Accounting principles

1 Basic information

The LLB Group offers a broad spectrum of financial services. Of particular importance are asset management and investment counselling for private and institutional clients, as well as retail and corporate client businesses.

The Liechtensteinische Landesbank Aktiengesellschaft, founded in and with its registered office located in Vaduz, Principality of Liechtenstein, is the parent company of the LLB Group. It is listed on the SIX Swiss Exchange.

The Board of Directors reviewed this consolidated annual statement at its meeting on 23 February 2018 and approved it for publication.

2 Summary of significant accounting policies

The significant accounting and valuation methods employed in the preparation of this consolidated financial statement are described in the following. The described methods have been consistently employed for the reporting periods shown, provided no statement to the contrary is specified.

2.1 Basis for financial accounting

The consolidated financial statement has been prepared in accordance with the International Financial Reporting Standards (IFRS).

On account of detailed definitions in its presentation, the consolidated financial statement of the comparison period can contain reclassifications. These have no, or no substantial, effect on the business result. No further details of reclassifications are provided because the only adjustments concern the type of presentation.

Further basis for the preparation of the financial statement

The Group financial statement was prepared on the basis of historical acquisition or production cost with the exception of the revaluation of certain financial assets and liabilities.

On the basis of experience gained over recent years and the digitalisation strategy initiated by the LLB Group, the depreciation period for IT hardware and software (tangible and intangible assets) was assessed in some cases as not corresponding to the effective, useful life of the IT infrastructure employed. With effect from the financial year starting on 1 January 2017, the depreciation period was adjusted in line with the future useful economic life. An adjustment of this nature represents an accounting estimate in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. From an overall economic perspective, the adjustment of the depreciation period results in neither additional nor reduced expenses from depreciation and amortisation, however, for the individual reporting periods this alteration does affect operating expenses. In the period under report, the expenses from depreciation and amortisation were CHF 2.2 million lower, and for the 2018 financial year CHF 0.9 million lower, than without the change. The reduction in operating expenses in the financial years 2017 and 2018 of CHF 3.1 million is reflected in higher expenses for the period 2019 to 2022 due to the extension of useful life.

Numerous new IFRS standards, amendments and interpretations of existing IFRS standards, which are to be applied for financial years starting on 1 January 2017 or later were published or came into effect. Amendments, which are to be applied for financial years starting on 1 January 2017 or later and which are regarded as being relevant for the LLB Group, are amendments to IAS 7 “Statement of Cash Flows” within the scope of the Disclosure Initiative as well as amendments to IAS 12 “Income Tax”. The implementation of the changes has no major influence on the financial statement.

The following new or revised IFRS standards or interpretations are of importance for the LLB Group from 1 January 2018 or later:

- IAS 40 “Investment Property” – The amendments stipulate that in future the transfer of real estate into or out of the inventory of real estate held as financial investments is to be assessed on a principle-based basis. In future, transfers will only be made if there is a change of use. In this case, it is to be assessed whether a property meets the definition of real estate held as a financial investment. In addition the change of use must be evidenced, i.e. there must be objective evidence of, and not just an intention for, a change of use. In comparison with the previous ruling, the list of examples was changed from an exhaustive to a non-exhaustive list. In relation to operating leases, in future the commencement of the leasing relationship will be relevant as the time point of the transfer, and no longer the start of the lease term. The amendments are effective for periods on or after 1 January 2018. Retrospective application is also possible if this is possible without the use of hindsight. An earlier application is possible, but the LLB Group will not do so. The implementation of the changes has no major influence on the LLB Group’s financial statement.
- IFRS 2 “Share-based Payment” – The amendments concern rulings in connection with cash-settled share-based payments. An exception will continue to apply to share-based payments involving a so-called net settlement feature. In this case, the tax to be paid by the employee will be paid directly to the competent tax authority by the company. Accordingly, the employee retains only the share-based payment amounting to the balance from the original entitlement and the tax liability. Only the net settlement feature could be of future relevance for LLB. At the moment this situation does not exist. The new rulings come into effect on 1 January 2018. Retrospective application is also possible if this is possible without the use of hindsight. An earlier application is possible, but the LLB Group will not do so. The implementation of the changes has no major influence on the LLB Group’s financial statement.
- IFRS 9 “Financial Instruments “– IFRS 9 is structured in three phases: “Classification and Measurement”, “Impairment”, and “Hedge Accounting”. To facilitate the implementation of the requirements of the new standard, the LLB Group set up sub-projects which have been successfully completed.

Sub-project "Classification and Measurement": The classification and measurement of financial instruments are made on the basis of the business model of the bank for the management of financial instruments and the cash flow characteristics (SPPI criteria) of the financial instruments. The financial instruments are classified in the "Hold" business model and measured at amortised cost, if the purpose of the financial instruments is to generate interest income and payment of the principal upon maturity. In contrast, if the management pursues the goal of also employing them for liquidity management, i.e. for the purpose of holding and sale, then the instruments are to be recognised at fair value through other comprehensive income (FVOCI). Gains and losses from this business model are booked in the statement of other comprehensive income and equity. Upon final maturity or early sale, the cumulative gain or loss is recycled in the income statement. Financial instruments, which are classified in the "Trading" business model, which do not fulfil the SPPI criteria or for which the fair value option is utilised, are to be classified as fair value through profit or loss (FVTPL). The definition of the business models for the individual financial instruments has been made. Only in the area of financial investments (see Note 16) are there effects due to the transition from IAS 39 "Financial Instruments: Recognition and Measurement" to IFRS 9. The strategy according to IFRS 9, and therefore the classification of the individual financial investments, derived from the individual business models, is as follows: a portion of the debt instruments is primarily held for the purpose of the appropriation of fair value, and accordingly was classified in the "Trading" model. This includes debt instruments, which were recognised at fair value in the income statement at the end of the 2017 financial year. All other debt instruments fall under the business model "Hold to Collect and Sell" because this is employed to attain specific interest yields and thus to manage liquidity requirements. Under IFRS 9 all newly purchased debt instruments will primarily fall under the "Hold to Collect and Sell" business model because in addition to the collection of income from coupon payments, the aim is to achieve flexibility in liquidity management while at the same time minimising the volatility of price fluctuations. In the case of equities, which are all to be measured at fair value in the income statement by the end of the 2017 financial year, an irrevocable choice has been made for an insubstantial portion of them, which exclusively have an infrastructural character, to report them in future in other income. A reclassification of cumulative income contributions of around CHF 15.8 million will be made from retained earnings to other reserves for these positions. The following table summarises the statements made above and compares the measurements made under IAS 39 and IFRS 9:

	Measurement under IAS 39	Measurement under IFRS 9
Assets		
Cash and balances with central banks	Amortised cost	Amortised cost
Due from banks	Amortised cost	Amortised cost
Loans	Amortised cost	Amortised cost
Trading portfolio assets	FVTPL	FVTPL
Derivative financial instruments	FVTPL	FVTPL
Financial investments at fair value		
Debt instruments at fair value through profit and loss	FVTPL	FVTPL
Debt instruments available for sale	Available for sale	FVOCI
Equity instruments at fair value through profit and loss	FVTPL	FVTPL
Equity instruments at fair value through profit and loss	FVTPL	FVOCI
Accrued income and prepaid expenses	Amortised cost	Amortised cost
Liabilities		
Due to banks	Amortised cost	Amortised cost
Due to customers	Amortised cost	Amortised cost
Derivative financial instruments	FVTPL	FVTPL
Debt issued	Amortised cost	Amortised cost
Accrued expenses and deferred income	Amortised cost	Amortised cost

Sub-project "Impairment": In accordance with IFRS 9, impairments are to be recognised at an early stage (expected loss model). The amount of an impairment is determined on the basis of the classification of the financial instrument in one of the following three stages: In stage 1 there is no significant deterioration in the credit quality and impairments amounting to the cash value of an expected 12-month credit loss are to be recognised. If there is no objective indication of an impairment, but a significant increase in the credit risk has occurred, the impairment is to be recognised up to the amount of the expected losses over the entire remaining period of the term (stage 2). For the LLB Group this results in a significant increase in the credit risk in addition to the 30-day overdraft, in particular from early warning indicators from account movements. In stage 3, there must be an objective indication of an impairment and a specific valuation allowance (lifetime expected loss) is to be made for this financial instrument. The requirements for impairments apply to financial assets, which are measured at amortised cost or at fair value through other comprehensive income (FVOCI), as well as to financial guarantees and credit commitments. In respect of the LLB Group, this means that an expected credit loss (ECL) for claims due from banks, loans to customers, debt instruments, contingent liabilities, irrevocable commitments and credit cards is to be calculated. The calculation and discounting of the expected credit loss according to IFRS 9 are carried out using the software, which LLB employs within the scope of balance structure management. This ensures a high level of data integrity. The implementation of the expected credit loss in accordance with IFRS 9 is based mainly on the following internal processes and models:

Probability of default (PD): The estimates for the probability of default are determined on a through-the-cycle (TTC) basis. Missing information in relation to the probability of default, loss given default and the exposure at default are determined by means of models at the portfolio level.

Loss given default (LGD): The loss given default is calculated on the basis of estimates made by experts.

Since the models are generally structured on a through-the-cycle basis, adjustments are made to take into consideration the current economic conditions (point in time, PiT). These encompass, in particular, forecasts regarding the development of gross domestic product, interest rate trends and the real estate index. Other processes that are employed in the calculation include the exposure at default (EAD) as well as discounting. Calculations show that the implementation of the ECL model in accordance with IFRS 9, in comparison with the current approach based on losses incurred, will lead to an increase in expected credit loss. On the one hand, this is attributable to the 12-month ECL, which has to be reported for all the financial instruments concerned, as well as the determination of the ECL on the basis of the entire term, which has to be applied for positions after a significant increase in the credit risk. The requirement to include forward-looking information in the calculation of expected credit loss means that substantial discretionary judgements have to be made, which can influence the expected credit loss and increase the volatility in the income statement. In relation to this issue, within the scope of the process to determine the expected credit loss, the LLB Group is focusing on the development of a system of robust governance. Within the context of the transition to IFRS 9, a one-time adjustment of equity (reduction), not affecting the income statement, is to be made on account of the changeover from an incurred loss model to an expected loss model. The effect before deferred taxes stood at between CHF 10 and 16 million, and after deferred taxes at between CHF 9 and 14 million.

In addition, IFRS 9 regulates hedge accounting, whereby it aims to standardise risk management and accounting. Risk Management must depict certain hedge accounting in the books. At present, the LLB Group employs macro hedges at portfolio level, which is not yet regulated under IFRS 9. Up to the completion of the International Accounting Standards Board (IASB) project in macro hedge accounting, LLB can continue to follow its previous approach unchanged under IFRS 9. Accordingly, there are no major effects on the LLB Group. IFRS 9 comes into effect on 1 January 2018. An earlier implementation is possible, but will not be carried out at the LLB Group. It will be applied retrospectively, either completely or in a modified form, i.e. in a simplified form, in that any possible differences between the previous carrying value and the carrying value at the beginning of the financial year in which the standard is applied for the first time will be adjusted via the opening balance sheet value of equity. The LLB Group has chosen the simplified form for the first application, i.e. the comparison periods show the closing values in accordance with IAS 39 and not IFRS 9.

- IFRS 9 "Financial Instruments", Amendments – In October 2017, the IASB announced amendments in relation to contractual prepayment features. Thanks to the amendments, it is now possible that a prepayment right can be consistent with the SPPI payment conditions if the amount of the prepayment substantially constitutes a payment of principal and interest on the principal amount outstanding. Accordingly, the sign of the compensation payment is no longer relevant, the financial instrument therefore becomes eligible to be measured at amortised cost or at fair value through other comprehensive income (FVOCI). The amendment comes into effect on 1 January 2019 and is to be applied retrospectively. An early application is permitted and will be applied by the LLB Group parallel to the first application of IFRS 9. For these reasons, the amendments have no effect on the LLB Group.
- IFRS 15 "Revenue from Contracts with Customers" – In May 2014, the IASB, together with the Financial Accounting Standards Board (FASB), issued new regulations for the recognition of revenue, which completely replace the existing US-GAAP and IFRS rulings for the recognition of revenue. The recognition requires that revenue be shown as goods or services transferred to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 contains a 5-step model to calculate the revenue, whereby

the type of transaction or the industry, in which the company operates is irrelevant. Furthermore, the standard includes guidelines concerning the costs for the attainment and performance of a contract, as well as when such costs are to be capitalised. The standard specifies additional disclosures. In April 2016, the IASB provided clarifications on the subjects of "Identification of Benefit Obligations", "Principal-Agent Relationships" and "Licenses" as well as the granting of transitional relief (optional application). In general, for LLB, the introduction of IFRS 15 will have only a slight influence on the recognition, balancing, presentation and disclosure of such items. The primary reason for this is that IFRS 15 is aimed mainly at industrial sectors and less at the financial services industry. Currently, revenues from fees and commissions are reported in one position (one line). In future, if they are material, further positions (lines) will be shown in a table to enable a more detailed presentation. The new standard comes into effect from 1 January 2018. An earlier application is possible, but the LLB Group did not do so. It will be applied on the basis of simplified transition provisions.

- IFRS 16 "Leasing" – The new standard regulates the recognition and disclosure of leasing contracts. Leasing contracts are understood to be contracts that convey the right to use an asset for a period of time in exchange for a consideration. This can be, for example, the leasing of premises or equipment. The IFRS 16 contains no material threshold values for when a leasing contract is to be recognised as an asset, rather all substantial leasing contracts are basically to be entered in the accounts. However options exist for short-term leasing terms (shorter than 12 months) and for low-value assets. The entering of leasing contracts in the financial accounts leads to a balance sheet extension, which basically has a negative impact on the regulatory required equity and also on the corresponding regulatory key figures, such as the Tier 1 ratio. The standard comes into effect on 1 January 2019. An earlier application is possible, but the LLB Group will not do so. It will be applied retrospectively, either completely or in a modified form. The effects of these changes on the LLB Group's financial reporting are currently being analysed.
- IFRIC 23 "Uncertainty over Income Tax Treatments" – The interpretation provides guidelines regarding the treatment of taxable profit or taxable losses, tax bases, unused tax credits and tax rates when there is uncertainty as to what extent the tax authorities will recognise the individual tax positions. In a first step it is to be determined whether each tax treatment should be considered individually or whether some tax treatments should be considered together. In doing so, it is to be evaluated whether it is likely that the tax authority will accept the tax treatment or combination of tax treatments that an entity has employed, or intends to employ, in its tax declaration. If an entity concludes that it is probable that a particular tax treatment will be accepted, the entity has to determine taxable profit (taxable loss), tax bases, unused tax credits or tax rates consistently with the tax treatment included in its income tax declaration. If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or expected value of the tax treatment. The interpretation comes into effect on 1 January 2019. An earlier application is possible, but will not be utilised by the LLB Group. It will be applied fully retrospectively or retrospectively in a modified form. The implementation of these changes has no major influence on the LLB Group's financial statement.

Within the scope of its annual improvements, the IASB published further improvements (Annual Improvements to IFRS 2014 – 2016 Cycle and 2015 – 2017 Cycle), which are valid from 1 January 2017, 2018 or 2019. The implementation of these changes has, or will have, no major influence on the LLB Group's financial statement.

Use of estimates in the preparation of financial statements

In preparing the financial statements in conformity with IFRS, the management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of information available on the balance sheet date and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates, and the differences could be substantial to the financial statements.

The IFRS contains guidelines which require the LLB Group to make estimates and assumptions when preparing the consolidated financial statement. Allowances for credit loss risks, goodwill, intangible assets, provisions for legal and litigation risks, fair value conditions for financial instruments and value adjustments for pension plans are all areas which leave large scope for estimate judgments. Assumptions and estimates made in these areas could be substantial to the financial statement. Explanations regarding this point are shown under Notes 13, 19, 26, 34 and 41.

2.2 Consolidation policies

The consolidated financial statement adopts a business perspective and follows a financial format. The consolidation period corresponds to the calendar year. The financial year is identical to the calendar year for all consolidated companies. Solely LLB Invest AGmvK and LLB Qualified Investors AGmvK have a different financial year; however, these companies are negligible for the preparation of the consolidated financial statement. The Swiss franc (CHF), the currency of the country in which LLB AG has its registered office, serves as the reporting currency of the LLB Group.

Subsidiaries

The consolidated financial statement incorporates the financial accounts of Liechtensteinische Landesbank AG and its subsidiaries. LLB Group companies, in which Liechtensteinische Landesbank AG holds, directly or indirectly, the majority of the voting rights or otherwise exercises control, are fully consolidated. Subsidiaries acquired are consolidated from the date control is transferred to Liechtensteinische

Landesbank AG, and are no longer consolidated from the date this control ends.

The consolidation is carried out according to the purchase method. The effects of intra-group transactions and balances are eliminated in preparing the financial statements. Transactions with minorities are booked to equity.

Equity attributable to minority interests is presented in the consolidated balance sheet in equity, separately from equity attributable to LLB shareholders. Net profit attributable to minority interests is shown separately in the income statement.

Investment in joint venture

Joint ventures, i.e. companies in which LLB has a 50 percent participation, are recognised according to the equity method.

Changes to the scope of consolidation

There were no changes to the scope of consolidation in the 2017 financial year.

2.3 General principles

Recording of business

Sales and purchases from trading assets, derivative financial instruments and financial investments are booked on the transaction date. Loans, including those to clients, are recorded in that period of time in which the funds flow to the borrower.

Income accrual

Income from services is recorded at the time the service was rendered. Asset management fees, safe custody fees and similar types of income are recorded on a pro rata basis over the period the specific service is provided. Interest income is recorded using the effective interest method. Dividends are recorded at the time point a legal claim comes into existence.

Inland versus abroad

"Inland" encompasses the Principality of Liechtenstein and Switzerland.

2.4 Foreign currency translation

Functional currency and reporting currency

The items contained in the financial accounts of each Group company are valued in the currency which is used in the primary business environment in which the company operates (functional currency).

The reporting currency of the LLB Group is the Swiss franc.

Group financial statement

Group companies which report their financial accounts in a functional currency other than the Group's reporting currency are translated as follows: all assets and liabilities are converted at the relevant exchange rate valid on the balance sheet date. All individual items in the income statement and statement of cash flows are converted at the average exchange rate for the accounting period. All resulting exchange differences are booked individually to equity and other comprehensive income, respectively.

Separate financial statements

Foreign currency transactions are translated on the day of the transaction at spot rates into the functional currency. Foreign currency differences with financial assets and financial liabilities occur if the exchange rate prevailing on the reporting date differs from the spot rate on the transaction date. In the case of monetary items, the resulting foreign currency differences are recognised in the income statement in the position foreign exchange trading under net trading income. The same applies to non-monetary items, which are recognised at fair value. In the case of non-monetary items, whose fair value changes are recognised directly in equity and in other comprehensive income without affecting net income, respectively, the foreign currency difference is a part of the change in fair value. If material, the foreign currency difference is reported in a foot note under Note 16.

The following exchange rates were employed for foreign currency conversion:

Reporting date rate	31.12.2017	31.12.2016
1 USD	0.9765	1.0167
1 EUR	1.1715	1.0726
1 GBP	1.3201	1.2588

Average rate	2017	2016
1 USD	0.9837	0.9889
1 EUR	1.1132	1.0895
1 GBP	1.2749	1.3397

2.5 Cash and balances with central banks

Cash and balances with central banks consist of cash in hand, postal cheque balances, giro and sight deposits at the Swiss National Bank and foreign central banks, as well as clearing credit balances at recognised central savings and clearing banks, claims from money market instruments with an original maturity period of less than three months as well as loans due from banks (due daily).

2.6 Balances due from banks and from customers

Balances due from banks and from customers are initially recorded at actual cost, corresponding to the fair value of the specific loan at the time it was granted. Subsequent valuation reflects the amortised cost under application of the effective interest rate method.

Interest on balances due from banks and from customers is recognised on an accrual basis and is reported according to the effective interest method, included under the item interest income.

Negative interest on assets and liabilities is accrued in a period-compliant manner and reported in the income statement as interest paid or interest received.

Basically, the LLB Group extends loans only on a collateralised basis, and only to counter parties having very high credit worthiness.

