements of FINMA (minimum requirement 150% plus the required current anticyclical buffer) as well as those of the circular "Capital buffer and capital planning for banks" applicable since 1 July 2011. The reserves, which are above average, guarantee further growth of the bank in the dynamism of the economic area of north-western Switzerland, both for the customers and the canton.

Business activities of Basellandschaftliche Kantonalbank are closely tied to the economic region of north-western Switzerland. According to the Law on Kantonalbank of 24 June 2004, business in the remaining parts of Switzerland or abroad is only admissible, if there are no risks arising for the bank from these activities and money and credit needs of the canton of Basel-Landschaft are not impaired.

QUANTITATIVE INFORMATION

5.1 Representation of the eligible regulatory capital

The equity capital shown in the balance-sheet is identical with the eligible regulatory capital after taking account of the planned profit distribution. This is why the bank refrains from disclosing a transitional balance-sheet.

	31-12-2015 CHF 1000	31-12-2014 CHF 1000	Change CHF 1000	Change %
Common equity tier 1 capital (CET1)				
Issued, paid-in capital, fully eligible	160,000	160,000	0	0.00
Retained earnings, incl. reserves for general bank risks/retained earnings brought forward and net profit for the period	1,788,992	1,655,514	133,478	8.06
Total common equity tier 1 capital, before adjustments	1,948,992	1,815,514	133,478	7.35
Adjustments regarding common equity capital				
Net long positions in own CET1-instruments	-8,730	-10,081	1,351	-13.40
Further deductions	0	0	0	0.00
Total amount of CET1 adjustments	-8,730	-10,081	1,351	-13.40
Total tier 1 capital (net CET1)	1,940,262	1,805,432	134,830	7.47
Additional tier 1 capital (AT1)				
Issued and paid-in instruments, fully eligible	57,000	57,000	0	0.00
of which regulatory-capital instruments according to the financial statement	57,000	57,000	0	0.00
Total amount of additional tier 1 capital, before adjustments	57,000	57,000	0	0.00
Adjustments to the additional tier 1 capital				
Net long positions in own AT1 instruments	-1,107	-1,267	161	-12.69
Amount of AT1 adjustments	-1,107	-1,267	161	-12.69
Total additional tier 1 capital (AT1)	55,894	55,733	161	0.29
Total tier 1 capital	1,996,155	1,861,165	134,990	7.25
Total regulatory capital (net T1 & T2)	1,996,155	1,861,165	134,990	7.25
Amount of risk-weighted positions	10,394,591	9,773,193	621,398	6.36

5.1.1 Capital ratios according to Basel III

		31-12-2015	31-12-2014
Capital ratios			
Tier 1 capital ratio (net CET1)	in % of risk-weighted positions	18.67 %	18.47 %
Tier 1 capital ratio (net tier 1)	in % of risk-weighted positions	19.20 %	19.04 %
Regulatory capital ratio (net tier 1 and tier 2)	in % of risk-weighted positions	19.20 %	19.04 %
Requirements tier 1 capital (CET1) acc. to CAO transitional provisions (minimum requirements + equity buffer + anticyclical buffer)	in % of risk-weighted positions	5.59 %	5.04 %
– of which equity buffer acc. to CAO transitional provisions	in % of risk-weighted positions	0.00 %	0.00 %
– of which anticyclical buffer	in % of risk-weighted positions	1.09 %	1.04 %
Available tier 1 capital (CET1) to cover minimum and buffer requirements, after deduction of AT1 and AT2 requirements which are being fulfilled by CET1	in % of risk-weighted positions	14.47 %	14.27 %
Capital adequacy target (CET1) acc. to FINMA circular 11/2 plus anticyclical buffer	in % of risk-weighted positions	8.89 %	8.84 %
Available capital (CET1)	in % of risk-weighted positions	15.55 %	15.31 %
Capital adequacy target (tier 1) acc. to FINMA circular 11/2 plus anticyclical buffer	in % of risk-weighted positions	10.69 %	10.64 %
Available tier 1 capital	in % of risk-weighted positions	17.35 %	17.11 %
Regulatory capital target acc. to FINMA 11/2 plus anticyclical buffer	in % of risk-weighted positions	13.09 %	13.04 %
Available regulatory capital	in % of risk-weighted positions	19.20 %	19.04 %
Amounts below threshold values for deductions (before risk-weighting)			
Non-qualified participations in the financial sector	in CHF	34,214	38,562
Other qualified participations in the financial sector (capital CET1)	in CHF	0	0

