

Notes on business operations

Liechtensteinische Landesbank Aktiengesellschaft with its registered office in Vaduz and two domestic branch offices is active as a full-service (universal) bank. LLB AG has subsidiaries in Liechtenstein, Austria and Switzerland. At the end of 2017, LLB AG employed 545 persons (2016: 536) on a full-time equivalent basis. The average headcount in 2016 amounted to 540 persons (2016: 526) on a full-time equivalent basis.

As a universal bank, LLB AG is engaged in the commission and fees business, credit and lending business, money market and interbank business, as well as securities trading business.

Commissions and fees business

The major proportion of revenues from commissions and fees business is attributable to commissions earned in connection with securities trading for customers. Other important income streams are provided by securities safe custody business, asset management (incl. investment funds) and brokering fiduciary investments.

Credit and lending business

The largest proportion of loans comprises mortgages, Lombard loans and advances to public institutions. Mortgages are granted to finance properties in Liechtenstein and in the neighbouring areas of Switzerland. Real estate financing for the rest of Switzerland and Lombard loans are granted within the scope of the integrated asset management business. A major proportion of loans and advances to public authorities relates to credit facilities extended to cantons and municipalities in Switzerland. As regards international syndicated loans, the bank is active to only a very limited extent in this line of business.

Money market and interbank business

Domestic and international funds deposited with the bank, which cannot be invested in the lending business, are placed with first-class banks, predominantly in Switzerland and Western Europe.

Securities trading business

The bank offers its clients a full range of services in connection with the execution and settlement of securities trading transactions. It trades for its own account only to a moderate extent. Transactions with derivative financial instruments for the bank's own account are largely employed for hedging purposes.

Accounting policies and valuation principles

Basic principles

The accounting and valuation policies are drawn up in accordance with the provisions of the Liechtenstein Person and Company Law (PGR), as well as the Liechtenstein Banking Law and the accompanying Banking Ordinance.

Recording of business

All completed business transactions are valued and recorded in the balance sheet and the profit and loss account according to the specified valuation principles. The transactions are booked on the transaction date. Up to their date of settlement or the value date, futures transactions are recorded at their replacement value under other assets or other liabilities.

Foreign currency translations

Assets and liabilities denominated in foreign currencies are translated at the foreign exchange middle rate prevailing on the balance sheet date. Bank note holdings for exchange business are translated at the bank note bid rate in effect on the balance sheet date. Exchange gains and losses arising from the valuation are booked to the profit and loss account. 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

Liquid funds, public authority debt instruments and bills approved for refinancing by central banks, balances due from banks and customers, liabilities

These items are shown in the balance sheet at nominal value minus any unearned discount on money market instruments.

Impaired due amounts, i.e. amounts due from debtors who probably will not repay them, are valued on an individual basis and their impairment is covered by specific allowances. Off-balance sheet transactions, such as commitments for loans, guarantees and derivative financial instruments, are also included in this valuation. Loans are regarded as overdue at the latest when interest and / or principal repayments are more than 90 days in arrears. Overdue and impaired interest payments are charged directly to allowances and provisions. Loans are put on a non-accrual basis if the interest due on them is deemed to be uncollectible and interest accrual is therefore no longer practical.

The impairment is measured on the basis of the difference between the book value of the claim and the probable recoverable amount taking into consideration counterparty risk and the net proceeds from the realisation of any collateral. If it is expected that the realisation process will take longer than one year, the estimated realisation proceeds are discounted on the balance sheet date. The specific allowances are deducted directly from the corresponding asset positions. A claim is reclassified as no longer endangered if the outstanding principal and interest are again repaid on time in accordance with the original contractual terms. To cover the risks in retail business, which are composed of numerous small claims, lump-sum individual allowances, calculated on the basis of empirical values, are made for the unsecured loans and overdrawn limits for which individual allowances have not already been considered.

Debt instruments and other fixed-interest securities, equities and other non-fixed-interest securities

Trading portfolios of securities and precious metals are valued at the market value on the balance sheet date. Securities for which there is no regular, active market are carried at the lower of cost or market value. Holdings of securities and precious metals as current assets are valued at the lower of cost or market value. Interest earnings are credited to the item interest income, dividend income is carried under the item income from securities. Price gains are shown under the item income from financial transactions.

