

Financial statement of LLB AG, Vaduz

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Report of the statutory auditor

Report of the statutory auditor to the General Meeting of Liechtensteinischen Landesbank Aktiengesellschaft Vaduz

Report on the audit of the financial statements

Opinion

As statutory auditor, we have audited the financial statements (balance sheet, income statement and notes to the financial statements (pages 199 to 221) and the annual report (page 198) of Liechtensteinische Landesbank Aktiengesellschaft (LLB AG) for the year ending as at 31 December 2016.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position in accordance with Liechtenstein law. Further, the financial statements comply with Liechtenstein law and the company's articles of association.

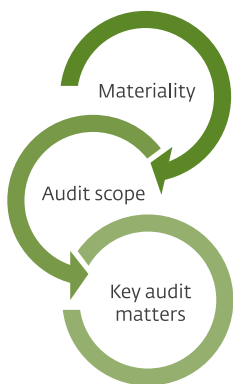
Basis for opinion

We conducted our audit in accordance with the standards promulgated by the profession in Liechtenstein and the International Standards on Auditing (ISAs), which require an audit to be planned and conducted so as to obtain reasonable assurance whether the financial statements and the annual report are free from material misstatement.

We audited the items and disclosures in the financial statements by means of analyses and surveys on a sample basis. Further, we assessed the application of the relevant accounting standards, significant decisions concerning the valuations and the presentation of the financial statements as a whole. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit approach

Overview



Overall materiality: CHF 2.8 million, which represents 5% of the result from normal business activities.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter, the following area of focus has been identified:

- Valuation of customer loans
- Completeness and adequacy of provisions for legal and litigation risks

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made. For example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality CHF 2.8 million

How we determined it 5% of the result from normal business activities.

Rationale for the materiality benchmark applied

We chose the result from normal business activities as the benchmark because, in our view, it is the benchmark against which the performance of LLB AG is most commonly measured.

The result from normal business activities represents profit before tax and before changes to the provisions for general banking risks and is a generally accepted benchmark for materiality considerations.

We agreed with the Board of Directors that we would report to them misstatements above CHF 0.2 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Reporting on key audit matters

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

Valuation of loans

Key audit matter

LLB AG grants loans to private individuals, corporates and public entities, primarily located in Liechtenstein and Switzerland.

Loans amount to CHF 6.2 billion (previous year: CHF 5.9 billion) and thus represent the largest asset category. Mortgage-based loans form the majority of the loan portfolio (73.3 % of total loans). In addition, the bank grants corporate loans and Lombard loans.

Any impairments are recognised by means of individual value adjustments. To this end, judgement has to be applied to calculate the amount of the individual value adjustment. We focussed on the two following points:

- The method used by the bank to identify loans that may need adjusting, including loans that show indications of impairment according to the definition of LLB.
- The appropriate and consistent application of the policies and instructions issued by management relating to the calculation of the amount of the individual value adjustment.

The accounting and valuation principles applied to loans, the method used to identify the default risk and to determine the need for impairment as well as the evaluation of the coverage are taken from the management report.

Please refer to page 204 (accounting and valuation principles) and page 207 (comments on the balance sheet).

How our audit addressed the key audit matter

We tested the adequacy and effectiveness of the following key controls relating to the valuation of loans:

- Credit processing and authorisation: Sample testing of the requirements and processes set out in the Bank's internal policies and working instructions in relation to credit processing. We also tested that authorisation is performed at the proper level in accordance with the system of authorities.
- Credit monitoring (periodic re-approval): Sample testing of identified bad debts and identifying the potential need for impairment.

Where significant judgement is required, we also put forward our own critical opinion as part of the substantive tests of detail on the authority to grant loans. Our tests of detail covered the following:

- Sample-based testing of new business and risk positions (including positions with individual value adjustments or indications of impairment) to evaluate whether additional value adjustments are needed.
- Sample-based testing of the method used to calculate value adjustments in terms of its appropriateness and compliance with the policies and working methods issued by the bank.

The combination of the audit of key controls and the tests of detail gives us sufficient assurance to assess the valuation of customer loans as adequate.