Loans are regarded as being impaired if it is likely that the entire amount owed according to the loan agreement is not recoverable. Loan impairments are caused by country- or counterparty-specific criteria. Indications for the impairment of financial assets are:

- the financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the increased probability that the borrower will enter bankruptcy or financial reorganisation;
- national or local economic conditions that correlate with defaults on the assets of the Group.

The amount of the impairment is measured as the difference between the carrying value of the claim and the estimated future cash flow, discounted by the loan's original effective interest rate. Allowances for credit risks is reported as a reduction of the carrying value of a claim on the balance sheet, whereas for an off-balance sheet item, such as a commitment, a provision for credit loss is reported under provisions. Impairments are recognised in the income statement.

2.7 Trading portfolio assets

Trading portfolio assets comprise equities, bonds and structured financial products. Financial assets held for trading purposes are recorded at fair value. Short positions in securities are reported as trading portfolio liabilities at fair value. Realised and unrealised gains and losses as well as interest and dividends are recorded in net trading income.

Fair value is based on current market prices in the case of an active market. In the absence of an active market, fair value is calculated on the basis of valuation models (see "2.9 Financial investments").

2.8 Derivative financial instruments and hedge accounting

Derivative financial instruments are valued as positive or negative replacement values corresponding to fair value and are reported in the balance sheet. Fair value is calculated on the basis of exchange quotations; in the absence of these, valuation models are employed. Derivative financial instruments are held within the LLB Group for hedging and trading purposes. If the derivative financial instruments held for hedging purposes do not fulfil the strict IFRS hedge accounting criteria, changes in fair value are recognised, as with derivative financial instruments for trading purposes, in net trading income. Within the LLB Group, income effects of hedging transactions according to hedge accounting guidelines arise only with the ineffective component, the effects of the effective component neutralise each other.

Hedge accounting

Within the scope of risk management, derivative financial instruments are employed mainly to manage interest rate and foreign currency risks. If these transactions fulfil the IFRS-specific hedge accounting criteria, and if these were employed as hedging instruments from a risk management perspective, they can be shown according to hedge accounting guidelines. If these transactions do not fulfil the IFRS-specific hedge accounting criteria, they are not presented according to hedge accounting guidelines, even if from an economic point of view they represent hedging transactions and are consistent with the risk management principles of the LLB Group.

The LLB Group employs fair value hedge accounting for interest rate instruments. In this case, the interest rate risks of the underlying transaction (e.g. a fixed-rate mortgage) are hedged by means of hedging instruments (e.g. an interest rate swap). Fair value hedge accounting is applied at the portfolio level, whereby one hedging instrument is used to secure one or more underlying transactions. The effect on income of the fair value change in the hedging instrument is recognised in the income statement in the same position as the corresponding effect on income of the fair value changes in the hedged underlying transactions.

In the case of the hedging of interest rate risks at the portfolio level, the fair value change in the hedged item is recognised in the same balance sheet position as the underlying item. As soon as a financial instrument is classified as a hedging instrument, and the hedging instrument fulfils the IFRS-specific hedge accounting criteria, the relationship between the hedging instrument and the hedged underlying transaction or the portfolio of underlying transactions is formally documented. This documentation contains the risk management goals and strategies for the underlying hedged relationship, as well as methods to assess the effectiveness, i.e. the effectiveness of the hedging relationship. The effectiveness of a hedging transaction is understood to be the extent to which changes in the fair value of the underlying transaction, which are attributable to a hedged risk, can be compensated for by changes in the fair value of the hedging transaction. An assessment is made, both when the hedging relationship is first applied and during its term, of whether it can regarded as "highly effective". A hedge is regarded as being highly effective if: a) it is assessed as being highly effective both when the hedge is initially recognised and during the entire term of the transaction, and b) the actual results of the hedging transaction lie within a range of 80 to 125 percent. The part outside the range of 80 to 125 percent is classed as being ineffective.

If fair value hedge accounting is employed for reasons other than the derecognition of the hedged transaction, the amount, which is reported in the same balance sheet position as the underlying transaction, is amortised over the residual term of the underlying transaction in the income statement.

2.9 Financial investments

According to IFRS, financial investments can be divided into various categories. The classification depends on the purpose for which the individual financial investments were made. The management of the LLB Group determines the classification upon initial recognition. In the 2017 financial year and in the 2016 financial year, financial investments were classified in the category "Financial investments at fair value through profit and loss", as well as the category "Available-for-sale financial assets". All value adjustments with the category "Financial investments at fair value through profit and loss" are recognised in the income statement. All value adjustments with the category "Available for- sale financial assets" are reported in other comprehensive income.

This designation of the financial investments is in line with LLB's investment strategy. The securities are managed on a fair value basis and their performance is evaluated accordingly. The members of the Group Executive Board receive the corresponding information.

Financial assets at fair value through profit and loss

Financial assets are recorded on the balance sheet at fair value. Non-realised gains and losses are reflected in the income statement at fair value under income from financial instruments. The fair value of listed shares is based on current market prices. If an active market is not available for financial assets, or if the assets are not listed, the fair value is determined by way of suitable valuation models. These encompass references to recent transactions between independent business partners, the application of the current market prices of other assets which are essentially similar to the assets being valued, discounted cash flows and external pricing models, which take into account the special circumstances of the issuer. See also Note 34.

Interest and dividend income from financial investments is recorded at fair value as income from financial instruments. Interest income is recognised on an accrual basis.

Available-for-sale financial assets

Financial assets which are available for sale are recognised at fair value. Value changes, such as unrealised gains or losses, are reported in other comprehensive income. The fair value of these financial assets is measured on the basis of listed shares. If no active market exists or the assets are not listed on an exchange, the fair value is determined, similar to financial assets at fair value through profit and loss, by means of suitable valuation models. See also Note 34. Interest and dividend income are recognised in the income statement. Interest is reported on an accrual basis.

2.10 Property, investment property and other equipment

Property is reported in the balance sheet at acquisition cost less any depreciation necessary for operational reasons. Bank buildings are buildings held by the LLB Group for use in the delivery of services or for administration purposes, whereas investment property is held to earn rentals and / or for capital appreciation. If a property is partially used as investment property, the classification is based on whether or not the two portions can be sold separately. Investment property is periodically valued by external experts. Changes in fair value are recognised in the income statement as other income in the current period. If the portions of the property can be sold separately, each portion is booked separately. If the portions cannot be sold separately, the whole property is classified as a bank building unless the portion used by the bank is minor.

Equipment includes fixtures, furnishings, machinery and IT equipment. These items are entered in the financial accounts and depreciated over the estimated useful life of the asset.

Depreciation is conducted on a straight-line basis over the estimated useful life as follows:

Property	33 years
Investment property	No depreciation
Undeveloped land	No depreciation
Building supplementary costs	10 years
Fixtures, furnishings, machinery	5 years
IT equipment	3-6 years

Small value purchases are charged directly to general and administrative expense. In general, maintenance and renovation expenditures are booked to general and administrative expense. If the related cost is substantial and results in a significant increase in value, such expenditures are capitalised and depreciated over their useful life. Profits from the sale of fixed assets are reported as other income. Losses result in additional write-downs on fixed assets.

Property and equipment is regularly reviewed for impairment, but always when, on account of occurrences or changed circumstances, an overvaluation of the carrying value appears to be possible. If, as a result of the review, a reduction in value or modified useful life is determined, the residual carrying value is depreciated over the adjusted useful life, or an unplanned write-down is made.

2.11 Non-current assets held for sale

Long-term assets (or a disposal group) are classified as held for sale, if their carrying amount will be recovered primarily through a sale transaction rather than through continuing use. For this to be the case, the asset (or the disposal group) must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets (or disposal groups) and such a sale must be highly probable. Long-term assets held for sale and disposal groups are measured at the lower of carrying amount and fair value less costs to sell, unless the items shown in the disposal group are not classified in the valuation rules of IFRS 5 "Non-current assets held for sale and discontinued operations".

2.12 Goodwill and other intangible assets

Goodwill is defined as the difference between the purchase price paid for and the determined fair value at date of acquisition of identified net assets in a company purchased by the LLB Group. Other intangible assets contain separately, identifiable intangible values resulting from acquisitions and certain purchased brands / trademarks and similar items. Goodwill and other intangible assets are recognised on the balance sheet at cost determined on the date of acquisition, and are amortised using the straight-line method over the useful life of ten to fifteen years. On each balance sheet date, goodwill and other intangible assets are reviewed for indications of impairment or changes in future benefits. If such indications exist, an analysis is performed to assess whether the carrying value of goodwill or other intangible assets is fully recoverable. An amortisation is made if the carrying amount exceeds the recoverable amount. For impairment testing purposes, goodwill is distributed into cash generating units. A cash generating unit is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets. Cash flows generated from independent groups of assets are largely determined on the basis of how management steers and manages business activity. The management of the LLB Group manages and steers business activity in divisions so that the divisions and segments are designated as the cash generating units of the Group.

Software development costs are capitalised when they meet certain criteria relating to identifiability, it is possible that economic benefits will flow to the company, and the cost can be measured reliably. Internally developed software meeting these criteria and purchased software are capitalised and subsequently amortised over three to six years. See also Note 19.

2.13 Current and deferred taxes

Current income tax is calculated on the basis of the tax law applicable in the individual country and recorded as expense for the accounting period in which the related income was earned. The relevant amounts are recorded on the balance sheet as provisions for taxes. The tax impact from time differentials due to different valuations arising from the values of assets and liabilities reported according to IFRS shown on the Group balance sheet and their taxable value are recorded on the balance sheet as accrued tax assets or, as the case may be, deferred tax liabilities. Deferred tax assets and deferred tax liabilities attributable to time differentials or accountable loss carry forwards are capitalised if there is a probability that sufficient taxable profits will be available to offset such differentials of loss carry forwards. Accrued / deferred tax assets / liabilities are calculated at the tax rates that are likely to be applicable for the accounting period in which the tax assets are realised or the tax liabilities paid.

Current and deferred taxes are credited or charged directly to equity or other comprehensive income if the related tax pertains to items that have been credited or charged directly to equity or other comprehensive income in the same or some other accounting period.

2.14 Debt issued

Medium-term notes are recognised at fair value, which usually corresponds to the issuance value, and at amortised cost. Debt instruments, which contain an embedded option for conversion of the debt into shares of LLB AG, are separated into a liability and an equity component. The difference between the proceeds of the issue price and the fair value of the instrument on the issue date is booked directly to equity. The fair value of the liability component on the issue date is determined on the basis of the market interest rate for comparable instruments without conversion rights. Thereafter, it is recognised at ongoing cost according to the effective interest method. Differences between the proceeds and the repayment amount are reported in profit and loss over the term of the debt instrument concerned. The LLB Group does not report changes in the value of the equity component in the following reporting periods.

2.15 Employee benefits

Retirement benefit plans

The LLB Group has pension plans for its employees in Liechtenstein and abroad, which are defined according to IFRS as defined benefit plans. In addition there are long-term service awards which qualify as other long-term employee benefits.

For benefit-oriented plans, the period costs are determined by opinions obtained from external experts. The benefits provided by these plans are generally based on the number of insured years, the employee's age, covered salary and partly on the amount of capital saved. For benefit-oriented plans with segregated assets, the relevant funded status is recorded on the balance sheet as an asset or liability (in accordance with the Projected Unit Credit Method). An asset position is calculated according to the criteria of IFRIC 14. For plans without segregated assets, the relevant funded status recorded on the balance sheet corresponds to the cash value of the claims.

The cash value of the claims is calculated using the projected unit credit method, whereby the number of insured years accrued up to the valuation date are taken into consideration.

The effects of retroactive improvements to benefits resulting from plan changes as well as plan curtailments are recognised directly in the income statement.

Variable salary component and share-based remuneration

Regulations exist governing the payment of variable salary components. The valuation procedure with the variable salary component is based on the degree of individual target achievement. Executives receive a portion of their profit-related bonus in the form of entitlements to LLB shares. However, no exercising conditions are attached to this procedure.

The LLB Group enters a provision as a liability in those cases where a contractual obligation exists or a de facto obligation arises as a result of past business practice. The expense is recognised under personnel expenses. Obligations to be paid in cash are entered under other liabilities. The portion to be compensated with LLB shares is entered in equity. The number of shares for the share-based compensation corresponds to the average share price of the last quarter of the year under report.

2.16 Provisions and contingent liabilities

Provisions are liabilities, whose maturities and amounts are uncertain. These are recognised in the balance sheet if the LLB Group a) has a liability towards a third party which is attributable to an event in the past, b) the liability can be reliably estimated, and c) an outflow of resources to cover this liability is probable. They are reported separately in the balance sheet.

Provisions are allocated within the scope of the best possible estimate of the expected payment. Such estimates are based on all the information available and are adjusted accordingly as soon as new information becomes available. New information or actually occurring events may substantially differ from the estimates made, which in turn can lead to significant changes in the consolidated financial statement. As soon as no further uncertainties exist in relation to the time point or amount of the payment, these items are reclassified in other liabilities.

The LLB Group's business environment exposes it to both legal and regulatory risks. As a result, LLB is involved in various legal proceedings, whose financial influence on the LLB Group – depending on the stage of the proceeding – is difficult to assess and are subject to many uncertainties. The LLB Group makes provisions for ongoing and threatened proceedings when, in the opinion of management after taking legal advice, it is probable that a liability exists, and the amount of the liability or payment can be reasonably estimated.

For legal proceedings in cases where the facts are not specifically known, the claimant has not quantified the alleged damages, the proceedings are at an early stage, or where sound and substantial information is lacking, the LLB Group is not in a position to estimate reliably the approximate financial implication. In many legal cases, a combination of these facts makes it impossible to estimate the financial effect of contingent liabilities for the LLB Group. If, indeed, such assumptions or estimates were made or disclosed, it could seriously prejudice the position of the LLB Group in such legal cases.

Restructuring provisions are allocated only if the general criteria for the recognition of liabilities are fulfilled. Moreover, a detailed restructuring plan must be available, which at least names the business area concerned and its location, the approximate number of employees affected and their functions, the necessary expenditure and the time point of the restructuring measures. The persons affected must also have a well-founded expectation that the company will indeed carry out the restructuring measures. A decision taken by management can only justify the requirement to allocate a provision once the implementation of the restructuring measures has already commenced, or if the restructuring plan has been publicly announced.

If liabilities do not fulfil the criteria applying to a provision, this could lead to the formation of a contingent liability. Contingent liabilities indicate that uncertainty exists about whether future events, which cannot be influenced, will lead to liabilities, or if management assumes that for current liabilities an outflow of economic resources is not probable, or if it is not possible to adequately estimate the amount of the liability. Guarantees issued lead to contingent liabilities if indeed LLB can be made jointly and severally liable for liabilities towards third parties, but it can be assumed that these liabilities will not be paid by the LLB Group. The amount of existing contingent liabilities is the result of the best possible estimate made by management and is based on the requirements for provisions. If, on the basis of the current evaluation of contingent liabilities, an outflow of economic resources in the future is probable, a provision is allocated for this position which was previously treated as a contingent liability.

2.17 Allowances for credit risks

Allowances for credit risks are made at LLB, provided there are objective criteria indicating that the entire amount owed according to the loan agreement may not be recoverable. At LLB, a credit amount is understood to be a loan, a claim or a fixed commitment such as a documentary credit, a guarantee, or a similar credit product. Objective criteria are serious financial difficulties experienced by the borrower, default or delinquency in interest or capital payments, or the probability that the borrower cannot repay the loan. Allowances for credit risks are reported as a reduction of the carrying value of a claim on the balance sheet. Allowances are reported in the income statement under credit loss (expense) / recovery. For further information, see "Risk management", chapter 3 "Credit risk".

2.18 Treasury shares

Shares of Liechtensteinische Landesbank AG held by the LLB Group are valued at cost of acquisition and reported as a reduction in equity. The difference between the sale proceeds and the corresponding cost of acquisition of treasury shares is recorded under capital reserves.

2.19 Securities lending and borrowing transactions

Securities lending and borrowing transactions are generally entered into on a collateralised basis, with securities mainly being advanced or received as collateral.

Treasury shares lent out remain in the trading portfolio or in the financial investments portfolio as long as the risks and rewards of ownership of the shares are not transferred. Securities that are borrowed are not recognised in the balance sheet as long as the risks and rewards of ownership of the securities remain with the lender.

Fees and interest received or paid are recognised on an accrual basis and recorded under net fee and commission income.

3 Events after the balance sheet date

There have been no material events after the balance sheet date, which would require disclosure or an adjustment of the consolidated financial statement for 2017.

Segment reporting

The business activities of the LLB Group are divided into the following three business areas. These form the basis for the segment reporting:

- Retail & Corporate Banking segment encompasses the universal banking business in the home markets of Liechtenstein and Switzerland.
- Private Banking segment encompasses all the private banking activities of the LLB Group.
- Institutional Clients segment encompasses the financial intermediary and investment fund business as well as the asset management and wealth structuring activities of the LLB Group.

The segments receive comprehensive support from the Corporate Center. It comprises the following functions: finance, credit and risk management, legal and compliance matters, trading and securities administration, payment services, human resources management, communication and marketing, corporate development, as well as logistics and IT services.

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group Executive Management (chief operating decision maker), which is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments used by the LLB Group meet the definition of a reportable segment under IFRS 8.

In accordance with the principle of responsibility and based on the organisational structure, income and expenditure are allocated to the business divisions. Indirect costs, resulting from services provided internally, are accounted for according to the principle of causation and are recorded as a revenue increase for the service provider and as a cost increase for the service beneficiary. The remaining income and expenditure for overriding services which cannot be assigned to the segments are shown under Corporate Center. Furthermore, consolidation adjustments are reported under Corporate Center.

Transactions between the segments are executed at standard market conditions.

Financial year 2016

in CHF thousands	Retail & Corporate Banking	Private Banking	Institutional Clients	Corporate Center	Total Group
Net interest income	84'077	15'695	10'300	27'994	138'067
Credit loss (expense) / recovery	−3'014	750	1'275	0	−989
Net interest income after credit loss (expense) / recovery	81'063	16'445	11'575	27'994	137'078
Net fee and commission income	29'467	65'390	55'795	−4'914	145'739
Net trading income	10'532	8'955	10'538	25'917	55'943
Net income from financial investments at fair value	0	0	0	21'836	21'836
Share of net income of joint venture	0	0	0	0	0
Other income	1'813	2	3	9'252	11'070
Total operating income °	**122'875**	**90'792**	**77'911**	**80'085**	**371'665**
Personnel expenses	−31'679	−30'631	−17'041	−61'484	−140'835
General and administrative expenses	−2'364	−3'576	−2'538	−81'380	−89'859
Depreciation and amortisation	−68	0	0	−27'480	−27'548
Services (from) / to segments	−46'989	−24'384	−12'167	83'540	0
Total operating expenses	**−81'100**	**−58'591**	**−31'746**	**−86'804**	**−258'242**
Operating profit before tax	**41'775**	**32'201**	**46'165**	**−6'719**	**113'423**
Tax expenses					−9'554
Net profit					**103'869**

° There were no substantial earnings generated between the segments so that income between the segments is not material.

Financial year 2017

in CHF thousands	Retail & Corporate Banking	Private Banking	Institutional Clients	Corporate Center	Total Group
Net interest income	87'439	25'992	14'725	3'960	132'115
Credit loss (expense) / recovery	833	0	7'500	0	8'333
Net interest income after credit loss (expense) / recovery	88'271	25'992	22'225	3'960	140'447
Net fee and commission income	30'210	72'825	56'201	−4'406	154'830
Net trading income	11'441	8'826	11'138	51'625	83'030
Net income from financial investments at fair value	0	0	0	16'259	16'259
Share of net income of joint venture	0	0	0	−14	−14
Other income	1'622	8	2	3'184	4'816
Total operating income °	**131'545**	**107'651**	**89'566**	**70'607**	**399'369**
Personnel expenses	−29'886	−32'200	−17'709	−75'604	−155'400
General and administrative expenses	−3'544	−2'650	−2'507	−74'105	−82'806
Depreciation and amortisation	−40	0	0	−28'734	−28'773
Services (from) / to segments	−49'117	−27'344	−13'369	89'831	0
Total operating expenses	**−82'587**	**−62'195**	**−33'585**	**−88'612**	**−266'979**
Operating profit before tax	**48'957**	**45'456**	**55'981**	**−18'005**	**132'389**
Tax expenses					−21'131
Net profit					**111'259**

° There were no substantial earnings generated between the segments so that income between the segments is not material.