Fixed-interest securities that are intended to be held until final maturity are valued according to the accrual method. Accordingly, interest income, including amortisation of premiums and accretion of discounts, is recognised on an accrual basis until final maturity. Interest-related realised capital gains or losses arising from the premature sale or redemption of securities are recognised on an accrual basis over the remaining period to maturity, i.e. up to the original date of final maturity. Interest earnings are credited to the item interest income. Equities and precious metals holdings held as fixed assets are valued at the lower of cost or market value. Dividend income is carried under the item income from securities. Allowances are shown under the items write-downs to participations, shares in associated companies and securities treated as long-term investments and earnings from write-ups to participations, shares in associated companies and securities treated as long-term investments, respectively.

Participations

Participations comprises shares owned by LLB AG in companies which represent a minority participation and which are held as long-term investments, as well as all participations of an infrastructural nature. These items are valued at cost minus necessary allowances.

Shares in associated companies

LLB AG's existing majority participations are recorded as shares in associated companies. These items are valued at cost minus necessary allowances.

Intangible assets

Software development costs are capitalised when they meet certain criteria relating to identifiability, it is probable that economic benefits will flow to the company from them, and the costs can be measured reliably. Internally developed software meeting these criteria and purchased software are capitalised and subsequently amortised over three to ten years.

Low-cost acquisitions are charged directly to administrative expenses.

Tangible fixed assets

Real estate is valued at the acquisition cost plus any investment that increases the value of the property, less necessary depreciation. New buildings and refurbishments are depreciated over 33 years and building supplementary costs over 10 years. No depreciation is charged on undeveloped land unless an adjustment has to be made to allow for a reduction in its market value. Other physical assets include fixtures, furniture, machinery and IT equipment. They are capitalised and depreciated in full over their estimated economic life (3 to 6 years).

Low-cost acquisitions are charged directly to administrative expenses.

Treasury shares

Own shares (treasury shares) held by the Liechtensteinische Landesbank AG are recognised at market values up to the acquisition costs and are reported as treasury shares. The difference between the market value of treasury shares and the acquisition costs is reported in the income statement under income from financial transactions.

Allowances and provisions

In accordance with prudent accounting practice, specific allowances and provisions as well as general allowances are made for all risks existing on the balance sheet date. Allowances are offset directly with the corresponding asset position. Provisions are booked as such in the balance sheet.

Taxes

Accruals for taxes payable on the basis of the profits earned in the period under report are charged as expenses in the corresponding period. Provisions for deferred tax are formed in relation to allowances and provisions recognised only for tax purposes. The calculation is made on the basis of the estimated tax rates used for actual taxation.

Provisions for general banking risks

Provisions for general banking risks are precautionary reserves formed to hedge against latent risks in the bank's operating activities.

Off-balance sheet transactions

Off-balance sheet transactions are valued at nominal values. Provisions are made in the case of identifiable risks arising from contingent liabilities and other off-balance sheet transactions.

Derivative financial instruments

The gross replacement values of individual contracts in derivative financial instruments – positive and negative replacement values are not offset against each other – are stated in the balance sheet (under other assets or other liabilities) and in the notes to the financial statement.

All replacement values for contracts concluded for the bank's own account are reported. In contrast, in the case of customer transactions only the replacement values for OTC contracts are reported, or for exchange-traded products if margin requirements are inadequate. The contract volumes are reported in the statement of off-balance sheet transactions and in the notes. Trading positions in financial derivatives are valued at market rates provided the contracts are listed on an exchange or a regular, active market exists. If this is not the case, the contracts are valued at the lower of cost or market value. If interest business positions are hedged with derivatives, the differential amount between the market value and the accrual method is recognised in the settlement account.

Statement of cash flows

On account of its obligation to prepare a consolidated financial statement, LLB AG is exempted from the necessity to provide a statement of cash flow. The consolidated statement of cash flow the LLB Group is a part of the consolidated financial statement.

Changes to the previous year

Apart from the adjustment made to the depreciation period with tangible fixed assets, there are no changes compared to the previous year.