The assumptions used by LLB AG are in line with our expectations.

Completeness and adequacy of the provisions for legal and litigation risks

Key audit matter

In the course of normal business, LLB AG is involved in various legal proceedings. The amount of the provisions for legal and litigation risks as of 31 December 2016 is CHF 27.5 million (previous year: CHF 1.4 million).

We identified the completeness and adequacy of the provisions for legal and litigation risks as a key audit matter, as significant judgement exists in the assessment of the probability and the amount of the provisions for any financial obligations.

This includes processes to identify, evaluate and monitor client complaints as well as potential and actual legal proceedings. LLB AG creates provisions for actual and impending proceedings if, in the opinion of the specialists responsible, a cash outflow or a loss is probable and the amount can be reliably estimated.

Please refer to page 205 (accounting principles) and page 212 (comments on the balance sheet).

How our audit addressed the key audit matter

We based our audit on the analyses performed by management. Further, we have referred to external lawyers' letters. We compared the analyses with our own estimates and our understanding of the legal and litigation risks. We performed the following audit procedures:

- Inquiries of the Head of Group Legal and specific members of management.
- Review and inspection of the list of client complaints, correspondence with the regulatory authority as well as the minutes of the meetings of the Board of Directors and the management for indications of potential lawsuits.
- Review of the central inventory of current legal proceedings and testing of lawsuits with regard to the potential need for provisions.
- Obtaining external lawyers' letters and expert opinions on selected ongoing lawsuits with regard to the probability and amount of the provisions, and comparing this with the provisions created by LLB AG as per the financial statements.

The assumptions used by LLB AG are in line with our expectations.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Liechtenstein law and the company's articles of incorporation that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Liechtenstein law will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Liechtenstein law, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or the Group Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or the Group Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Board of Directors or the Group Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

We confirm that the proposal for the appropriation of retained earnings complies with Liechtenstein law and the company's articles of incorporation.

The management report is in accordance with the financial statements.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Claudio Tettamanti
Auditor in charge

Lars Buchmann

St. Gallen, 27 February 2017

Management report

The details of the management report of Liechtensteinische Landesbank AG, Vaduz, can largely be seen in the consolidated report of the LLB Group.

On the balance sheet date, Liechtensteinische Landesbank AG, Vaduz, and its subsidiaries held a total of 1'959'238 bearer shares (previous year: 1'978'202 bearer shares). This corresponds to a share capital stake of 6.4 percent (previous year: 6.4 %). With respect to the volume of and changes to treasury shares of Liechtensteinische Landesbank AG, reference is made to the individual financial statement.

The Board of Directors proposes to the General Meeting of Shareholders on 12 May 2017 that a dividend of net CHF 1.70 per bearer share be paid out.

No important changes have occurred since the balance sheet date which would necessitate the reporting of any additional data or a correction of the 2016 financial statement.