Capital adequacy requirements

In order to calculate capital adequacy requirements for credit, market, and operational risks, banks, under Basel III, have an number of different approaches at their disposal.

Basellandschaftliche Kantonalbank uses:

- the International Standard Approach (SA-BIS) for credit risks (using external ratings by Standard & Poor's for their own securities in the trading and banking book as well as for the inter-bank business)
- the Standardized Approach to Market Risk for calculating the required capital for market risks
- the Basic Indicator Approach as a basis for the required capital for operational risks

5.2 Presentation of the required capital

	Approach used	Minimum capital requirement 31-12-2015 CHF 1000	Approach used	Minimum capital requirement 31-12-2014 CHF 1000	Change CHF 1000	Change %
Credit risk	SA-BIS	763,756	SA-BIS	714,037	49,718	6.96
– of which rate risk regarding equity instruments in the bank book		8,150		9,937	–1,787	–17.99
Non-counterparty-related risks		11,304		11,980	–676	–5.65
Market risk	Standard Approach	3,059	Standard Approach	2,938	120	4.09
– of which on interest rate instruments ¹⁾		430		157	273	173.41
– of which on equity instruments		130		176	–46	–25.97
– of which on foreign exchange and precious metals		2,401		2,375	26	1.10
– of which on commodities		98		231	–133	–57.58
Operational risk	Basic indicator approach	53,449	Basic indicator approach	52,899	550	1.04
Total capital requirements		831,567		781,855	49,712	6.36

¹⁾ General and specific market risk.

Credit commitments

In the following, credit commitments record all on-balance-sheet claims which entail the risk of a loss caused by a counterparty not meeting its contractually agreed-upon obligation. Liquid funds, non-counterparty-related assets, and credit commitments of a participating nature are not recognised. Off-balance-sheet credit commitments comprise contingent liabilities, irrevocable commitments, liabilities for calls on shares and other equity, and confirmed credits. Fiduciary transactions, however, are not part of this category.

5.3 Credit risk/by groups of counterparties as per 31-12-2015

	Central governments/ Central banks CHF 1000	Other bodies governed by public law CHF 1000	Banks CHF 1000	Companies CHF 1000	Private customers and Retail (SME/others) CHF 1000	Equity instruments CHF 1000	Other positions CHF 1000	Total CHF 1000
Balance sheet/Receivables								
Liquid funds	2,546,972						83,661	2,630,633
Due from banks			306,636					306,636
Due from securities financing transactions			20,020					20,020
Due from customers		159,176		824,707	440,703		8,358	1,432,945
Mortgage loans		60,748		773,209	16,236,220			17,070,177
Financial investments/debt securities/ securities without securitisation transactions	135,981	559,459	101,864	607,760		83,996	8,167	1,497,228
Other assets	3,081	6,452	6,055	6,078	10,201		30,331	62,197
Positive replacement values after inclusion of netting contracts		7,680	272	2,002	1,053			11,006
Total as per 31-12-2015	2,686,034	785,835	414,555	2,211,754	16,687,124	83,996	130,517	22,999,816
Previous year	1,176,088	955,800	766,864	2,088,607	16,349,221	102,175	148,181	21,586,936
Off-balance-sheet ¹⁾								
Contingent liabilities		1,000		30,610	54,828			86,438
Confirmed credits								0
Irrevocable commitments		39,702			53,433			93,135
Calls on shares and other equities				42,995				42,995
Derivative instruments (Add-ons)		400	28,458	1,642	969			31,468
Total as per 31-12-2015	0	41,102	28,458	75,246	109,229	0	0	254,036
Previous year	0	40,969	33,430	72,080	104,479	0	0	250,958

¹⁾ Off-balance sheet positions were converted into credit equivalents.