There were no revenues deriving from transactions with a single external customer that amounted to ten percent or more of the Group's revenues.

Segment reporting by geographic location

The geographic analysis of operating income and assets is based on the location of the company, in which the transactions and assets are recorded. The LLB Group does not manage the segments or the individual companies according to geographic distribution. The geographic analysis is prepared and disclosed in order to comply with IFRS.

Financial year 2016

	Liechtenstein		Switzerland		Other countries		Total Group	
		in %		in %		in %		in %
Operating income (in CHF thousands)	249'717	67.2	111'845	30.1	10'103	2.7	**371'665**	**100.0**
Total assets (in CHF millions)	13'193	66.1	6'561	32.9	204	1.0	**19'958**	**100.0**

Financial year 2017

	Liechtenstein		Switzerland		Other countries		Total Group	
		in %		in %		in %		in %
Operating income (in CHF thousands)	284'718	71.3	103'536	25.9	11'114	2.8	**399'369**	**100.0**
Total assets (in CHF millions)	12'834	64.1	6'874	34.3	310	1.5	**20'017**	**100.0**

Notes to the consolidated income statement

1 Net interest income

in CHF thousands	2017	2016	+ / – %
Interest income from banks	16'242	17'851	–9.0
Interest income from loans	168'367	167'774	0.4
Loan commissions with the character of interest	3'844	3'762	2.2
Interest income from financial liabilities	6'055	3'715	63.0
Total interest income	**194'508**	**193'102**	**0.7**
Interest expenses on amounts due to banks	–15'717	–17'939	–12.4
Interest expenses on amounts due to customers	–25'953	–24'681	5.2
Interest income from financial assets	–20'724	–12'415	66.9
Total interest expenses	**–62'393**	**–55'035**	**13.4**
Total net interest income	**132'115**	**138'067**	**–4.3**

2 Net fee and commission income

in CHF thousands	2017	2016	+ / – %
Brokerage fees	51'502	48'418	6.4
Custody fees	32'080	30'118	6.5
Advisory and management fees	47'163	41'601	13.4
Investment fund fees	23'407	23'380	0.1
Credit-related fees and commissions	585	625	–6.4
Commission income from other services	27'015	27'789	–2.8
Total fee and commission income	**181'751**	**171'930**	**5.7**
Brokerage fees paid	–10'110	–9'687	4.4
Other fee and commission expenses	–16'812	–16'504	1.9
Total fee and commission expenses	**–26'922**	**–26'191**	**2.8**
Total net fee and commission income	**154'830**	**145'739**	**6.2**

3 Net trading income

in CHF thousands	2017	2016	+ / – %
Trading portfolio assets	173	66	160.6
Foreign exchange trading	59'391	39'275	51.2
Foreign note trading	1'727	1'754	– 1.6
Precious metals trading	204	782	– 73.9
Interest rate instruments *	21'535	14'066	53.1
Total net trading income	**83'030**	**55'943**	**48.4**

* The LLB Group uses interest rate swaps for trading and hedging purposes. If the interest rate swaps do not fulfil the approval criteria according to IAS 39 in order to be booked as hedging transactions, they are treated as interest rate swaps for trading purposes.

4 Net income from financial investments at fair value

in CHF thousands	2017	2016	+ / – %
Interest income	13'807	14'088	– 2.0
Dividend income	981	819	19.8
Price gains *	– 3'714	5'406	
Total net income from financial investments at fair value through profit and loss	**11'074**	**20'313**	**– 45.5**
Realised gain from financial investments available for sale **	5'185	1'522	240.7
Total net income from financial investments available for sale	**5'185**	**1'522**	**240.7**
Total net income from financial investments at fair value	**16'259**	**21'836**	**– 25.5**

* The realised price gains for 2017 amounted to minus CHF thousands 7'782 (previous year: minus CHF thousands 4'419).
** Contains realised gains from the sale of strategic investments amounting to CHF thousands 5'153 for 2017.

5 Other income

in CHF thousands	2017	2016	+ / – %
Net income from properties	1'311	1'327	– 1.2
Non-period-related and non-operating income	1'207	649	86.1
Realised profits from sales of tangible assets *	773	7'851	– 90.2
Income from various services	1'525	1'244	22.6
Total other income	**4'816**	**11'070**	**– 56.5**

* Contains income from sales of properties.

6 Personnel expenses

in CHF thousands	2017	2016	+ / – %
Salaries *	– 117'868	– 116'849	0.9
Pension and other post-employment benefit plans **	– 20'612	– 7'436	177.2
Other social contributions	– 11'372	– 11'238	1.2
Training costs	– 1'384	– 1'570	– 11.8
Other personnel expenses	– 4'163	– 3'743	11.2
Total personnel expenses	**– 155'400**	**– 140'835**	**10.3**

* Contains the variable compensation of the management which is disclosed in detail in the compensation report as well as aggregated in Note 42.
** See Note 41 for details.

The average headcount of LLB Group employees, adjusted to consider part-time staff, amounted to 865 in 2017 (previous year: 844).

7 General and administrative expenses

in CHF thousands	2017	2016	+ / – %
Occupancy	– 10'199	– 10'516	– 3.0
Expenses for IT, machinery and other equipment	– 18'643	– 18'380	1.4
Information and communication expenses	– 13'225	– 12'876	2.7
Marketing and public relations	– 8'009	– 8'048	– 0.5
Consulting and audit fees	– 6'350	– 5'496	15.5
Capital tax and other tax	– 34	– 505	– 93.2
Provisions for legal and litigation risks *	4'999	– 24'399	
Material costs	– 1'222	– 869	40.7
Legal and representation costs *	– 21'705	– 837	
Litigation costs	– 252	– 106	137.9
Supervision fees	– 1'057	– 1'116	– 5.3
Other general and administrative expenses	– 7'108	– 6'711	5.9
Total general and administrative expenses	**– 82'806**	**– 89'859**	**– 7.8**

* See Note 26 for details.

8 Depreciation and amortisation

in CHF thousands	2017	2016	+ / – %
Depreciation of property	– 6'932	– 5'586	24.1
Depreciation of equipment	– 7'609	– 6'902	10.2
Amortisation of intangible assets	– 14'232	– 15'060	– 5.5
Total depreciation and amortisation	**– 28'773**	**– 27'548**	**4.4**

9 Tax expenses

in CHF thousands	2017	2016	+ / – %
Current taxes	– 17'034	– 11'024	54.5
Deferred taxes *	– 4'097	1'470	
Total tax expenses	**– 21'131**	**– 9'554**	**121.2**

* For further details, see Note 25.

The actual net payments made by the LLB Group for domestic and foreign corporate profit taxes amounted to CHF 9.7 million for the financial year 2017 (previous year: CHF 7.6 million).

The tax on pre-tax Group profit deviates from the theoretical amount, calculated on the basis of the weighted average Group tax rate on profit before tax, as follows:

in CHF thousands	2017	2016	+ / – %
Operating profit before tax	132'389	113'423	16.7
Assumed average income tax rate of 12.5 % (2016: 11.5 %)	**– 16'549**	**– 13'044**	**26.9**
Increase / (Decrease) resulting from			
Use of non-capitalised losses carried forward	1'193	405	194.6
Effect of taxes calculated at tax rates other than the assumed tax rate	– 1'544	1'891	
Tax savings / (charges) from previous years	– 4'266	953	
Other differences	34	241	– 85.9
Total tax expenses	**– 21'131**	**– 9'554**	**121.2**

The assumed average tax burden is based on the domestic tax rate in Liechtenstein.

10 Earnings per share

	2017	2016	+ / – %
Net profit attributable to the shareholders of LLB (in CHF thousands)	105'739	98'181	7.7
Weighted average shares outstanding	28'869'770	28'836'386	0.1
Basic earnings per share (in CHF)	**3.66**	**3.40**	**7.6**
Net profit for diluted earnings per share attributable to the shareholders of LLB (in CHF thousands)	105'739	98'181	7.7
Weighted average shares outstanding for diluted earnings per share	28'869'770	28'836'386	0.1
Diluted earnings per share (in CHF)	**3.66**	**3.40**	**7.6**

Notes to the consolidated balance sheet

11 Cash and balances with central banks

in CHF thousands	31.12.2017	31.12.2016	+ / – %
Cash	82'606	64'258	28.6
Demand deposits with central banks	4'047'118	3'386'467	19.5
Total cash and balances with central banks	**4'129'723**	**3'450'726**	**19.7**

12 Due from banks

in CHF thousands	31.12.2017	31.12.2016	+ / – %
On demand	689'809	506'401	36.2
At maturity or callable	1'250'623	2'608'459	– 52.1
Total due from banks	**1'940'433**	**3'114'861**	**– 37.7**

13 Loans

in CHF thousands	31.12.2017	31.12.2016	+ / – %
Mortgage loans	10'555'234	9'986'137	5.7
Public institutions	86'899	82'441	5.4
Fixed advances and loans	1'319'616	1'314'918	0.4
Other loans and advances	199'661	262'378	– 23.9
Credit loss (expense) / recovery	– 77'445	– 106'999	– 27.6
Total loans	**12'083'966**	**11'538'876**	**4.7**

Allowances and provisions for credit losses

in CHF thousands	Mortgage loans	Other loans	Total
As at 1 January 2016	31'137	80'811	111'948
Write-offs	–383	–7'138	–7'521
Recoveries and doubtful interest income	756	722	1'478
Increase in loss allowances recognised in the income statement	10'322	9'198	19'520
Decrease in loss allowances recognised in the income statement	–10'476	–8'055	–18'531
Foreign currency translation and other adjustments	–1'507	1'612	105
As at 31 December 2016	**29'849**	**77'150**	**106'999**
As at 1 January 2017	29'849	77'150	106'999
Write-offs	–2'903	–15'397	–18'300
Recoveries and doubtful interest income	173	139	312
Increase in loss allowances recognised in the income statement	9'871	5'229	15'100
Decrease in loss allowances recognised in the income statement	–9'235	–12'078	–21'313
Foreign currency translation and other adjustments	4'150	–9'504	–5'353
As at 31 December 2017	**31'906**	**45'539**	**77'445**

14 Trading portfolio assets

in CHF thousands	31.12.2017	31.12.2016	+ / – %
Debt instruments			
listed	51	3'610	–98.6
unlisted	0	162	–100.0
Total debt instruments	**51**	**3'772**	**–98.7**
Equity instruments			
listed	1	3	–63.1
unlisted	10	5	84.0
Total equity instruments	**11**	**9**	**30.3**
Total trading portfolio assets	**62**	**3'781**	**–98.4**

15 Derivative financial instruments

Within the scope of balance sheet management, interest rate swaps are concluded to hedge interest rate fluctuation risks. These instruments are fair value hedges. Furthermore, derivative financial instruments are employed primarily within the context of transactions for clients. Both standardised and OTC derivatives are traded for the account of clients. Swiss banks having a high credit worthiness act as counterparties. The bank does not assume a market-maker function. Derivative financial instruments are used to a limited extent in the management of the bank's own securities portfolio.

The LLB Group employs fair value hedge accounting for interest rate risks on fixed-rate instruments. For this purpose it uses interest rate swaps. In the 2017 financial year, these had a nominal value of CHF 340 million (31.12.2016: CHF 240 million), as well as a positive replacement value of CHF 1.4 million (31.12.2016: CHF 1.3 million) and a negative replacement value of CHF 1.8 million (31.12.2016: CHF 2.2 million). At the same time, the loss on hedging instruments totalled CHF 0.8 million (2016: loss of CHF 0.5 million) and the profits on the hedged underlying transactions amounted to CHF 1.1 million (2016: profit of CHF 0.6 million).

in CHF thousands	Total PRV*	Total NRV*	Total contract volume
31.12.2016			
Derivative financial instruments in the trading portfolio			
Interest rate contracts			
Interest rate swaps	0	78'128	1'121'000
Forward contracts	30	1'060	72'168
Foreign exchange contracts			
Forward contracts	76'683	75'969	8'566'840
Over the counter (OTC) contracts	3'015	3'015	76'204
Precious metals contracts			
Forward contracts	226	251	18'020
Over the counter (OTC) contracts	6	6	239
Equity / Index contracts			
Over the counter (OTC) contracts	1'369	1'369	186'326
Equities			
Forward contracts	0	0	13'652
Total derivative financial instruments in the trading portfolio	**81'329**	**159'798**	**10'054'450**
Derivative financial instruments for hedging purposes			
Interest rate contracts			
Interest rate swaps (fair value hedge)	1'279	2'178	240'000
Total derivative financial instruments for hedging purposes	**1'279**	**2'178**	**240'000**
Derivative financial instruments	**82'607**	**161'976**	**10'294'450**

* PRV: Positive replacement values; NRV: Negative replacement values

in CHF thousands	Total PRV *	Total NRV *	Total contract volume
31.12.2017			
Derivative financial instruments in the trading portfolio			
Interest rate contracts			
Interest rate swaps	13	55'302	1'011'000
Forward contracts	11	146	31'498
Foreign exchange contracts			
Forward contracts	54'154	57'082	11'227'129
Over the counter (OTC) contracts	2'649	2'649	83'107
Precious metals contracts			
Forward contracts	5	5	247
Over the counter (OTC) contracts	25	25	2'505
Equity / index contracts			
Over the counter (OTC) contracts	445	445	108'711
Equities			
Forward contracts	0	0	23'298
Total derivative financial instruments in the trading portfolio	**57'302**	**115'653**	**12'487'495**
Derivative financial instruments for hedging purposes			
Interest rate contracts			
Interest rate swaps (fair value hedge)	1'438	1'795	340'000
Total derivative financial instruments for hedging purposes	**1'438**	**1'795**	**340'000**
Derivative financial instruments	**58'740**	**117'448**	**12'827'495**

* PRV: Positive replacement values; NRV: Negative replacement values

16 Financial investments at fair value

in CHF thousands	31.12.2017	31.12.2016	+ / − %
Financial investments at fair value through profit and loss			
Debt instruments			
listed	915'108	854'312	7.1
unlisted	0	0	
Total debt instruments	**915'108**	**854'312**	**7.1**
Equity instruments			
listed	0	4	−100.0
unlisted	262'648	293'149	−10.4
Total equity instruments	**262'648**	**293'153**	**−10.4**
Total financial investments at fair value through profit and loss	**1'177'756**	**1'147'465**	**2.6**
Financial investments available for sale			
Debt instruments			
listed	282'317	198'745	42.0
unlisted	0	0	
Total debt instruments	**282'317**	**198'745**	**42.0**
Equity instruments			
listed	0	0	
unlisted	0	92'408	−100.0
Total equity instruments	**0**	**92'408**	**−100.0**
Total financial investments available for sale	**282'317**	**291'153**	**−3.0**
Total financial investments at fair value	**1'460'073**	**1'438'618**	**1.5**

17 Investment in joint venture

in CHF thousands	2017	2016	+ / − %
As at 1 January	47	47	−0.8
Additions / (Disposals)	0	0	
Share in profit / (loss)	−14	0	
As at 31 December	**33**	**47**	**−30.7**

Details of investment in joint venture

			Ownership interest in %	
Name	Registered office	Business activity	2017	2016
Data Info Services AG	Vaduz	Service company	50.0	50.0

in CHF thousands	2017	2016
Assets	102	868
Liabilities	8	773
Operating profit	724	740
Net profit	−29	−1

Investments in joint ventures are recognised in the balance sheet according to the equity method and are not substantial for the LLB Group. Losses are fully recognised in the balance sheet.

18 Property and other equipment as well as investment property

in CHF thousands	Property	Other equipment	Total property and other equipment	Investment property
As at 1 January 2016				
Cost	223'164	96'272	319'436	21'201
Accumulated depreciation / revaluation	−122'386	−73'728	−196'115	−4'961
Net book amount	**100'778**	**22'544**	**123'321**	**16'240**
Year ended December 2016				
Opening net book amount	100'778	22'544	123'321	16'240
Additions	13'490	19'084	32'573	0
Disposals	−16'967	−40'534	−57'501	−2'833
Depreciation / revaluation	−5'586	−6'902	−12'488	0
Disposals / (Additions) from accumulated depreciation / revaluation	8'068	30'996	39'063	2'611
Closing net book amount	**99'781**	**25'187**	**124'969**	**16'018**
As at 31 December 2016				
Cost	219'686	74'822	294'508	18'368
Accumulated depreciation / revaluation	−119'905	−49'635	−169'540	−2'350
Net book amount	**99'781**	**25'187**	**124'969**	**16'018**
Year ended December 2017				
Opening net book amount	99'781	25'187	124'968	16'018
Additions	16'613	9'755	26'368	0
Disposals	−12'381	−4'367	−16'748	−1'018
Depreciation / revaluation	−6'932	−7'609	−14'541	0
Disposals / (Additions) from accumulated depreciation / revaluation	1'187	3'843	5'029	0
Closing net book amount	**98'267**	**26'809**	**125'076**	**15'000**
As at 31 December 2017				
Cost	223'918	80'210	304'128	17'350
Accumulated depreciation / revaluation	−125'651	−53'401	−179'052	−2'350
Net book amount	**98'267**	**26'809**	**125'076**	**15'000**

Additional information

in CHF thousands	31.12.2017	31.12.2016	+ / − %
Fire insurance value of property	242'020	249'338	−2.9
Fire insurance value of other equipment	73'369	66'211	10.8
Fire insurance value of investment property	0	1'935	−100.0
Fair value of investment property	15'000	16'018	−6.4

There are no financing leases for premises or equipment. The investment property is held solely for the purpose of capital appreciation.

Future net commitments for operating leases

in CHF thousands	31.12.2017	31.12.2016	+ / − %
Due to 2018	3'086	3'101	−0.5
of which non-cancellable commitments	538	940	−42.7
Due 2019 to 2023	7'237	6'657	8.7
of which non-cancellable commitments	447	741	−39.6
Due 2024 and thereafter	3'284	1'647	99.3
of which non-cancellable commitments	564	583	−3.2
Total future net commitments for operating leases	**13'606**	**11'405**	**19.3**
of which non-cancellable commitments	1'549	2'263	−31.5

Operating expenses for 2017 include CHF thousands 3'712 and for 2016 CHF thousands 4'054 from operating leases. At year's end, the LLB Group was obligated under a number of non-cancellable operating leases for premises and equipment used mainly for banking purposes. The significant premises leases include renewal options and escalation clauses.

Future net receivables from operating leases

in CHF thousands	31.12.2017	31.12.2016	+ / − %
Due to 2018	1'302	1'451	−10.3
Due 2019 to 2023	3'858	4'512	−14.5
Due 2024 and thereafter	3'016	3'673	−17.9
Total future net receivables from operating leases	**8'176**	**9'636**	**−15.2**

Other income for 2017 includes CHF thousands 1'509 and for 2016 CHF thousands 1'705 from operating leases.

19 Goodwill and other intangible assets

in CHF thousands	Goodwill	Other intangible assets	Software	Total
As at 1 January 2016				
Cost	55'620	55'763	109'403	220'786
Accumulated amortisation / impairment	0	−32'842	−63'452	−96'294
Net book amount	**55'620**	**22'921**	**45'951**	**124'492**
Year ended December 2016				
Opening net book amount	55'620	22'921	45'951	124'492
Additions	0	0	8'999	8'999
Disposals	0	0	−39'062	−39'062
Amortisation / impairment	0	−3'718	−11'342	−15'060
Disposals / (Additions) from accumulated amortisation / impairment	0	0	39'063	39'063
Closing net book amount	**55'620**	**19'203**	**43'609**	**118'432**
As at 31 December 2016				
Cost	55'620	55'763	79'340	190'723
Accumulated amortisation / impairment	0	−36'560	−35'730	−72'290
Net book amount	**55'620**	**19'203**	**43'609**	**118'432**
Year ended December 2017				
Opening net book amount	55'620	19'203	43'609	118'432
Additions	0	0	8'715	8'715
Disposals	0	0	−1'254	−1'254
Amortisation / impairment	0	−3'718	−10'514	−14'232
Disposals / (Additions) from accumulated amortisation / impairment	0	0	1'235	1'235
Closing net book amount	**55'620**	**15'485**	**41'791**	**112'896**
As at 31 December 2017				
Cost	55'620	55'763	86'801	198'184
Accumulated amortisation / impairment	0	−40'278	−45'009	−85'287
Net book amount	**55'620**	**15'485**	**41'791**	**112'896**

Goodwill

The LLB Group carried goodwill for the following segment:

in CHF thousands	31.12.2017	31.12.2016
Retail & Corporate Banking	55'620	55'620

Goodwill impairment testing

Goodwill is tested for impairment annually in the third quarter as a basis for the annual financial reporting at 31 December, and also as required. In order to determine a possible impairment, the recoverable amount of each cash generating unit which carries goodwill is compared with its balance sheet value. According to the calculations made, the recoverable amount of a cash generating unit always corresponds to the value in use. The balance sheet value or carrying value comprises equity before goodwill and intangible assets, as well as goodwill and intangible assets from the underlying purchase price allocation of this cash generating unit.