Balance sheet

in CHF thousands	Note	31.12.2016	31.12.2015	+ / - %
Assets				
Cash and balances with central banks		2'778'888	1'902'301	46.1
Due from banks		3'382'303	4'637'670	-27.1
due on a daily basis		500'444	473'797	5.6
other claims		2'881'859	4'163'874	-30.8
Loans	1	6'179'539	5'880'718	5.1
of which mortgages	1	4'526'729	4'377'861	3.4
of which subordinated claims (gross)		0	0	
Bonds and other fixed-interest securities		796'903	851'314	-6.4
Money market instruments		0	14'976	-100.0
from public authority issuers		0	14'976	-100.0
from other issuers		0	0	
Bonds		796'903	836'338	-4.7
from public authority issuers		165'981	175'657	-5.5
from other issuers		630'921	660'681	-4.5
of which subordinated bonds		0	0	
Shares and other non-fixed-interest securities		344'176	341'066	0.9
Participations	4	47	47	-0.8
Shares in associated companies	4	170'348	159'481	6.8
Intangible assets		43'580	45'893	-5.0
Fixed assets	6	91'258	87'060	4.8
Own shares	2 a) / 3	78'987	70'919	11.4
Other assets	17	196'831	206'225	-4.6
Accrued income and prepayments		43'265	40'538	6.7
Total assets		14'106'124	14'223'230	-0.8
Liabilities				
Due to banks		993'287	944'719	5.1
due on a daily basis		566'342	685'102	-17.3
with agreed maturities or periods of notice		426'945	259'617	64.5
Due to customers		10'818'128	10'984'038	-1.5
savings deposits		3'068'702	3'067'853	0.0
other liabilities		7'749'426	7'916'186	-2.1
due on a daily basis		7'214'200	7'844'508	-8.0
with agreed maturities or periods of notice		535'226	71'678	646.7
Certified liabilities		291'610	334'862	-12.9
medium-term notes		291'610	334'862	-12.9
Other liabilities	17	228'165	221'516	3.0
Accrued expenses and deferred income		27'398	23'969	14.3
Provisions		32'153	2'626	
tax provisions	9	4'356	949	359.0
other provisions	9	27'797	1'677	
Provisions for general banking risks	9	310'000	310'000	0.0
Share capital	10	154'000	154'000	0.0
Share premium		47'750	47'750	0.0
Retained earnings		1'145'080	1'115'080	2.7
legal reserves		390'550	390'550	0.0
reserves for own shares		78'987	70'919	11.4
other reserves		675'543	653'611	3.4
Balance brought forward		8'526	7'099	20.1
Profit for the year		50'028	77'573	-35.5
Total liabilities		14'106'124	14'223'230	-0.8

Off-balance sheet transactions

in CHF thousands	Note	31.12.2016	31.12.2015	+/- %
Contingent liabilities	1/18	31'468	32'582	-3.4
Credit risks		187'865	205'748	-8.7
irrevocable commitments	1	187'826	205'710	-8.7
call liabilities	1	39	38	1.8
Derivative financial instruments	19	10'758'892	10'273'349	4.7
Fiduciary transactions	20	222'940	101'038	120.6

Income statement

in CHF thousands	Note	2016	2015	+ / - %
Interest income		110'793	114'127	-2.9
of which from fixed-interest securities		11'494	12'388	-7.2
of which from trading transactions		29	44	-34.4
Interest expenses		-22'537	-25'350	-11.1
Net interest income		88'256	88'776	-0.6
Shares and other non-fixed-interest securities		1	3	-52.4
of which from trading transactions		1	3	-52.4
Participations and associated companies		0	15'987	-100.0
Income from securities		1	15'990	-100.0
Credit-related commissions and fees		357	392	-8.9
Commissions from securities and investment business		106'240	109'735	-3.2
Other commission and fee income		21'384	23'640	-9.5
Commission and fee expenses		-44'011	-40'725	8.1
Net commission and fee income		83'970	93'043	-9.8
Income from financial transactions		38'459	15'328	150.9
of which from trading business	21	33'809	35'603	-5.0
Income from real estate holdings		1'212	1'270	-4.6
Sundry ordinary income		22'137	16'329	35.6
Other ordinary income		23'349	17'600	32.7
Total operating income		234'036	230'736	1.4
Personnel expenses	22	-93'901	-80'257	17.0
Administrative expenses	23	-38'668	-37'965	1.9
Total operating expenses		-132'569	-118'222	12.1
Gross operating profit		101'467	112'515	-9.8
Depreciation on intangible assets and fixed assets		-19'706	-24'332	-19.0
Sundry ordinary expenses	24	-29'715	-34'668	-14.3
Allowances on claims and allocations to provisions for contingent liabilities and lending risks	9	-8'648	-9'634	-10.2
Earnings from the release of allowances on claims and of provisions for contingent liabilities and lending risks	9	7'374	3'384	117.9
Write-downs on participations, shares in associated companies and securities treated as long-term investments		0	-3'493	-100.0
Earnings from write-ups on participations, shares in associated companies and securities treated as long-term investments		4'279	0	
Result from normal business operations		55'051	43'771	25.8
Income taxes		-5'323	1'277	
Other taxes		301	2'525	-88.1
Releases / (Additions) to provisions for general banking risks		0	30'000	-100.0
Profit for the year*		50'028	77'573	-35.5