5.4 Credit risk/risk mitigation as per 31-12-2015

Banks may reduce their capital requirements for credit risks by including securities. FINMA particularly recognises securities, guarantees, and mortgage-backed securities as collateral for the mitigation of credit risks. BLKB takes into account possible securities for its capital requirements.

Exposures/default risks	Covered by recognised financial securities ¹⁾ CHF 1000	Covered by guarantees and credit derivatives ¹⁾ CHF 1000	Mortgage-backed securities CHF 1000	Other exposures ¹⁾ CHF 1000	Not covered ¹⁾ CHF 1000	Total CHF 1000
Balance sheet/Receivables						
Liquid funds					2,630,633	2,630,633
Due from banks		106,700			199,936	306,636
Due from securities financing transactions	20,020					20,020
Due from customers	19,101	166,453	297,366		950,024	1,432,945
Mortgage loans	10,582	30,086	16,517,941		511,569	17,070,177
Financial investments/debt securities/ securities without securitisation transactions					1,497,228	1,497,228
Other assets	447	9,061	393		52,297	62,197
Positive replacement values after inclusion of netting contracts					11,006	11,006
Derivative instruments						0
Total as per 31-12-2015	30,130	312,299	16,815,699	0	5,841,687	22,999,816
Previous year	590,701	236,869	15,365,355	629,527	4,764,483	21,586,935
Off-balance sheet ²⁾						
Contingent liabilities	2,860		6,553		77,025	86,438
Confirmed credits						0
Irrevocable commitments			18,590		74,544	93,135
Calls on shares and other equities					42,995	42,995
Derivative instruments (Add-ons)		20,323			11,146	31,468
Total as per 31-12-2015	2,860	20,323	25,144	0	205,709	254,036
Previous year	3,437	24,036	37,008	2,770	183,707	250,958

¹⁾ In the comprehensive approach, the position is netted against the collateralised portion of the position. The net position remains in its original position category.

²⁾ Off-balance sheet positions were converted into credit equivalents.

5.5 Segmentation of credit risks as per 31-12-2015

Credit commitments	Supervisory risk weighting categories ¹⁾							
	0% CHF 1000	20% CHF 1000	35% CHF 1000	50% CHF 1000	75% CHF 1000	100% CHF 1000	150% CHF 1000	Total CHF 1000
Balance sheet / Receivables								
Liquid funds	2,630,633							2,630,633
Due from banks		304,898					1,738	306,636
Due from securities financing transactions		1,644						1,644
Due from customers		165,602	104,642	126,072	55,881	945,562	7,727	1,405,486
Mortgage loans		302	14,003,148	84,648	928,757	2,035,879	977	17,053,711
Financial investment/debt securities/ securities without securitisation transactions	202,029	1,110,790		95,001		53,659	35,748	1,497,228
Other assets	4,290	11,856	127	33	57	45,807	27	62,197
Positive replacement values after netting				7,951	873	2,182		11,006
Derivative instruments								0
Total as per 31-12-2015	2,836,953	1,593,448	14,107,918	305,753	984,695	3,082,645	44,479	22,955,890
Previous year	1,331,123	1,691,344	12,978,564	473,725	907,680	2,850,869	52,523	20,285,828
Off-balance sheet²⁾								
Contingent liabilities	2,860		890	1,000	890	71,239		76,879
Confirmed credits								0
Irrevocable commitments		39,702	13,223		21,656	18,554		93,135
Calls on shares and other equities						42,995		42,995
Derivative instruments (Add-ons)		20,465		8,393	516	2,094		31,468
Total as per 31-12-2015	2,860	60,167	14,113	9,393	23,062	134,882	0	244,476
Previous year	6,207	63,683	27,645	10,716	1,358	141,349	0	250,958

¹⁾ In the comprehensive approach, the position is netted against the collateralised portion of the position. The net position remains in its original position category.

