



Safe and Fit into the Future.

Annual report 2016.

At a glance

	2016 CHF m	2015 CHF m	2014 CHF m
Balance sheet			
Balance sheet total	23 689,5	23 178,4	21 492,0
Mortgage loans	17 556,8	17 070,2	16 611,2
Due to customers in savings and deposits	15 729,8	15 442,8	15 256,6
Income statement			
Business income	368,3	371,7	354,0
Operating performance	183,4	191,2	175,7
Annual net profit	133,6	130,4	115,8
Dividends on certificate capital	20,0	20,0	19,4
Profit distribution to the canton (incl. interest on endowment capital)	56,0	56,0	45,5
Further details			
Personnel (average of fulltime equivalents)	657	639	650
Number of branches	24	24	24
Assets under management	19 072	18 599	19 625
Average interest margin	1,405%	1,396%	1,310%
Return on equity	9,52%	11,04%	9,03%
Cost-income ratio I	44,04%	42,38%	44,15%
Cost-income ratio II	50,20%	48,56%	50,35%
Kantonalbank Certificate			
Year-end share price (in CHF)	900.00	889.00	895.50
Nominal value (in CHF)	100.00	100.00	100.00
Dividend per certificate (in CHF)	35.00	35.00	34.00
Market capitalisation ¹⁾	1 953,0	1 929,1	1 943,2

¹⁾ Certificate and endowment capital

Highlights 2016.

183 441 987

Business performance.

In 2016, BLKB achieved a very solid operating performance of CHF 183.4m.

44.0%

Cost-income ratio.

As in the past years, the cost-income ratio of 44 per cent represents again a very good value, also in cross-comparisons. At the same time, BLKB keeps investing in the future. The ratio still lies at the lower end of the targeted range of 40 to 50 per cent allowing for a more than average build-up of the reserves which, in turn, is essential for the bank's risk-bearing capacity.

83.2%

Refinancing ratio.

BLKB is able to refinance 83.2 per cent of its loans by customer deposits. In 2016, our customers entrusted us with deposits of CHF 15.7 billion (+1.9%).

218.2%

Equity capital ratio.

The equity capital ratio is at 218.2 per cent thus contributing to a steadily growing risk buffer. BLKB is among the most solidly financed banks in Switzerland.

9.5%

Return on equity.

In spite of the very high equity capital ratio, return on equity of 9.5 per cent is distinctly higher than our target of 10-year-swap plus 3%.



60.0 m

Dividend paid to bearers of certificates.

In comparison to the previous year, the ordinary dividend payment has increased slightly to CHF 60.0m. Dividend payment on certificates remains unchanged at CHF 35.

247.6 m

Customer assets invested in "BLKB Next Generation".

In April 2016, BLKB launched its own sustainable strategy funds. By year-end, customers had invested a total of CHF 247.6m in these two funds which comply with BLKB requirements concerning ecology, social matters, and Corporate Governance.

99%

A highly recommended bank.

A survey on employee satisfaction was carried out with 94 per cent of the employees. 99 per cent of those surveyed recommended BLKB as an employer. This goes to prove that BLKB enjoys a lot of trust and that its employees identify with the bank's values and philosophy.

Transition of power

A new CEO.

The Board of directors planned the succession to the CEO well in advance in order to ensure stability and continuity at the operative helm of BLKB. With effect of 1 January 2017, Beat Oberlin handed control of the bank over to John Häfelfinger.



Advisory services in asset management.

BLKB launches four different offers for its customers with a securities account. Thereby, the bank enhances the profile of its asset management. The offers differ in terms of intensity regarding advice and portfolio monitoring, the scope of investment components offered, and price structure.

Always well on our way.

Dear owners, clients, and employees

The aftermaths of Brexit and the US presidential elections did not exactly make for a tranquil end of the year 2016. Ground-breaking decisions from the past year will have their impact on the current year. In this environment, Basellandschaftliche Kantonalbank achieved another favourable result in 2016 and will maintain its focus on reliability and continuity.

«BLKB enjoys the trust of its customers, owners, and employees alike which provides all the necessary conditions to go on being successful.»

Last year, profitability of BLKB was high again and proved convincingly that an actively sustainable business model satisfies all stakeholder groups – owners, clients, and employees alike. We have shaped up for the future in quite a number of areas. BLKB is pushing ahead with its realignment, initiated four years ago, by applying a digitalisation strategy developed in the past year.

Our goal is to advance BLKB's business model and to make the requested investments in order to ensure tomorrow's earnings and to meet the new customer requests. Our main focus will be to identify the best courses of action provided by digitalisation. Implementing them successfully is beneficial for us as a bank and for our customers. We also developed a new strategy in the investment business in order to enhance our profile in these matters, win market shares, and increase profitability. Finally, we planned the succession of the CEO a long time ahead and implemented it as per the beginning of the year 2017. In this way, the Bankrat made sure that stability and continuity at the operative helm of the bank is guaranteed.

BLKB enjoys the trust of its customers, owners, and employees which provides all the necessary conditions to go on being successful. Thanks to its excellent capital structure, its low risk profile, and the resulting low capital costs, BLKB will continue to be a reliable partner for its customers even in times of a chequered economy.

We would like to extend our heartfelt thanks to our customers, owners, and employees for their valuable support in the past year.



Elisabeth Schirmer-Mosset
Chairwoman of the Board
of Directors



John Häfelfinger
Chairman of the
Executive Board
as of 1-1-17



Dr. Beat Oberlin
Chairman of the
Executive Board
up to 31-12-16



Dr. Beat Oberlin Chairman of the Executive Board, Elisabeth Schirmer-Mosset Chairwoman of the Board of Directors, John Häfelfinger Chairman of the Executive Board

Thank you Dr. Beat Oberlin

In January 2015, Dr. Beat Oberlin decided to go into retirement with effect of 30 April 2017, and to put his office at disposal at the assembly of the bearers of BLKB-certificates in April 2017. He was chairman until 31 December 2016 and is therefore responsible for the whole business year of 2016.

In the course of the past 12 years, Dr. Beat Oberlin has had a decisive influence on BLKB. He did excellent work for the bank and navigated successfully and sustainably through rough waters. Under his control and guidance, BLKB has grown continually and is, today, among the most secure and efficient banks of Switzerland.

Thanks to his vision, the bank is exceptionally well positioned in terms of strategy and operation. The Bankrat, the Executive Board, and the employees are greatly indebted to him for his performance and his commitment.

Welcome John Häfelfinger

The Bankrat elected John Häfelfinger the new chairman of the Executive Board as per 1 January 2017. John Häfelfinger is a committed manager with excellent qualifications and a convincing track record in the banking business. We are confident that BLKB will profit enormously from his knowhow, his leadership skills, and his long-time experience so that BLKB may proceed along its successful course. His career to date comprises all front office jobs in the banking business.

John Häfelfinger has extensive knowledge of complex financing questions in international corporate banking as well as in Swiss corporate customer business. His last position with a major bank was head of Corporate & Specialty Lending and deputy head of Corporate & Institutional Clients. He is firmly anchored in our region and feels very much at home in the Baselbiet.

We cordially welcome John Häfelfinger at BLKB and are looking forward to joining forces with him.



Elisabeth Schirmer-Mosset

Chairwoman of the Board of Directors

Situation report.

In spite of a demanding environment we are able to post a good result. BLKB is fit and steadfastly on its way into the future.

Safe and fit into the future.

In 2016, the annual profit of Basellandschaftliche Kantonalbank (BLKB) increased slightly by 2.4 per cent to CHF 133.6m. The bank achieved a very good result with an operating performance of CHF 183.4m. This corresponds to a decline by 4.1 per cent compared to the previous year.

The ordinary dividend payment to the canton of Basel-Landschaft went up slightly to CHF 60.0m compared to the previous year. Dividend payment on the certificates at CHF 35 remains the same. Business income suffered a slight decrease by 0.9 per cent to CHF 368.3m. The driving forces were the net income from interest-related business of CHF 285.0m (+1.1%) and the trading income of CHF 17.6m (-3.7%). The commission business at CHF 57.4m (-7.8%) remains a key source of revenue. The considerable result from the interest-related business was, however, not quite sufficient to compensate for the slight decrease in the income from the commission and trading business, in comparison to the previous year. The operational expenses went up by 3.0 per cent to 162.2m and were determined by investments into the future.

The cost-income ratio is at 44.0 per cent, an increase of 1.6 percentage points compared to the previous year. The ratio still lies at the lower end of the targeted range of 40 to 50 per cent. Return on equity of 9.5 per cent is distinctly higher than our target of the 10-year swap + 3%. The equity capital ratio lies at an outstanding 218.2 per cent. The equity capital was strengthened by CHF 116m.

Continuing strong trust in BLKB

The inflow of net new money amounted to CHF 553.7m (+116.3%) and is broadly supported. This is ample proof of BLKB's competence and the high trust it enjoys by its customers. At the same time, the taxed-assets strategy is being consistently implemented. Liabilities from customer deposits increased to a total of CHF 15.7 billion (+1.9%). Customer assets amount to

CHF 19.1 billion of which 3.1 billion under asset management contracts. In comparison to the previous year, assets under management contracts gained slightly by CHF 93.8m (3.2%). The asset management geared towards sustainability is highly appreciated by our customers. The lending business was largely refinanced by customer deposits. The refinancing ratio remained stable at 83.2 per cent.

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

BLKB increased its mortgages moderately to CHF 17.6 billion (+2.9%). CHF 862.4m thereof are attributed to e-mortgages (+21.2%).

Credit limits to corporate customers went up by CHF 47.3m to a total of CHF 5.0 billion. In 2016 therefore, BLKB contributed considerably to the economy of the north-western region of Switzerland.

The quality and creditworthiness of our operations with customers is reflected in the building of value adjustments amounting to CHF 3.8m.

Growth in the interest-related business

At an amount of CHF 285.0m, income from the interest-related business is above the previous year's (+1.1%). As in the past year, the key contributor to this income was the continually disciplined long-term strategy of managing the balance sheet.

Slight decline in the commission business

Income from the commission business went down to CHF 57.4m (-7.8%). The reason in particular is the decline in earnings from the securities and investment business.

Reassuring stabilisation in the trading business

Income from the trading business went down to CHF 17.6m (-3.7%) caused by difficult economic conditions.

Other ordinary income

The other ordinary income dropped to CHF 8.4m. This decline was mainly due to the fact that several positive special effects we had recorded the year before, were absent last year.