* The return on capital (annual profit in relation to balance sheet total) as per 31. December 2016 amounted to 0.35 percent and as per 31. December 2015 amounted to 0.55 percent (pursuant to the Banking Ordinance, Art. 24e, Para. 1, Point 6)

Distribution of balance sheet profit

The Board of Directors proposes to the General Meeting of 12 May 2017 that the balance sheet profit at 31 December 2016 be distributed as follows:

in CHF thousands	2016	2015
Profit for the year	50'028	77'573
Balance brought forward	8'526	7'098
Balance sheet profit	58'554	84'671
Distribution of balance sheet profit		
Allocation to other reserves	5'000	30'000
Allocation to corporate capital (common stock) [°]	49'029	46'145
Balance carried forward [°]	4'525	8'526

[°] Shares eligible for dividends are all shares outstanding except for own shares as of record date. The amounts presented are based on the numbers of shares eligible for dividends as of 31 December 2016.

If this proposal is accepted, a dividend for the 2016 business year of net CHF 1.70 per bearer share will be paid out on 18 May 2017.

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. The LLB AG has subsidiaries in Liechtenstein, Austria and Switzerland. At the end of 2016, LLB AG employed 536 persons (2015: 503) on a full-time equivalent basis. The average headcount in 2016 amounted to 526 persons (2015: 505) 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	31.12.2016	31.12.2015
1 USD	1.0167	0.9989
1 EUR	1.0726	1.0871
1 GBP	1.2588	1.4783

Average rate	2016	2015
1 USD	0.9889	0.9672
1 EUR	1.0895	1.0751
1 GBP	1.3397	1.4772

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 or earnings from write-ups to participations, shares in associated companies and securities treated as long-term investments, or earnings from additions to participations, shares in associated companies and securities are treated as long-term investments.

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 5 years).

Low-cost acquisitions are charged directly to administrative expenses.

Treasury shares

Own shares (treasury shares) held by the Liechtensteinische Landesbank 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

None.

Notes to the balance sheet

1 Type of collateral

in CHF thousands	Type of collateral				
	Secured by mortgage	Other collateral	Unsecured	Total	
Loans					
Loans (excluding mortgage loans)	35'474	959'212	658'124	1'652'810	
Mortgage loans					
residential property	3'659'785	18'344	4'173	3'682'302	
office and business property	390'042	0	897	390'939	
commercial and industrial property	175'365	43	0	175'408	
other	239'464	10'206	28'410	278'080	
Total loans	31.12.2016	4'500'130	987'805	691'604	6'179'539
	31.12.2015	4'348'106	827'883	704'729	5'880'718
Off-balance sheet transactions					
Contingent liabilities		1'063	24'965	5'440	31'468
Irrevocable commitments		64'720	5'551	117'555	187'826
Call liabilities		0	0	39	39
Total off-balance sheet transactions	31.12.2016	65'783	30'516	123'034	219'333
	31.12.2015	106'440	33'567	98'323	238'330

Impaired claims

in CHF thousands		Gross outstanding amount	Estimated	Net outstanding amount	Specific
			proceeds from realisation of collateral		allowances
	31.12.2016	87'661	33'067	54'594	54'594
	31.12.2015	120'341	60'892	59'449	59'449

2 Securities and precious metals holdings

a Securities and precious metals trading positions

in CHF thousands	Book value		Cost		Market value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Debt securities	3'770	2'440	3'741	2'232	3'770	2'440
listed	3'770	2'440	3'741	2'232	3'770	2'440
unlisted	0	0	0	0	0	0
Equities	3	133	45	246	3	133
listed	3	133	45	246	3	133
of which own shares	0	128	0	200	0	128
unlisted	0	0	0	0	0	0
Precious metals	6'143	6'169	6'143	8'830	6'143	6'169
Total	9'916	8'742	9'930	11'308	9'916	8'742