²⁾ Off-balance sheet positions were converted into credit equivalents.

5.6 Risk weighted positions as per 31-12-2015, determined on the basis of external ratings

Credit commitments		Risk weighted positions ¹⁾					Total CHF 1000
		0% CHF 1000	20% CHF 1000	50% CHF 1000	100% CHF 1000	150% CHF 1000	
Counterparty:							
Central governments and central banks	Standard & Poor's	40,688	19,530				60,218
	without rating	78,844					78,844
Other public-law corporations	Standard & Poor's	77,682	301,269	99,932			478,883
	without rating	8,661	115,169	191,105	1,098		316,032
Banks and securities dealers	Standard & Poor's		424,263	6,697			430,960
	without rating		126,893	1,405			128,298
Companies	Standard & Poor's		60,573		23,698	5,464	89,735
	without rating		583,126		1,534,556	156	2,117,838
Total as per 31-12-2015		205,875	1,630,823	299,139	1,559,352	5,620	3,700,808
Previous year		238,119	1,878,351	467,981	1,398,551	6,311	3,989,313

¹⁾ In the comprehensive approach, the position is netted against the collateralised portion of the position. The net position remains in its original position category. Off-balance sheet positions were converted into credit equivalents.

5.7 Disclosure of the leverage ratio

a) Comparison of the balance-sheet assets with the overall commitments for the leverage ratio

	31-12-2015 CHF 1000
Subject	
Amount of assets acc. to the published accounting	23,178,427
Adjustments regarding acquisition of derivative instruments	31,468
Adjustments regarding off-balance sheet transactions (conversion of off-balance sheet transactions into credit equivalents)	222,567
Overall commitments for the leverage ratio	23,432,463

b) Detailed representation of the leverage ratio

		31-12-2015 CHF 1000
	Subject	
	Balance positions	
	Balance sheet positions (without derivative instruments and SFT but incl. collateral)	23,147,402
	Amount of balance sheet positions within the leverage ratio without derivative instruments and SFT	23,147,402
	Derivative instruments	
	Positive replacement value regarding all derivative transactions incl. those vis-à-vis CCPs taking into account received margin payments and netting contracts	11,006
	Safety margins (Add-ons) for all derivative instruments	31,468
	Total commitments from derivative instruments	42,474
	Securities financing transactions (SFT)	
	SFT-related gross assets without set-off (except with a novation of a QCCP incl. those which were registered as sales)	20,020
	Total commitments from securities financing transactions	20,020
	Other off-balance sheet positions	
	Off-balance sheet transactions as gross nominal values before application of credit conversion factors	448,182
	Adjustments regarding conversion into credit equivalents	-225,614
	Total off-balance sheet positions	222,567
	Eligible capital and total exposure	
	Tier 1 capital	1,996,155
	Total exposure	23,432,463
	Leverage ratio	8.5%