On the basis of the impairment testing carried out, management reached the conclusion that for the year ended on 31 December 2017, the total goodwill of CHF 55.6 million allocated to the cash generating unit Retail & Corporate Banking remains recoverable. No impairment needs to be recognised because the recoverable amount exceeds the balance sheet value.

Recoverable amount

For determining the value in use, which corresponds to the recoverable amount of the respective cash generating units, the LLB Group employs a discounted cash flow (DCF) valuation model. The DCF model used by the LLB Group takes into consideration the special characteristics of banking business and the financial services sector, as well as the regulatory environment. With the aid of the model, and on the basis of the financial planning approved by management, the cash value of estimated free cash flow is calculated. If regulatory capital requirements exist for the cash generating unit, these capital requirements are deducted from the estimated free cash flows for the respective period and are available to the cash generating unit for distribution. This amount then corresponds to the theoretical sum that could be paid out to the shareholders. For the assessment of the forecasted earnings, management employs approved financial plans covering a period of five years. The results of all periods after the fifth year are extrapolated from the forecasted result or the free cash flow of the fifth year together with a long-term growth rate corresponding to the long-term inflation rate in Switzerland and Liechtenstein. Under certain circumstances, the growth rates may vary for the individual cash generating units because the probable developments and conditions in the respective markets are taken into account.

Assumptions

As far as possible, the parameters on which the valuation model is based are coordinated with external market information. In this context, the value in use of a cash generating unit is most sensitive to changes in the forecasted earnings, changes to the discount rate and changes in the long-term growth rate. The discount rate is determined on the basis of the capital asset pricing model (CAPM), which contains a risk-free interest rate, a market risk premium, a small cap premium, as well as a factor for the systematic market risk, i.e. the beta factor.

The long-term growth rates outside the five-year planning period (terminal value), on which the impairment tests for the annual report as at 31 December 2017 were based and which were used for extrapolation purposes, as well as the discount rates for the individual cash generating units, were unchanged from the parameters used at 31 December 2016. The parameters used are shown in the table below. The discount rate is directly influenced by the fluctuation of interest rates. On account of the unchanged, historically low interest rate levels on the market, the discount rate of the cash generating units has not changed in comparison with the previous year. In a longer-term comparison, the present interest rate environment is also reflected in substantially lower interest income as well as corresponding lower annual earnings and free cash flows distributable to shareholders. On account of the fact that the discount rate is linked to current interest rate levels, when the latter rise, basically the discount rate, and interest income, will also rise. The cash generating units are exposed to only a limited level of risk because they operate in a local market, and only in retail and private banking with a limited risk profile.

Sensitivities

During the periodic preparation and execution of impairment tests, all the parameters and assumptions, on which the testing of the individual cash generating units is based, are reviewed and – if necessary – adjusted. A change in the risk-free interest rate has an influence on the discount rate, whereby a change in the economic situation, especially in the financial services industry, also has an impact on the expected or estimated results. In order to check these effects on the value in use of the individual cash generating units, the parameters and assumptions employed with the valuation model are subjected to a sensitivity analysis. For this purpose, the forecasted free cash flow attributable

	Growth rate		Discount rate	
in percent	2017	2016	2017	2016
Retail & Corporate Banking	1.0	1.0	6.0	6.0

to shareholders is changed by 10 percent, the discount rate by 10 percent and the long-term growth rates by 10 percent. According to the results of the impairment tests carried out, and based on the described assumptions, an amount of CHF 37.9 million in excess of the balance sheet value is obtained for the Retail & Corporate Banking segment. A reduction of the free cash flow of 10 percent would lead to an impairment of CHF 14.0 million in the goodwill of the Retail & Corporate Banking segment and an increase in the discount rate by 10 percent would lead to an impairment of CHF 20.1 million. A reduction in the long-term growth rate of 10 percent would not lead to any impairment. The discount rate could be increased by 6.3 percent and the free cash flow could be reduced by 7.3 percent before the recoverable amount would correspond to the book value.

In view of the challenging situation in the financial services industry, which is expected to persist in the future, the management estimates that an impairment of the goodwill in the Retail & Corporate Banking segment in the coming financial years is not improbable. However, thanks to the relative strength in comparison with competitors as well as the realised and planned cost-cutting and efficiency improvement measures, a positive development of the segment is expected over the medium to long-term.

If the estimated earnings and other assumptions in future financial years deviate from the current outlook due to political or global risks in the banking industry – such as for example due to uncertainty in connection with the implementation of regulatory provisions and the introduction of certain legislation, or a decline in general economic performance – this could result in an impairment of the goodwill in the future. This would lead to a reduction in the income statement of the LLB Group and a decrease in the equity attributable to shareholders and net profit. Such an impairment would not, however, have an impact on cash flows or on the Tier 1 ratio because – in accordance with Liechtenstein equity capital ordinance – goodwill must be deducted from capital.

Other intangible assets

Customer relationships and brand values are reported as assets under other intangible assets. These are amortised over a period of 15 years on a straight-line basis. Estimated aggregated amortisation on intangible assets amounts to:

in CHF thousands	
2018	3'718
2019	3'718
2020	3'718
2021	3'718
2022	613
2023 and thereafter	0
Total	**15'485**

20 Other assets

in CHF thousands	31.12.2017	31.12.2016	+/–%
Settlement accounts	1'032	2'388	–56.8
VAT and other tax receivables	1'111	1'033	7.6
Precious metals holdings	29'671	12'346	140.3
Total other assets	**31'814**	**15'767**	**101.8**

21 Assets pledged

	31.12.2017		31.12.2016	
in CHF thousands	**Carrying value**	**Actual liability**	**Carrying value**	**Actual liability**
Financial investments	82'980	0	40'091	0
Mortgage loans	1'096'910	880'400	999'269	788'200
Total assets pledged	**1'179'890**	**880'400**	**1'039'360**	**788'200**

The financial investments are pledged with national and central banks for Lombard limits, for stock exchange guarantees and to safeguard the business activity of foreign organisations pursuant to local legal provisions. The amounts due from banks and mortgage loans are pledged as collateral for loans and shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions.

22 Due to banks

in CHF thousands	31.12.2017	31.12.2016	+ / – %
On demand	204'110	109'723	86.0
At maturity or callable	739'205	513'209	44.0
Total due to banks	**943'316**	**622'932**	**51.4**

23 Due to customers

in CHF thousands	31.12.2017	31.12.2016	+ / – %
On demand	10'623'400	10'246'998	3.7
At maturity or callable	1'339'516	1'286'388	4.1
Savings accounts	3'689'242	4'327'079	– 14.7
Total due to customers	**15'652'158**	**15'860'465**	**– 1.3**

24 Debt issued

in CHF thousands	31.12.2017	31.12.2016	+ / – %
Medium-term notes *	286'014	437'200	– 34.6
Shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions **	883'014	790'836	11.7
Total debt issued	**1'169'027**	**1'228'035**	**– 4.8**

* The average interest rate was 0.66 percent as at 31 December 2017 and 0.60 percent as at 31 December 2016.
** The average interest rate was 1.16 percent as at 31 December 2017 and 1.41 percent as at 31 December 2016.

25 Deferred taxes

in CHF thousands	As at 1 January	Amount recognised in the income statement	Amount recognised in other comprehensive income	Change from additions and disposals to the scope of consolidation	As at 31 December
Deferred tax assets					
2016					
Tax losses carried forward	1'256	29	145	0	1'430
Property and equipment	4'081	−533	0	0	3'548
Liability for pension plans	13'463	860	1'935	0	16'258
Intangible assets	0	126	0	0	126
Derivative financial instruments	4'869	2'091	0	0	6'960
Total	**23'669**	**2'573**	**2'080**	**0**	**28'322**
Offsetting					−9'513
Total after offsetting					**18'809**
2017					
Tax losses carried forward	1'430	0	−72	0	1'359
Property and equipment	3'548	77	0	0	3'625
Liability for pension plans	16'258	340	−2'875	0	13'724
Intangible assets	126	−126	0	0	0
Derivative financial instruments	6'960	−2'069	0	0	4'891
Total deferred tax assets	**28'322**	**−1'778**	**−2'947**	**0**	**23'599**
Offsetting					−10'956
Total after offsetting					**12'642**

in CHF thousands	As at 1 January	Amount recognised in the income statement	Amount recognised in other comprehensive income	Change from additions and disposals to the scope of consolidation	As at 31 December
Deferred tax liabilities					
2016					
Credit loss (expense) / recovery	17	−17	0	0	0
Intangible assets	4'580	−739	0	0	3'841
Property	949	−949	24	0	24
Financial investments	9'289	−2'649	514	0	7'154
Provisions	6'782	5'458	0	0	12'240
Total deferred tax liabilities	**21'617**	**1'103**	**538**	**0**	**23'258**
Offsetting					−9'513
Total after offsetting					**13'745**
2017					
Credit loss (expense) / recovery	0	0	0	0	0
Intangible assets	3'841	−744	0	0	3'097
Property	24	0	−24	0	0
Financial investments	7'154	3'063	−125	0	10'091
Provisions	12'240	0	0	0	12'240
Total deferred tax liabilities	**23'258**	**2'319**	**−149**	**0**	**25'428**
Offsetting					−10'956
Total after offsetting					**14'472**

As at 31 December 2017, there existed temporary differences of CHF thousands 2'365 which were not booked as deferred taxes and which in future could be offset with potential tax allowances (previous year: CHF thousands 3'406).

The tax losses which were not recognised as deferred tax assets as at 31 December 2017 expire as follows:

in CHF thousands	31.12.2017	31.12.2016	+ / – %
Within 1 year	0	0	
Within 2 to 5 years	0	0	
Within 6 to 7 years	0	0	
No expiry	2'365	3'406	– 30.6
Total	**2'365**	**3'406**	**– 30.6**

In general, tax losses in Switzerland can be carried forward for seven years; in the Principality of Liechtenstein and Austria, they can be carried forward for an unlimited period.

26 Provisions

in CHF thousands	Provisions for legal and litigation risks	Provisions for other business risks and restructuring	Total 2017	Total 2016
As at 1 January	46'957	4'114	51'071	25'354
Provisions applied	– 18'991	– 1'346	– 20'337	– 347
Increase in provisions recognised in the income statement	21	3'112	3'134	28'929
Decrease in provisions recognised in the income statement	– 5'020	– 720	– 5'740	– 2'865
As at 31 December	**22'967**	**5'161**	**28'128**	**51'071**

in CHF thousands	31.12.2017	31.12.2016	+ / – %
Short-term provisions	28'128	51'071	– 44.9
Long-term provisions	0	0	
Total	**28'128**	**51'071**	**– 44.9**

The provisions for restructuring relate to the StepUp2020 strategy announced in October 2015. As at 31 December 2017, provisions amounting to CHF 1.0 million for restructuring, covering estimated rebuilding and restoration costs and expenses for social plans were allocated.

The LLB Group is involved in various legal proceedings within the scope of normal banking business. It allocates provisions for ongoing and threatened legal proceedings if, in the opinion of LLB, payments or losses are likely and the amounts can be estimated.

As at 31 December 2017, the LLB Group was involved in various litigation and proceedings, which could have an impact on its financial reporting. The LLB Group endeavours to disclose the claims for damages, the scope of legal proceedings and other relevant information in order for the reader to be able to estimate the possible risk for the LLB Group.

LLB Verwaltung (Switzerland) AG, formerly Liechtensteinische Landesbank (Switzerland) Ltd., is among the category 1 banks which must achieve an individual solution with the US authorities to resolve the US taxation dispute. LLB Verwaltung (Switzerland) AG, formerly Liechtensteinische Landesbank (Switzerland) Ltd., with its registered office in Zurich-Erlenbach, is responsible for the proceedings. LLB (Switzerland) Ltd. ceased its banking operations at the end of 2013 and since October 2014 is no longer subject to supervision by the Swiss Federal Financial Market Authority (FINMA). LLB Verwaltung (Switzerland) AG is cooperating closely with the US authorities and is working with them to achieve a final settlement of the issue, while complying with the prevailing legal regulations. In the opinion of the management, the legal risk of an outflow of resources in connection with the possibility that LLB Verwaltung (Switzerland) AG may not have complied with US law, especially US tax law, was still not unlikely as at 31 December 2017. Based on the calculation criteria applied in the non-prosecution agreement between LLB AG, Vaduz, and the US authorities, as well as the latest information and payments made by other banks, a provision was recorded in the balance sheet by LLB Verwaltung (Switzerland) AG as at 31 December 2017. The management believes the provision set aside is sufficient.

At the start of 2015, LLB Verwaltung (Switzerland) AG, formerly Liechtensteinische Landesbank (Switzerland) Ltd., received two legal claims in connection with an investment project. Several persons, who have no connection with LLB Verwaltung (Switzerland) AG, had endeavoured to persuade an investor to invest a sum in an investment project. The investment project did not exist and the persons acting fraudulently were able to embezzle a part of the investment sum. The claimants have lodged claims against LLB Verwaltung (Switzerland) AG for the payment of damages in respect of a part of the embezzled amount plus interest. LLB Verwaltung (Switzerland) AG denies that the actions of a former employee of LLB Verwaltung (Switzerland) AG led to the loss. At the beginning of October 2017, the High Court of Justice in London ruled at first instance that there had been misconduct on the part of a former employee and that LLB Verwaltung (Switzerland) AG was jointly liable for his misconduct and for the damage caused by him. LLB Verwaltung (Switzerland) AG was not liable for misconduct itself. The ruling is not yet legally binding. The possibility of an appeal is being considered. On the basis of the first instance ruling and the non-suspensive effect of a possible appeal, LLB Verwaltung (Switzerland) AG has deposited an amount of CHF 15.1 million with the court for damages, interest charges and third party attorneys' fees. These costs were booked as general and administrative costs in accordance with the IFRS accounting regulations. LLB Verwaltung (Switzerland) AG continues to believe that this damage is covered by the insurance company.

Liechtensteinische Landesbank AG has reached an agreement with the German authorities in connection with the untaxed assets of German clients. LLB AG made a one-time payment of EUR 16.7 million in the first half of 2017. This payment is fully covered by provisions for legal and litigation risks and has no adverse effect on the interim financial result. The unrequired portion of the provision of CHF 5.0 million was released through profit and loss. The agreement reached with the authorities in North Rhine-Westphalia to settle the negative legacy of the past establishes clarity and legal certainty. It applies to all German states.

27 Other liabilities

in CHF thousands	31.12.2017	31.12.2016	+ / − %
Outstanding medium-term notes	79	124	−36.2
Charge accounts	6'179	6'491	−4.8
Accounts payable	26'419	26'089	1.3
Settlement accounts	15'536	21'461	−27.6
Pension plans	107'669	116'608	−7.7
Outstanding holidays / flexi-time	2'927	2'217	32.0
Other long-term benefits	3'811	3'914	−2.6
Total other liabilities	**162'619**	**176'905**	**−8.1**

28 Share capital

	31.12.2017	31.12.2016	+ / − %
Number of registered shares (authorised and fully paid up) *	30'800'000	30'800'000	0.0
Nominal value per registered share (in CHF) *	5	5	0.0
Total nominal value (in CHF thousands)	**154'000**	**154'000**	**0.0**

* The General Meeting of 12 May 2017 approved the conversion of the previous bearer shares into registered shares. The conversion took place on 18 May 2017.

29 Share premium

in CHF thousands	2017	2016	+ / − %
As at 1 January	24'968	25'785	−3.2
Net movements in treasury shares	−1'458	−818	78.3
As at 31 December	**23'509**	**24'968**	**−5.8**

30 Treasury shares

	Quantity	in CHF thousands
As at 1 January 2016	1'978'202	168'584
Purchases	0	0
Disposals	−18'964	−1'539
As at 31 December 2016	**1'959'238**	**167'045**
Purchases	0	0
Disposals	−36'301	−3'159
As at 31 December 2017	**1'922'937**	**163'886**

31 Retained earnings

in CHF thousands	2017	2016	+ / − %
As at 1 January	1'758'816	1'709'205	2.9
Net profit attributable to the shareholders of LLB	105'739	98'181	7.7
Dividends of LLB	−49'091	−46'145	6.4
Increase / (Reduction) in non-controlling interests	−10	−2'426	−99.6
As at 31 December	**1'815'454**	**1'758'816**	**3.2**

32 Other reserves

in CHF thousands	2017	2016	+ / − %
As at 1 January	−74'511	−63'849	
Foreign currency translation	4'155	−419	
Actuarial gains / (losses) of pension plans	10'577	−13'821	
Value changes to financial investments available for sale	−2'591	3'516	
Increase / (Reduction) in non-controlling interests	0	62	
As at 31 December	**−62'371**	**−74'511**	**−16.3**

33 Non-controlling interests

in CHF thousands	2017	2016	+ / − %
As at 1 January	110'146	102'787	
Non-controlling interests in net profit	5'520	5'688	−2.9
(Dividend) / Reduction of nominal value in non-controlling interests	−1'623	−1'623	−0.0
Increase / (Reduction) in non-controlling interests	10	3'269	−99.7
Actuarial gains / (losses) of pension plans	2'224	−22	
Value changes to financial investments available for sale	−1	47	
As at 31 December	**116'276**	**110'146**	**5.6**

34 Fair value measurement

Measurement guidelines

The fair value represents a market-based measurement and not an entity-specific valuation. It is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date on the principal market or the most advantageous market.

As far as possible, the fair value is determined on the basis of the quoted market prices in active markets accessible to the company on the measurement date. An active, accessible market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value is determined using significant and observable inputs. These are basically available in the case of quoted assets or liabilities. If a market for financial or non-financial assets or liabilities is inactive, or if no observable inputs, or insufficient observable inputs, are available, the LLB Group must employ techniques or processes (valuation methods or models) to determine the fair value. The valuation techniques contain assumptions, including estimates, to enable an exit price on the measurement date from the perspective of the market participant to be determined. However, such assumptions and estimates contain uncertainties, which at a later date can lead to substantial changes in the fair value of financial and non-financial assets and liabilities. In the case of financial and non-financial assets and liabilities, for which a valuation technique involving non-observable market data is used to determine the fair value, these are measured at the transaction price. This fair value can differ from the fair value determined on the basis of valuation techniques.

All financial and non-financial assets and liabilities measured at fair value are categorised into one of the following three fair value hierarchies:

Level 1

The fair value of listed securities and derivatives contained in the trading portfolio and financial investments is determined on the basis of market price quotes on an active market.

Level 2

If no market price quotes are available, the fair value is determined by means of valuation methods or models, which are based on assumptions made on the basis of observable market prices and other market quotes.

Level 3

For the remaining financial instruments neither market price quotes nor valuation methods or models based on market prices are available. Our own valuation methods or models are employed to measure the fair value of these instruments.

Valuation methods

Valuation methods and techniques are employed to determine the fair value of financial and non-financial assets and liabilities for which no observable market prices on an active market are available. These include, in particular, illiquid financial investments. If available, the LLB Group uses market-based assumptions and inputs as the basis for valuation techniques. If such information is not available, assumptions and inputs from comparable assets and liabilities are employed. In the case of complex and very illiquid financial and non-financial assets and liabilities' the fair value is determined using a combination of observable transaction prices and market information.

The LLB Group employs standardised and accepted valuation techniques to determine the fair value of financial and non-financial assets and liabilities which are not actively traded or listed. In general, the LLB Group uses the following valuation methods and techniques as well as the following inputs.