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

in CHF thousands	Book value		Cost		Market value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Debt securities	793'133	848'874	794'346	837'090	793'133	848'874
listed	793'133	848'874	794'346	837'090	793'133	848'874
unlisted	0	0	0	0	0	0
Equities	137'792	130'034	234'735	228'791	137'792	130'034
listed	78'987	70'790	167'045	168'384	78'987	70'790
unlisted	58'805	59'244	67'690	60'406	58'805	59'244
Total	930'925	978'908	1'029'082	1'065'880	930'925	978'908

c Securities and precious metals as fixed assets

in CHF thousands	Book value		Cost		Market value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Debt securities	0	0	0	0	0	0
valued according to accrual method	0	0	0	0	0	0
Equities	285'363	281'813	291'030	289'445	293'319	287'555
listed	0	0	0	0	0	0
unlisted	285'363	281'813	291'030	289'445	293'319	287'555
Precious metals	6'183	16'628	6'183	16'627	6'183	16'628
Total	291'546	298'441	297'213	306'072	299'502	304'183

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

Quantity / in CHF thousands	Quantity		Book value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Start of year	1'974'622	1'974'622	70'790	78'935
Bought	0	0	0	0
Sold	-15'384	0	-1'339	0
Additions / (Impairments)	0	0	9'535	-8'145
End of year	1'959'238	1'974'622	78'987	70'790

4 Participations and shares in associated companies

in CHF thousands	31.12.2016	31.12.2015
Participations		
With market value	0	0
Without market value	47	47
Total participations	47	47
Shares in associated companies		
With market value	0	0
Without market value	170'348	159'481
Total shares in associated companies	170'348	159'481

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 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	50'000	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 31.12.2015	Investments	Disinvestments	Reclassifications	Additions	Depreciation	Book value 31.12.2016
Total participations (non-controlling interests)	2'187	-2'140	47	0	0	0	0	0	47
Total shares in associated companies	196'100	-36'619	159'481	10'867	0	0	0	0	170'348
Total securities and precious metals as fixed assets	378'302	-79'861	298'441	0	-6'895	0	0	0	291'546
Total intangible assets^o	118'868	-72'975	45'893	8'999	0		0	-11'312	43'580
Real estate									
bank premises	166'340	-102'938	63'402	11'161	-5'428	0	0	-3'885	65'250
other properties	25'038	-10'038	15'000	0	0	0	0	0	15'000
Other fixed assets	86'517	-77'859	8'658	6'859	0	0	0	-4'509	11'008
Total fixed assets	277'895	-190'835	87'060	18'020	-5'428	0	0	-8'394	91'258
Fire insurance value of real estate			196'534						196'118
Fire insurance value of other fixed assets			36'055						33'611

^o 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	31.12.2016	31.12.2015
Excluding lending transactions and pension transactions with securities		
Book value of pledged and assigned (as collateral) assets	40'091	33'979
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 reverse repurchase agreements	33'391	9'699
of which capable of being resold or further pledged without restrictions	33'391	9'699
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	622'876	1'143'165
of which resold or further pledged securities	42'707	18'772

8 Liabilities due to own pension funds

in CHF thousands	31.12.2016	31.12.2015	+ / - %
Current account, call money and time deposits	2	1	57.0
Savings deposits	17'061	7'661	122.7
Total	17'063	7'662	122.7

9 Allowances and provisions / provisions for general banking risks

in CHF thousands	Total 31.12.2015	Specific allowances	Recoveries, overdue interest, currency differences	New provisions charged to income statement	Provisions released to income statement	Total 31.12.2016
Allowances for loan default risks						
Specific allowances	59'420	-7'477	1'348	8'648	-7'345	54'594
Lump-sum individual allowances (incl. those for country risks)	29	0	0	0	-29	0
Provisions for taxes and deferred taxes	949	0	0	4'356	-949	4'356
Other provisions	1'677	-117	0	26'237	0	27'797
Total allowances and provisions	62'075	-7'594	1'348	39'241	-8'323	86'747
Minus allowances	-59'449					-54'594
Total provisions according to balance sheet	2'626					32'153
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	31.12.2016			31.12.2015		
	Total nominal value	Quantity	Capital ranking for dividend	Total nominal value	Quantity	Capital ranking for dividend
Share capital	154'000	30'800'000	144'204	154'000	30'800'000	144'109
Total common stock	154'000	30'800'000	144'204	154'000	30'800'000	144'109