Fit for the future thanks to cost awareness and investments

In 2016, BLKB continued to handle its costs carefully. At the same time, the bank made investments in the future. Operating expenses in general went up to CHF 162.2m (+3.0%). Other operating expenses rose to CHF 59.7m (+3.6%) because of the on-going modernisation of the infrastructure and the digital development. They include in particular the expansion of our Internet presence, the offer of Twint, the partnership with True Wealth and the launch of KMUcash in cooperation with Advanon as a part of our strategy of digitalisation. Personnel expenses increased to CHF 102.5m (+2.6%). In comparison with 2016, the number of full-time job equivalents increased by 18 to 657 (+2.8%).

Stability and continuity at the operative helm

The Bankrat ensured stability and continuity at the bank's operative helm by electing John Häfelfinger to the position of the new CEO. John Häfelfinger took up this position on 1 January 2017. He is succeeding Dr. Beat Oberlin who was still responsible for the whole business year of 2016. After the assembly of bearers of BLKB certificates in April 2017, he will retire from his job.

Euro crisis and negative interest rates

A joint survey of BLKB and BAKBASEL carried out in spring of last year, went to prove that the economic situation in the canton of Basel-Landschaft was better than originally feared.

However, euro weakness still placed an existential burden on some companies. The survey showed that three quarters of the strongly export-oriented companies had to take measures to brave the consequences brought about by the appreciation of the Swiss franc. Almost half of all businesses surveyed were planning further measures to counter the effects of the euro weakness. It is our core competence to put financial means at the disposal of businesses in the region to enable them to manage their company successfully. Thanks to our high equity buffer, we are able to continue to fulfil our performance mandate, even in a demanding environment.

Balances on giro accounts of all commercial banks with the National Bank are still distinctly higher than the cumulated exemption. This is why, for the time being, additional money may not 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 for our private customers as long as possible because this would undermine our business model. Private customers are paid interest, even though the amounts are minimal. Large sums from institutional and corporate customers are evaluated individually, taking into account the complete customer relation before we decide on the pricing. This is where negative interest rates are applied. New customers who just want to park volatile funds with BLKB without any intention of future business are subject to negative interest rates.

Consistent development of our business model

How to improve exploitation of our potential was a decisive thought at the beginning of the bank's realignment efforts four years ago. Our goal was to adapt to customer behaviour, to profit from partnerships, to consistently put different points of contact into a network, and to make better use of synergies. In 2016, we furthered this realignment by focusing on digitalisation and on the investment business.

Fit for the future with our strategy of digitalisation

The newly implemented strategy of digitalisation is essential in developing our business in a sustainable way which is what the owners of our bank expect us to do. We want to advance our business model, make the necessary investments in order to secure tomorrow's income and meet the new customer requests. In practice, this means adapting our products and services to the customer behaviour which has definitely changed. The notion behind this is to extend the existing scope of services to customers who are highly attracted by digital appliances and at the same time make use of novel business opportunities.

In April therefore, we introduced Twint, a solution for smartphone payments for our private and corporate customers. We intend to position our bank as a competent and visible partner for mobile payments. Of course, we carefully watch further developments.

In June we expanded our Internet presence by "Meine BLKB". The online portal provides the basis for a new kind of e-banking and a new mobile app. The new e-banking, in turn, provides the basis for the digital development of the bank. This means that new digital services may be integrated for the benefit of our customers.

In August, we embarked on a strategic partnership with True Wealth, Switzerland's foremost company for online asset management in order to expand our offer for investment customers with a strong penchant for digital services. BLKB participates in True Wealth as a minority shareholder and is represented in the board of directors. Beginning of October, we launched the online market place KMUcash for enterprises, a joint venture with the Fintech Startup Advanon which provides pre-financing of outstanding customer invoices.

These projects fulfil pledges we made in 2015 of consistently promoting business channels and business opportunities opened up to us by digitalisation.

We also invested in our online reputation. Our blog is the centrepiece of our social media strategy and was reorganised in terms of appearance and contents. Internal and external experts pass their professional knowledge on to the community thus enhancing the way BLKB is perceived in the digital world.

Fit for the future with the strategy in the investment business

BLKB developed a new strategy and several measures in order to make better use of its potential in the investment business. Our goals are to enhance the bank's expertise and profile in the investment business, to gain market shares and increase profitability.

There are four offers of advisory services to lend support to our customers in implementing their personal investment strategy, on the basis of their individual life situations and their plans for the future. Taking these factors into account, we work out the customer's individual situation by using a digitally supported, well-structured advisory process. On the credit side, there are the customer's assets. On the liabilities side, there are the customer's individual wishes, needs, and liabilities. In consideration of the customer's risk profile, we recommend an investment strategy. This procedure improves transparency in investment advice and increases customer protection as required by the new Financial Services Act (FIDLEG).

Fit for the future with the help of long-term healthy clients

The current interest environment is still hostile to saving. Our advice comprises both sides of our customers' balance sheet. On the one hand, there is the development of income and assets across the different life stages. On the other hand, there are the liabilities and subsequent expenses, and the capability of

servicing loans, also across the different life stages. This is why we recommend our clients to think about the possibility of reducing their mortgage loans. We do not recommend an easing of loan approvals. In fact, we are convinced that only healthy customers can be long-term customers. This approach is characteristic of our credit and risk policy. The quality of loans is at the centre of our attention which is reflected by the low volume of value adjustments and provisions for default risks.

Fit for the future due to a strong capital base

Until now, we were able to continually strengthen our capital base thanks to good yearly results. In the future we will continue to do so because it is part of BLKB's and the owner's strategy. In accordance with the Cantonal Law on Kantonbank, one of the bank's main tasks 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 oiling the wheels of the local economy because this is our bank's long-term task, even more so in such unpredictable times as these.

Fit for the future owing to local proximity

The branch as a meeting and consulting place with customers plays an important role for BLKB. The bank relies on this distribution channel. In future, we will again offer the biggest network of branches in the canton. Incidentally, the "Baselbiet" has the

second lowest concentration of banks and bank agencies in the whole of Switzerland.

Customers' needs are changing constantly. We prepare for that and adapt our sales points in terms of appearance and offers accordingly. The significance of cash transactions at the counter is fading whereas the customers' experience of advice and brands as offered by the branches gains in importance.

Analyses of customer behaviour show that the diversity of contact – starting from the branch to the self-service at the mobile bank – is very important to our clients. They expect to be able to get in touch with us by means of various channels so as to get their request dealt with.

Fit for the future thanks to sustainability

Sustainability is one of BLKB's central basic values and integral part of our guiding principles. The year under review saw a further development of our sustainability services.

We launched two strategy funds of our own called "BLKB Next Generation Strategy". They meet clearly defined criteria for sustainability, they are designed for investors wishing to profit from professional asset management and at the same time, they contribute to the development of a sustainable economy. By the end of 2016, customers invested a total of CHF 247.6m in these two funds. At the end of 2016, we were the second cantonal bank in Switzerland to sign the "Montreal Carbon Pledge" declaration and committed ourselves to create higher transparency in the carbon footprint of investment portfolios and thus contribute to reducing its effects in the long run.

We also support the e-mobility initiative of EBL (cooperative society for energy distribution). Our fleet is being changed to electric vehicles, and we already have four locations in the Baselbiet with free battery-charging stations for the populati-

on. You will find further information in our sustainability report starting on page 15 (German version only).

Security as a corner stone of our business model

In 2015, we successfully concluded the project "Integral Set of Rules". In 2016, on the basis of these rules, we created a new way of documenting processes and for the first time, we launched improvements of processes on a large scale. The new network, made up of elements from the set of rules, will be put at the disposal of employees working at BLKB's processing 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 26 October 2016, the Bankrat carried out a comprehensive risk assessment. Further information on risk management and risk control is detailed in the notes on the financial statement, under Notes on business activities.

Fit for the future due to motivated employees and solid education and training

BLKB carried out its annual survey and 94 per cent of the employees participated in it. 99 per cent of those taking part are recommending BLKB as an employer. This goes to prove that our employees put a lot of trust in BLKB and identify highly with the values and philosophy we uphold. Starting from 1 January 2016, fathers are also entitled to child care benefits. Paternity leave was extended from five to ten days.

As a responsible employer, and in the interest of our customers, we promote continual training of our employees. Therefore, we started to certify those employees who keep their own clients' book or who are in direct contact with customers. The certification and regular re-certification guarantees the advisory quality and builds the basis for continued improvement of the expertise

and advisory skills of our employees. The Chamber of commerce of Baselland conferred the Golden Award of vocational training to BLKB at their 2016 celebration of apprenticeship qualification. This celebration also includes a ranking of those who passed their exam with distinction. The award is meant to honour BLKB's commitment in the area of dual education and the promotion of the young. Therefore, BLKB's focus on dual education was particularly emphasised, whether it concerns the in-house training at the bank, or innovative solutions like the Jobs-for-Juniors card, the proceeds of which are used to support projects in the area of dual education. The successful basic vocational education also received a prize: one of BLKB's apprentices was elected "Apprentice of the year 2016" in the cantons of Basel-Landschaft and Basel-Stadt.

Look ahead

In 2017, BLKB expects the result to be lower than in the previous year. However, the bank counts on a stable environment in Switzerland. Tensions in the euro-zone have been deferred but not resolved yet. They may bring about volatility any time. Progress in the United States is difficult to forecast and may generate additional volatility in the financial markets. In such an environment, security and predictability are of the essence and BLKB continues to stand up for these values.

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 (as at 1 November 2008), in force since 1 September 2005 (SGS 371.1).
- Ordinance on the Cantonal Law on Kantonalbank of 14 December 2004 (as at 1 December 2015), 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 18 May 2016, in force since 1 June 2016.
- Rules on the Areas of Responsibility of BLKB from 21 November 2011 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 Basellandschaft, elected by the people.
- Landrat is the legislative body of the canton of Basellandschaft, 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 January 2016. 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 Basellandschaft where it operates, at a total of 23 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 bank 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 900.-: CHF 513.00m.
- Market capitalisation of the endowment capital of CHF 160 m assuming an analogous valuation: CHF 1440.0m.
- Total market capitalisation (Kantonalbank certificates and endowment capital):
- CHF 1953.0m.