Notes to the balance sheet

1 Type of collateral

in CHF thousands		Type of collateral			Total
		Secured by mortgage	Other collateral	Unsecured	
Loans					
	Loans (excluding mortgage loans)	15'475	941'617	634'301	1'591'393
	Mortgage loans				
	residential property	3'831'857	433	3'882	3'836'171
	office and business property	469'128	2'181	5'047	476'356
	commercial and industrial property	216'601	0	0	216'601
	other	264'666	3'420	18'386	286'472
	Total loans	31.12.2017	4'797'726	947'651	661'615
		31.12.2016	4'500'130	987'805	691'604
					6'179'539
Off-balance sheet transactions					
	Contingent liabilities	1'631	22'590	3'997	28'218
	Irrevocable commitments	80'968	5'350	113'517	199'834
	Call liabilities	0	0	37	37
	Total off-balance sheet transactions	31.12.2017	82'599	27'939	117'551
		31.12.2016	65'783	30'516	123'034
					219'333

Impaired claims

in CHF thousands		Gross outstanding amount	Estimated proceeds from realisation of collateral	Net outstanding amount	Specific allowances
	31.12.2017	64'710	35'630	29'080	29'080
	31.12.2016	87'661	33'067	54'594	54'594

2 Securities and precious metals holdings

a Securities and precious metals trading positions

in CHF thousands	Book value		Cost		Market value	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Debt securities	50	3'770	50	3'741	50	3'770
listed	50	3'770	50	3'741	50	3'770
unlisted	0	0	0	0	0	0
Equities	1	3	43	45	1	3
listed	1	3	43	45	1	3
of which own shares	0	0	0	0	0	0
unlisted	0	0	0	0	0	0
Precious metals	1'293	6'143	1'293	6'143	1'293	6'143
Total	1'344	9'916	1'386	9'930	1'344	9'916

b Securities and precious metals holdings as current assets (excluding trading positions)

in CHF thousands	Book value		Cost		Market value	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Debt securities	939'101	793'133	952'599	794'346	950'021	793'133
listed	939'101	793'133	952'599	794'346	950'021	793'133
unlisted	0	0	0	0	0	0
Equities	95'012	137'792	168'744	234'735	95'620	137'792
listed	94'894	78'987	163'886	167'045	95'474	78'987
unlisted	118	58'805	4'858	67'690	146	58'805
Total	1'034'113	930'925	1'121'343	1'029'082	1'045'641	930'925

c Securities and precious metals as fixed assets

in CHF thousands	Book value		Cost		Market value	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Debt securities	0	0	0	0	0	0
listed	0	0	0	0	0	0
unlisted	0	0	0	0	0	0
Equities	227'225	285'363	231'127	291'030	234'540	293'319
listed	0	0	0	0	0	0
unlisted	227'225	285'363	231'127	291'030	234'540	293'319
Precious metals	28'358	6'183	28'358	6'183	28'358	6'183
Total	255'583	291'546	259'485	297'213	262'898	299'502

3 Own shares included in current assets (excluding trading positions)

Quantity / in CHF thousands	Quantity		Book value	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Start of year	1'959'238	1'974'622	78'987	70'790
Bought	0	0	0	0
Sold	-36'301	-15'384	-3'159	-1'339
Additions / (Impairments)	0	0	19'066	9'535
End of year	1'922'937	1'959'238	94'894	78'987

4 Participations and shares in associated companies

in CHF thousands	31.12.2017	31.12.2016
Participations		
With market value	0	0
Without market value	33	47
Total participations	33	47
Shares in associated companies		
With market value	0	0
Without market value	170'348	170'348
Total shares in associated companies	170'348	170'348

