Notes to the consolidated income statement

1 Net interest income

in CHF thousands	2016	2015	+ / – %
Interest income from banks	5'436	6'792	–20.0
Interest income from loans	167'774	172'164	–2.6
Loan commissions with the character of interest	3'762	3'845	–2.2
Total interest income	**176'971**	**182'801**	**–3.2**
Interest expenses on amounts due to banks	–15'223	–16'898	–9.9
Interest expenses on amounts due to customers	–23'681	–33'449	–29.2
Total interest expenses	**–38'905**	**–50'347**	**–22.7**
Total net interest income *	**138'067**	**132'454**	**4.2**

* In the 2016 business year CHF thousands 12'415 (previous year: CHF thousands 6'611) in negative interest were paid and CHF thousands 3'715 (previous year: CHF thousands 305) in negative interest were received.

2 Net fee and commission income

in CHF thousands	2016	2015	+ / – %
Brokerage fees	48'418	51'532	–6.0
Custody fees	30'118	32'187	–6.4
Advisory and management fees	41'601	39'780	4.6
Investment fund fees	23'380	20'651	13.2
Credit-related fees and commissions	625	808	–22.7
Commission income from other services	27'789	29'938	–7.2
Total fee and commission income	**171'930**	**174'897**	**–1.7**
Brokerage fees paid	–9'687	–8'229	17.7
Other fee and commission expenses	–16'504	–17'043	–3.2
Total fee and commission expenses	**–26'191**	**–25'272**	**3.6**
Total net fee and commission income	**145'739**	**149'625**	**–2.6**

3 Net trading income

in CHF thousands	2016	2015	+/– %
Securities	66	238	–72.2
Foreign exchange trading	39'275	41'832	–6.1
Foreign note trading	1'754	222	688.9
Precious metals trading	782	898	–12.9
Interest rate instruments *	14'066	–10'106	
Total net trading income	**55'943**	**33'084**	**69.1**

* 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	2016	2015	+/– %
Interest income	14'088	16'826	–16.3
Dividend income	819	1'216	–32.6
Price gains *	5'406	–18'721	
Total net income from financial investments at fair value through profit and loss	**20'313**	**–678**	
Realised gain from financial investments available for sale	1'522	–59	
Total net income from financial investments available for sale	**1'522**	**–59**	
Total net income from financial investments at fair value	**21'836**	**–736**	

* The realised price gains for 2016 amounted to minus CHF thousands 4'419 (previous year: minus CHF thousands 6'909).

5 Other income

in CHF thousands	2016	2015	+/– %
Net income from properties	1'327	1'688	–21.4
Non-period-related and non-operating income	649	131	394.6
Realised profits from sales of participations *	0	1'584	–100.0
Realised profits from sales of tangible assets **	7'851	56	
Income from various services	1'244	1'326	–6.2
Total other income	**11'070**	**4'785**	**131.4**

* Contains in 2015 income from the deconsolidation of the swisspartners Group.
** Contains income from sales of properties.

6 Personnel expenses

in CHF thousands	2016	2015	+ / – %
Salaries *	– 116'849	– 102'419	14.1
Pension and other post-employment benefit plans **	– 7'436	– 7'662	– 3.0
Other social contributions	– 11'238	– 10'034	12.0
Training costs	– 1'570	– 1'195	31.3
Other personnel expenses	– 3'743	– 2'472	51.4
Total personnel expenses	**– 140'835**	**– 123'782**	**13.8**

* Contains the variable compensation of the management which is disclosed in detail in the compensation report as well as aggregated in note 41.
** See note 40 for details.

The average headcount of LLB Group employees, adjusted to consider part-time staff, amounted to 844 in 2016 and 816 in 2015.