Percentage of participations of group companies: none

Securities identification number: 147.355

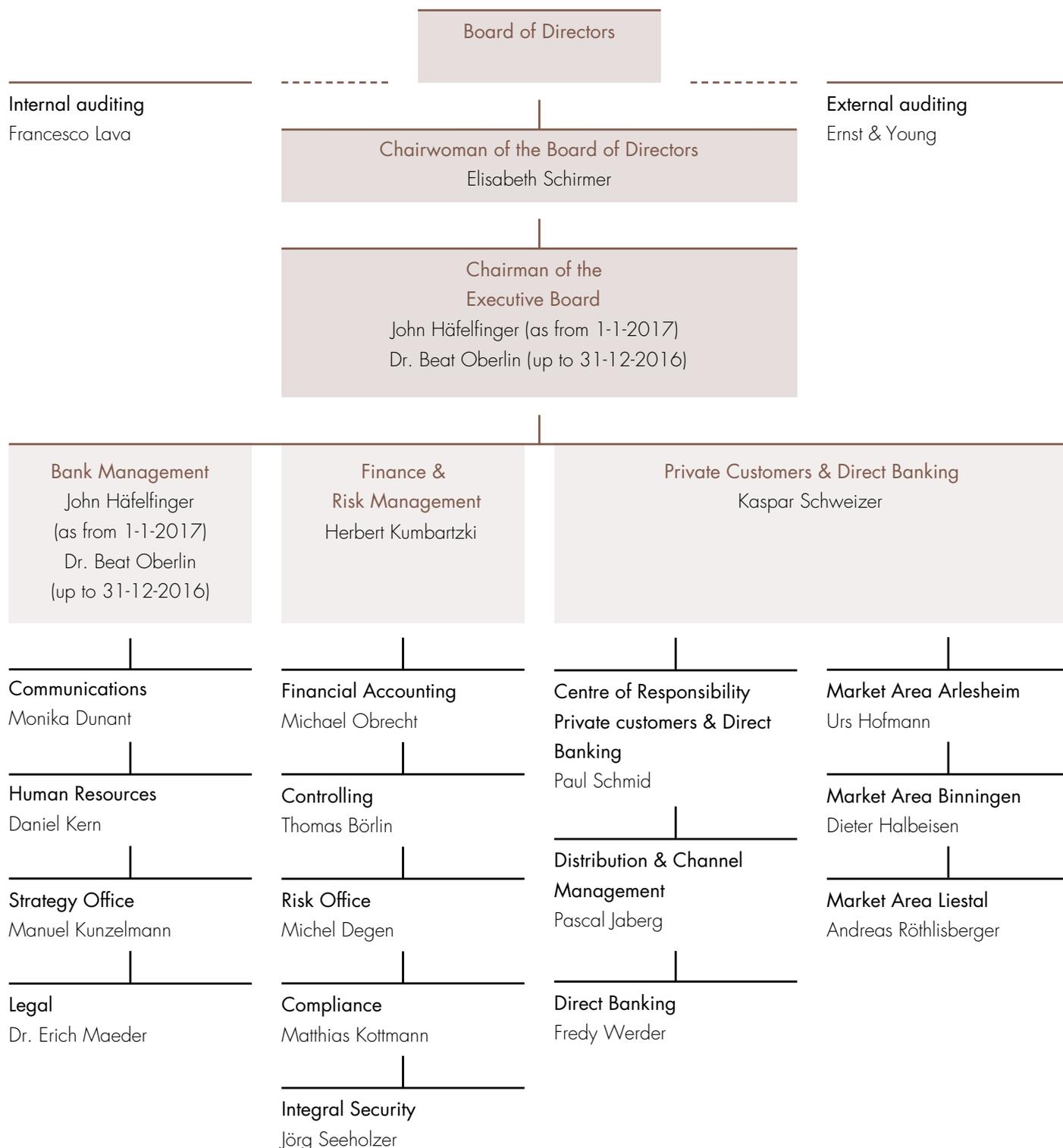
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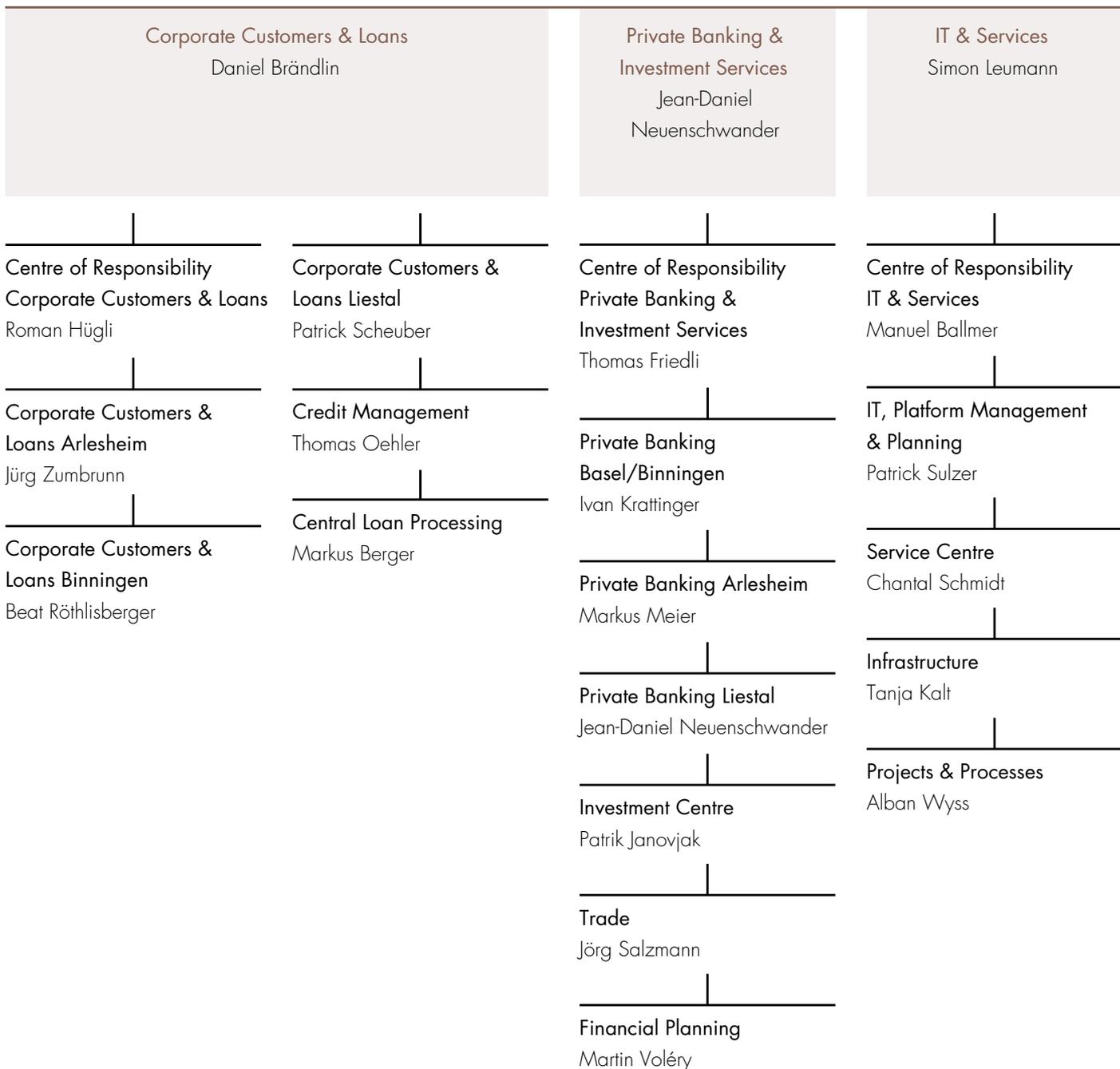
1.2 Significant shareholders

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

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 2016, there is neither conditional nor authorised capital.

2.3 Changes in capital

The certificate capital is CHF 57m and was not changed in the past three years.

2.4 Shares and participation certificates

The certificate capital amounts to CHF 57 m 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 Kantonalbank (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 Kantonalbank.

3.1 and 3.2 combine: personal data (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 Bankrat member was a member of the Executive Board during the three years preceding the period under review. 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 of banks", at least one third of the Bankrat should consist of members meeting the requirements of independence as stated by margin no. 20 et seq., 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 seq., 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, and 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; chairwoman of the board of directors; chairwoman of Personalvorsorgestiftung 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 Basellandschaftliche 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. Board member of Goldbach Group AG and Biella-Neher Holding.



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 EBM Elektra Birseck Münchenstein. Chairman of the Board of: Stiftungsrat PK and Vorsorgefond Aebi & Co AG, Burgdorf (up to 30-09-2016); board member of SKAN AG, Allschwil; chairman of the board of Silo + Umschlag AG, Buchs SG. 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. 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 1956. Chairman of the Audit and Risk Committee. First election: 2007; current term of office: 1-7-2015 to 30-6-2019. Dr. jur., 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 commission for taxation. Business connections with BLKB.

3.3 Elections and terms of office

3.3.1 Principles of election procedures

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

Art. 10 Cantonal Law on Kantonalbank

"The Bankrat consists of nine to eleven members. One member of the Regierungsrat is also a member of the Bankrat. The Board of Directors (Bankrat) is 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 Kantonalbank (blkb.ch/rechtsgrundlagen). The Bankrat is selfconstituting. Membership ends at age 70. The current term of office 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
Anton Lauber		
Vice chairman	2013	to 30-6-2019
Erica Dubach Spiegler *	2015	to 30-6-2019
Doris Greiner **	2002	to 30-6-2019
Nadine Jermann *	2015	to 30-6-2019
Frenk Mutschlechner **	2011	to 30-6-2019
Stephan Naef ***	2015	to 30-6-2019
Marco Primavesi *	2015	to 30-6-2019
Kurt Strecker ***	2015	to 30-6-2019
Dieter Völlmin **	2007	to 30-6-2019

* 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 of Bankrat committees, tasks and areas of responsibility

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 as well as the time 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 opinions 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 cooperation 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 checks if the implementation of the regulatory framework is adequate 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 the 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 the 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 eleven meetings and a two-day meeting behind closed doors. Meetings lasted for an average of four hours.

Bankrat meetings are attended by the Executive Board upon invitation by the chairwoman of the Board of Directors. Mee-

tings 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 ten meetings, the Audit and Risk Committee nine, and the Human Resources and Organization Committee nine.

The latter committee assembled for six extraordinary meetings which dealt with the search for and the evaluation of a new CEO. 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 auditor 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: personal data (4.1) and 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

John Häfelfinger, born in 1971. Chairman of the Executive Board since 2017. Advanced Federal Diploma of Higher Education in Business Administration HFV, Swiss Banking School Diploma. Experience in all front office jobs of banking. Last positions were head of Corporate & Specialty Lending, deputy head of Corporate & Institutional Clients, member of the executive board of Swiss Corporate Clients and member of the regional management team of northern Switzerland with Credit Suisse.



02

Beat Oberlin, born in 1955. Chairman of the Executive Board from 2005 to 2016. 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 Leasing and Factoring companies. Board member of: Swissquote Group Holding AG, 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; True Wealth AG; board member of Handelskammer beider Basel (Chamber of Commerce); member of the group of experts for the "Further development of the financial market strategy".