5 Substantial participations and shares in associated companies

Company name and registered office	Business activity	Currency	Share capital	% share of votes	% share of capital
Participations					
Data Info Services AG, Vaduz	Service company	CHF	50'000	50.0	50.0
Shares in associated companies					
Bank Linth LLB AG, Uznach *	Bank	CHF	16'108'060	74.2	74.2
Liechtensteinische Landesbank (Österreich) AG, Vienna	Bank	EUR	2'000'000	100.0	100.0
LLB Asset Management AG, Vaduz	Asset management	CHF	1'000'000	100.0	100.0
LLB Berufliche Vorsorge AG *	Staff welfare scheme	CHF	500'000	100.0	100.0
LLB Beteiligungen AG, Uznach	Investment company	CHF	100'000	100.0	100.0
LLB Fund Services AG, Vaduz	Fund management company	CHF	2'000'000	100.0	100.0
LLB Holding (Schweiz) AG, Erlenbach	Holding company	CHF	250'000	100.0	100.0
LLB Invest AGmvK	Investment company	CHF	65'000	100.0	100.0
LLB Linth Holding AG, Uznach	Holding company	CHF	95'328'000	100.0	100.0
LLB Qualified Investors AGmvK, Vaduz	Investment company	CHF	50'000	100.0	100.0
LLB Services (Schweiz) AG *	Service company	CHF	100'000	100.0	100.0
LLB Verwaltung (Schweiz) AG, Erlenbach *	Management company	CHF	100'000'000	100.0	100.0
Zukunftsstiftung der Liechtensteinischen Landesbank AG	Charitable foundation	CHF	30'000	100.0	100.0

* Indirect participation.

6 Statement of fixed assets

in CHF thousands	Cost	Accumulated depreciation	Book value 31.12.2016	Investments	Dis-investments	Reclassifications	Additions	Depreciation	Book value 31.12.2017
Total participations (non-controlling interests)	2'187	- 2'140	47	0	0	0	0	- 14	33
Total shares in associated companies	206'967	- 36'619	170'348	0	0	0	0	0	170'348
Total securities and precious metals as fixed assets	371'407	- 79'861	291'546	249'400	- 285'363	0	0	0	255'583
Total intangible assets °	127'867	- 84'287	43'580	8'544	0	0	0	- 10'473	41'651
Real estate									
bank premises	172'073	- 106'823	65'250	2'208	0	0	0	- 4'754	62'704
other properties	25'038	- 10'038	15'000	0	0	0	0	0	15'000
Other fixed assets	93'376	- 82'368	11'008	4'102	0	0	0	- 4'588	10'522
Total fixed assets	290'487	- 199'229	91'258	6'310	0	0	0	- 9'342	88'225
Fire insurance value of real estate			196'118						194'917
Fire insurance value of other fixed assets			33'611						40'205

° Solely licence and software costs.

Depreciation is carried out according to prudent business criteria over the estimated service life. No undisclosed reserves exist.

7 Pledged or assigned assets and assets subject to reservation of ownership

in CHF thousands	31.12.2017	31.12.2016
Excluding lending transactions and pension transactions with securities		
Book value of pledged and assigned (as collateral) assets	82'980	40'091
Actual commitments	0	0
Lending transactions and pension transactions with securities		
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	33'391
of which capable of being resold or further pledged without restrictions	177'305	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	395'266	622'876
of which resold or further pledged securities	41'864	42'707

8 Liabilities due to own pension funds

in CHF thousands	31.12.2017	31.12.2016	+ / - %
Current account, call money and time deposits	26	2	
Savings deposits	27'122	17'061	59.0
Total	27'149	17'063	59.1

9 Allowances and provisions / provisions for general banking risks

in CHF thousands	Total 31.12.2016	Specific allowances	Recoveries, overdue interest, currency differences	New provisions charged to income statement	Provisions released to income statement	Total 31.12.2017
Allowances for loan default risks						
Specific allowances	54'594	-17'809	-3'025	6'597	-11'277	29'080
Lump-sum individual allowances (incl. those for country risks)	0	0	0	0	0	0
Provisions for taxes and deferred taxes	4'356	0	0	5'595	0	9'951
Other provisions	27'797	-19'096	0	892	-4'999	4'594
Total allowances and provisions	86'747	-36'906	-3'025	13'084	-16'276	43'625
Minus allowances	-54'594					-29'080
Total provisions according to balance sheet	32'153					14'545
Provisions for general banking risks	310'000					310'000