7 General and administrative expenses

in CHF thousands	2016	2015	+ / – %
Occupancy	– 10'516	– 6'985	50.5
Expenses for IT, machinery and other equipment	– 18'380	– 17'320	6.1
Information and communication expenses	– 12'876	– 12'287	4.8
Marketing and public relations	– 8'048	– 7'936	1.4
Consulting and audit fees	– 5'496	– 6'816	– 19.4
Capital tax and other tax	– 505	– 497	1.4
Provisions for legal and litigation risks *	– 24'399	785	
Material costs	– 869	– 845	2.7
Legal and representation costs	– 837	– 612	36.8
Litigation costs	– 106	– 1'883	– 94.4
Supervision fees	– 1'116	– 924	20.7
Other general and administrative expenses	– 6'711	– 8'333	– 19.5
Total general and administrative expenses	**– 89'859**	**– 63'653**	**41.2**

* See note 26 for details.

8 Depreciation and amortisation

in CHF thousands	2016	2015	+ / – %
Depreciation of property	– 5'586	– 6'613	– 15.5
Depreciation of equipment	– 6'902	– 9'328	– 26.0
Amortisation of intangible assets *	– 15'060	– 17'717	– 15.0
Total depreciation and amortisation	**– 27'548**	**– 33'657**	**– 18.2**

* Contains in 2015 a one-time impairment on intangible assets of CHF thousands 3'132.

9 Tax expenses

in CHF thousands	2016	2015	+ / – %
Current taxes	– 11'024	– 4'958	122.3
Deferred taxes *	1'470	– 812	
Total tax expenses	**– 9'554**	**– 5'770**	**65.6**

* 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 7.6 million for the full year 2016 and to CHF 8.7 million for the full year 2015.

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	2016	2015	+ / – %
Operating profit before tax	113'423	92'070	23.2
Assumed average income tax rate of 11.5 % (2015: 11.5 %)	**– 13'044**	**– 10'588**	**23.2**
Increase / (Decrease) resulting from			
Use of tax losses carried forward	0	– 134	– 100.0
Use of non-capitalised losses carried forward	405	228	77.6
Effect of taxes calculated at tax rates other than the assumed tax rate	1'891	2'018	– 6.3
Tax charges / (savings) from previous years	953	0	
Other differences	241	2'706	– 91.1
Total tax expenses	**– 9'554**	**– 5'770**	**65.6**

The assumed average tax burden is based on the average applicable tax rates for the individual companies or the individual tax jurisdictions, weighted according to the total contributions of the individual companies.

10 Earnings per share

	2016	2015	+ / – %
Net profit attributable to the shareholders of LLB (in CHF thousands)	98'181	82'728	18.7
Weighted average shares outstanding	28'836'386	28'821'798	0.1
Basic earnings per share (in CHF)	**3.40**	**2.87**	**18.6**
Net profit for diluted earnings per share attributable to the shareholders of LLB (in CHF thousands)	98'181	82'728	18.7
Weighted average shares outstanding for diluted earnings per share	28'836'386	28'821'798	0.1
Diluted earnings per share (in CHF)	**3.40**	**2.87**	**18.6**

Notes to the consolidated balance sheet

11 Cash and balances with central banks

in CHF thousands	31.12.2016	31.12.2015	+/−%
Cash	64'258	60'061	7.0
Demand deposits with central banks	3'386'467	2'499'911	35.5
Total cash and balances with central banks	**3'450'726**	**2'559'972**	**34.8**

12 Due from banks

in CHF thousands	31.12.2016	31.12.2015	+/−%
On demand	506'401	483'307	4.8
At maturity or callable	2'608'459	3'770'767	−30.8
Total due from banks	**3'114'861**	**4'254'074**	**−26.8**

13 Loans

in CHF thousands	31.12.2016	31.12.2015	+/−%
Mortgages	9'986'137	9'580'127	4.2
Public institutions	82'441	82'975	−0.6
Fixed advances and loans	1'314'918	1'210'132	8.7
Other loans and advances	262'378	230'204	14.0
Allowances for credit loss	−106'999	−111'948	−4.4
Total due from customers	**11'538'876**	**10'991'490**	**5.0**