03

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; Board member of REHAB, Basel; Stiftung Weizenkorn, Basel.



04

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



05

Simon Leumann, born in 1976. Member of the Executive Board since 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.



06

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



07

Kaspar Schweizer, born in 1964. Member of the Executive Board since 2011; head of Private Customers & Direct Banking. Lic.oec. (university degree from HSG); Executive MBA in Business Engineering 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” of 18 May 2016 and the Rules on the areas of responsibility of 1 January 2012 detail the bank’s characteristic design and competencies regarding the compensation by the bank. The Board of Directors (Bankrat) decides on the compensation policy, the total amount of fixed compensation, the total amount of variable compensation, the compensation to Bankrat members, and on the fixed and variable compensation to the members of the Executive Board. The Human Resources and Organization Committee, consisting of three Bankrat members, allocates the variable compensation to the different levels of function.

Compensation to the employees (levels of function 1-7) and to the members of the Executive Board consists of a fixed amount based on the level of function, and a variable amount based on the overall result of the bank, the 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 relevant net operating profit. A percentage of 6.05 thereof is deducted as variable compensation and funnelled into a pool. If the bank doesn’t post any positive relevant net operating profit, all variable compensation is cancelled.

In 2016, the ratio of highest and lowest total compensation was 12.45:1.

5.2. Determination of fixed compensation

The fixed compensation to the employees is defined by the

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 scope of duties, his/her experience, responsibilities, professional training, and competencies. Based on these criteria, the employee’s superior decides at his/her mandatory discretion on an amount within the corresponding margin.

The fixed compensation to 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, responsibilities, experience, and the capabilities of the individual members of the Executive Board. In order to determine the fixed compensation, a comparison with other cantonal banks of similar proportions in terms of balance sheet total and market area is taken as a criterion.

The amount of the fixed compensation to Bankrat members depends on the level of function of the individual member within the whole panel and the committees. The amount of the compensation 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 determining the compensation, here too, a comparison with other cantonal banks of similar proportions in terms of balance sheet total and market area is taken as a criterion.

5.3 Distribution of variable compensation according to levels of function

Each level of function is allocated a percentage of the variable compensation total. The percentage of the variable compensation with respect to the compensation total increases with each level of function. 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 outside their usual scope of activity, bank as a whole) should be considered. Managers/superiors have to hold a thorough appraisal and promotion interview with each employee. This interview, conducted at least once a year, 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 portion 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 to the CEO and to the members of the Executive Board depends 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 is determined on the basis of these KPI.

In 2011, the Bankrat defined the relevant criteria for the different KPIs. They are submitted to a review on a rotational basis.

Said KPIs build 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 individual member 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 2016, the variable compensation total to the Executive Board was CHF 1 476 000. The benefits granted to the Executive Board for the acquisition of Kantonbank certificates amount to a total of CHF 45 493. The scope of the ratio between fixed and variable compensation to the Executive Board lies between 62.19 per cent and 92.14 per cent with the share of the CEO 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 2016, the benefits granted to the Bankrat for the acquisition of Kantonbank certificates amounted to a total of CHF 29 571.

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 80 and posted on the Internet (blkb.ch/geschaeftsbericht).

6 SHAREHOLDERS' PARTICIPATION RIGHTS

Due to its legal form as an independent company under public law, BLKB has non-voting share capital only, and consequently shareholders have no voting rights. All participation rights are exclusively held by the canton of Basel-Landschaft. The 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. 5 para. 3; 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 in 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 DCG) 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 Assumption of office of the auditor in charge, responsible for the current audit

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. He succeeded Pascal Berli who held this function 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 440 750. 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 concerning general, audit-related services amounted to CHF 22 000 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 2016, representatives of the statutory auditors took part in six 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 2016, representatives of the external auditors took part in two Bankrat meetings. The ARC regularly assesses the risk-oriented auditing strategy and the corresponding 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 to 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 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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Information for investors

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 2016 (before profit appropriation)

Assets

	31-12-2016 CHF 1000	31-12-2015 CHF 1000	Change CHF 1000	Change %
Liquid funds	2763340	2630633	132706	5,04
Due from banks	266512	306636	-40123	-13,09
Due from securities financing transactions	0	20020	-20020	-100,00
Due from customers	1412246	1432945	-20699	-1,44
Mortgage loans	17556812	17070177	486635	2,85
Trading business	2735	5730	-2995	-52,27
Positive replacement values of derivative instruments	8756	11006	-2250	-20,44
Financial investments	1466587	1482900	-16313	-1,10
Accrued income and prepaid expenses	43041	47995	-4955	-10,32
Participations	39822	34214	5608	16,39
Tangible fixed assets	115763	121969	-6206	-5,09
Other assets	13897	14202	-305	-2,15
Total assets	23689510	23178427	511083	2,20
Total subordinated claims	223	206	17	8,25
of which mandatory convertibles and/or debt waiver	0	0	0	0,00

Liabilities

	31-12-2016 CHF 1000	31-12-2015 CHF 1000	Change CHF 1000	Change %
Due to banks	640670	429122	211548	49,30
Due to securities financing transactions	415820	740701	-324881	-43,86
Due to customers in savings and deposits	15729751	15442845	286906	1,86
Due to trading business	0	0	0	0,00
Negative replacement value of derivative instruments	1606	3076	-1470	-47,80
Cash bonds	44570	69503	-24933	-35,87
Bonds and mortgage-backed bonds	4518000	4269000	249000	5,83
Accrued expenses and deferred income	77479	84799	-7321	-8,63
Other liabilities	30178	44173	-13995	-31,68
Provisions	36676	19189	17487	91,13
Reserves for general bank risks	1129500	1067500	62000	5,81
Company capital	217000	217000	0	0,00
Legal reserve	714084	659943	54141	8,20
Own shares	-7385	-9837	2452	-24,93
Retained earnings brought forward	7962	10966	-3005	-27,40
Annual net profit	133599	130446	3153	2,42
Total liabilities	23689510	23178427	511083	2,20
Total subordinated liabilities	0	0	0	0,00
of which mandatory convertibles and debt waiver	0	0	0	0,00

Off-balance sheet transactions

	31-12-2016 CHF 1000	31-12-2015 CHF 1000	Change CHF 1000	Change %
Contingent liabilities	189685	179408	10277	5,73
Irrevocable commitments	355963	227279	128684	56,62
Liabilities for calls on shares and other equities	67867	42995	24872	57,85
Confirmed credits	0	0	0	0,00

Income statement 2016

	2016 CHF 1000	2015 CHF 1000	Change CHF 1000	Change %
Net interest income				
Interest and discount income	406237	408125	-1889	-0,46
Interest and discount income from financial investments	20947	21458	-511	-2,38
Interest expenses	-138369	-144700	6332	-4,38
Gross profit from interest-related business	288815	284883	3932	1,38
Changes of value adjustments due to default-risk as well as losses from the interest-related business	-3849	-3119	-730	23,39
Net income from interest-related business	284966	281764	3202	1,14
Net fee and commission income				
Commission income from securities and investment transactions	40171	43804	-3634	-8,29
Commission income from lending activities	5898	6006	-107	-1,79
Commission income from other services	19303	20011	-708	-3,54
Commission expenses	-7977	-7554	-423	5,60
Net fee and commission income	57395	62267	-4872	-7,82
Net income from trading activities and the Fair-Value option	17602	18269	-667	-3,65
Net other income				
Income from the sale of financial investments	4160	3270	889	27,20
Income from participations	1888	3800	-1912	-50,32
Real estate income	2364	2403	-39	-1,61
Other ordinary income	213	158	55	35,12
Other ordinary expenses	-242	-225	-16	7,29
Other ordinary income	8383	9405	-1022	-10,87
Net operating income	368347	371705	-3359	-0,90
Personnel expenses	-102495	-99873	-2622	2,63
Other operating expenses	-59734	-57641	-2093	3,63
Operating expenses	-162229	-157514	-4715	2,99
Value adjustments on participations and write-offs of tangible fixed assets	-22446	-21070	-1376	6,53
Changes in provisions and other value adjustments, and losses	-230	-1931	1701	-88,10
Operating income	183442	191190	-7748	-4,05
Extraordinary income	12564	22310	-9746	-43,69
Extraordinary expenses	0	-365	365	-100,00
Changes in reserves for general bank risks	-62000	-82500	20500	-24,85
Taxes	-406	-190	-217	114,35
Annual net profit	133599	130446	3153	2,42
Profit appropriation				
Annual net profit	133599	130446	3153	2,42
Retained earnings brought forward	7962	10966	-3005	-27,40
Retained earnings	141561	141412	148	0,10
Interest on endowment capital	-2413	-2413	0	0,00
Dividend paid on certificate capital	-19950	-19950	0	0,00
Compensation for state guarantee	-4008	-3913	-95	2,42
Payment to the canton of Basel-Landschaft	-53587	-53587	0	0,00
Allocation to legal reserve	-53587	-53587	0	0,00
Retained earnings brought forward	8016	7962	54	0,68

Statement of cash flow

	2016 Cash inflow CHF 1000	2016 Cash inflow CHF 1000	2015 Cash inflow CHF 1000	2015 Cash inflow CHF 1000
Cash flow from operations (internal financing)				
Annual net profit	133 599		130 446	
Changes in the reserves for general bank risks	62 000		82 500	
Value adjustments on participations, write-offs on tangible fixed assets and non-tangible assets	21 678		21 070	
Provisions and other value adjustments		287		3 997
Changes of value adjustments due to default risk as well as losses	3 632		7 899	
Accrued income and prepaid expenses	4 955		10 472	
Accrued expenses and deferred income		7 321		3 639
Other positions		13 690		43 682
Profit distribution previous year		79 863		73 386
Cash flow balance from operations (internal financing)	124 702		127 682	
Cash flow from equity capital transactions				
Endowment and Certificate capital				
Recorded in reserves				
Changes in own equity instruments	3 006		1 908	
Cash flow balance from equity transactions	3 006		1 908	
Cash flow from transactions with participations, tangible fixed assets and intangible assets				
Participations		10 633	3 181	
Real estate	1 334		1 191	
Other tangible fixed assets		11 781		8 141
Cash flow balance from transactions with participations, tangible fixed assets and intangible assets		21 079		3 768
Cash flow from banking operations				
Medium to long-term transactions (> 1 year)				
Due to banks	75 000			50 000
Due to customers in savings and deposits		1 742 086	1 601 086	
Cash bonds		24 933		33 103
Bonds	200 000		335 000	
Mortgage-backed bonds	49 000		279 000	
Due from customers		1 175 62		15 975
Mortgage loans		472 688		466 053
Financial investments	16 313			56 769
Short-term business				
Due to banks	136 548		217 124	
Due to securities financing transactions		324 881	676 117	
Due to customers in savings and deposits	2 028 992			1 414 891
Negative replacement value of derivative instruments		1 470		11 069
Due from banks	40 124			67 093
Due from securities financing transactions	20 020		271 114	
Due from customers	138 456		150 233	
Trading business	2 995			2 762
Positive replacement value of derivative instruments	2 250			886
Liquidity				
Liquid funds		132 706		1 536 894
Cash flow balance from banking operations		106 628		125 822
Total	127 708	127 708	129 590	129 590