No conditional or authorised capital exists.

in CHF thousands	31.12.2016		31.12.2015	
	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	2016
Share capital	154'000
Share premium	47'750
Legal reserves	390'550
Reserve for own shares	70'919
Other reserves	653'611
Provisions for general banking risks	310'000
Balance sheet profit	84'671
Total shareholders' equity as at 1 January (before profit distribution)	1'711'501
Dividend and other distributions from previous year's profit	-46'145
Net profit for the year	50'028
Allocation to provisions for general banking risks	0
Total shareholders' equity at 31 December (before profit distribution)	1'715'384
Of which:	
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

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	2'778'888	0	0	0	0	0	0	2'778'888	
Due from banks	500'438	6	1'547'550	1'212'329	118'276	3'704	0	3'382'303	
Loans	33'752	374'649	1'164'714	987'461	2'709'339	909'624	0	6'179'539	
of which mortgage loans	26'962	156'644	248'588	588'301	2'663'259	842'975	0	4'526'729	
Securities and precious metals held for trading	9'916	0	0	0	0	0	0	9'916	
Securities and precious metals holdings as current assets (excluding trading positions)	930'925	0	0	0	0	0	0	930'925	
Securities and precious metals holdings as fixed assets	6'183	285'363	0	0	0	0	0	291'546	
Other assets	246'052	3	70'610	31'370	42'200	50'496	92'276	533'007	
Total assets	31.12.2016	4'506'154	660'021	2'782'874	2'231'160	2'869'815	963'824	92'276	14'106'124
	31.12.2015	3'753'570	661'369	3'587'323	2'277'349	2'870'250	985'288	88'078	14'223'230
Liabilities and provisions									
Due to banks	566'342	0	351'985	74'960	0	0	0	993'287	
Due to customers	7'152'495	3'094'664	415'258	155'612	99	0	0	10'818'128	
of which savings deposits	0	3'032'959	18'599	17'045	99	0	0	3'068'702	
of which other liabilities	7'152'495	61'705	396'659	138'567	0	0	0	7'749'426	
Certified liabilities	0	0	18'489	133'231	98'627	41'263	0	291'610	
of which medium-term notes	0	0	18'489	133'231	98'627	41'263	0	291'610	
Provisions (excluding provisions for general banking risks)	0	0	0	0	32'153	0	0	32'153	
Other liabilities	69'023	0	63'927	24'176	45'511	52'926	0	255'563	
Total liabilities and provisions	31.12.2016	7'787'860	3'094'664	849'659	387'979	176'390	94'189	0	12'390'740
	31.12.2015	8'523'221	2'821'555	326'886	204'840	293'621	341'607	0	12'511'729
Bonds and other fixed-interest securities that are due in the following business year									131'215

13 Due from and due to associated companies and related parties

a Due from and due to participations and associated companies

in CHF thousands	31.12.2016	31.12.2015	+ / - %
Due from participations	320'396	92'310	247.1
Due to participations	860'783	0	
Due from associated companies	286'690	657'878	-56.4
Due to associated companies	126'159	808'440	-84.4

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

in CHF thousands	31.12.2016	31.12.2015	+ / - %
Due from the Principality of Liechtenstein	1'002	5'911	-83.0
Due to the Principality of Liechtenstein	0	402'479	-100.0
Due from companies associated with the Principality [°]	59'750	54'019	10.6
Due to companies associated with the Principality [°]	0	18'194	-100.0

[°] Associated companies: Liechtensteinische Kraftwerke, Liechtensteinische Gasversorgung, LTN Liechtenstein TeleNet AG, Liechtensteinische Post AG, Liechtenstein Bus Anstalt 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	31.12.2016	31.12.2015	+ / - %
Members of the Board of Directors	3'716	2'874	29.3
Members of the Board of Management	2'565	2'815	-8.9