5.8 Information on the Liquidity Coverage Ratio (LCR)

Subject	4 th quarter 2015 CHF 1000		3 rd quarter 2015 CHF 1000		2 nd quarter 2015 CHF 1000		1 st quarter 2015 CHF 1000	
	unweighted values	weighted values	unweighted values	weighted values	unweighted values	weighted values	unweighted values	weighted values
A. High quality liquid assets (HQLA)								
Total high quality liquid assets (HQLA)	–	3,162,538	–	3,009,982	–	2,928,421	–	2,498,161
B. Cash outflows								
Deposits by private customers	11,731,394	935,798	11,671,984	937,923	11,524,192	926,729	11,482,284	965,393
– of which stable deposits	5,528,907	276,445	5,505,151	275,258	5,450,386	272,519	4,223,762	211,188
– of which less stable deposits	6,125,191	659,353	6,135,089	662,666	6,060,113	654,210	7,082,794	754,205
Unsecured financial resources provided by business customers or by major clients	3,217,414	1,815,031	3,226,677	1,827,127	3,386,788	1,893,044	3,570,882	1,939,352
– of which operative deposits (all counterparties) and deposits with the central institute of members of a financial network								
– of which non-operative deposits (all counterparties)	3,215,907	1,813,524	3,225,261	1,825,710	3,384,233	1,890,489	3,566,763	1,935,233
– of which unsecured debt securities	1,507	1,507	1,417	1,417	2,555	2,555	4,119	4,119
Secured financing by business customers or by major clients and securities swaps	–	–	–	180,069	–	78,358	–	–
Further cash outflows	1,415,825	307,620	1,259,787	291,747	1,255,825	304,980	1,273,235	278,386
– of which derivative transactions or other transactions-related cash outflows	422,280	133,990	306,840	115,239	242,799	100,818	220,927	80,600
– of which cash outflows from the loss of financing opportunities with asset-backed securities, covered debt securities, other structured financing instruments, asset-backed money market instruments, special purpose entities, securities financing vehicles and similar financing facilities					23,333	23,333	8,667	8,667
– of which cash outflows from confirmed credit and liquidity facilities	993,545	173,631	952,947	176,509	989,693	180,829	1,043,642	189,119
other contractual commitments for providing funds	46,244	44,054	21,364	19,660	18,040	16,709	14,286	–48

Other contingent liabilities for providing funds	179,618	8,981	176,096	8,805	159,650	7,982	145,736	7,287
Total of cash outflows	-	3,111,484	-	3,265,332	-	3,227,803	-	3,190,369
C. Cash inflows								
Secured financing transactions (e.g. reverse-repurchase transactions)			35,819	29,370	30,658	21,304	99,527	99,527
Inflows from fully recoverable receivables	92,807	90,565	146,775	145,038	449,979	119,304	664,206	232,700
Other cash inflows	9,646	9,646	1,680	1,680	4,381	4,381	2,603	2,603
Total of cash inflows	102,453	100,210	184,274	176,088	485,018	144,989	766,336	334,830
Adjusted values								
Total high quality liquid assets (HQLA)	-	3,162,538	-	3,009,982	-	2,928,421	-	2,498,161
Total net cash outflows	-	3,011,273	-	3,089,244	-	3,082,814	-	2,855,539
Liquidity Coverage Ratio LCR (in %)	-	105.02%	-	97.43%	-	94.99%	-	87.48%

Interest rate risks balance sheet structure

The new ordinance on capital adequacy continues to recognise the internal systems of banks as the main instrument of measuring the interest rate risk in the banking book.

Controlling of interest rate risks is done by the Risk Management Committee (RMC) which, in general, convenes once a month. The RMC evaluates the income situation by means of the interest rate margin and the income effect. It evaluates the risk situation by means of sensitivity key figures. Apart from considerations related to the reference date, evaluation of the interest rate risk is completed by dynamic simulations and stress tests. The Bankrat (Board of Directors) defines the maximum risk the bank has to bear. The Bankrat is informed on a monthly basis of the development at the money and capital markets, and of the balance sheet structure and the inherent interest rate risks.

On 31 December 2015, sensitivity of the equity capital was 4.88%, at a parallel shift of the rate curve by 100 basis points. Sensitivity of the equity capital is completed by maturity-related sensitivity key figures (key rate duration). The Key Rate Duration measures the sensitivity of the equity capital against the shift of the rate curve in any given maturity margin. Controlling of the Key Rate Duration in the relevant maturities is done by targeted refinancing contracts, structuring of conditions, and derivative financial instruments (interest rate swaps).