Statement of equity

Presentation of equity

	Company capital CHF 1000	Legal reserve CHF 1000	Reserves for general bank risks CHF 1000	Retained earnings/losses brought forward CHF 1000	Own shares (minus position) CHF 1000	Annual profit CHF 1000	Total CHF 1000
Equity at the beginning of the reporting period	217000	659943	1 067 500	10966	-9837	130446	2 076 019
Disposal of own equity shares					2452		2452
Profit (loss) from disposal of own equity shares		554					554
Dividends and other payments						-79863	-79863
Other allocations to (releases from) reserves for general bank risks			62000				62000
Other allocations to (releases from) other reserves		53587				-53587	0
Changes in retained earnings brought forward				-3005		3005	0
Annual net profit						133599	133599
Equity at the end of the reporting period	217000	714084	1 129 500	7962	-7385	133599	2 194 760

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

1 NOTES ON BUSINESS ACTIVITIES

1 General

Basellandschaftliche Kantonbank (BLKB), incorporated in Liestal, is the leading bank in Baseland 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 2016, the canton of Basel-Landschaft holds 74 per cent of the capital stock, the remaining 26 per cent being 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. The bank provides 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 of Basel-Landschaft.

2 Retail and commercial banking

The income statement is significantly marked by the net interest of about 77 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 16 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 investments consist primarily of fixed-interest securities held to maintain liquidity by means of repo transactions with the Swiss National Bank and other banks. Financial investments also include 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 12 September 2016. 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 managed and monitored on the basis of relevant measures decided on by the Bankrat. 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.

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 to assume, measure, manage, and control financial risks. The Bankrat establishes the general framework by issuing risk policy guidelines. Equipped with an efficient control system, the Executive Board is responsible for achieving the targets and complying with specifications. The objective of risk management and risk control is to attain a well-balanced proportion of risk and income.

Risk acceptability

The bank is committed to its business principles which specify business behaviour compliant with the risk strategy. It 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

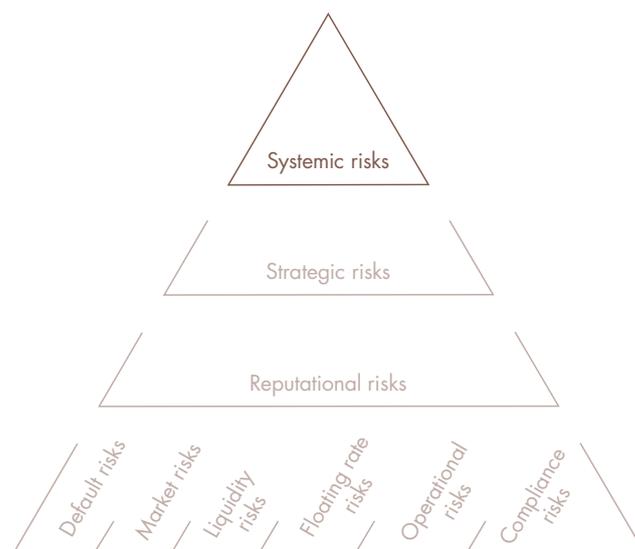
The principles for risk management and risk control are laid down in the risk policy stipulating a strict division of risk management and risk control. Risk management, according to BLKB's rules, means authorising individual persons (e.g. heads of branches) or groups of persons (e.g. trade) to incur risks, in line with the rules of responsibility or the rules of limits, on behalf of the bank and to manage them. The incurrence of risks requires an approved limit as well as identifying, measuring, and monitoring of risks. Introducing new products necessitates a preceding clarification of the risks involved.

The Risk Office is independent of risk management and is responsible for the risk control. It helps to identify risks and decides on the risk measuring method. It decides on approval 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).

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 June 2012. For this purpose, the Executive Board issues detailed directives, guidelines, 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 guidelines.

6.1 Default and credit risks

Default or credit losses arise from the failure of a counter party to comply with an obligation the latter has incurred with BLKB. Due to the bank's 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.

Appraisal and lending principles of real estate are laid down in the relevant guidelines. 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 within BLKB's market areas. 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. The 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 risks of lending.

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 the 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 concentration risks 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 transactions on an unsecured basis 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 bank internal limits and with 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. Historical 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 and indicators 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 provide 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 solvency, particularly in times of stress periods, be they specific to banks and/or market wide, when secured and unsecured financing possibilities are considerably impaired.

BLKB avoids concentration risks on the liabilities side as far as counter parties, currency, or maturity are concerned. Compliance with the bank specific liquidity risk tolerance as stipulated by the Liquidity Coverage Ratio (LCR) is closely supervised. The net-stable-funding ratio is an obligation banks have to comply with starting from 01-01-2018. BLKB already meets these requirements.

A set of qualitative and quantitative indicators ensures early identification of potential liquidity crises. In order to prepare for an efficient management of liquidity squeezes, BLKB establishes liquidity stress scenarios and sets up a corresponding 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. 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 rely on 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. There is a disaster manual defining 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 competency 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 of 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 regulatory 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 the 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 the information security.

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

6.6 Outsourcing of business areas

Basellandschaftliche Kantonalbank delegated a number of processing 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

Loan 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 operational loans or overdrafts without cover of retail customers. In the case of commercial operational 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 and, if need be, the 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 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. Alternatively, evaluations by external, qualified real estate appraisers may be considered as well.

The lowest value emerging from the internal assessment, the purchase price, and the external assessment serve 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 the bank's own account and for customers' accounts, preferably in interest-, currency-, and equity instruments/indices-related instruments. Commodities 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 mainly uses 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 transaction 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 from 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 Kantonallbank, 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 mentioned below. 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.

As a matter of principle, offsetting of assets and liabilities as well as of expenses and income is not done. 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. Foreign currency 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:

	2016	2015
Average exchange rate EUR/CHF	1.0893	1.0646
Year-end rate EUR/CHF	1.0723	1.0874
Average exchange rate USD/CHF	0.9878	0.9652
Year-end rate USD/CHF	1.0164	1.0010

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 counter party and of the net income from selling off collateral. When determining net income of the collateral, the costs 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 counter party 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, due for more than 90 days but not paid are not recorded as income from interest-related business but are 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 the use of which 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 exhausted 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 exhaustion, 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 valua-

tion model. Should fair value not be 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 in "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 which are outstanding on balance sheet date, are recorded in this item.

Replacement values from 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 counter party 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 according 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 income 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 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. 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 items "Extraordinary income" or "Extraordinary expenses".

Tangible fixed assets

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

	2016
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 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 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 a 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, a 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 de-facto 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 revaluated 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. Any 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 Kantonbank 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 of Basel-Landschaft. 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

None.

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)

	31-12-2016 CHF 1000	31-12-2015 CHF 1000
Book value of claims from cash deposits related to securities borrowing and reverse repurchase business ¹⁾	0	20020
Book value of liabilities from cash deposits related to securities lending and repurchase business ¹⁾	415 820	740 701
Book value of own securities lent in securities lending or deposited as collateral in securities borrowing or transferred in repurchase business	391 402	737 226
– 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	0	20 204
– 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	249032	266003	934778	1449814
Mortgage loans				17647757
– Residential real estate	15278836	4181	5297	15288314
– Office and business buildings	777812	0	4340	782152
– Trade and industry	1028647	410	19519	1048576
– Others	515303	1029	12383	528715
Total receivables (before set-off with value adjustments) as per 31-12-2016	17849630	271624	976317	19097570
Previous year	17406482	319262	920033	18645777
Total receivables (after set-off with value adjustments) as per 31-12-2016	17758678	263916	946464	18969058
Previous year	17301257	310158	891707	18503122
Off-balance-sheet				
Contingent liabilities	22314	51235	116136	189685
Irrevocable commitments	141314	22155	192494	355963
Liabilities for calls on shares and other equities			67867	67867
Confirmed credits				0
Total off-balance-sheet as per 31-12-2016	163628	73391	376497	613515
Previous year	128226	44302	277154	449682

Impaired receivables

	Gross debt CHF 1000	Estimated realisation of securities CHF 1000	Net debt CHF 1000	Specific provisions CHF 1000
Impaired receivables as per 31-12-2016	487061	350380	136681	128732
Previous year	476609	321795	154814	142874

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

	31-12-2016 CHF 1000	31-12-2015 CHF 1000
Assets		
Trading business		
Debt securities, money market instruments and transactions	2 172	4 811
– of which listed on an exchange	2 172	4 811
Equity securities	436	812
Precious metals and commodities	127	107
Total trading business	2 735	5 730
Other financial instruments at fair value	2 735	5 730
Total assets	0	0
– of which determined by a valuation model	0	843
– of which securities eligible for repo transactions acc. to liquidity standards (HQLA)		
Liabilities		
Dues		
Total liabilities	0	0

4 Presentation of derivative financial instruments (assets and liabilities)

	Trading instruments			Hedging instruments		
	Positive replacement value 31-12-2016 CHF 1000	Negative replacement value 31-12-2016 CHF 1000	Contract volume 31-12-2016 CHF 1000	Positive replacement value 31-12-2016 CHF 1000	Negative replacement value 31-12-2016 CHF 1000	Contract volume 31-12-2016 CHF 1000
Interest rate contracts	6902	6854	94000	169136	187202	6996000
Futures contracts incl. FRAs	0	0	0	0	0	0
Swaps	6902	6854	94000	169136	187202	6996000
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	3177	3083	376360	0	0	0
Futures contracts	2296	2201	277781	0	0	0
Combined interest and currency swaps	0	0	0	0	0	0
Futures	0	0	0	0	0	0
Options (OTC)	881	881	98579	0	0	0
Options (exchange traded)	0	0	0	0	0	0
Total before inclusion of netting contracts	10079	9937	470360	169136	187202	6996000
– of which determined on the basis of a valuation model	10079	9937		169136	187202	
Previous year	14239	14044	646825	208818	237060	7631000
– of which determined on the basis of a valuation model	14239	14044		208818	237060	
			Positive replacement value (cumulated)			Negative replacement value (cumulated)
Total after inclusion of netting contracts			8756			1606
Previous year			11006			3076
			Central clearing party	Banks and securities dealers	Other customers	
Positive replacement value (after inclusion of netting contracts), broken down by counter parties			0	241	8515	