10 Share capital, significant shareholders and groups of shareholders linked by voting rights

in CHF thousands	31.12.2017			31.12.2016		
	Total nominal value	Quantity	Capital ranking for dividend	Total nominal value	Quantity	Capital ranking for dividend
Share capital	154'000	30'800'000	144'385	154'000	30'800'000	144'204
Total common stock	154'000	30'800'000	144'385	154'000	30'800'000	144'204

No conditional or authorised capital exists.

in CHF thousands	31.12.2017		31.12.2016	
	Nominal	Holding in %	Nominal	Holding in %
With voting right: Principality of Liechtenstein	88'500	57.5	88'500	57.5

11 Statement of shareholders' equity

in CHF thousands	2017
Share capital	154'000
Share premium	47'750
Legal reserves	390'550
Reserve for own shares	78'987
Other reserves	675'543
Provisions for general banking risks	310'000
Balance sheet profit	58'554
Total shareholders' equity as at 1 January (before profit distribution)	1'715'384
Dividend and other distributions from previous year's profit	-49'091
Net profit for the year	93'292
Allocation to provisions for general banking risks	0
Total shareholders' equity as at 31 December (before profit distribution)	1'759'585
Of which:	
Share capital	154'000
Share premium	47'750
Legal reserves	390'550
Reserve for own shares	94'894
Other reserves	664'636
Provisions for general banking risks	310'000
Balance sheet profit	97'755

12 Maturity structure of assets, liabilities and provisions

in CHF thousands	Sight deposits	Callable	Due within 3 months	Due between 3 months to 12 months	Due between 12 months to 5 years	Due after 5 years	Immo-bilised	Total
Assets								
Cash and balances with central banks	3'376'198	0	0	0	0	0	0	3'376'198
Due from banks	642'593	7	959'150	487'212	82'054	3'915	0	2'174'930
Loans	23'237	516'184	1'183'071	746'013	3'065'576	872'911	0	6'406'992
of which mortgage loans	21'014	122'817	299'413	582'963	2'991'024	798'368	0	4'815'600
Securities and precious metals held for trading	1'344	0	0	0	0	0	0	1'344
Securities and precious metals holdings as current assets (excluding trading positions)	1'034'113	0	0	0	0	0	0	1'034'113
Securities and precious metals holdings as fixed assets	28'358	227'225	0	0	0	0	0	255'583
Other assets	250'041	1	55'202	16'733	47'362	19'849	90'966	480'155
Total assets	31.12.2017	5'355'885	743'417	2'197'422	1'249'959	3'194'992	90'966	13'729'316
	31.12.2016	4'506'154	660'021	2'782'874	2'231'160	2'869'815	92'276	14'106'124
Liabilities and provisions								
Due to banks	550'895	9'408	426'177	84'877	0	0	0	1'071'357
Due to customers	7'246'422	2'646'973	355'824	276'598	46	0	0	10'525'864
of which savings deposits		2'327'628	23'476	15'737	46	0	0	2'366'888
of which other liabilities	7'246'422	319'345	332'348	260'861	0	0	0	8'158'976
Certified liabilities	0	0	22'887	18'514	82'971	26'852	0	151'224
of which medium-term notes	0	0	22'887	18'514	82'971	26'852	0	151'224
Provisions (excluding provisions for general banking risks)	0	0	0	0	14'545	0	0	14'545
Other liabilities	68'388	0	53'196	13'010	51'066	21'082	0	206'742
Total liabilities and provisions	31.12.2017	7'865'705	2'656'381	858'084	393'000	148'628	47'934	0 11'969'731
	31.12.2016	7'787'860	3'094'664	849'659	387'979	176'390	94'189	0 12'390'740
Bonds and other fixed-interest securities that are due in the following financial year								255'060

13 Due from and due to associated companies and related parties

a Due from and due to participations and associated companies

in CHF thousands	31.12.2017	31.12.2016	+ / - %
Due from participations	0	0	
Due to participations	0	0	
Due from associated companies	604'880	607'086	-0.4
Due to associated companies	865'388	986'943	-12.3

b Due from and due to qualified participations and companies associated with the Principality

in CHF thousands	31.12.2017	31.12.2016	+ / - %
Due from the Principality of Liechtenstein	4	1'002	-99.6
Due to the Principality of Liechtenstein	0	0	
Due from companies associated with the Principality *	65'500	59'750	9.6
Due to companies associated with the Principality *	0	0	

* Associated companies: Liechtensteinische Kraftwerke, Liechtensteinische Gasversorgung, LTN Liechtenstein TeleNet AG, Liechtensteinische Post AG, Verkehrsbetrieb LIECHTENSTEINmobil and AHV-IV-FAK-Anstalt.