The interest rate risks are appropriate in relation to the cash value of the equity capital. In the current low-interest-rate environment, fixed-rate mortgages of multi-annual duration are very much in demand thus increasing the average duration of interest-bearing assets. Basellandschaftliche Kantonalbank fulfilled its obligation as a safe haven for institutional investors. The measures taken to control the balance sheet were an answer to the clients' behaviour and resulted in a stable sensitivity in the equity capital throughout the year. Investing our equity capital evenly over a period of ten years is a means of securing the interest income in the long term and at the same time reducing volatility.

Contract volume of credit derivatives in the banking book

There are no credit derivatives in the banking book.

QUALITATIVE INFORMATION

Participations and scope of consolidation

Basellandschaftliche Kantonalbank is not subject to any obligation to consolidate, neither regarding capital adequacy nor as far as accounting goes. As per 31 December 2015, the book value of their participations is CHF 34.214 m and comprises mainly participations in financial service providers and joint operations for banks.

Eligible and required equity capital

Paid-in capital of Basellandschaftliche Kantonalbank consists of the endowment capital and the certificate capital. On 31 December 2015, it amounted to CHF 217 m, unchanged compared to the previous year. Basellandschaftliche Kantonalbank does not engage in the use of innovative, hybrid, and subordinate instruments as they are defined in the CAO by the legislator.

The paid-in capital in the form of the endowment capital is put at disposal in its entirety by the canton of Basel-Landschaft. The amount remains unchanged at CHF 160 m. Apart from that, there is the certificate capital as stipulated by the Landrat on 22 May 2008, of CHF 57 m, unchanged from the previous year. The bank's paid-in capital is based on art. 5 of the cantonal law on Kantonalbank and the decree on the determination of certificate and endowment capital of Basellandschaftliche Kantonalbank.

The most important characteristics of issued regulatory instruments of equity capital can be retrieved from our homepage www.blkb.ch.

Credit risk

Managing of credit risks is crucial for the overall situation of a bank. Basellandschaftliche Kantonalbank considers its direct lending business (on-balance and off-balance sheet) and therefore the risk management of default and credit risks as their core competency.

The principles regarding default and credit risks are laid down in the bank's risk policy and the relevant instructions. There is a hierarchy of responsibilities and a number of instructions issued by the Executive Board in order to check and approve credits (including the assessment of creditworthiness and the evaluation of collateral) for the level of individual loans. These instructions help to recognise, assess, and limit credit risks.

In order to assess the credit risk we apply a rating procedure taking into account the credit sum and the counterparty. Analysis of the creditworthiness of commercial customers is based on the rating system CreditMaster by RSN (Risk Solution Network AG). RSN AG is a cooperation of 20 licensed banks with an aggregate total assets of CHF 200,000m with the aim of building a common data pool.

Basellandschaftliche Kantonalbank uses the rating tools "Corporate Model" and "Immobilien-gesellschaften". This first evaluation, based on qualitative and quantitative factors, is completed by the expert knowledge contributed by loan specialists. All those corporate customers who were rated by means of the rating system CreditMaster are being divided into ten different rating categories, according to the creditworthiness established by the bank. This shows the risk diversification over the whole credit portfolio and builds the basis for an adjusted pricing and provisions policy.

The bank calculates large exposures in line with the regulations of the Capital Adequacy Ordinance (CAO). Additionally, the readiness to assume risks is restrained by the bank setting internal counterparty-limits for the maximum commitment per individual transaction or per customer (group). Calculation of the required capital for credit risks is done according to the International Standard Approach (SA-BIS). Calculation of the credit equivalent for derivatives is done according to the method of market value; the simplified approach is applied for the eligibility of collateral. Further explanations on credit and default risks are detailed in this report on page 44.