5 Breakdown of financial investments

	31-12-2016 Book value CHF 1000	31-12-2015 Book value CHF 1000	31-12-2016 Fair Value CHF 1000	31-12-2015 Fair Value CHF 1000
Debt securities	1 401 137	1 413 232	1 450 248	1 468 836
– of which held to maturity	1 401 137	1 413 232	1 449 696	1 468 345
– of which available for sale	0	0	551	491
Equity securities	50 578	48 970	70 850	72 422
– of which qualified participations ¹⁾	0	501	805	501
Precious metals	1 369	1 369	4 016	3 651
Fiduciary real estate	9 507	9 795	9 507	9 795
Real estate intended for sale	3 997	9 535	3 998	9 535
Total financial investments	1 466 587	1 482 900	1 538 618	1 564 239
– of which securities eligible for repo transactions acc. to liquidity standards (HQLA)	1 401 137	1 413 232	1 449 696	1 468 345

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

Counterparties broken down by ratings¹⁾

	AAA to AA– CHF 1000	A+ to A– CHF 1000	BBB+ to BBB– CHF 1000	BB+ to B– CHF 1000	Lower than B– CHF 1000	Without rating CHF 1000
Book value of debt securities	507 554	37 512	0	0	0	856 071

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 2015 CHF 1000	Reclassifica- tions 2016 CHF 1000	Investments 2016 CHF 1000	Disinvestments 2016 CHF 1000	Write-offs 2016 CHF 1000	Value adjust- ments of partici- pations/ write-ups acc. to the equity method 2016 CHF 1000	Book value end of 2016 CHF 1000	Market value end of 2016 CHF 1000
– of which with quoted value	42 154	–23 673	18 481	0	0	0	–1 793	769	17 456	17 456
– of which without quoted value	29 465	–13 732	15 733	0	10 633	0	–4 000	0	22 366	
Total participations¹⁾²⁾	71 619	–37 405	34 214	0	10 633	0	–5 793	769	39 822	17 456

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 2016 results in a positive contribution to the income statement of CHF 632,000.– (previous year: 301,000.–). The equity share in the balance sheet is CHF 2,268,000.– (previous year: 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 31-12-2016 %	Interest share 31-12-2015 %
Disclosed in financial investments				
Landwirtschaftliche Trocknungs-Anlagen LTA AG, Pratteln	Drying plant	900	16,28	16,28
Ultra-Brag AG, Muttenz	Shipping/warehousing/trade	3000	11,67	11,67
BTG Mezzfin AG, Aesch ¹⁾	Financial services	1400	14,29	14,29
Disclosed in non-consolidated participations				
Aduno Holding AG, Zurich	Credit cards	25000	3,08	3,08
Caleas AG, Zurich	Financing company	800	11,19	11,19
ErfindungsVerwertung AG, Basel	Knowledge transfer	1642	41,08	42,37
Pfandbriefzentrale der schweiz. Kantonalbanken AG, Zurich	Bank financing	1625000	5,18	5,18
SIX Group AG, Zurich	Financial services	19522	0,41	0,41
Swissquote Group Holding SA, Gland	Financial services	3066	4,77	4,77
True Wealth AG, Zurich	Financial services	152	21,99	-

The table shows all non-consolidated participations whose interest share is at least 10% or whose share of participation in the company capital is at least CHF 100 000 or whose book value is at least CHF 250 000.

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 2015 CHF 1000	Reclassifications 2016 CHF 1000	Investments 2016 CHF 1000	Disinvestments 2016 CHF 1000	Write-offs 2016 CHF 1000	Write-ups 2016 CHF 1000	Book value end of 2016 CHF 1000
Tangible fixed assets									
Real estate	203264	-94197	109067	0	59	-1392	-6088	0	101645
– of which bank buildings	159678	-79448	80231	0	59	0	-4983	0	75306
– of which other real estate	43586	-14750	28836	0	0	-1392	-1105	0	26339
Self-developed or separately acquired software	20998	-14237	6761	0	8221	0	-7073	0	7909
Other tangible fixed assets	20374	-14233	6141	0	3799	-240	-3492	0	6209
Total tangible fixed assets	244637	-122667	121969	0	12079	-1632	-16653	0	115763

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

	31-12-2016 Other assets CHF 1000	31-12-2015 Other assets CHF 1000	31-12-2016 Other liabilities CHF 1000	31-12-2015 Other liabilities CHF 1000
Compensation account	0	0	3 929	19 370
Settlement accounts	9 155	9 891	2 643	2 896
Indirect taxes	2 330	1 898	8 671	9 241
Interest on endowment capital	2 413	2 413		
Bank-owned funds without any legal personality such as pension schemes or welfare funds			0	0
Coupons and debt securities, due and not realised			2 400	2 410
Other liabilities from deliveries and services			3 029	460
Compensation fiduciary real estate			9 507	9 795
Total	13 897	14 202	30 178	44 173

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

	31-12-2016 Book value CHF 1000	31-12-2016 Actual liability CHF 1000	31-12-2015 Book value CHF 1000	31-12-2015 Actual liability CHF 1000
Pledged/ceded assets:				
Pledged and ceded mortgage loans for mortgage-backed securities	2 545 181	1 748 000	2 958 838	1 699 000
Financial investments	136 284	0	136 405	0
Fiduciary real estate	9 507	9 507	9 795	9 795
Assets under reservation of ownership				
None				
Total	2 690 972	1 757 507	3 105 039	1 708 795

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

	31-12-2016 CHF 1000	31-12-2015 CHF 1000
Liabilities to customers	302910	403257
Bonds ¹⁾	374	230
Cash bonds ¹⁾	0	0
Negative replacement values	0	0
Total	303284	403487

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

	31-12-2016 Number	31-12-2015 Number
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 Pensionskasse (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)

	31-12-2016 Nominal value CHF 1000	31-12-2016 Waiver of use CHF 1000	31-12-2016 contribution ¹⁾ CHF 1000	31-12-2015 contribution ¹⁾ CHF 1000	2016 Influence of AGBR on personnel expenses CHF 1000	2015 Influence of AGBR on personnel expenses CHF 1000
Pension schemes	0	0	0	0	42	167

¹⁾ Activation is mandatory.

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

	31-12-2016 Excess cover/ Deficient cover CHF 1000	31-12-2016 Economic share of BLKB CHF 1000	31-12-2015 Economic share of BLKB CHF 1000	Changes compared to pre- vious year of the economic share (economic benefit or liability) CHF 1000	Paid-in contri- butions for the reporting period CHF 1000	2016 Pension expenses within personnel expenses CHF 1000	2015 Pension expenses within personnel expenses CHF 1000
Pension fund contribution-defined ¹⁾	38 276	0	0	0	10 136	9 839	9 862
Total	38 276	0	0	0	10 136	9 839	9 862

¹⁾ BLKB has a contribution-defined pension solution 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 2016 by an independent expert on pension funds on the basis of BLPK's annual financial statement as per 31-12-2015 and the quarterly financial statement as per 30-09-2016. On 30-09-2016, coverage ratio was 109.9%. 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 31-12-2016 and 31-12-2015, 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	31-12-2016 Balance CHF 1000	31-12-2015 Balance CHF 1000
Non-subordinated	2007	3,000	14.12.2017	300000	300000
Non-subordinated	2012	0,625	27.02.2018	250000	250000
Non-subordinated	2010	1,750	25.06.2019	300000	300000
Non-subordinated	2009	2,500	16.12.2019	300000	300000
Non-subordinated	2010	1,750	09.11.2020	300000	300000
Non-subordinated	2012	1,000	04.10.2022	300000	300000
Non-subordinated	2013	1,125	27.03.2023	260000	260000
Non-subordinated	2011	1,750	22.11.2024	225000	225000
Non-subordinated	2015	0,250	13.05.2025	150000	150000
Non-subordinated	2015	0,750	30.03.2028	185000	185000
Non-subordinated	2016	0,000	20.04.2020	200000	0
Total bonds ¹⁾		1,451		2770000	2570000
Loans of mortgage-backed securities		1,018		1748000	1699000
Total outstanding bonds and mortgage-backed securities		1,283		4518000	4269000

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	31-12-2016 Total CHF 1000
Total outstanding bonds	300000	250000	600000	500000	0	1120000	2770000

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

	Balance 31-12-2015 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 31-12-2016 CHF 1000
Provisions for default risks (potential cash outflows related to off-balance sheet transactions)	16956		17774			180	-52	34858
Provisions for other business risks	1798	-324					-91	1383
Other provisions	436							436
Total provisions	19189	-324	17774	0	0	180	-143	36676
Reserves for general bank risks	1 067 500					62 000		1 129 500
Value adjustments for default risks and country risks	142 874	-271	-17 774	0	-608	24 690	-20 179	128 732
- of which value adjustments for default risks from impaired receivables	142874	-271	-17774		-608	24690	-20179	128732
- 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

	31-12-2016 Total nominal value CHF 1000	31-12-2016 Quantity	31-12-2016 Capital entitled to dividend CHF 1000	31-12-2015 Total nominal value CHF 1000	31-12-2015 Quantity	31-12-2015 Capital entitled to dividend CHF 1000
Company capital						
Endowment capital	160000	-	160000	160000	-	160000
Certificate capital	57000	570000	57000	57000	570000	57000
- of which paid-up	57000			57000		
Total company capital	217000	570000	217000	217000	570000	217000
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			
	31-12-2016 Number	31-12-2015 Number	31-12-2016 CHF 1000	31-12-2015 CHF 1000
Members of Bankrat ¹⁾	1 040	910	936	809
Members of the Executive Board ¹⁾	2 518	2 479	2 266	2 204
Employees ²⁾	1 466	4 949	1 319	4 400
Total	5 024	8 338	4 522	7 412

¹⁾ Further information on participations of the members of the Executive Board and the Bankrat is detailed in chapter 4 Information on compensation and participations.

²⁾ Kantonalbank certificates subscribed to by employees in the anniversary year of 2014 with a lock-up period of 4 years

19 Disclosure of dues to/from related parties

	Receivables		Payables	
	31-12-2016 CHF 1000	31-12-2015 CHF 1000	31-12-2016 CHF 1000	31-12-2015 CHF 1000
Qualified shareholders	63 481	39 501	1 567 13	3 552 55
Affiliated companies	80 260	50 536	432 181	4 847 83
Governing bodies	24 220	26 631	21 108	13 555

Transactions with related parties

Transactions (securities transactions, payment transactions, credit accommodation, compensation on deposits) with related parties are done at conditions valid for third parties. The bank's employees enjoy conditions valid for personnel as is customary in the banking business. There are no significant off-balance sheet transactions with related parties.