The stated due from and due to are included in the balance sheet in the items loans and due to customers.

c Loans to corporate bodies

in CHF thousands	31.12.2017	31.12.2016	+ / - %
Members of the Board of Directors	3'189	3'716	-14.2
Members of the Board of Management	2'895	2'895	0.0

d Related party transactions

Transactions (e.g. securities transactions, payment transfers, lending facilities and interest on deposits) were made with related parties under the same terms and conditions as applicable to third parties.

14 Breakdown of assets and liabilities by location

in CHF thousands	31.12.2017		31.12.2016	
	FL / CH	Abroad	FL / CH	Abroad
Assets				
Cash and balances with central banks	3'376'198	0	2'778'888	0
Due from banks	1'616'446	558'484	2'016'734	1'365'570
Loans (excluding mortgages)	895'044	696'349	1'082'951	569'859
Mortgage loans	4'815'600	0	4'476'929	49'800
Bonds and other fixed-interest securities	104'986	834'166	69'044	727'859
Shares and other non-fixed-interest securities	217'455	9'899	337'686	6'490
Participations	33	0	47	0
Shares in associated companies	98'508	71'840	98'508	71'840
Intangible assets	41'651	0	43'580	0
Fixed assets	88'225	0	91'258	0
Own shares	94'894	0	78'987	0
Other assets	97'092	65'497	130'944	65'887
Accrued income and prepayments	34'712	12'239	29'750	13'515
Total assets	11'480'842	2'248'474	11'235'304	2'870'820
Liabilities				
Due to banks	318'579	752'777	238'407	754'880
Due to customers (excluding savings deposits)	5'440'060	2'718'916	5'060'934	2'688'492
Savings deposits	2'045'987	320'900	2'717'306	351'396
Certified liabilities	151'224	0	291'610	0
Other liabilities	137'802	38'134	163'935	64'229
Accrued expenses and deferred income	20'080	10'725	16'937	10'460
Provisions	14'545	0	32'152	1
Provisions for general banking risks	310'000	0	310'000	0
Share capital	154'000	0	154'000	0
Share premium	47'750	0	47'750	0
Legal reserves	390'550	0	390'550	0
Reserves for own shares	94'894	0	78'987	0
Other reserves	664'636	0	675'543	0
Profit carried forward	4'463	0	8'526	0
Profit for the year	93'292	0	50'028	0
Total liabilities	9'887'863	3'841'453	10'236'665	3'869'458

15 Geographical breakdown of assets by location

in CHF thousands	31.12.2017		31.12.2016	
	Absolute value	% of total	Absolute value	% of total
Liechtenstein / Switzerland	11'480'842	83.6	11'235'304	79.6
Europe (excluding Liechtenstein / Switzerland)	1'402'259	10.2	2'167'187	15.4
North America	198'049	1.4	138'337	1.0
Asia	386'590	2.8	333'325	2.4
Others	261'576	1.9	231'970	1.6
Total assets	13'729'316	100.0	14'106'124	100.0