	Valuation model	Inputs	Significant, non-observable inputs
Level 2			
Own investment funds	Market to model	Market prices of underlying assets	
Derivative financial instruments	Option model	Underlying assets of future contracts	
Due from banks	Present value calculation	Marktet price of congruent LIBOR interest rates	
Due to banks	Present value calculation	Marktet price of congruent LIBOR interest rates	
Loans	Present value calculation	Marktet price of congruent LIBOR interest rates	
Due to customers	Present value calculation	Marktet price of congruent LIBOR interest rates	
Debt issued	Present value calculation	Marktet price of congruent LIBOR interest rates	
Accrued income and prepaid expenses / Accrued expenses and deferred income	Fair value corresponds to carrying value on account of the short-term maturity	Price conditions; deferred income corresponds to deferrals on commissions and fees	
Level 3			
Financial investments at fair value through profit and loss	Market to model	Audited financial statements	Illiquidity, special micro-economic conditions
Investment property	External expert opinions, relative values in market comparison	Prices of comparable properties	Assessment of special property factors, expected expenses and earnings for the property.
Non-current assets held for sale	External expert opinions, relative values in market comparison	Prices of comparable properties	Assessment of special property factors, expected expenses and earnings for the property.

Measurement of fair values by active markets or valuation techniques

The following table shows the classification of financial and non-financial assets and liabilities of the LLB Group within the fair value hierarchy. All assets and liabilities are measured at fair value on a recurring basis in the statement of financial position. As at 31 December 2017, the LLB Group had no assets or liabilities which were measured at fair value on a non-recurring basis in the balance sheet. In the 2017 financial year there were no significant transfers between Level 1, Level 2 and Level 3 financial instruments.

in CHF thousands	31.12.2017	31.12.2016	+ / – %
Level 1			
Trading portfolio assets	52	3'613	−98.6
Financial investments at fair value through profit and loss	915'108	831'390	10.1
Financial investments available for sale	282'317	198'745	42.0
Total financial instruments at fair value	**1'197'477**	**1'033'749**	**15.8**
Cash and balances with central banks	4'129'723	3'450'726	19.7
Total financial instruments not at fair value	**4'129'723**	**3'450'726**	**19.7**
Total Level 1	**5'327'201**	**4'484'474**	**18.8**
Level 2			
Trading portfolio assets	10	168	−94.0
Derivative financial instruments	58'740	82'607	−28.9
of which for hedging purpose	1'438	1'279	12.4
Financial investments at fair value through profit and loss	239'199	293'149	−18.4
Financial investments available for sale	0	92'408	−100.0
Total financial instruments at fair value	**297'949**	**468'332**	**−36.4**
Due from banks	1'940'433	3'116'584	−37.7
Loans	12'083'966	12'090'778	−0.1
Accrued income and prepaid expenses	39'395	32'568	21.0
Total financial instruments not at fair value	**14'063'794**	**15'239'930**	**−7.7**
Total Level 2	**14'361'742**	**15'708'262**	**−8.6**
Level 3			
Financial investments at fair value through profit and loss	23'449	22'926	2.3
Total financial instruments at fair value	**23'449**	**22'926**	**2.3**
Total financial instruments not at fair value	**0**	**0**	
Investment property	15'000	16'018	−6.4
Non-current assets held for sale	6'734	845	
Total other assets at fair value	**21'734**	**16'863**	**28.9**
Total Level 3	**45'183**	**39'789**	**13.6**
Total assets	**19'734'126**	**20'232'525**	**−2.5**

in CHF thousands	31.12.2017	31.12.2016	+/– %
Level 1			
Total Level 1	**0**	**0**	
Level 2			
Derivative financial instruments	117'448	161'976	–27.5
of which for hedging purpose	1'795	2'178	–17.6
Total financial instruments at fair value	**117'448**	**161'976**	**–27.5**
Due to banks	943'316	624'153	51.1
Due to customers	15'652'158	15'939'393	–1.8
Debt issued	1'169'027	1'289'599	–9.3
Accrued expenses and deferred income	30'250	26'228	15.3
Total financial instruments not at fair value	**17'794'750**	**17'879'373**	**–0.5**
Total Level 2	**17'912'198**	**18'041'349**	**–0.7**
Level 3			
Total Level 3	**0**	**0**	
Total liabilities	**17'912'198**	**18'041'349**	**–0.7**

Measurement of assets and liabilities, classified as Level 3

For the recurring measurement of the fair value of financial investments for which significant, non-observable inputs have been used and which are classified as Level 3, the effects on the income statement in the 2017 financial year amounted to CHF 0.5 million. For the recurring measurement of the fair value of investment property, for which significant, non-observable inputs have been used and which are classified as Level 3, the effects on the income statement in the 2017 financial year are immaterial and therefore they are not shown. The measurement or valuation also had no influence on other comprehensive income in 2017. The change in value is solely due to the reclassification of a property in non-current assets held for sale. The properties classified in non-current assets held for sale in 2016 were sold as planned. The change in value between the current and the comparison period therefore relates to new properties, which were classified in 2017 as subject to treatment under IFRS 5.

The measurement process to determine the fair value of recurring and non-recurring Level 3 assets and liabilities, especially the significant non-observable inputs, as shown in the previous table, are explained in the following. The interrelationships between observable and non-observable inputs are not explained in the following, because such interrelationships have no significant influence on the measurement of fair value.

Financial investments at fair value through profit and loss

Financial investments are periodically valued through profit and loss on the basis of market values provided by external experts. The financial investments consist of the non-listed shares of companies, which are periodically revalued on the basis of current company data or by third parties with the aid of valuation models. The valuation is made available to shareholders. An own valuation by shareholders with the aid of a valuation model based on observable or significant non-observable inputs is therefore unnecessary. How changes would affect the fair value, or how sensitively this would react, cannot be quantified or would have to be based on various assumptions to be made by LLB on how the company will develop. Since these are investments having an infrastructure character, whereby basically the fair value has changed in the last few years only by the amount of profit attained, a sensitivity analysis would bring no additional benefit for the reader of the financial statement.

Investment property

Investment property is periodically valued by external experts or is valued on the basis of relative values in a market comparison. If no corresponding values for comparable properties are available, on which to base a reliable calculation of the fair value, assumptions are made. These assumptions contain assessments and considerations of such circumstances as the location and condition of the property, as well as the expected costs and revenues with it. Properties are always revalued whenever on the basis of events or changed circumstances the fair value no longer reflects the market price, so that changes in the calculation of the fair value can be promptly determined and recognised in the accounts. Changes in the inputs, on which the measurement of the fair value is based, can lead to significant changes in it. It cannot be quantified to what extent changes influence the fair value and the sensitivity of fair value, because the valuation of a property is based on an individual measurement, which is influenced by various assumptions. Consequently, a significant change in the fair value can occur, which is not quantifiable. Investment properties do not diverge to highest and best use.

Non-current assets held for sale

Only properties which are wholly owned fall under non-current assets held for sale. Currently, these encompass bank branches, rental apartments and unused real estate (see also Note 36 "Non-current assets held for sale"). These are valued as "Investment property".

Financial investments not measured at fair value

The fair value hierarchy also includes details of financial assets and liabilities, which are not measured on a fair value basis, but for which a fair value does exist. In addition to their inclusion in the fair value hierarchy, basically a comparison between the fair value and the carrying value of the individual categories of financial assets and liabilities is to be presented.

The following table shows this comparison only for positions, which were not measured at fair value, since for positions measured at fair value the carrying value corresponds to the fair value. On account of the maturity being more than one year, for specific positions, a present value was calculated taking as a basis LIBOR interest rates appropriate for the duration of the term. In the case of all other positions, the carrying value represents a reasonable approximation of the fair value.

	31.12.2017		31.12.2016	
in CHF thousands	Book amount	Fair value	Book amount	Fair value
Assets				
Cash and balances with central banks	4'129'723	4'129'723	3'450'726	3'450'726
Due from banks	1'940'433	1'944'825	3'114'861	3'116'584
Loans	12'083'966	12'595'887	11'538'876	12'090'778
Accrued income and prepaid expenses	39'395	39'395	32'568	32'568
Liabilities				
Due to banks	943'316	945'030	622'932	624'153
Due to customers	15'652'158	15'708'690	15'860'465	15'939'393
Debt issued	1'169'027	1'215'905	1'228'035	1'289'599
Accrued expenses and deferred income	30'250	30'250	26'228	26'228

35 Netting of financial assets and financial liabilities

The following table provides an overview of the financial assets and financial liabilities which are subject to an enforceable netting agreement or similar agreements. The LLB Group has concluded agreements with various counterparties which permit netting. These are mainly agreements in connection with securities lending and borrowing transactions, reverse-repurchase deals and over-the-counter transactions. The LLB Group does not conduct netting with the financial assets and financial liabilities of balance sheet transactions because the legal requirements for netting are not satisfied. Accordingly, the table shows unnetted amounts in the balance sheet, risks therefore which the bank has accepted with the individual executed transactions, and which existed on the balance sheet date. The information provided in the table does not represent the current credit risk in connection with the transactions conducted by the LLB Group.

in CHF thousands	On the balance sheet recognised amounts	Potential netting amounts: Financial instruments	Potential netting amounts: Financial collaterals	Amounts after potential netting
31.12.2016				
Financial assets subject to off-setting, enforceable netting agreements or similar arrangements				
Reverse repurchase agreements	238'874	0	176'431	62'443
Positive replacement values	82'607	1'166	74'269	7'172
Cash collateral receivables on derivative instruments	118'747	0	118'747	0
Total assets	**440'228**	**1'166**	**369'447**	**69'615**
Financial liabilities subject to off-setting, enforceable netting agreements or similar arrangements				
Repurchase agreements	42'903	0	42'863	40
Negative replacement values	161'976	0	118'747	43'229
Cash collateral payables on derivative instruments	2'842	0	2'842	0
Total liabilities	**207'721**	**0**	**164'452**	**43'269**
31.12.2017				
Financial assets subject to off-setting, enforceable netting agreements or similar arrangements				
Reverse repurchase agreements	117'203	0	116'823	380
Positive replacement values	58'740	5'181	48'745	4'813
Cash collateral receivables on derivative instruments	82'199	0	82'199	0
Total assets	**258'142**	**5'181**	**247'768**	**5'193**
Financial liabilities subject to off-setting, enforceable netting agreements or similar arrangements				
Repurchase agreements	150'000	0	149'929	71
Negative replacement values	117'448	0	82'199	35'249
Cash collateral payables on derivative instruments	1'769	0	1'769	0
Total liabilities	**269'217**	**0**	**233'897**	**35'320**

36 Non-current assets held for sale

Properties, which are fully owned by individual Group companies, are available for immediate sale. The balance sheet value of these properties amounts to CHF 6.7 million and encompasses single-family houses, rental apartments and plots of forested land. Two properties from the pool will probably be sold in the first quarter of 2018. Their carrying value amounts to CHF 1.7 million. It is assumed that the sales will realise a profit of around CHF 0.3 million.

Notes to the consolidated off-balance sheet transactions

37 Contingent liabilities

in CHF thousands	31.12.2017	31.12.2016	+ / − %
Collateral guarantees and similar instruments	19'933	20'984	− 5.0
Performance guarantees and similar instruments	34'665	41'855	− 17.2
Total contingent liabilities	**54'598**	**62'839**	**− 13.1**

38 Credit risks

in CHF thousands	31.12.2017	31.12.2016	+ / − %
Irrevocable commitments	247'724	254'805	− 2.8
Deposit and call liabilities	9'141	9'104	0.4
Total credit risks	**256'865**	**263'909**	**− 2.7**

39 Fiduciary transactions

in CHF thousands	31.12.2017	31.12.2016	+ / − %
Fiduciary deposits with other banks	362'276	221'961	63.2
Fiduciary loans	0	403'604	− 100.0
Other fiduciary financial transactions	2'012	404'810	− 99.5
Total fiduciary transactions	**364'288**	**1'030'375**	**− 64.6**

40 Lending and pension transactions with securities

LLB has own securities which have been lent or pledged by LLB. These are recognised in LLB's balance sheet and recorded in the table below. Furthermore, securities owned by third parties, which LLB received as collateral and in some cases has repledged or resold are reported in the table. These are not recognised in LLB's balance sheet.

	31.12.2017		31.12.2016	
in CHF thousands	Carrying value	Actual liability	Carrying value	Actual liability
Self-owned securities lent or delivered as collateral within the scope of securities lending or borrowing transactions, or self-owned securities transferred in connection with repurchase agreements	177'305	177'305	33'391	33'391
of which capable of being resold or further pledged without restrictions	177'305	177'305	33'391	33'391
Securities received as collateral within the scope of securities lending or securities received in connection with reverse repurchase agreements, which are capable of being resold or further pledged without restrictions	0	395'266	0	622'876
of which resold or further pledged securities	0	41'864	0	42'707

Pension plans and other long-term benefits

41 Pension plans

Post-employment benefits

The LLB Group has established a number of pension plans in compliance with prevailing legal provisions, which insure most employees in the event of death, invalidity and retirement. In addition, further plans exist for long-service anniversaries, which qualify as other long-term employee benefits. In the case of the pension plans, contributions are made by employees, which are then supplemented by corresponding contributions from the LLB Group. The pension schemes are financed in compliance with the local legal and fiscal regulations. The risk benefits are based on the insured salary and the pension benefits on the accumulated capital. The assets of the funded pension plans are held within separate foundations or insurances and may not revert to the employer. The mortality rates specified in the Professional Pensions Law 2015 (BVG 2015) were employed to calculate the mortality, life expectancy and invalidity rates for all pension plans. The last actuarial valuations were performed on 31 December 2017 and 31 December 2016. The actuarial gains and losses are included in other comprehensive income. Joint committees are set up for pension plans, which are administered via collective foundations.

The foundation board of the autonomous pension foundation is also composed of an equal number of employee and employer representatives. On the basis of the legal provisions and the pension plan regulations, the foundation board is obligated to act solely in the interest of the foundation and the actively insured persons and pensioners. Consequently, in this pension plan the employer itself may not decide on benefits and their financing, rather decisions must be taken on equal terms.

The foundation board is responsible for determining the investment strategy, for amendments to the pension plan regulations, and especially for the financing of the pension plan benefits. The foundation board members of the pension plans specify investment guidelines for the investment of the pension plan assets, which contain the tactical asset allocation and the benchmarks for the comparison of performance with a general investment universe. The assets of the pension plans are well diversified. With regard to diversification and security, the legal provisions of the BPVG Pension Law apply to pension plans in Liechtenstein, and the legal provisions of the BVG Pension Law apply to pension plans in Switzerland. The foundation board members continually monitor whether the selected investment strategy is suitable for the provision of the pension plan benefits and whether the risk budget corresponds to the demographic structure. The observance of the investment guidelines and the investment performance of the investment advisers are reviewed on a quarterly basis. In addition, the investment strategy and its suitability and effectiveness are periodically checked by an external consultant.

The pension plan is designed as a defined contribution plan, i.e. a savings account is maintained for all the retirement benefits of each employee. The annual savings contributions and interest (no negative interest is possible) are credited to the pension savings account annually. At the time of retirement, the insured person may choose between a life-long pension, which includes a reversional spouse pension, or the withdrawal of the savings capital. In addition to the retirement benefits, the pension plan also includes invalidity and partner pensions. These are calculated on the basis of the insured annual salary (defined benefit plan). Furthermore, the insured employee may purchase improvements to his pension plan up to a maximum sum specified in the regulations. If the employee leaves the company, the savings credit balance is transferred to the new employer's pension plan or to a blocked pension savings account. When determining the benefits, the minimum provisions of the Professional Pension Plans Law (BPVG) and its implementing ordinance are to be observed. The minimum salary to be insured and the minimum pension savings balance sum are stipulated in the BPVG. On account of the pension plan structure and the legal provisions of the BPVG, the employer is subject to actuarial risks. The most important of these are investment risk, interest rate risk and longevity risk. The risks of death and invalidity have been congruently re-insured since. Currently, the individually accumulated pension capital is converted into a life-long pension at age 64 with a pension conversion rate of 5.60 percent. This conversion rate is reduced annually and will amount to 5.10 percent from 1 January 2022. Amendments to the contribution payments made by the bank, the associate companies, or the employees – in accordance with the regulations – require the approval of the bank, the associate companies and a majority of all employees. The employer must bear at least half of the contributions. In the event of underfunding, financial recovery contributions may be charged to both the employer and the employee to eliminate the shortfall in coverage.

One-time effects influencing pension plans and other long-term benefits

The Pension Fund Foundation of LLB AG reduced the conversion rate for the calculation of the life-long pension. In the 2016 financial year this led to a one-time reduction in the benefit expenses for defined benefit plans of CHF 10.2 million.

The following amounts were recognised in the income statement and equity as pension costs:

Benefit expenses

	Pensions plans		Other long-term benefits	
in CHF thousands	2017	2016	2017	2016
Defined benefit costs				
Service cost				
Current service cost	−17'911	−16'090	−449	−452
Past service cost including effects of curtailment	−1'118	10'202	0	0
Total service cost	**−19'029**	**−5'888**	**−449**	**−452**
Net interest				
Interest cost on defined benefit obligation	−3'565	−3'981	−27	−33
Interest income on plan assets	2'823	3'245	0	0
Total net interest	**−742**	**−736**	**−27**	**−33**
Administration expense	−610	−600		0
Net actuarial (losses) / gains recognised	0	0	−20	125
Total defined benefit cost	**−20'381**	**−7'224**	**−496**	**−360**
of which personnel expenses	−20'381	−7'224	−496	−360
of which financial expense	0	0	0	0
Contributions to defined contribution plans	**−231**	**−212**	**0**	**0**
Remeasurement of the defined benefit liability				
Actuarial (gains) / losses				
Arising from changes in demographic assumptions	0	2'897		
Arising from changes in economic assumptions	7'230	−11'331		
Arising from experience	−8'998	−13'817		
Return on plan assets (excl. amounts in interest income)	17'444	6'473		
Total defined benefit cost recognised in other comprehensive income	**15'676**	**−15'778**		
Total benefit cost	**−4'936**	**−23'214**	**−496**	**−360**

Development of plan obligations

	Pensions plans		Other long-term benefits	
in CHF thousands	**2017**	**2016**	**2017**	**2016**
As at 1 January	516'504	483'502	3'914	4'092
Current service cost	17'911	16'090	449	452
Plan participation contributions	7'166	6'910	0	0
Interest costs	3'565	3'981	27	33
Benefits paid through pension assets	−13'980	−6'026	0	0
Benefits paid by employer	−12	−2	−624	−536
Actuarial (gains) / losses	1'768	22'251	20	−125
Plan amendments	1'118	−10'202	0	0
Exchange rate differences	5	0	25	−2
As at 31 December	**534'045**	**516'504**	**3'811**	**3'914**
of which active employees	372'297	357'399		
of which pensioners	161'748	159'105		
Average term of obligation	17.7	18.3		

Development of plan assets

	Pension plans	
in CHF thousands	**2017**	**2016**
As at 1 January	399'896	376'838
Plan participation contributions	7'166	6'910
Company contributions	13'637	13'056
Interest income on plan assets	2'823	3'245
Administration expense	−610	−600
Benefits paid through pension assets	−13'980	−6'026
Return on plan assets (excl. amounts in interest income)	17'444	6'473
As at 31 December	**426'376**	**399'896**

The pension fund assets as at 31 December 2017 include shares of LLB with a market value of CHF thousands 15 (31.12.2016: CHF thousands 10). The expected Group contributions for the 2018 financial year amount to CHF thousands 13'437 for the pension plans and CHF thousands 560 for the other long-term benefits.

Overview of net debt recognised in the balance sheet

	Pension plans		Other long-term benefits	
in CHF thousands	**31.12.2017**	**31.12.2016**	**31.12.2017**	**31.12.2016**
Present value of funded obligations	533'222	516'002	0	0
Minus fair value of plan assets	426'376	399'896	0	0
Under- / (Over-)funded	**106'846**	**116'106**	**0**	**0**
Present value of unfunded obligations	823	502	3'811	3'914
Net debt recognised in the balance sheet	**107'669**	**116'608**	**3'811**	**3'914**

Asset classes and expected returns

	31.12.2017	31.12.2016
in CHF thousands	**Share of total assets**	**Share of total assets**
Equities		
listed market prices (Level 1)	90'895	80'977
other than listed market prices	0	0
Bonds		
listed market prices (Level 1)	154'196	150'954
other than listed market prices	0	0
Real estate		
listed market prices (Level 1)	1'581	1'193
other than listed market prices	24'600	24'894
Alternative financial investments	28'937	910
Qualified insurance policies	97'431	91'888
Other financial investments	0	18'790
Cash and cash equivalents	28'736	30'290

The expected return on bonds and shares is based on the yield for long-term Federal notes and the corresponding market expectations. The remaining expected returns are based on empirical values.