20 Disclosure of holders of significant participations

Relevant parties and groups of parties bound by voting rights	31-12-2016 Nominal value CHF 1000	31-12-2016 Share in %	31-12-2015 Nominal value CHF 1000	31-12-2015 Share in %
With voting rights				
Canton of Basel-Landschaft	160000	74	160000	74
Without voting rights				
Bearers of certificates	57000	26	57000	26

21 Disclosure of own shares and composition of equity capital

	2016 Number	2016 Average transaction price CHF
Number of Kantonalbank certificates held by the bank on 01-01	11 065	
+ acquisitions	4 394	904
- sales	-7 254	914
Balance on 31-12	8 205	
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 own equity instruments reserved for a certain purpose and certificates held by persons related to the bank	4 883	

The endowment capital is divided into the following sections:

	Year of issue	Interest rate %	Maturities	31-12-2016 Balance CHF 1000	31-12-2015 Balance CHF 1000
Bond	2014	0,500	30.03.2022	50000	50000
Loan	2012	0,930	01.10.2022	40000	40000
Bond	2010	2,550	05.03.2025	70000	70000
Total				160000	160000

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 on compensation and participation is detailed in chapter 4.

In 2016, 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	2763340							2763340
Due from banks	105076	5927	155509					266512
Due from securities financing transactions								0
Due from customers	1256	294851	475075	85781	403098	152184		1412246
Mortgage loans	1232	332831	1171406	1837388	10159789	4054166		17556812
Trading business	2735							2735
Positive replacement value of derivative financial instruments	8756							8756
Financial investments	51946		32684	102841	724525	541087	13503	1466587
Total as per 31-12-2016	2934342	633609	1834673	2026011	11287412	4747437	13503	23476987
Previous year	2933433	692379	1683759	2044391	10302949	5293339	9795	22960046
Loans/Financial instruments								
Due to banks	54350		411320	50000		125000		640670
Due to securities financing transactions			415820					415820
Due to customers in savings and deposits	3923807	11172523	270328	150093	83000	130000		15729751
Negative replacement value of derivative financial instruments	1606							1606
Cash bonds			7896	11648	22320	2706		44570
Bonds and mortgage-backed bonds			38000	418000	2101000	1961000		4518000
Total as per 31-12-2016	3979763	11172523	1143364	629741	2206320	2218706	0	21350417
Previous year	4075613	8980116	1346706	357886	2754254	3439672	0	20954247

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

	31-12-2016 Domestic CHF 1000	31-12-2016 Foreign CHF 1000	31-12-2015 Domestic CHF 1000	31-12-2015 Foreign CHF 1000
Assets				
Liquid funds	2757535	5804	2626730	3903
Due from banks	190380	76132	114104	192532
Due from securities financing transactions				20020
Due from customers	1299870	112376	1339508	93437
Mortgage loans	17556812		17070177	
Trading business	2314	421	3411	2319
Positive replacement value of derivative financial instruments	8756		11006	
Financial investments	1112885	353702	1090354	392546
Accrued income and prepaid expenses	39090	3951	44312	3683
Participations	39718	104	34214	
Tangible fixed assets	115763		121969	
Other assets	13106	791	14202	
Total assets	23136230	553281	22469987	708440
Liabilities				
Due to banks	276474	364197	245740	183382
Due to securities financing transactions	415820		640701	100000
Due to trading business	15216679	513072	14985733	457112
Due to customers in savings and deposits	0			
Negative replacement value of derivative financial instruments	1606		3076	
Cash bonds	44570		69503	
Bonds and mortgage-backed bonds	4518000		4269000	
Accrued expenses and deferred income	77474	5	81977	2822
Other liabilities	25319	4859	38349	5824
Provisions	36676		19189	
Reserves for general bank risks	1129500		1067500	
Company capital	217000		217000	
Legal reserve	714084		659943	
Own shares	-7385		-9837	
Retained earnings brought forward	7962		10966	
Annual net profit	133599		130446	
Total liabilities	22807377	882133	22429287	749140

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

	31-12-2016 CHF 1000	31-12-2016 Share in %	31-12-2015 CHF 1000	31-12-2015 Share in %
Assets				
Switzerland	23 136 230	97,66	22 469 987	96,94
Europe	493 902	2,08	648 673	2,80
North America	42 336	0,18	42 123	0,18
Asia/Australasia	11 679	0,05	11 775	0,05
Other	5 364	0,02	5 869	0,03
Total assets	23 689 510	100,00	23 178 427	100,00

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

Rating category ¹⁾	Net foreign exposure 31-12-2016 CHF 1000	Net foreign exposure 31-12-2016 Share in %	Net foreign exposure 31-12-2015 CHF 1000	Net foreign exposure 31-12-2015 Share in %
1	559 591	99,04	729 200	99,23
2	79	0,01	110	0,01
3	0	0,00	0	0,00
4	3	0,00	10	0,00
5	35	0,01	114	0,02
6	5 331	0,94	5 435	0,74
7	0	0,00	0	0,00
No rating	0	0,00	14	0,00
Total	565 040	100,00	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
Assets				
Liquid funds	2745491	16850	571	428
Due from banks	10027	42060	181264	33161
Due from securities financing transactions				
Due from customers	1099528	246228	65923	566
Mortgage loans	17555418	1394		
Trading business	2612	2	0	120
Positive replacement value of derivative financial instruments	8671		85	
Financial investments	1324387	123060	17772	1369
Accrued income and prepaid expenses	40518	2067	455	1
Participations	39718		104	
Tangible fixed assets	115763			
Other assets	12877	830	190	0
Total on-balance-sheet assets	22955010	432492	266363	35645
Delivery claims from spot exchange dealings, forward exchange deals, and foreign exchange options	146717	96567	65336	10456
Total assets 31-12-2016	23101727	529058	331700	46101
Liabilities				
Due to banks	544317	23664	72638	52
Due to securities financing transactions	365000		50820	
Due to trading business	15161241	394447	141207	32855
Due to customers in savings and deposits	0			
Negative replacement value of derivative financial instruments	1520		85	
Cash bonds	44570			
Bonds and mortgage-backed bonds	4518000			
Accrued expenses and deferred income	77463	0	15	
Other liabilities	29981	6	190	1
Provisions	36676			
Reserves for general bank risks	1129500			
Company capital	217000			
Legal reserve	714084			
Own shares	-7385			
Retained earnings brought forward	7962			
Annual net profit	133599			
Total on-balance-sheet liabilities	22973529	418117	264956	32908
Delivery liabilities from spot exchange dealings, forward exchange deals, and foreign exchange options	146654	96537	65334	10456
Total liabilities 31-12-2016	23120183	514654	330290	43364
Net position per currency	-18456	14404	1409	2737

28 Breakdown of and explanations on contingent assets and liabilities

	31-12-2016 CHF 1000	31-12-2015 CHF 1000
Guarantee for collateralisation of loans and similar	81 811	70 842
Guarantee for warranty and similar	103 565	100 179
Irrevocable commitments from documentary letters of credit	4 309	8 387
Total contingent liabilities	189 685	179 408
Other contingent claims	p.m. ¹⁾	p.m. ¹⁾
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

	31-12-2016 CHF 1000	31-12-2015 CHF 1000
Fiduciary deposits with third party companies	3 820	3 344
Total	3 820	3 344

31 Breakdown of assets under management, presentation and development

a) Breakdown of assets under management

Type of assets under management	31-12-2016 CHF 1000	31-12-2015 CHF 1000
Assets in collective investment instruments managed by the bank	404 403	173 658
Assets with management mandate	3 067 941	2 974 144
Other assets under management	16 003 763	15 624 823
Total assets under management (including double counting)	19 476 108	18 772 626
– of which double counting	404 253	173 504

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

b) Presentation of the development of assets under management

	2016 CHF 1000	2015 CHF 1000
Total assets under management (including double counting) at the beginning of the year	18 772 626	18 642 812
+/- Net new money inflow or net new money outflow	553 701	255 976
+/- price movement, interest, dividend, and currency development	-30 540	-285 125
+/- other effects	180 321	158 962
Total assets under management (including double counting) at year-end	19 476 108	18 772 626

Calculation of net new money is based on the assets under management and is done according to the direct method. This method determines cash in- and outflows at customer level on the basis of transactions. Expenses and commissions as well as price movements are excluded. The same applies to Interest payments. Reclassification into assets under management is considered net new money.

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

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

	2016 CHF 1000	2015 CHF 1000
Basellandschaftliche Kantonalbank ¹⁾	17 602	18 269
Total	17 602	18 269

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	2016 CHF 1000	2015 CHF 1000
Interest rate contracts (incl. funds)	725	1 368
Equity instruments (incl. funds)	-8	32
Foreign exchange	16 690	16 843
Commodities/precious metals	195	26
Total net trading income	17 602	18 269
- of which from fair value option	0	0

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

	2016 CHF 1000	2015 CHF 1000
Refinancing income from trading positions	0	0
Negative interest claims	-427	-237
Negative interest liabilities	9 962	6 617

34 Breakdown of personnel expenses

	2016 CHF 1000	2015 CHF 1000
Salaries (attendance fees and fixed compensation paid to bank authorities, salaries and benefits)	-79 506	-78 829
– of which expenses related to share-based compensation and alternative forms of variable compensation	-537	-593
Social benefits	-18 617	-16 900
Value adjustments as to the economic benefit or liability of pension schemes	42	167
Other personnel expenses	-4 413	-4 311
Total personnel expenses	-102 495	-99 873

35 Breakdown of other operating expenses

	2016 CHF 1000	2015 CHF 1000
Premises expense	-4 345	-4 913
Expense for IT and communications technology	-22 022	-21 422
Expense for vehicles, machinery, furniture, other equipment, and operational leasing	-1 136	-1 289
Fees for the auditing company	-463	-441
– of which for accounts and supervision audit	-441	-432
– of which for other services	-22	-9
Other operating expenses	-31 768	-29 576
– of which compensation for the state guarantee	0	0
Total operating expenses	-59 734	-57 641

36 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

	2016 CHF 1000	2015 CHF 1000
Extraordinary income	12 564	22 310
– of which profits from sales of participations, real estate and tangible fixed assets ¹⁾	8 795	22 227
– of which revaluations of participations, real estate, and tangible fixed assets	769	0
– of which other extraordinary income ²⁾	3 000	83
Extraordinary expenses	0	–365
of which realised losses from disposal of shares, real estate and tangible fixed assets	0	– 11
– of which other extraordinary expenses	0	–353
Deposits in reserves for general bank risks	–62 000	–82 500

In 2016, the bank did not register any substantial losses and freed-up value adjustments and provisions.