16 Breakdown of assets and liabilities by currency

in CHF thousands	CHF	EUR	USD	Others	Total
Assets					
Cash and balances with central banks	3'362'914	12'524	424	336	3'376'198
Due from banks	425'668	515'525	741'138	492'599	2'174'930
Loans (excluding mortgages)	791'866	323'382	410'899	65'247	1'591'393
Mortgage loans	4'812'612	2'987	0	0	4'815'600
Bonds and other fixed-interest securities	418'447	200'656	320'048	0	939'152
Shares and other non-fixed-interest securities	195'614	25'300	6'440	0	227'354
Participations	33	0	0	0	33
Shares in associated companies	170'348	0	0	0	170'348
Intangible assets	41'651	0	0	0	41'651
Fixed assets	88'225	0	0	0	88'225
Own shares	94'894	0	0	0	94'894
Other assets	135'084	45	26'697	762	162'589
Accrued income and prepayments	29'097	7'180	9'882	792	46'951
Total on-balance sheet assets	10'566'453	1'087'599	1'515'527	559'737	13'729'316
Delivery claims from forex spot, forex futures and forex options transactions	3'066'375	4'058'271	3'501'747	911'686	11'538'079
Total assets	13'632'828	5'145'870	5'017'274	1'471'423	25'267'395
Liabilities					
Due to banks	271'422	318'426	371'364	110'144	1'071'357
Due to customers (excluding savings deposits)	3'944'560	1'705'043	2'005'229	504'144	8'158'976
Savings deposits	2'362'906	3'981	0	0	2'366'888
Certified liabilities	143'437	7'787	0	0	151'224
Other liabilities	162'906	7'514	2'547	2'969	175'937
Accrued expenses and deferred income	18'918	2'610	8'278	999	30'805
Provisions	14'545	0	0	0	14'545
Provisions for general banking risks	310'000	0	0	0	310'000
Share capital	154'000	0	0	0	154'000
Share premium	47'750	0	0	0	47'750
Legal reserves	390'550	0	0	0	390'550
Reserves for own shares	94'894	0	0	0	94'894
Other reserves	664'636	0	0	0	664'636
Profit carried forward	4'463	0	0	0	4'463
Profit for the year	93'292	0	0	0	93'292
Total on-balance sheet liabilities	8'678'280	2'045'361	2'387'418	618'257	13'729'316
Delivery liabilities from forex spot, forex futures and forex options transactions	4'992'336	3'070'079	2'598'918	880'392	11'541'725
Total liabilities	13'670'616	5'115'440	4'986'336	1'498'649	25'271'041
Net position per currency	- 37'787	30'430	30'938	- 27'227	- 3'646

17 Other assets and liabilities

in CHF thousands	31.12.2017	31.12.2016	+/- %
Precious metals holdings	29'651	12'327	140.5
Tax prepayments	439	303	45.1
Positive replacement values [°]	74'512	104'782	-28.9
Settlement account	51'151	74'104	-31.0
Clearing accounts	3'035	1'287	135.7
Deferred tax claim	3'801	4'028	-5.6
Total other assets	162'589	196'831	-17.4
Charge accounts	4'967	4'399	12.9
Negative replacement values [°]	118'118	161'142	-26.7
Other receivables	16'440	21'130	-22.2
Settlement account	17'168	23'227	-26.1
Clearing accounts	19'244	18'267	5.3
Total other liabilities	175'937	228'165	-22.9

[°] Replacement values are shown gross.

Notes to off-balance sheet transactions

18 Contingent liabilities

in CHF thousands	31.12.2017	31.12.2016	+ / - %
Credit guarantees and similar instruments	15'251	19'372	- 21.3
Performance guarantees and similar instruments	6'666	6'439	3.5
Other contingent liabilities	6'302	5'657	11.4
Total contingent liabilities	28'218	31'468	- 10.3

19 Open derivative contracts

in CHF thousands	Trading instruments			"Hedging" instruments			
	Positive replacement value	Negative replacement value	Contract volume	Positive replacement value	Negative replacement value	Contract volume	
Interest rate instruments							
Swaps	0	0	0	17'168	57'097	1'721'000	
Forward transactions	1	46	9'910	0	0	0	
Foreign exchange contracts							
Forward contracts	54'231	57'864	11'377'417	0	0	0	
Options (OTC)	2'649	2'649	83'107	0	0	0	
Precious metals							
Forward contracts	17	17	2'252	0	0	0	
Options (OTC)	0	0	0	0	0	0	
Equity / Index contracts							
Options (OTC)	445	445	108'711	0	0	0	
Total excluding netting agreements	31.12.2017	57'344	61'021	11'581'397	17'168	57'097	1'721'000
	31.12.2016	81'555	80'836	9'007'892	23'227	80'306	1'751'000

Liechtensteinische Landesbank AG has concluded no netting agreements.