By type of collateral

in CHF thousands	31.12.2016	31.12.2015	+/−%
Secured by properties	9'967'873	9'558'415	4.3
Other collateral	1'076'498	916'506	17.5
Unsecured	494'505	516'569	−4.3
Total	**11'538'876**	**10'991'490**	**5.0**

Allowances and provisions for credit losses

in CHF thousands	Mortgage loans	Other loans	Total
As at 1 January 2015	31'347	78'341	109'688
Write-offs	−6'138	−1'028	−7'166
Recoveries and doubtful interest income	2'594	725	3'319
Increase in credit loss allowances and provisions recognised in the income statement	6'616	3'675	10'291
Decrease in credit loss allowances and provisions recognised in the income statement	−1'586	−2'669	−4'255
Foreign currency translation and other adjustments	−1'696	1'767	71
As at 31 December 2015	**31'137**	**80'811**	**111'948**
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 credit loss allowances and provisions recognised in the income statement	10'322	9'198	19'520
Decrease in credit loss allowances and provisions 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**

14 Trading portfolio assets

in CHF thousands	31.12.2016	31.12.2015	+ / − %
Debt instruments			
listed	3'610	2'193	64.6
unlisted	162	247	−34.3
Total debt instruments	**3'772**	**2'440**	**54.6**
Equity instruments			
listed	3	4	−28.1
unlisted	5	5	14.0
Total equity instruments	**9**	**9**	**−6.1**
Total trading portfolio assets	**3'781**	**2'450**	**54.4**

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 2016 business year, these had a nominal value of CHF 240 million (31.12.2015: CHF 145 million), as well as a positive replacement value of CHF 1.3 million (31.12.2015: CHF 0.4 million) and a negative replacement value of CHF 2.2 million (31.12.2015: CHF 0.5 million). At the same time, the loss on hedging instruments totalled CHF 0.5 million (2015: profit of CHF 0.7 million) and the profits on the hedged underlying transactions amounted to CHF 0.6 million (2015: loss of CHF 0.6 million).

in CHF thousands	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		Total contract volume
	PRV	NRV	PRV	NRV	PRV	NRV	PRV	NRV	PRV	NRV	
31.12.2015											
Derivative financial instruments in the trading portfolio											
Interest rate contracts											
Swaps	174	0	1'046	2'715	0	43'572	121	47'814	1'341	94'100	1'299'482
Forward contracts	124	315	26	50	0	0	0	0	150	365	80'941
Foreign exchange contracts											
Forward contracts	46'678	43'915	8'297	7'534	339	334	0	0	55'314	51'783	7'918'742
Over the counter (OTC) contracts	1'357	1'357	2'425	2'425	0	0	0	0	3'782	3'782	68'830
Precious metals contracts											
Forward contracts	0	0	17	15	0	0	0	0	17	15	972
Over the counter (OTC) contracts	0	0	0	0	0	0	0	0	0	0	0
Equity / Index contracts											
Over the counter (OTC) contracts	1'017	1'017	0	0	0	0	0	0	1'017	1'017	136'240
Equities											
Forward contracts	0	0	0	0	0	0	0	0	0	0	0
Total derivative financial instruments in the trading portfolio	**49'350**	**46'604**	**11'811**	**12'739**	**339**	**43'906**	**121**	**47'814**	**61'621**	**151'062**	**9'505'207**
Derivative financial instruments for hedging purposes											
Interest rate contracts											
Swaps (fair value hedge)	0	0	0	0	0	115	392	415	392	531	145'000
Total derivative financial instruments for hedging purposes	**0**	**0**	**0**	**0**	**0**	**115**	**392**	**415**	**392**	**531**	**145'000**
Derivative financial instruments	**49'350**	**46'604**	**11'811**	**12'739**	**339**	**44'021**	**513**	**48'229**	**62'013**	**151'593**	**9'650'207**