¹⁾ 2016: this concerns mainly the proceeds from the disposal of real estate and the received earn-out payments concerning the sale of participations in Swisssanto Holding AG.
2015: this concerns mainly the proceeds from the sale of participations in Swisssanto Holding AG.

²⁾ 2016: this concerns a reimbursement of the Foundation for the anniversary 2014 due to unclaimed services in relation with the anniversary activities in 2014.

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

A participation which had seen a value adjustment in the first half of 2016, was partly revaluated in the second half of 2016. The income from the discontinuation of the impairment was entered in item Extraordinary income. Further details in item 36 above.

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

Basellandschaftliche Kantonalbank does not have any foreign operational sites.

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

	2016 CHF 1000	2015 CHF 1000
Expenses for on-going taxes	-406	-190
Building of provisions for latent taxes	0	0
Total taxes	-406	-190
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.

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

	2016 CHF	2015 CHF
Undiluted result for the endowment capital/per Kantonalbank Certificate	61,80	60,42
Diluted result for the endowment capital/per Kantonalbank Certificate	61,80	60,42

The undiluted profit 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

	BD	ChwBD	ExC	ARC	HROC	EB
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	
Compensation to the members of the Board of Directors	D				P	
Compensation to CEO	D	P			P	
Compensation to the members of the Executive Board	D				P	P (CEO)
Compensation to the head of Internal Auditing		D		P		
Compensation to the members of the Senior Management						D
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				P	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 2016 and 2015

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	Total compensation	Employer's contribution to social benefits
2016	66733293	12491100	1207672	831539	537068	81800671	18575675
2015	65711750	11407950	1153730	798446	593461	79665338	16732618

¹⁾ Benefits for REKA cheques and lunch allowance.

Amount of outstanding postponed benefits

31-12-2016	2,850 pcs.
31-12-2015	5,943 pcs.

Ratio of highest to lowest gross compensation

2016	1 to 12,45
2015	1 to 14,25

4.3 Compensation paid to the members of the Board of Directors for the business years 2016 and 2015

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								
2016	195 000	0	–	7 000	4 549	206 549	14 531	221 080
2015	191 000	0	–	13 800	4 544	209 344	14 225	223 569
A. Lauber, Vice-chairman¹⁾								
2016	50 000	0	–	7 000	0	57 000	0	57 000
2015	50 000	0	–	1 400	0	51 400	3 810	55 210
M. Primavesi²⁾								
2016	100 000	0	–	3 600	2 275	105 875	7 596	113 470
2015	50 000	0	–	3 250	0	53 250	3 810	57 060
D. Völlmin³⁾								
2016	100 000	0	–	3 600	4 549	108 149	7 596	115 745
2015	98 250	0	–	6 500	4 544	109 294	7 552	116 846
H.U. Schudel⁴⁾								
2016	0	0	–	0	0	0	0	0
2015	48 250	0	–	3 250	4 544	56 044	4 186	60 230
K. Strecker⁵⁾								
2016	100 000	0	–	3 600	2 275	105 875	7 596	113 470
2015	50 000	0	–	3 250	0	53 250	3 810	57 060
E. Dubach Spiegler⁶⁾								
2016	70 000	0	–	2 500	2 275	74 775	5 317	80 091
2015	35 000	0	–	2 200	0	37 200	2 667	39 867
D. Greiner								
2016	70 000	0	–	2 500	4 549	77 049	5 317	82 366
2015	69 500	0	–	4 400	4 544	78 444	5 361	83 805
W. Hansen⁷⁾								
2016	0	0	–	0	0	0	0	0
2015	34 500	0	–	2 200	4 544	41 244	3 138	44 382
C. Janiak⁷⁾								
2016	0	0	–	0	0	0	0	0
2015	34 500	0	–	2 200	4 544	41 244	2 126	43 371
N. Jermann⁶⁾								
2016	70 000	0	–	2 500	2 275	74 775	5 317	80 091
2015	35 000	0	–	2 200	0	37 200	2 667	39 867
F. Mutschlechner								
2016	70 000	0	–	2 500	4 549	77 049	5 317	82 366
2015	69 500	0	–	4 400	4 544	78 444	5 361	83 805
S. Naef⁶⁾								
2016	70 000	0	–	2 500	2 275	74 775	5 317	80 091
2015	35 000	0	–	2 200	0	37 200	2 667	39 867
D. Schenk⁷⁾								
2016	0	0	–	0	0	0	0	0
2015	34 500	0	–	2 200	4 544	41 244	3 138	44 382

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
A. Spindler⁷¹								
2016	0	0	–	0	0	0	0	0
2015	34 500	0	–	2 200	4 544	41 244	2 990	44 234
Total compensation								
2016	895 000	0	–	37 300	29 571	961 871	63 901	1 025 772
2015	869 500	0	–	55 650	40 898	966 048	67 509	1 033 558

¹¹ The fee has been credited to the canton of Basel-Landschaft since 2016

²¹ Joined on 01-07-2015, chairman of the ExC since then

³¹ Chairman of the ACR

⁴¹ Resigned as per 30-06-2015, chairman of the HROC up to then

⁵¹ Joined on 01-07-2015, chairman of the HROC since then

⁶¹ Joined on 01-07-2015

⁷¹ Resigned as per 30-06-2015

4.4 Compensation paid to the members of the Executive Board for the business years 2016 and 2015

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								
2016	444 964	410 000	8 780	24 000	11 373	899 117	203 636	1 102 753
2015	444 964	440 000	9 576	24 000	11 361	929 901	194 011	1 123 911
Remaining members of the Executive Board								
2016	1 504 241	1 066 000	39 756	77 562	34 120	2 721 679	715 958	3 437 637
2015	1 551 095	1 166 000	43 134	80 001	34 082	2 874 312	650 180	3 524 492
Total Executive Board								
2016	1 949 205	1 476 000	48 536	101 562	45 493	3 620 797	919 594	4 540 390
2015	1 996 059	1 606 000	52 710	104 001	45 443	3 804 213	844 191	4 648 404

¹⁾ The fee has been credited to the canton of Basel-Landschaft since 2016

In the years 2015 and 2016, there was no change in the composition of the Executive Board.

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 31-12-2016	Loans and credits 31-12-2015	KBC subscribed for in 2016	KBC subscribed for in 2015	KBC balance (restricted) 31-12-2016	KBC balance (restricted) 31-12-2015
E. Schirmer	Chairwoman of the Board of Directors	1 050 000	850 000	20	20	340 (100)	320 (120)
A. Lauber	Vice-chairman	0	0	0	0	0	0
M. Primavesi ¹⁾	Member	0	0	10	0	10 (10)	0
D. Völlmin	Member	780 000	780 000	20	20	190 (100)	170 (110)
H.U. Schudel ²⁾	Member	-	-	-	20	-	-
K. Strecker ¹⁾	Member	2 500 000	2 500 000	10	0	10 (10)	0
E. Dubach Spiegler ¹⁾	Member	0	0	10	0	10 (10)	0
D. Greiner	Member	0	0	20	20	360 (100)	340 (120)
W. Hansen ²⁾	Member	-	-	-	20	-	-
C. Janiak ²⁾	Member	-	-	-	20	-	-
N. Jermann ¹⁾	Member	250 000	250 000	10	0	10 (10)	0
F. Mutschlechner	Member	0	0	20	20	100 (100)	80 (80)
S. Naef ¹⁾	Member	0	0	10	0	10 (10)	0
D. Schenk ²⁾	Member	-	-	-	20	-	-
A. Spindler ²⁾	Member	-	-	-	20	-	-
Total Bankrat		4 580 000	4 380 000	130	180	1 040 (450)	910 (430)

¹⁾ Joined on 01-07-2015

²⁾ Resigned as per 30-06-2015

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

Name	Function	Loans and credits 31-12-2016	Loans and credits 31-12-2015
Beat Oberlin ¹⁾	Chairman of the EB	1 600 000	1 600 000
Remaining members of the Executive Board		4 127 150	3 519 150
Total Executive Board		5 727 150	5 119 150

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 2016	KBC subscribed for in 2015	KBC Balance (restricted) 31-12-2016	KBC Balance (restricted) 31-12-2015
Beat Oberlin	Chairman of the EB	50	50	1 266 (256)	1 216 (306)
Daniel Brändlin	Member of the EB	30	35	150 (150)	141 (135)
Herbert Kumbartzki	Member of the EB	30	30	240 (150)	210 (140)
Simon Leumann	Member of the EB	31	30	192 (79)	161 (78)
Jean-Daniel Neuenschwander	Member of the EB	30	30	190 (156)	300 (176)
Kaspar Schweizer	Member of the EB	30	30	491 (146)	461 (166)
Total Executive Board		201	205	2 529 (937)	2 489 (1 001)

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

Basle, 22 February 2017

Basellandschaftliche Kantonalbank, Liestal

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Basellandschaftliche Kantonalbank, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes, for the year ended 31 December 2016.



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 2016 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 key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

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

Loans to clients – Impairment testing and calculation of fair value adjustments and determination of individual value adjustments and provisions for default risks

Area of focus Loans to clients, presented in amounts due from customers and mortgage loans, are recorded at nominal value, less value adjustments for impaired loans. The impairment is covered by individual value adjustments and the amount of the value adjustment is based on the difference between the book value of the loan and the expected income, taking into account the counterparty risk and the net income from selling the collateral.

For loans with credit facilities whose utilization is typically subject to frequent and high fluctuations (e.g. current account credit facilities) fair value adjustments on the actual utilization and provisions on unused credit facilities are recorded.

Calculation of fair value adjustments and provisions for default risks are subject to significant judgement by the management and can vary depending on the individual assessment.

As per 31 December 2016 loans to clients amount to CHF 18'969.1 mio. (equivalent to 80.1% of the total balance sheet amount) and represent a significant share of the assets of Basellandschaftliche Kantonalbank. Therefore, the valuation of loans to clients is a key audit matter.

The bank describes its accounting and valuation principles concerning loans to clients and value adjustments on page 48 of the annual report. For further information we refer to disclosure no. 2 showing the presentation of collaterals for receivables and off-balance sheet transactions as well as for impaired receivables and no. 16 presenting the value adjustments and provisions as well as reserves for general bank risks and changes during the current year in the notes of the financial statements.



Our audit response

Our audit procedures include the assessment of processes and controls in connection with the granting and monitoring of credits as well as the identification and calculation of fair value adjustments. This includes the performance of impairment tests of loans on a sample basis and the evaluation of procedures and assumptions for the determination of individual fair value adjustments.

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



Report on other legal requirements

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

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the 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)

Roman Sandmeier
Licensed audit expert

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