Weighted average of principal actuarial assumptions

	Pension plans		Other long-term benefits	
in percent	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Discount rate	0.70	0.70	0.75	0.74
Future salary increases	1.50	1.50	1.58	1.56
Future pension indexations	0.00	0.05	0.92	0.94
Life expectancy at the age of 65				
Year of birth	1972	1971	1972	1971
men	24.26	24.18	24.26	24.18
women	26.29	26.22	26.29	26.22
Year of birth	1952	1951	1952	1951
men	22.38	22.26	22.38	22.26
women	24.43	24.32	24.43	24.32

Sensitivity analysis of significant actuarial assumptions

The following sensitivity analysis for the significant actuarial assumptions, on which calculations are based, shows how the cash value of pension obligations would change on the balance sheet date on account of a possible change in the actuarial assumptions. Only the listed assumption changes, all other assumptions remain unchanged.

	Pension plans			
	31.12.2017		31.12.2016	
in CHF thousands	+ 0.25 %	- 0.25 %	+ 0.25 %	- 0.25 %
Discount rate	−23'292	25'044	−23'242	25'009
Salary increase	2'236	−2'178	2'132	−2'076
Interest credit rate	5'448	−5'314	5'369	−5'235

in CHF thousands	+ 1 year	- 1 year	+ 1 year	- 1 year
Life expectancy	13'664	−13'861	13'726	−13'923

Related party transactions

42 Related parties

The LLB Group is controlled by the Principality of Liechtenstein, which holds 57.5 percent of the registerd shares of Liechtensteinische Landesbank AG, Vaduz. At the end of the year under report, LLB held 6.2 percent of its own shares and 0.2 percent were held by members of the Board of Directors and the Board of Management. The remaining registered shares are owned by the general public.

The related parties of the LLB Group comprise the Principality of Liechtenstein, associated companies, members of the Board of Directors and the Group Executive Management, as well as their close family members and enterprises which are controlled by these individuals through their majority shareholding, or their role as chairman and / or CEO in these companies, as well as their own pension funds.

Within the scope of its business activity, the LLB Group also conducts banking transactions with related parties. These transactions mainly involve loans, investments and services. The volumes of these transactions, the holdings and corresponding income and expenses are shown below.

See "Scope of consolidation" on page 177 for a detailed list of the parent / subsidiary relationships of the LLB Group.

Compensation of key management personnel

	Fixed compensation *		Variable compensation		Contribution to benefit plans and other social contributions		Share-based payments		Entitlements		Total	
in CHF thousands	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Compensations												
Members of the Board of Directors **	772	764	0	0	119	107	0	0	170	170	1'061	1'041
Members of the Board of Management ***	3'055	3'120	842	1'131	1'046	1'020	0	0	842	1'131	5'785	6'402

* Fixed compensation fee, meeting allowances.
** The Board of Directors comprises seven members.
*** The Board of Management comprises six members.

Loans of key management personnel

	Fixed mortgages		Variable mortgages		Total	
in CHF thousands	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Members of the Board of Directors						
Georg Wohlwend, Chairman since 13.05.2017	0	0	0	0	0	0
Hans-Werner Gassner, Chairman until 12.05.2017	0	0	0	0	0	0
Markus Foser, Vice Chairman	300	300	700	700	1'000	1'000
Markus Büchel, Member	1'285	1'291	0	0	1'285	1'291
Patrizia Holenstein, Member	0	0	0	0	0	0
Urs Leinhäuser, Member	0	0	0	0	0	0
Gabriela Nagel-Jungo, Member	400	400	0	0	400	400
Roland Oehri, Member	0	0	0	0	0	0
Related parties	553	1'075	350	350	903	1'425
Total	**2'539**	**3'066**	**1'050**	**1'050**	**3'589**	**4'116**
Members of the Board of Management						
Roland Matt, CEO	1'005	1'005	0	0	1'005	1'005
Other members of the Board of Management	2'810	2'810	0	0	2'810	2'810
Related parties	0	0	0	0	0	0
Total	**3'815**	**3'815**	**0**	**0**	**3'815**	**3'815**

At 31 December 2017, the maturities of the fixed mortgages for the members of the Board of Directors and related parties ranged between 1 and 95 months (previous year: between 13 and 107 months) at standard market client interest rates of 1.10 to 1.65 percent p.a. (previous year: 1.10 to 1.65 %). The maturities of mortgages at standard market conditions with variable interest rates ranged between 2 and 23 months (previous year: between 14 and 35 months).

At 31 December 2017, the maturities of the fixed mortgages for the members of the Board of Management ranged between 10 and 90 months (previous year: between 22 and 102 months) at interest rates of 0.4 to 1.88 percent p.a. (previous year: 0.4 to 1.88 %).

In 2017, no new loans were granted. The fair value of cover for new loans granted in the previous year amounted to CHF thousands 1'577.

Of the total amount for mortgages for the members of the Board of Management, CHF thousands 1'000 (previous year: CHF thousands 1'000) was granted at the preferential interest rate for staff, the remainder was subject to the standard market client interest rate. Other loans to the Board of Management amounted to CHF thousands 246 (previous year: CHF thousands 246).

No allowances for loans to management were necessary. LLB granted third parties guarantees amounting to CHF thousands 168 (previous year: CHF thousands 168) for management and related parties.

Transactions with management and related parties

in CHF thousands	2017	2016	+ / – %
Loans			
As at 1 January	7'931	7'639	3.8
Loans issued	0	700	–100.0
Loan repayments	–528	–408	29.3
As at 31 December	**7'403**	**7'931**	**–6.7**
Deposits			
As at 1 January	5'370	4'673	14.9
Change	–49	697	
As at 31 December	**5'321**	**5'370**	**–0.9**
Income and expenses			
Interest income	103	112	–8.3
Interest expenses	–3	–2	31.4
Other income *	25	18	39.4
Other expenses **	–11	–4	169.5
Total	**114**	**124**	**–7.7**

* Mainly net fee and commission income.
** Services in connection with consultation.

Transactions with own pension funds

in CHF thousands	2017	2016	+ / – %
Loans			
As at 1 January	342	765	– 55.3
Change	25	– 423	
As at 31 December	**367**	**342**	**7.2**
Deposits			
As at 1 January	17'597	7'812	125.3
Change	9'838	9'785	0.5
As at 31 December	**27'435**	**17'597**	**55.9**
Income and expenses			
Interest income	0	0	
Interest expenses	– 21	– 8	168.6
Other income *	682	641	6.4
Other expenses	0	2	– 100.0
Total	**660**	**635**	**4.0**

* Mainly net fee and commission income.

No guarantees have been granted by the LLB Group for third parties on behalf of own pension funds.

Transactions with associated companies

in CHF thousands	2017	2016	+ / – %
Loans			
As at 1 January	0	0	
Change	0	0	
As at 31 December	**0**	**0**	
Deposits			
As at 1 January	742	546	35.9
Change	21'056	196	
As at 31 December	**21'798**	**742**	
Income and expenses			
Other income	41	1	
Total	**41**	**1**	

No guarantees were granted by the LLB Group for third parties for associated companies.

Scope of consolidation

Company	Registered office	Business activity	Currency	Capital Stock	Equity interest (in percent) IFRS	Legal
Fully consolidated companies						
Bank Linth LLB AG *	Uznach (CH)	Bank	CHF	16'108'060	74.8	74.2
Liechtensteinische Landesbank AG	Vaduz (FL)	Bank	CHF	154'000'000	100.0	100.0
Liechtensteinische Landesbank (Österreich) AG	Vienna (AT)	Bank	EUR	2'000'000	100.0	100.0
LLB Asset Management AG	Vaduz (FL)	Asset management company	CHF	1'000'000	100.0	100.0
LLB Berufliche Vorsorge AG	Lachen (CH)	Staff welfare scheme	CHF	500'000	100.0	100.0
LLB Beteiligungen AG	Uznach (CH)	Investment company	CHF	100'000	100.0	100.0
LLB Fund Services AG	Vaduz (FL)	Fund management company	CHF	2'000'000	100.0	100.0
LLB Holding (Schweiz) AG	Erlenbach (CH)	Holding company	CHF	250'000	100.0	100.0
LLB Invest AGmvK	Vaduz (FL)	Investment company	CHF	65'000	100.0	100.0
LLB Linth Holding AG	Uznach (CH)	Holding company	CHF	95'328'000	100.0	100.0
LLB Qualified Investors AGmvK	Vaduz (FL)	Investment company	CHF	50'000	100.0	100.0
LLB Services (Schweiz) AG	Erlenbach (CH)	Service company	CHF	100'000	100.0	100.0
LLB Verwaltung (Schweiz) AG	Erlenbach (CH)	Management company	CHF	100'000'000	100.0	100.0
Zukunftsstiftung der Liechtensteinischen Landesbank AG	Vaduz (FL)	Charitable foundation	CHF	30'000	100.0	100.0
Associated companies and joint venture						
Data Info Services AG	Vaduz (FL)	Service Company	CHF	50'000	50.0	50.0
Companies fully consolidated for the first time						
None						
Companies removed from the scope of consolidation						
None						
Changes in company names during 2017						
None						

* As at 31 December 2017, the LLB Group held 74.2 percent of the share capital and votes of Bank Linth LLB AG. Bank Linth LLB AG held 4'985 treasury shares as at 31 December 2017. This increased the LLB Group's participation in Bank Linth LLB AG and deviated from the legal group participation by the said number of own shares.

In the year under report there were no disposals or losses of control of ownership interests. As at 31 December 2017 and as at 31 December 2016, there were no major restrictions in respect of the possibility to access assets of the Group companies or to appropriate them. As at 31 December 2017 and as at 31 December 2016, there were no participations in consolidated structured companies.

Risk management

Principles of risk management

One of the core competences of a financial institute is to consciously accept risks and manage them profitably. In its risk policy, the LLB Group defines qualitative and quantitative standards of risk responsibility, risk management and risk control. Furthermore, the organisational and methodical parameters for the identification, measurement, control and monitoring of risks are specified. The proactive management of risk is an integral part of corporate policy and safeguards the LLB Group's ability to bear and accept risk.

Organisation and responsibilities

Group Board of Directors
The Board of Directors of the LLB Group is responsible for stipulating risk management principles, as well as for specifying responsibilities and procedures for approving business transactions entailing risk. In fulfilling its tasks and duties, the Group Board of Directors is supported by the Group Risk Committee.

Group Executive Board
The Group Executive Board is responsible for the overall management of risk readiness within the parameters defined by the Group Board of Directors and for the implementation of the risk management processes. It is supported in this task by various risk committees.

Group Credit & Risk Management
Group Credit & Risk Management identifies, assesses, monitors and reports on the principal risk exposure of the LLB Group and is functionally and organisationally independent of the operative units. It supports the Group Executive Board in the overall management of risk exposure.

Risk categories

The LLB Group is exposed to various types of risks. It differentiates between the following risk categories:

Market risk
The risk of losses arises from unfavourable changes in interest rates, exchange rates, security prices and other relevant market parameters.

Liquidity and refinancing risk
Represents the risk of not being able to fulfil payment obligations on time or not being able to obtain refinancing funds on the market at a reasonable price to fulfil current or future payment liabilities.

Credit risk
Credit or counterparty risk includes the danger that a client or a counterparty cannot or cannot completely fulfil their obligations vis à vis the LLB Group or an individual group company. This can result in a financial loss for the LLB Group.

Operational risk
Is the danger of losses due to the unsuitability or failure of internal procedures, people or systems, or as a result of external events.

Strategic risk
Arises as a result of decisions taken by the Group Executive Board, which have a negative influence on the survival, development ability or independence of the LLB Group.

Reputation risk
If risks are not recognised, reasonably controlled and monitored, this can lead not only to substantial financial losses, but also to damage to the group's reputation.

Risk categories

Risk management process

Risk management process

The implementation of an efficient risk management process is essential to enable risks to be identified, assessed, controlled and monitored, and should create a culture of risk awareness at all levels of the LLB Group. The Group Board of Directors specifies the risk strategy, which provides the operative units with a framework for the treatment of risk exposure. Depending on the type of risk, not only the stipulation of upper limits for losses may be required, but also a detailed set of regulations which stipulate which risks may be accepted under what conditions, and when measures to control risks are to be implemented.

The diagram risk management process shows the control loop of the LLB Group's risk management process.

1 Market risks

Market risk is the risk that arises from changes in interest rates, exchange rates and security prices in the financial and capital markets. A differentiation is made between market risks in the trading book and market risks in the banking book. The potential for losses exists primarily in the impairment of the value of an asset or the increase in the value of liabilities (market value perspective) as well as in secondary capacity in the diminution of current earnings or an increase in current expenditures (earnings perspective).

1.1 Market risk management

The LLB Group has in place a differentiated risk management and risk control system for market risks. The market risk control process comprises a sophisticated framework of rules involving the identification and the uniform valuation of market risk-relevant data as well as the control, monitoring and reporting of market risks.

Trading book

The trading book contains own positions in financial instruments which are held for short-term further sale or repurchase. These activities are closely associated with the needs of our clients for capital market products and are regarded as being supporting activities for our core business.

The LLB Group conducts relatively small scale trading book activities in accordance with Article 94 (1) of the Capital Requirements Regulation (CRR). A limits system is in operation to ensure compliance and is monitored by Group Risk Management. On account of the materiality, the trading book is no longer explained in detail.

Banking book

In general, the holdings in the banking book are employed to pursue long-term investment goals. These holdings include assets, liabilities, and off-balance sheet positions, which are the result, on the one hand, of classical banking business and, on the other, are held to earn revenue over their life.

Market risks with the banking book mainly involve interest rate fluctuation risk, exchange rate risk and equity price risk.

Exchange rate risk

This relates to the risks arising in connection with the uncertainties regarding future exchange rate trends. The calculation of these risks takes into consideration all the positions entered into by the bank.

Interest rate fluctuation risk

This is regarded as the adverse effects of changes in market interest rates on capital resources or current earnings. The different interest maturity periods of claims and liabilities from balance sheet transactions and derivatives represent the most important basis.

Equity price risk

This is understood to be the risk of losses due to adverse changes in the market prices of equities.

1.2 Valuation of market risks

Sensitivity analysis
In sensitivity analysis a risk factor is altered. Subsequently, the effects of the alteration of the risk factor on the portfolio concerned are estimated.

Value-at-risk
The value-at-risk concept measures the potential loss under normal market conditions over a given time interval.

Scenario analysis
While the value-at-risk concept supplies an indication of possible losses under normal market conditions, it cannot provide information about potential losses under extreme conditions. The aim of the scenario analyses of the LLB Group is to simulate the effects of normal and stress scenarios.

1.3 Management of market risks

Within the specified limit parameters, the individual group companies are at liberty to manage their interest rate risks as they wish. Interest rate swaps are employed mainly to control interest rate risks. Risks are restricted by means of value-at–risk models and sensitivity limits.

In client business, currency risks are basically controlled by making investments or obtaining refinancing in matching currencies. The residual currency risk is restricted by means of sensitivity limits.

Investments in equities are limited by the imposition of nominal limits.

1.4 Monitoring and reporting of market risks

Group Credit & Risk Management monitors the observance of market risk limits and is also responsible for reporting market risks.

1.5 Sensitivities by risk categories

Sensitivities
Currency sensitivity affects both interest rate sensitive and non-interest rate sensitive instruments. The sensitivity of instruments in foreign currencies is determined by multiplying the CHF market value by the assumed exchange rate fluctuation of + / – 10 percent.

Interest rate sensitivity measures the market change on interest-rate-sensitive instruments for the LLB Group caused by a linear interest rate adjustment of + / – 100 basis points.

The equity price risks are measured assuming a price fluctuation of + / – 10 percent on the equity market.

Effects on group net profit and equity

Exchange rate risk
The price gains resulting from the valuation of transactions and balances are booked to profit and loss. The price gains resulting from the transfer of the functional currency into the reporting currency are booked under other comprehensive income without affecting profit and loss.

Interest rate fluctuation risk
The LLB Group recognises client loans in the balance sheet at amortised cost. This means that a change in the interest rate does not cause any change in the recognised amount and therefore to no significant recognition affecting profit and loss of the effects of interest rate fluctuation. However, fluctuations in interest rates can lead to risks because the LLB Group largely finances long-term loans with client assets. Within the scope of financial risk management, these interest rate fluctuation risks in the balance sheet business of the LLB Group are hedged mainly by means of interest rate swaps. If the IFRS hedge accounting criteria for hedging instruments (interest rate swaps) and underlying transactions (loans) are met, the hedged part of the loans to clients is recognised in the balance sheet at fair value. Further information regarding recognition and measurement is provided in Point 2.8 Derivative financial instruments and hedge accounting on page 133.

At 31 December 2017, mortgage loans stood at CHF 10'555 million. The exchange rate risks applying to this portfolio are hedged at 12.8 percent through interest rate swaps.

Equity price risk
The valuation is carried out at current market prices. The equity price risk resulting from the valuation at current market prices is reflected in the income statement and in other comprehensive income.

Sensitivities

in CHF thousands	31.12.2017 Sensitivity	31.12.2016 Sensitivity
Currency risk	**8'342**	**10'581**
of which affecting net income	3'462	6'505
of which not affecting net income	4'880	4'076
Interest rate risk	**61'046**	**52'598**
of which affecting net income	17'111	20'716
of which not affecting net income	43'935	31'882
Equity price risk *	**26'265**	**38'556**
of which affecting net income	26'265	29'315
of which not affecting net income	0	9'241

* Corresponds to a 10 percent change in equity instruments (see Note 16).