Market risk

Capital adequacy requirements for market risks are calculated by means of the standardized Market Risk Approach. The trading book is monitored daily while there are sub-limits for securities, foreign exchange and precious metals. The overall limits for risks in the banking and trading books are submitted to the Bankrat annually for their approval. Procedures and organisation of the risk management in the trading and banking books are regulated in the risk policy and internal rules and instructions. Risks in the individual risk categories are measured on the basis of appropriate methods and are monitored by means of limiting systems. These are reported on a daily or weekly basis to the appropriate levels of the management and information systems of the bank. Once a month, the bank establishes a comprehensive trading report for the attention of the Executive Board. BLKB publishes additional

qualitative information on market risks in general and on the risks of interest rate changes in particular on page 44 of this report.

Operational risk

The bank applies the basic indicator approach (BIA) for their capital adequacy requirements for operational risks. Operational risks are limited by means of internal instructions regarding organisation and control. A security committee coordinates the individual areas and sets priorities. As a part of their duties, internal auditing checks the internal control system and reports its findings. A panel built for this purpose monitors compliance with regulations and authorises IT access rights to the individual employees in order to minimise operational risks. The implementation of the integral set of rules, ensuring on an on-going basis that instructions and processes are correct and up-to-date, contributes significantly to an effective control environment. The visual representation of the integral set of rules is supported by tools and enables the bank to have a systematic risk and control assessment process.

Leverage ratio

The unweighted equity ratio (leverage ratio) divides the eligible tier 1 capital by the total exposure. On 31 December 2015, the total exposure, for calculating the leverage ratio, consists of the balance sheet positions, the derivatives, securities financing transactions and the off-balance sheet positions, and amounts to CHF 23,531 m. At an eligible tier 1 capital of CHF 1,996.2 m, this amounts to a leverage ratio of 8.5% on 31 December 2015.

On 31 December 2015, the amount of assets according to the published accounting differs from the relevant balance sheet positions (without derivatives and securities financing transactions) by the positive replacement values.

Ratio for short-term liquidity (LCR)

With effect of 1 January 2015, banks are obliged to meet the new regulatory requirements regarding the liquidity coverage ratio (LCR). The LCR is designed to ensure that banks hold enough high quality liquid assets (HQLA) to be able to cover at any time the net cash outflow which, according to a stress scenario defined by assumed in- and outflows, is to be expected over a period of 30 days.

Material influencing factors and changes within the reporting period

The liquidity coverage ratio of BLKB increased in the 4th quarter 2015 by 17.54 percentage points compared with the 1st

quarter of 2015. The evolution of the LCR in the course of the reporting period has been decisively marked by the increase of liquid funds by means of refinancing at the capital market. In order to supplement the reduction of deposits at risk for outflows, the bank switched staggered sight deposits into time deposits. The required LCR of 60% was reached at any time of the year 2015.

Breakdown of high quality liquid assets

Approximately 55% of HQLAs consist of liquid funds. The remaining assets comprise, at equal parts, level-1 and level-2 assets from the balance sheet item "Financial investments".

Derivative positions

In order to calculate currency in- and outflows from derivative positions, BLKB takes into account all the expected contractual cash flows from derivatives on a net basis. Net cash in- and outflows from derivatives have had little or no impact on the change of the LCR.

Concentration of financing sources

BLKB proactively avoids concentrations in the refinancing structure. This is why there are no accumulations, neither in maturity structure nor in refinancing sources.

Liquidity management

Liquidity management is centrally controlled by the Risk Office.

Report of the statutory auditor on the financial statements



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

Basellandschaftliche Kantonalbank, Liestal

Basle, 24 February 2016

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 38 to 92), for the year ended 31 December 2015.

Board of Directors' responsibility

The Bankrat (Board of Directors) is responsible for the preparation of the financial statements in accordance with the legal requirements and the valuation principles as set out in the notes. 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 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss banking law and comply with the legal requirements.




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 paragraph 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 company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Patrick Schwaller
Licensed audit expert
(Auditor in charge)



Pascal Berli
Licensed audit expert