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	31.12.2016		31.12.2015	
	FL / CH	Abroad	FL / CH	Abroad
Assets				
Cash and balances with central banks	2'778'888	0	1'902'301	0
Due from banks	2'016'734	1'365'570	2'751'308	1'886'362
Loans (excluding mortgages)	1'082'951	569'859	1'026'254	476'603
Mortgage loans	4'476'929	49'800	4'329'205	48'656
Bonds and other fixed-interest securities	69'044	727'859	0	851'314
Shares and other non-fixed-interest securities	337'686	6'490	286'880	54'186
Participations	47	0	47	0
Shares in associated companies	98'508	71'840	98'508	60'973
Intangible assets	43'580	0	45'893	0
Fixed assets	91'258	0	87'060	0
Own shares	78'987	0	70'919	0
Other assets	130'944	65'887	141'479	64'746
Accrued income and prepayments	29'750	13'515	26'229	14'309
Total assets	11'235'304	2'870'820	10'766'082	3'457'148
Liabilities				
Due to banks	238'407	754'880	314'919	629'800
Due to customers (excluding savings deposits)	5'060'934	2'688'492	5'103'209	2'812'977
Savings deposits	2'717'306	351'396	2'719'591	348'261
Certified liabilities	291'610	0	334'862	0
Other liabilities	163'935	64'229	178'693	42'823
Accrued expenses and deferred income	16'937	10'460	16'415	7'553
Provisions	32'152	1	2'626	0
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	78'987	0	70'919	0
Other reserves	675'543	0	653'611	0
Profit carried forward	8'526	0	7'099	0
Profit for the year	50'028	0	77'573	0
Total liabilities	10'236'665	3'869'458	10'381'816	3'841'414

15 Geographical breakdown of assets by location

	31.12.2016		31.12.2015	
	Absolute value	% of total	Absolute value	% of total
Liechtenstein / Switzerland	11'235'304	79.6	10'766'082	75.7
Europe (excluding Liechtenstein / Switzerland)	2'167'187	15.4	3'075'908	21.6
North America	138'337	1.0	20'594	0.1
Asia	333'325	2.4	138'049	1.0
Others	231'970	1.6	222'597	1.6
Total assets	14'106'124	100.0	14'223'230	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	2'766'261	12'021	248	358	2'778'888
Due from banks	624'594	1'230'973	1'041'958	484'778	3'382'303
Loans (excluding mortgages)	800'308	218'549	559'285	74'668	1'652'810
Mortgage loans	4'526'729	0	0	0	4'526'729
Bonds and other fixed-interest securities	433'691	91'202	272'010	0	796'903
Shares and other non-fixed-interest securities	303'179	29'822	11'175	0	344'176
Participations	47	0	0	0	47
Shares in associated companies	170'348	0	0	0	170'348
Intangible assets	43'580	0	0	0	43'580
Fixed assets	91'258	0	0	0	91'258
Own shares	78'987	0	0	0	78'987
Other assets	193'352	1'160	821	1'499	196'831
Accrued income and prepayments	27'347	4'523	10'826	569	43'265
Total on-balance sheet assets	10'059'679	1'588'250	1'896'323	561'872	14'106'124
Delivery claims from forex spot, forex futures and forex options transactions	2'552'551	2'295'880	3'122'146	939'240	8'909'817
Total assets	12'612'230	3'884'130	5'018'469	1'501'112	23'015'941
Liabilities					
Due to banks	156'975	378'513	367'365	90'434	993'287
Due to customers (excluding savings deposits)	3'519'564	1'551'588	2'158'838	519'436	7'749'426
Savings deposits	3'064'234	4'468	0	0	3'068'702
Certified liabilities	282'054	9'556	0	0	291'610
Other liabilities	217'228	5'258	3'278	2'401	228'165
Accrued expenses and deferred income	18'273	2'332	6'451	342	27'398
Provisions	32'153	0	0	0	32'153
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	78'987	0	0	0	78'987
Other reserves	675'543	0	0	0	675'543
Profit carried forward	8'526	0	0	0	8'526
Profit for the year	50'028	0	0	0	50'028
Total on-balance sheet liabilities	9'005'865	1'951'715	2'535'932	612'612	14'106'124
Delivery liabilities from forex spot, forex futures and forex options transactions	3'647'370	1'898'888	2'468'973	893'738	8'908'969
Total liabilities	12'653'235	3'850'603	5'004'905	1'506'350	23'015'093
Net position per currency	-41'005	33'527	13'564	-5'238	848