Exchange rate risk by currency

in CHF thousands	31.12.2017 Sensitivity	31.12.2016 Sensitivity
Currency risk	**8'342**	**10'581**
of which USD	40	856
of which EUR	7'865	8'593
of which others	437	1'131

1.6 Currency risks

Balance sheet by currency as at 31 December 2016

in CHF thousands	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central banks	3'362'665	527	87'091	443	3'450'726
Due from banks	350'834	1'042'206	1'236'917	484'904	3'114'861
Loans	10'618'047	568'203	274'832	77'794	11'538'876
Trading portfolio assets	3'612	164	5	0	3'781
Derivative financial instruments	80'776	462	15	1'354	82'607
Financial investments at fair value	966'071	323'351	145'001	4'195	1'438'618
Investment in joint venture	47	0	0	0	47
Property and equipment	124'409	0	561	0	124'970
Investment property	16'018	0	0	0	16'018
Goodwill and other intangible assets	118'403	0	29	0	118'432
Current tax assets	1'205	0	0	0	1'205
Deferred tax assets	18'809	0	0	0	18'809
Accrued income and prepaid expenses	23'402	4'663	4'223	279	32'567
Non-current assets held for sale	845	0	0	0	845
Other assets	3'152	12	267	12'336	15'767
Total assets reported in the balance sheet	**15'688'295**	**1'939'588**	**1'748'941**	**581'304**	**19'958'129**
Delivery claims from forex spot, forex futures and forex options transactions	2'418'568	3'023'018	2'292'267	909'190	8'643'043
Total assets	**18'106'863**	**4'962'606**	**4'041'208**	**1'490'494**	**28'601'172**
Liabilities and equity					
Due to banks	515'203	11'970	70'724	25'035	622'932
Due to customers	10'608'453	2'595'748	2'062'784	593'480	15'860'465
Derivative financial instruments	161'208	462	15	291	161'976
Debt issued	1'218'479	0	9'556	0	1'228'035
Current tax liabilities	10'398	0	0	0	10'398
Deferred tax liabilities	13'745	0	0	0	13'745
Accrued expenses and deferred income	18'127	5'360	2'548	192	26'227
Provisions	51'071	0	0	0	51'071
Other liabilities	164'105	2'816	8'937	1'047	176'905
Share capital	154'000	0	0	0	154'000
Share premium	24'968	0	0	0	24'968
Treasury shares	−167'045	0	0	0	−167'045
Retained earnings	1'758'816	0	0	0	1'758'816
Other reserves	−74'511	0	0	0	−74'511
Non-controlling interests	110'146	0	0	0	110'146
Liabilities and equity reported in the balance sheet	**14'567'164**	**2'616'356**	**2'154'564**	**620'045**	**19'958'129**
Delivery liabilities from forex spot, forex futures and forex options transactions	3'644'920	2'337'690	1'800'714	859'135	8'642'459
Total liabilities and equity	**18'212'084**	**4'954'046**	**3'955'278**	**1'479'180**	**28'600'587**
Net position per currency	**−105'221**	**8'561**	**85'930**	**11'315**	**585**

Balance sheet by currency as at 31 December 2017

in CHF thousands	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central banks	3'972'410	774	156'109	430	4'129'723
Due from banks	160'567	770'260	517'021	492'585	1'940'433
Loans	11'187'822	419'290	409'493	67'361	12'083'966
Trading portfolio assets	57	1	4	0	62
Derivative financial instruments	58'139	155	0	446	58'740
Financial investments at fair value	847'883	362'089	250'101	0	1'460'073
Investment in joint venture	33	0	0	0	33
Property and equipment	124'370	0	707	0	125'077
Investment property	15'000	0	0	0	15'000
Goodwill and other intangible assets	112'755	0	141	0	112'896
Current tax assets	0	0	890	0	890
Deferred tax assets	11'347	0	1'295	0	12'642
Accrued income and prepaid expenses	28'487	4'122	6'258	528	39'395
Non-current assets held for sale	6'734	0	0	0	6'734
Other assets	2'099	30	35	29'650	31'814
Total assets reported in the balance sheet	**16'527'703**	**1'556'721**	**1'342'054**	**591'000**	**20'017'478**
Delivery claims from forex spot, forex futures and forex options transactions	2'923'511	3'430'084	4'051'686	904'956	11'310'237
Total assets	**19'451'214**	**4'986'805**	**5'393'740**	**1'495'956**	**31'327'715**
Liabilities and equity					
Due to banks	705'480	65'559	134'863	37'414	943'316
Due to customers	10'459'558	2'411'887	2'200'361	580'352	15'652'158
Derivative financial instruments	116'849	155	0	445	117'449
Debt issued	1'161'240	0	7'787	0	1'169'027
Current tax liabilities	16'876	0	202	0	17'078
Deferred tax liabilities	14'472	0	0	0	14'472
Accrued expenses and deferred income	19'382	6'309	3'628	930	30'250
Provisions	28'128	0	0	0	28'128
Other liabilities	148'826	2'419	8'843	2'531	162'619
Share capital	154'000	0	0	0	154'000
Share premium	23'509	0	0	0	23'509
Treasury shares	−163'886	0	0	0	−163'886
Retained earnings	1'815'454	0	0	0	1'815'454
Other reserves	−62'371	0	0	0	−62'371
Non-controlling interests	116'276	0	0	0	116'276
Liabilities and equity reported in the balance sheet	**14'553'794**	**2'486'329**	**2'355'684**	**621'672**	**20'017'478**
Delivery liabilities from forex spot, forex futures and forex options transactions	4'983'784	2'500'075	2'959'401	869'916	11'313'176
Total liabilities and equity	**19'537'578**	**4'986'404**	**5'315'086**	**1'491'588**	**31'330'656**
Net position per currency	**−86'364**	**401**	**78'654**	**4'368**	**−2'940**

1.7 Interest rate repricing balance sheet

Interest commitments of financial assets and liabilities (nominal)

in CHF thousands	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31.12.2016						
Financial assets						
Cash and balances with central banks	3'450'726	0	0	0	0	3'450'726
Due from banks	1'490'128	412'424	1'112'328	0	0	3'014'881
Loans	1'803'964	2'122'006	1'344'164	4'599'144	1'632'364	11'501'642
Trading portfolio assets	0	0	0	1'368	2'530	3'898
Financial investments	19'490	42'397	140'269	738'151	76'176	1'016'483
Total financial assets	**6'764'308**	**2'576'827**	**2'596'762**	**5'338'662**	**1'711'070**	**18'987'630**
Derivative financial instruments	120'000	416'000	810'000	15'000	0	1'361'000
Total	**6'884'308**	**2'992'827**	**3'406'762**	**5'353'662**	**1'711'070**	**20'348'630**
Financial liabilities						
Due to banks	267'217	35'000	240'000	80'000	0	622'217
Due to customers	7'126'131	1'325'260	2'854'055	4'417'172	30'029	15'752'647
Debt issued	6'980	16'478	198'571	606'041	395'890	1'223'960
Total financial liabilities	**7'400'328**	**1'376'738**	**3'292'627**	**5'103'212**	**425'919**	**17'598'824**
Derivative financial instruments	0	15'000	170'000	556'000	620'000	1'361'000
Total	**7'400'328**	**1'391'738**	**3'462'627**	**5'659'212**	**1'045'919**	**18'959'824**
Interest rate repricing exposure	**–516'020**	**1'601'089**	**–55'865**	**–305'550**	**665'151**	**1'388'806**
31.12.2017						
Financial assets						
Cash and balances with central banks	4'047'118	0	0	0	0	4'047'118
Due from banks	1'221'406	292'063	352'212	0	0	1'865'681
Loans	1'928'814	2'178'679	1'412'059	4'932'182	1'608'292	12'060'027
Trading portfolio assets	0	0	0	0	50	50
Financial investments	30'045	57'355	272'902	753'211	56'824	1'170'337
Total financial assets	**7'227'383**	**2'528'098**	**2'037'174**	**5'685'393**	**1'665'166**	**19'143'213**
Derivative financial instruments	80'000	466'000	750'000	55'000	0	1'351'000
Total	**7'307'383**	**2'994'098**	**2'787'174**	**5'740'393**	**1'665'166**	**20'494'213**
Financial liabilities						
Due to banks	507'316	90'000	286'000	60'000	0	943'316
Due to customers	6'744'759	1'362'895	2'958'717	4'460'008	20'000	15'546'378
Debt issued	8'350	28'212	136'036	606'346	390'083	1'169'027
Total financial liabilities	**7'260'424**	**1'481'107**	**3'380'753**	**5'126'354**	**410'083**	**17'658'721**
Derivative financial instruments	0	35'000	131'000	730'000	455'000	1'351'000
Total	**7'260'424**	**1'516'107**	**3'511'753**	**5'856'354**	**865'083**	**19'009'721**
Interest rate repricing exposure	**46'959**	**1'477'991**	**–724'580**	**–115'961**	**800'083**	**1'484'492**

In the fixed-interest-rate repricing balance sheet, asset and liability surpluses from fixed-interest rate positions as well as from interest-rate-sensitive derivative positions in the balance sheet are calculated and broken down into maturity ranges (cycle times). The positions with an unspecified duration of interest rate repricing are allocated to the corresponding maturity ranges (cycle times) on the basis of a replication.

2 Liquidity and refinancing risk

Liquidity risk is defined as a situation where present and future payment obligations cannot be fully met or met on time, or in the event of a liquidity crisis, refinancing funds may only be available at increased market rates (refinancing costs), or they can only be made liquid at markdowns to market rates (market liquidity risk).

2.1 Liquidity risk management

Processes and organisational structures ensure that liquidity risks are identified, uniformly measured, controlled and monitored, as well as being included in risk reporting. The liquidity risk regulations, which include the LLB Group's risk tolerance criteria, are regularly reviewed by the Group Executive Board and approved by the Group Board of Directors. The liquidity risk limits to be observed by the LLB Group are stipulated in the regulations.

The objectives of the LLB Group's liquidity risk management include the following points:

- the ability to meet financial obligations at all times
- compliance with regulatory provisions
- optimisation of the refinancing structure
- optimisation of payment streams within the LLB Group.

2.2 Valuation of liquidity risks

In our liquidity risk management concept, scenario analysis plays a central role. This includes the valuation of the liquidity of assets, i.e. the liquidity characteristics of our asset holdings in various stress scenarios.

2.3 Contingency planning

The LLB Group's liquidity risk management encompasses a contingency plan. The contingency plan includes an overview of emergency measures, sources of alternative financing and governance in stress situations.

2.4 Monitoring and reporting of liquidity risks

Group Credit & Risk Management monitors compliance with liquidity risk limits and is responsible for reporting on liquidity risks.

The following tables show the maturities according to contractual periods, separated according to derivative and non-derivative financial instruments as well as off-balance sheet transactions. The values of derivative financial instruments represent replacement values. All other values correspond to nominal values, i.e. possible interest and coupon payments are included.

Maturity structure of derivative financial instruments

	Term to maturity within 3 months		Term to maturity 3 to 12 months		Term to maturity 1 to 5 years		Term to maturity after 5 years		Total	
in CHF thousands	PRV *	NRV *	PRV *	NRV *	PRV *	NRV *	PRV *	NRV *	PRV *	NRV *
31.12.2016										
Derivative financial instruments in the trading portfolio										
Interest rate contracts										
Swaps	0	0	0	3'662	0	38'286	0	36'180	0	78'128
Forward contracts	21	364	8	696	0	0	0	0	30	1'060
Foreign exchange contracts										
Forward contracts	60'524	60'500	15'834	15'153	325	316	0	0	76'683	75'969
Over the counter (OTC) contracts	402	402	2'613	2'613	0	0	0	0	3'015	3'015
Precious metals contracts										
Forward contracts	226	251	0	0	0	0	0	0	226	251
Over the counter (OTC) contracts	0	0	6	6	0	0	0	0	6	6
Equity instruments / index contracts										
Over the counter (OTC) contracts	1'316	1'316	0	0	54	54	0	0	1'369	1'369
Equities										
Forward contracts	0	0	0	0	0	0	0	0	0	0
Total derivative financial instruments in the trading portfolio	**62'488**	**62'832**	**18'462**	**22'130**	**379**	**38'656**	**0**	**36'180**	**81'329**	**159'798**
Derivative financial instruments for hedging purposes										
Interest rate contracts										
Swaps (fair value hedge)	0	0	0	119	0	68	1'279	1'990	1'279	2'178
Total derivative financial instruments for hedging purposes	**0**	**0**	**0**	**119**	**0**	**68**	**1'279**	**1'990**	**1'279**	**2'178**
Derivative financial instruments	**62'488**	**62'832**	**18'462**	**22'249**	**379**	**38'724**	**1'279**	**38'171**	**82'607**	**161'976**

* PRV: Positive replacement values; NRV: Negative replacement values

in CHF thousands	Term to maturity within 3 months PRV*	Term to maturity within 3 months NRV*	Term to maturity 3 to 12 months PRV*	Term to maturity 3 to 12 months NRV*	Term to maturity 1 to 5 years PRV*	Term to maturity 1 to 5 years NRV*	Term to maturity after 5 years PRV*	Term to maturity after 5 years NRV*	Total PRV*	Total NRV*
31.12.2017										
Derivative financial instruments in the trading portfolio										
Interest rate contracts										
Swaps	0	438	0	2'440	13	40'218	0	12'207	13	55'302
Forward contracts	9	87	0	59	2	0	0	0	11	146
Foreign exchange contracts										
Forward contracts	46'014	49'330	7'426	7'052	714	701	0	0	54'154	57'082
Over the counter (OTC) contracts	282	282	2'365	2'365	1	1	0	0	2'649	2'649
Precious metals contracts										
Forward contracts	0	0	5	5	0	0	0	0	5	5
Over the counter (OTC) contracts	0	0	25	25	0	0	0	0	25	25
Equity instruments / index contracts										
Over the counter (OTC) contracts	390	390	0	0	56	56	0	0	445	445
Equities										
Forward contracts	0	0	0	0	0	0	0	0	0	0
Total derivative financial instruments in the trading portfolio	**46'695**	**50'526**	**9'821**	**11'945**	**785**	**40'975**	**0**	**12'207**	**57'302**	**115'653**
Derivative financial instruments for hedging purposes										
Interest rate contracts										
Swaps (fair value hedge)	0	0	0	0	0	94	1'438	1'701	1'438	1'795
Total derivative financial instruments for hedging purposes	**0**	**0**	**0**	**0**	**0**	**94**	**1'438**	**1'701**	**1'438**	**1'795**
Derivative financial instruments	**46'695**	**50'526**	**9'821**	**11'945**	**785**	**41'069**	**1'438**	**13'908**	**58'740**	**117'448**

* PRV: Positive replacement values; NRV: Negative replacement values

Maturity structure of non-derivative financial instruments and off-balance sheet transactions

in CHF thousands	Demand deposits	Callable	Due within 3 months	Due between 3 months to 12 months	Due between 12 months to 5 years	Due after 5 years	Total
31.12.2016							
Financial assets							
Cash and balances with central banks	3'450'726	0	0	0	0	0	3'450'726
Due from banks	411'568	0	1'494'498	1'117'179	0	0	3'023'244
Loans	211'975	271'140	2'006'931	1'816'899	6'010'938	1'690'004	12'007'887
Trading portfolio assets	0	0	1	12	1'418	2'574	4'006
Financial investments at fair value	0	0	39'040	150'140	783'578	77'136	1'049'893
Accrued income and prepaid expenses	0	0	32'568	0	0	0	32'568
Total financial assets	**4'074'268**	**271'140**	**3'573'038**	**3'084'229**	**6'795'934**	**1'769'714**	**19'568'324**
Financial liabilities							
Due to banks	109'314	0	192'805	239'817	80'017	0	621'953
Due to customers	9'662'008	4'814'828	590'059	562'192	105'865	30'309	15'765'261
Debt issued	0	0	27'253	208'283	639'049	403'128	1'277'713
Accrued expenses and deferred income	0	0	26'228	0	0	0	26'228
Total financial liabilities	**9'771'323**	**4'814'828**	**836'345**	**1'010'292**	**824'931**	**433'437**	**17'691'155**
Net liquidity exposure	**–5'697'054**	**–4'543'688**	**2'736'693**	**2'073'937**	**5'971'004**	**1'336'277**	**1'877'169**
Off-balance-sheet transactions	**326'748**	**0**	**0**	**0**	**0**	**0**	**326'748**
Contingent liabilities	62'839	0	0	0	0	0	62'839
Irrevocable commitments	254'805	0	0	0	0	0	254'805
Deposit and call liabilities	9'104	0	0	0	0	0	9'104

in CHF thousands	Demand deposits	Callable	Due within 3 months	Due between 3 months to 12 months	Due between 12 months to 5 years	Due after 5 years	Total
31.12.2017							
Financial assets							
Cash and balances with central banks	4'047'118	0	0	0	0	0	4'047'118
Due from banks	619'445	0	897'614	355'689	0	0	1'872'749
Loans	173'600	230'840	1'997'778	1'847'052	6'620'538	1'674'715	12'544'523
Trading portfolio assets	0	0	0	0	1	51	53
Financial investments at fair value	0	0	59'767	282'136	794'964	65'635	1'202'502
Accrued income and prepaid expenses	0	0	39'395	0	0	0	39'395
Total financial assets	**4'840'163**	**230'840**	**2'994'555**	**2'484'877**	**7'415'503**	**1'740'401**	**19'706'339**
Financial liabilities							
Due to banks	201'995	0	395'068	285'664	60'092	0	942'819
Due to customers	9'832'032	4'383'451	506'416	666'973	147'621	20'145	15'556'638
Debt issued	0	0	40'246	144'432	632'340	395'637	1'212'656
Accrued expenses and deferred income	0	0	30'250	0	0	0	30'250
Total financial liabilities	**10'034'027**	**4'383'451**	**971'980**	**1'097'070**	**840'052**	**415'782**	**17'742'362**
Net liquidity exposure	**–5'193'863**	**–4'152'611**	**2'022'575**	**1'387'807**	**6'575'451**	**1'324'619**	**1'963'978**
Off-balance-sheet transactions	**311'462**	**0**	**0**	**0**	**0**	**0**	**311'462**
Contingent liabilities	54'598	0	0	0	0	0	54'598
Irrevocable commitments	247'724	0	0	0	0	0	247'724
Deposit and call liabilities	9'141	0	0	0	0	0	9'141

3 Credit risk

Within the scope of credit risk management, vital importance is attached to the avoidance of credit risks and the early identification of default risks. In addition to systematic risk / return management at the individual loan level, the LLB Group proactively manages its credit risks at the credit portfolio level. The primary objective is to reduce the overall level of risk through diversification and a stabilisation of expected returns.

3.1 Credit risk management

Processes and organisational structures ensure that credit risks are identified, uniformly evaluated, controlled, monitored and included in risk reporting.

Basically, the LLB Group conducts its lending business for private and corporate clients on a secured basis. The process of granting a loan is based on a thorough evaluation of the borrower's creditworthiness, the possible impairment and the legal existence of collateral, as well as risk classification in a rating process performed by experienced credit specialists. The granting of loans is subject to a specified assignment of authority. A major characteristic of the credit approval process is the separation between front and back office functions.

In addition, the LLB Group conducts lending business with banks on a secured and unsecured basis, whereby individual risk limits are approved for every counterparty.

3.2 Evaluation of credit risks

The consistent evaluation of credit risks represents an essential prerequisite of successful risk management. The credit risk can be broken down into the components: probability of default, loss given default and the exposure at the time point of the default.

Probability of default
The LLB Group assesses the probability of default of individual counterparties by means of an internal rating system. The different rating procedures are adapted to suit the different characteristics of borrowers. The credit risk management ratings employed for banks and debt instruments are based on external ratings from recognised rating agencies.

The reconciliation of the internal rating with the external rating is carried out in accordance with the following master scale.

Loss given default
The loss given default is influenced by the amount of collateralisation and the costs of realising the collateral. It is expressed as a percentage of the individual commitment.

The potential loss at portfolio level is broken down as follows at the LLB Group:

Rating classes (master scale)

LLB rating	Description	External rating **
1 to 4	Investment grade	AAA, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Baa2, Baa3
5 to 8, not rated *	Standard monitoring	Ba1, Ba2, Ba3, B1, B2
9 to 10	Special monitoring	B3, Caa, Ca, C
11 to 14	Sub-standard	Default

* Non-rated loans are covered and subject to limits.
** For the securitisation of credit risks in the standard approach, the LLB Group employs solely the external ratings of the recognised rating agency Moody's (for the segments: due from banks, finance companies and securities firms, due from companies and due from international organisations).

Expected loss
Expected loss is a future-related, statistical concept that permits the LLB Group to estimate the average annual costs that could be incurred if positions in the current portfolio are classified as at risk. It is calculated on the basis of the default probability of a counterparty, the expected credit commitment made to this counterparty at the time of the default, and the magnitude of the loss given default.

Value-at-risk concept
The value-at-risk approach aims at computing the size of fluctuations in credit losses incurred by means of a statistical model and to show the change in the risk status of the credit portfolio.

Scenario analysis
The modelling of external credit losses is performed on the basis of stress scenarios, which enable us to evaluate the effects of fluctuations in the default rates of the assets pledged as collateral taking into consideration the existing risk concentration in every portfolio.

3.3 Controlling credit risk

Credit risk management has the task of actively influencing the risk situation of the LLB Group. This is carried out using a limits system, risk-adjusted pricing, through the possibility of using risk hedging instruments and the specific repayment of credit commitments. Risk management is conducted both at the individual loan and at the portfolio level.

Risk restriction
The LLB Group has in place a comprehensive limits system to restrict credit risk exposure. In addition to the limitation of individual credit risks, to prevent risk concentrations, the LLB Group assigns limits for regions and sectors.

Risk mitigation
To mitigate credit risk exposure, the LLB Group takes security mainly in the form of pledged assets and financial collateral. In the case of financial collateral in the form of marketable securities, we determine their collateral value by applying a schedule of reductions, the size of which is based on the quality, liquidity, volatility, and complexity of the separate instruments.

Derivatives
The LLB Group may employ credit derivatives to reduce risks. This possibility has not been utilised in recent years.

3.4 Monitoring and reporting of credit risks

The organisational structure of the LLB Group ensures that departments which cause the risks and those that evaluate, manage and monitor them are completely separated.

Individual credit risks are monitored by means of a comprehensive limits system. Infringements are immediately reported to the senior officer responsible.

3.5 Risk provisioning

Overdue claims
A claim is deemed to be overdue if a substantial liability from a borrower to the bank is outstanding. The overdraft begins on the date when a borrower exceeds an approved limit, has not paid interest or amortisation, or has utilised an unauthorised credit facility.

Specific valuation allowances are made for claims that are overdue by more than 90 days.

Default-endangered claims
Claims are regarded as being in danger of default if, on the basis of the client's creditworthiness, a loan default can no longer be excluded in the near future.

Specific value allowances
Each impaired claim is individually assessed and the restructuring strategy as well as the estimate of future recoverable amounts are determined. An individual value allowance is allocated on the basis of these criteria.