20 Fiduciary transactions

in CHF thousands	31.12.2017	31.12.2016	+ / - %
Fiduciary deposits with other banks	364'129	222'940	63.3
Total fiduciary transactions	364'129	222'940	63.3

Notes to the income statement

21 Income from trading operations

in CHF thousands	2017	2016	+ / - %
Foreign exchange trading	51'222	31'405	63.1
Foreign note trading	1'455	1'603	-9.2
Precious metals trading	173	755	-77.0
Securities trading	161	45	255.3
Total	53'011	33'809	56.8

22 Personnel expenses

in CHF thousands	2017	2016	+ / - %
Salaries and compensations	-74'869	-74'454	0.6
Social benefits and retirement benefit plans	-15'545	-15'480	0.4
of which retirement benefit plans	-10'386	-10'312	0.7
Other personnel expenses	-4'240	-3'966	6.9
Total	-94'653	-93'901	0.8

The compensation of the Board of Directors and the Board of Management are disclosed in the consolidated financial statement.

23 Administrative expenses

in CHF thousands	2017	2016	+ / - %
Occupancy expenses	-2'918	-3'173	-8.0
Expenses for IT, machinery, vehicles and other equipment	-14'025	-13'857	1.2
Other business expenses	-25'048	-21'638	15.8
Total	-41'991	-38'668	8.6

24 Other ordinary expenses

in CHF thousands	2017	2016	+ / - %
Losses on receivables	-15'450	-976	
Operational risk	0	-26'180	-100.0
Sundry other ordinary expenses	-394	-2'559	-84.6
Total other ordinary expenses	-15'844	-29'715	-46.7

Risk management

Overview

LLB AG's risk policy is governed, in legal and operative terms, by the Liechtenstein Banking Law, the corresponding Banking Ordinance and the principles of the Basel Committee for Banking Supervision as well as by the bank's own statutes and business regulations. The ultimate responsibility for basic risk policy and for continually monitoring the bank's risk exposure lies with the Board of Directors. In fulfilling this function, it is supported by the Risk Committee. The Board of Management has overall responsibility for risk management. It is supported by separate expert risk committees. An independent Group Credit & Risk Management monitors compliance with the issued regulations.

Market risks

On the basis of its business activity, LLB AG is exposed primarily to interest rate fluctuation, share price and currency risks. The Group Risk Management Committee is responsible for managing risks associated with trading activities, and the Asset & Liability Committee for controlling interest rate fluctuation risks. These bodies limit risk exposure using sensitivity and value-at-risk analyses. Aggregate risks are analysed and worst-case scenarios are simulated on a regular basis.

Credit default risks

Credit and lending facilities are extended primarily in interbank business, in private and corporate client business mainly on a secured basis, and in business transactions with public authorities. The Group Credit Risk Committee is responsible for credit risk management. The bank pursues a conservative collateral lending policy. Credits and loans are granted within the scope of strict credit approval procedures. An internal rating system is employed to determine risk-related terms and conditions. A limits system based on the creditworthiness of the individual country is used to control country risks.

Valuation estimates of real estate are stipulated in internal directives. The market value, which serves as the basis for loan-to-value ratios, is determined as follows:

- owner-occupied property: actual value
- investment property: productive and actual value, depending on the property and the ratio of productive to actual value
- owner-used commercial or industrial property: the productive and actual values attainable on the market, depending on the property and the ratio of productive to actual value
- building land: internally stipulated price estimates taking into consideration future use

Operational and legal risks

Internal regulations and directives concerning organisation and controls are employed to limit exposure to operative and legal risks. In formulating these instructions, the Board of Management is supported by the Operational Risk Committee. Compliance with these regulations is regularly checked by the Group Compliance and Group Operational Risk/ICS departments and by Group Internal Audit. External legal experts are brought in on a case-by-case basis to control and manage legal risks.

Liquidity risks

Liquidity risks are monitored and managed in accordance with the provisions of banking law.

Business policy concerning the use of derivative financial instruments

Within the scope of balance sheet management, interest rate swaps are concluded to hedge interest rate fluctuation risks. 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.