17 Other assets and liabilities

in CHF thousands	31.12.2016	31.12.2015	+/- %
Precious metals holdings	12'327	22'797	-45.9
Tax prepayments	303	179	69.1
Positive replacement values	104'782	87'021	20.4
Other receivables*	74'104	88'659	-16.4
Clearing accounts	1'287	2'892	-55.5
Deferred tax claim	4'028	4'676	-13.9
Total other assets	196'831	206'225	-4.6
Charge accounts	4'399	15'239	-71.1
Negative replacement values	161'142	153'085	5.3
Settlement account	21'130	15'039	40.5
Other receivables*	23'227	26'514	-12.4
Clearing accounts	18'267	11'639	56.9
Total other liabilities	228'165	221'516	3.0

* Replacement values are shown gross.

Notes to off-balance sheet transactions

18 Contingent liabilities

in CHF thousands	31.12.2016	31.12.2015	+ / - %
Credit guarantees and similar instruments	19'372	21'952	-11.8
Performance guarantees and similar instruments	6'439	5'489	17.3
Other contingent liabilities	5'657	5'141	10.0
Total contingent liabilities	31'468	32'582	-3.4

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	23'227	80'306	1'751'000	
Forward transactions	6	182	9'568	0	0	0	
Foreign exchange contracts							
Forward contracts	76'933	76'012	8'717'535	0	0	0	
Options (OTC)	3'015	3'015	76'204	0	0	0	
Precious metals							
Forward contracts	232	258	18'259	0	0	0	
Options (OTC)	0	0	0	0	0	0	
Equity / Index contracts							
Options (OTC)	1'369	1'369	186'326	0	0	0	
Total excluding netting agreements	31.12.2016	81'555	80'836	9'007'892	23'227	80'306	1'751'000
	31.12.2015	61'353	59'098	8'402'559	25'667	93'987	1'870'790

Liechtensteinische Landesbank AG has concluded no netting agreements.

20 Fiduciary transactions

in CHF thousands	31.12.2016	31.12.2015	+ / - %
Fiduciary deposits with other banks	222'940	101'038	120.6
Total fiduciary transactions	222'940	101'038	120.6

Notes to the income statement

21 Income from trading operations

in CHF thousands	2016	2015	+ / - %
Foreign exchange trading	31'405	34'252	-8.3
Foreign note trading	1'603	315	408.3
Precious metals trading	755	858	-12.0
Securities trading	45	178	-74.5
Total	33'809	35'603	-5.0

22 Personnel expense

in CHF thousands	2016	2015	+ / - %
Salaries and compensations	-74'454	-63'631	17.0
Social benefits and retirement benefit plans	-15'480	-13'920	11.2
of which retirement benefit plans	-10'312	-9'248	11.5
Other personnel expenses	-3'966	-2'706	46.5
Total	-93'901	-80'257	17.0

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

23 Administrative expenses

in CHF thousands	2016	2015	+ / - %
Occupancy expenses	-3'173	-3'108	2.1
Expenses for IT, machinery, vehicles and other equipment	-13'857	-12'240	13.2
Other business expenses	-21'638	-22'617	-4.3
Total	-38'668	-37'965	1.9

24 Other ordinary expenses

in CHF thousands	2016	2015	+ / - %
Losses on receivables	-976	-33'495	-97.1
Operational risk	-26'180	0	
Sundry other ordinary expenses	-2'559	-1'174	118.1
Total other ordinary expenses	-29'715	-34'668	-14.3

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 Risk Committee. The Board of Management has overall responsibility for risk management. It is supported by separate expert 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 Department and by the Group Internal Audit Department. 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.