3.6 Country risks

A country risk arises if specific political or economic conditions in a country affect the value of a foreign position. Country risk is composed of transfer risk (e.g. restrictions on the free movement of money and capital) and other country risks (e.g. country-related liquidity, market and correlation risks).

Country risks are controlled on the basis of a limits system and are continually monitored. Ratings provided by a recognised rating agency are utilised for certain individual countries.

3.7 Due from banks and loans

in CHF thousands	31.12.2017 Loans	31.12.2017 Due from banks	31.12.2016 Loans	31.12.2016 Due from banks
Neither overdue nor value allowance made	11'814'999	1'940'433	11'297'277	3'114'861
Overdue but no value allowance made	148'206	0	98'411	0
Overdue, value allowance made (specific)	54'586	0	85'781	0
Default-stressed, value allowance made (specific)	143'620	0	164'405	0
Gross	**12'161'411**	**1'940'433**	**11'645'874**	**3'114'861**
Minus allowances (specific)	−77'445	0	−106'999	0
Net	**12'083'966**	**1'940'433**	**11'538'875**	**3'114'861**

The data presented in the table above is broken down further in the following tables.

Due from banks and loans neither overdue nor allowances made

in CHF thousands	Mortgage loans	Loans to public institutions	Miscellaneous loans	Total loans	Due from banks
31.12.2016					
Investment grade	4'187'107	1'002	1'308'453	5'496'562	1'918'105
Standard monitoring	5'267'718	81'439	81'318	5'430'475	1'196'756
Special monitoring	296'036	0	33'451	329'487	0
Sub-standard	40'582	0	171	40'753	0
Total	**9'791'443**	**82'441**	**1'423'393**	**11'297'277**	**3'114'861**
31.12.2017					
Investment grade	4'197'331	18'070	871'965	5'087'366	819'909
Standard monitoring	5'751'123	68'827	449'098	6'269'048	1'120'524
Special monitoring	370'526	0	29'449	399'975	0
Sub-standard	58'487	0	123	58'610	0
Total	**10'377'467**	**86'897**	**1'350'635**	**11'814'999**	**1'940'433**

Loans overdue but no allowances made

in CHF thousands	Mortgage loans	Loans to public institutions	Miscellaneous loans	Total loans
31.12.2016				
Overdue by up to 30 days	27'206	0	63'233	90'439
Overdue 31 to 60 days	380	0	7'234	7'614
Overdue 61 to 90 days	50	0	308	358
Total	**27'636**	**0**	**70'775**	**98'411**
31.12.2017				
Overdue by up to 30 days	32'371	2	106'846	139'219
Overdue 31 to 60 days	2'839	0	966	3'805
Overdue 61 to 90 days	2'015	0	3'166	5'181
Total	**37'225**	**2**	**110'979**	**148'206**

Loans with specific allowances

in CHF thousands	Mortgage loans	Loans to public institutions	Miscellaneous loans	Total loans	Due from banks
31.12.2016					
Overdue claims	30'361	0	55'420	85'781	0
Default-distressed claims	137'279	0	27'126	164'405	0
Fair value of cover	–137'792	0	–5'395	–143'187	0
Total specific value allowances	**29'848**	**0**	**77'151**	**106'999**	**0**
31.12.2017					
Overdue claims	26'980	0	27'606	54'586	0
Default-distressed claims	114'167	0	29'453	143'620	0
Fair value of cover	–109'241	0	–11'520	–120'761	0
Total specific value allowances	**31'906**	**0**	**45'539**	**77'445**	**0**

Newly agreed loans

Newly agreed loans are not substantial.

3.8 Overdue and default-distressed claims by geographical area

	31.12.2017			31.12.2016		
in CHF thousands	Default distressed claims	Overdue claims	Specific value allowance	Default distressed claims	Overdue claims	Specific value allowance
Liechtenstein and Switzerland	143'620	116'518	64'170	164'405	94'109	69'604
Europe excl. Liechtenstein and Switzerland	0	58'638	0	0	1'496	0
North America	0	0	0	0	1'632	0
Asia	0	12'286	665	0	49'238	562
Others	0	15'350	12'610	0	37'718	36'833
Total	**143'620**	**202'792**	**77'445**	**164'405**	**184'193**	**106'999**

3.9 Debt instruments

	31.12.2017			31.12.2016		
in CHF thousands	Trading portfolio assets	Financial investments at fair value	Total	Trading portfolio assets	Financial investments at fair value	Total
AAA	0	641'503	641'503	0	615'806	615'806
AA1 to AA3	0	295'544	295'544	99	263'547	263'646
A1 to A3	51	194'594	194'645	2'205	149'956	152'161
Lower than A3	0	49'896	49'896	957	7'303	8'260
Without a rating	0	15'888	15'888	512	16'445	16'957
Total	**51**	**1'197'425**	**1'197'476**	**3'772**	**1'053'057**	**1'056'830**

3.10 Taken-over collateral

in CHF thousands	2017			2016		
	Financial investments	Real estate / Properties	Total	Financial investments	Real estate / Properties	Total
As at 1 January	0	1'018	1'018	0	1'018	1'018
Additions / (Disposals)	0	1'723	1'723	0	0	0
(Value allowances) / Revaluations	0	0	0	0	0	0
As at 31 December	**0**	**2'741**	**2'741**	**0**	**1'018**	**1'018**

Taken-over collateral is disposed of again as soon as possible. It is reported under financial investments, trading portfolio assets, investment property and non-current assets held for sale, respectively.

3.11 Types of cover for due from banks and loans

The types of cover for loans to clients and due from banks are shown in the following tables.

Types of cover for loans

in CHF thousands	31.12.2017	31.12.2016	+ / – %
Secured by properties	10'509'538	9'967'873	5.4
Other collateral	1'060'493	1'076'498	–1.5
Unsecured	513'935	494'505	3.9
Total	**12'083'966**	**11'538'876**	**4.7**

The table shows the types of cover for loans made to customers net, i.e. after deduction of allowances for credit risks.

Types of cover for due from banks

in CHF thousands	31.12.2017	31.12.2016	+ / – %
Secured	117'298	238'941	–50.9
Unsecured	1'823'134	2'875'920	–36.6
Total	**1'940'433**	**3'114'861**	**–37.7**

There are no value allowances for due from banks.

3.12 Risk concentration

Maximal credit risk by regions without considering collateral

in CHF thousands	Liechtenstein / Switzerland	Europe excl. FL / CH	North America	Asia	Others *	Total
31.12.2016						
Credit risks from balance sheet transactions						
Due from banks	1'745'874	1'293'140	14'169	50'638	11'040	3'114'861
Loans						
Mortgage loans	9'931'047	25'242	0	0	0	9'956'289
Loans to public institutions	82'441	0	0	0	0	82'441
Miscellaneous loans	890'463	158'702	1'658	272'570	176'752	1'500'145
Trading portfolio assets						
Fixed-interest securities	1'266	2'015	0	0	491	3'772
Derivative financial instruments	52'204	25'262	88	152	4'901	82'607
Financial investments at fair value						
Fixed-interest securities	321'773	544'532	122'405	32'248	32'099	1'053'057
Total	**13'025'068**	**2'048'893**	**138'320**	**355'608**	**225'283**	**15'793'172**
Credit risks from off-balance sheet transactions						
Contingent liabilities	53'688	2'231	0	4'556	2'364	62'839
Irrevocable commitments	214'057	6'662	0	4'829	29'257	254'805
Deposit and call liabilities	9'104	0	0	0	0	9'104
Total	**276'849**	**8'893**	**0**	**9'385**	**31'621**	**326'748**
31.12.2017						
Credit risks from balance sheet transactions						
Due from banks	1'379'224	473'410	47'879	24'811	15'109	1'940'433
Loans						
Mortgage loans	10'493'172	30'156	0	0	0	10'523'328
Loans to public institutions	86'899	0	0	0	0	86'899
Miscellaneous loans	725'834	199'034	343	338'877	209'651	1'473'739
Trading portfolio assets						
Fixed-interest securities	0	51	0	0	0	51
Derivative financial instruments	39'526	18'058	0	110	1'046	58'740
Financial investments at fair value						
Fixed-interest securities	292'092	677'870	162'126	40'690	24'648	1'197'425
Total	**13'016'747**	**1'398'579**	**210'348**	**404'488**	**250'454**	**15'280'615**
Credit risks from off-balance sheet transactions						
Contingent liabilities	47'364	2'000	0	3'592	1'642	54'598
Irrevocable commitments	208'715	7'335	0	4'705	26'969	247'724
Deposit and call liabilities	9'141	0	0	0	0	9'141
Total	**265'220**	**9'335**	**0**	**8'297**	**28'611**	**311'463**

* None of the categories summarised in the position "Others" exceeds 10 percent of the total volume.

The largest credit risk for the LLB Group arises from loans made to banks and loans made to customers. In the case of loans to customers, the majority of loans are secured by mortgages, which are granted to clients having first-class creditworthiness within the scope of the LLB Group's lending policy. Thanks to the diversified nature of the collateral portfolio, containing properties in the Principality of Liechtenstein and in Switzerland, the risk of losses is reduced to a minimum. The LLB Group undertakes bank investments on both a secured and an unsecured basis. The risk of losses with loans to banks is restricted, on the one hand, through a broad distribution of risks and, on the other, by the strict minimum lending requirements applied to the counterparties.

Maximal credit risk by sectors without considering collateral

in CHF thousands	Financial services	Real estate	Private households	Others *	Total
31.12.2016					
Credit risks from balance sheet transactions					
Due from banks	3'114'861	0	0	0	3'114'861
Loans					
Mortgage loans	121'424	1'495'041	7'144'906	1'194'918	9'956'289
Loans to public institutions	0	0	0	82'441	82'441
Miscellaneous loans	240'799	34'357	530'319	694'670	1'500'145
Trading portfolio assets					
Fixed-interest securities	3	0	0	3'769	3'772
Derivative financial instruments	70'310	87	4'657	7'553	82'607
Financial investments at fair value					
Fixed-interest securities	448'910	10'294	0	593'853	1'053'057
Total	**3'996'307**	**1'539'779**	**7'679'882**	**2'577'204**	**15'793'172**
Credit risks from off-balance sheet transactions					
Contingent liabilities	6'280	3'562	10'836	42'161	62'839
Irrevocable commitments	54'101	31'978	72'275	96'451	254'805
Deposit and call liabilities	9'104	0	0	0	9'104
Total	**69'485**	**35'540**	**83'111**	**138'612**	**326'748**
31.12.2017					
Credit risks from balance sheet transactions					
Due from banks	1'940'433	0	0	0	1'940'433
Loans					
Mortgage loans	125'831	1'882'383	7'294'838	1'220'276	10'523'328
Loans to public institutions	0	0	0	86'899	86'899
Miscellaneous loans	348'783	20'389	627'393	477'174	1'473'739
Trading portfolio assets					
Fixed-interest securities	51	0	0	0	51
Derivative financial instruments	53'119	11	3'504	2'106	58'740
Financial investments at fair value					
Fixed-interest securities	161'960	0	0	1'035'465	1'197'425
Total	**2'630'177**	**1'902'783**	**7'925'735**	**2'821'920**	**15'280'615**
Credit risks from off-balance sheet transactions					
Contingent liabilities	5'775	4'289	9'220	35'314	54'598
Irrevocable commitments	51'831	30'289	73'429	92'175	247'724
Deposit and call liabilities	9'141	0	0	0	9'141
Total	**66'747**	**34'578**	**82'649**	**127'489**	**311'463**

* None of the categories summarised in the position "Others" exceeds 10 percent of the total volume.

4 Operational risk

The LLB Group defines operational risks as being the danger of losses due to the failure of internal procedures, people or IT systems or as a result of an external event. Legal risks form a part of operational risks. The LLB Group has in place an active and systematic process for managing operational risks. Policies and directives have been formulated for the identification, control and management of this risk category, which are valid for all Group companies. Potential and incurred losses from all organisational units, as well as significant external events, are recorded and evaluated promptly at the parent bank. In addition, the LLB Group collates and analyses risk ratios, e.g. from the areas of due diligence and employee transactions for own account. Ultimately, the risks are limited by means of internal rules and regulations regarding organisation and control.

5 Strategic risk

For LLB Group, a strategic risk represents the endangering of a projected business result due to the inadequate focusing of the Group on the political, economic, technological, social or ecological environment. Accordingly, these risks can arise as a result of an inadequate strategic decision-making process, unforeseeable events on the market or a deficient implementation of the selected strategies. Strategic risks are regularly reviewed by the Group Risk Committee and by the Group Board of Directors.

6 Reputational risk

If risks are not identified, adequately managed and monitored, this can lead not only to substantial financial losses, but also to reputational damage. The LLB Group does not regard reputational risk as an independent risk category, but rather as the danger of additional losses stemming from the categories concerned. To this extent, a reputational risk can cause and also result in losses in all risk categories, such as market or credit risks.

Reputational risks are regularly reviewed by the Group Risk Committee and by the Group Board of Directors.

Regulatory disclosures

1 Capital adequacy requirements (Pillar I)

The Banking Law and Banking Ordinance of the Principality of Liechtenstein form the legal basis of capital adequacy requirements, which in turn are based on the directives of the Basel Committee on Banking Supervision as adapted by the European Union.

In accordance with Basel III, the banks may choose from various approaches to calculate the capital requirements for credit, market and operational risks. The LLB Group applies the standard approach for credit risk, the basic indicator approach for operational risks, and the standard approach for market risks (trading book activities of insignificant materiality in accordance with Article 94 (1) CRR). The determination of capital requirements and tier capital is carried out on the basis of the IFRS consolidated financial statement, whereby non-realised gains are deducted from core capital.

An explanation of the divergences between the scope of companies consolidated for regulatory purposes for the calculation of capital adequacy requirements and the scope of consolidation for the consolidated financial statement of the LLB Group is provided in the disclosure report 2017.

1.1 Segmentation of credit risks

	Regulatory risk weighted									
in CHF thousands	0 %	10 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %	Total
31.12.2017										
Central governments and central banks	4'140'000	0	24'296	0	5'873	0	0	0	0	4'170'169
Regional governments	0	0	128'982	0	9'835	0	0	0	0	138'817
Public sector entities	0	0	51'913	0	0	0	0	0	0	51'913
Multilateral development banks	100'650	0	0	0	0	0	0	0	0	100'650
Banks and securities firms	0	0	2'210'421	0	267'726	0	0	0	0	2'478'147
Corporates	0	0	104'084	0	60'744	0	976'377	45'295	0	1'186'500
Retail	0	0	0	0	0	278'601	596'443	0	0	875'044
Secured by real estate	0	0	8'550	7'906'146	1'705'418	0	832'266	0	0	10'452'380
In default	0	0	0	0	0	2'166	77'539	56'560	0	136'266
Equity instruments	0	0	0	0	0	0	25'520	0	63	25'582
Covered bonds	0	217'771	0	0	0	0	0	0	0	217'771
Collective investments and others	84'006	0	12'237	0	0	0	383'363	0	0	479'606
Total	**4'324'656**	**217'771**	**2'540'482**	**7'906'146**	**2'049'596**	**280'767**	**2'891'508**	**101'856**	**63**	**20'312'845**
Total previous year	3'666'921	175'030	3'170'361	7'570'622	2'437'881	265'192	2'867'099	118'361	47	20'271'513

1.2 Mitigation of credit risk

	31.12.2017				31.12.2016			
in CHF thousands	Covered by recognised financial collateral	Covered by guarantees	Other credit commitments	Total	Covered by recognised financial collateral	Covered by guarantees	Other credit commitments	Total
Balance sheet positions	0	11'099	0	11'099	0	9'148	0	9'148
Off-balance sheet positions	0	0	0	0	0	352	0	352
Derivatives	0	0	0	0	0	0	0	0
Total	**0**	**11'099**	**0**	**11'099**	**0**	**9'499**	**0**	**9'499**

1.3 Leverage Ratio (LR)

A further integral part of the Basel III package is the leverage ratio which, with its comparison of unweighted on-balance sheet and off-balance sheet risk positions, on the one hand, and equity held, on the other, attempts to prevent the danger of financial institutes becoming excessively indebted. This reference ratio stands at 3.0 percent and is currently being monitored by the supervisory authority. It is not yet legally binding. At the end of 2017, the leverage ratio of the LLB Group amounted to 8.3 percent (31.12.2016: 7.8 %).

1.4 Liquidity Coverage Ratio (LCR)

The delegated regulation (EU) 2015 / 61, which came into force in Liechtenstein in January 2016, supplements the CRR in regard to liquidity coverage criteria for banks. The regulations are to ensure that banks possess a reasonable level of liquidity in order to cover their liquidity requirements in the case of a liquidity stress scenario within 30 calendar days. As the only binding regulatory liquidity reference figure, the LCR represents an important indicator both for liquidity risk measurement as well as liquidity risk control.

At the end of 2017, a regulatory LCR lower limit of 80 percent was applicable for the LLB Group. With a value of 126.3 percent, the LLB Group's ratio was substantially higher than legally required.

2 Internal capital (Pillar II)

The financial market regulatory requirements with respect to quantitative risk management, which arise from Pillar II, are fulfilled by the LLB Group by, among other measures, the conducting of a risk-bearing capacity calculation. The objective of the risk-bearing capacity calculation is to ensure the continued existence of the LLB Group. In line with this objective, the adequacy of the Group's capital resources is tested using internal models. The results attained with the individual risk types are aggregated in a total risk potential and are compared with the capital available to cover these potential losses. This process enables the extent to be determined to which the LLB Group is in a position to bear potential losses.

For the purpose of the calculation of its risk-bearing capacity, the LLB Group employs a value-at-risk approach with a confidence level of 99.98 percent and a holding duration of one year. Correlations between the individual risk types are not considered.

The LLB Group's financial strength should remain unimpaired by fluctuations on the capital market. Scenario analyses and stress tests are employed to simulate external influences and assess their impact on equity capital. Where necessary, measures are taken to mitigate risks.

Assets under management

in CHF millions	31.12.2017	31.12.2016	+ / – %
Assets in own-managed funds	4'840	4'568	6.0
Assets with discretionary mandates	7'197	6'519	10.4
Other assets under management	38'215	35'341	8.1
Total assets under management *	**50'252**	**46'428**	**8.2**
of which double counting	4'295	3'957	8.5

* Incl. double counting.

in CHF millions	2017	2016	+ / – %
Total assets under management as at 1 January *	46'428	45'570	1.9
Net new money	470	–65	
Market and currency movements **	3'354	848	
Other effects (incl. reclassifications)	0	75	
Total assets under management as at 31 December *	**50'252**	**46'428**	**8.2**

* Incl. double counting.
** Incl. interest and dividend income.

Breakdown of assets under management

in percent	31.12.2017	31.12.2016
By asset class		
Equities	24	23
Bonds	17	17
Investment funds	26	23
Liquidity	30	33
Precious metals / others	4	4
Total	**100**	**100**
By currency		
CHF	44	46
EUR	24	23
USD	24	24
Others	7	7
Total	**100**	**100**

Calculation method

Assets under management comprise all client assets managed or held for investment purposes. Basically, these include all balances due to customers, fiduciary time deposits and all valued portfolio assets.

Also included are other types of client assets, which can be deduced from the principle of the investment purpose. Custody assets (assets held solely for transaction and safekeeping purposes) are not included in assets under management.

Assets in own-managed funds

This item comprises the assets of the LLB Group's own investment funds.

Assets with discretionary mandates

Securities, value rights, precious metals, the market value of fiduciary investments with third parties and customer deposits are included in the calculation of assets with discretionary mandates. The figures comprise both assets deposited with Group companies and assets deposited with third parties, for which the Group companies hold a discretionary mandate.

Other assets under management

Securities, value rights, precious metals, the market value of fiduciary investments with third parties and customer deposits are included in the calculation of other assets under management. The figures comprise assets, for which an administration or advisory mandate is exercised.

Double counting

This item comprises fund units in own-managed funds which are contained in client portfolios with discretionary mandates and in other client safekeeping accounts.

Net new money

This position is composed of the acquisition of new clients, lost client accounts and inflows or outflows from existing clients. Performance-related asset fluctuations, e.g. price changes, interest and dividend payments including interest, commissions and expenses charged to client accounts, are not regarded as inflows or outflows. Acquisition-related changes to assets will also not be considered.