PRV: Positive replacement value; NRV: Negative replacement value

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	Total contract volume
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	1'121'000
Forward contracts	21	364	8	696	0	0	0	0	30	1'060	72'168
Foreign exchange contracts											
Forward contracts	60'524	60'500	15'834	15'153	325	316	0	0	76'683	75'969	8'566'840
Over the counter (OTC) contracts	402	402	2'613	2'613	0	0	0	0	3'015	3'015	76'204
Precious metals contracts											
Forward contracts	226	251	0	0	0	0	0	0	226	251	18'020
Over the counter (OTC) contracts	0	0	6	6	0	0	0	0	6	6	239
Equity / index contracts											
Over the counter (OTC) contracts	1'316	1'316	0	0	54	54	0	0	1'369	1'369	186'326
Equities											
Forward contracts	0	0	0	0	0	0	0	0	0	0	13'652
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**	**10'054'450**
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	240'000
Total derivative financial instruments for hedging purposes	**0**	**0**	**0**	**119**	**0**	**68**	**1'279**	**1'990**	**1'279**	**2'178**	**240'000**
Derivative financial instruments	**62'488**	**62'832**	**18'462**	**22'249**	**379**	**38'724**	**1'279**	**38'171**	**82'607**	**161'976**	**10'294'450**

PRV: Positive replacement value; NRV: Negative replacement value

16 Financial investments at fair value

in CHF thousands	31.12.2016	31.12.2015	+ / − %
Financial investments at fair value through profit and loss			
Debt instruments			
listed	854'312	776'407	10.0
unlisted	0	0	
Total debt instruments	**854'312**	**776'407**	**10.0**
Equity instruments			
listed	4	1	219.3
unlisted	293'149	366'028	−19.9
Total equity instruments	**293'153**	**366'029**	**−19.9**
Total financial investments at fair value through profit and loss	**1'147'465**	**1'142'436**	**0.4**
Financial investments available for sale			
Debt instruments			
listed	198'745	236'237	−15.9
unlisted	0	59'935	−100.0
Total debt instruments	**198'745**	**296'172**	**−32.9**
Equity instruments			
listed	0	0	
unlisted	92'408	0	
Total equity instruments	**92'408**	**0**	
Total financial investments available for sale	**291'153**	**296'172**	**−1.7**
Total financial investments at fair value	**1'438'618**	**1'438'608**	**0.0**

17 Investment in joint venture

in CHF thousands	2016	2015	+ / − %
As at 1 January	47	61	−22.0
Additions / (Disposals)	0	0	
Share in profit / (loss)	0	−13	−97.3
As at 31 December	**47**	**47**	**−0.8**

Details of investment in joint venture

Name	Registered office	Business activity	Ownership interest in % 2016	Ownership interest in % 2015
Data Info Services AG	Vaduz	Service company	50.0	50.0

in CHF thousands	2016	2015
Assets	868	940
Liabilities	773	819
Operating profit	740	764
Net profit	−1	−27

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 2015				
Cost	222'879	98'573	321'452	21'346
Accumulated depreciation	−115'818	−74'084	−189'902	−4'961
Net book amount	**107'061**	**24'489**	**131'550**	**16'385**
Year ended December 2015				
Opening net book amount	107'061	24'489	131'550	16'385
Additions	401	8'128	8'529	1'240
Disposals	−116	−97	−213	−1'385
Amortisation	−6'613	−9'328	−15'941	0
Disposals / (Additions) from accumulated depreciation	44	9'684	9'728	0
Change from disposals to the scope of consolidation	0	−10'332	−10'332	0
Closing net book amount	**100'778**	**22'544**	**123'321**	**16'240**
As at 31 December 2015				
Cost	223'164	96'272	319'436	21'201
Accumulated depreciation	−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	−5'586	−6'902	−12'488	0
Disposals / (Additions) from accumulated depreciation	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	−119'905	−49'635	−169'540	−2'350
Net book amount	**99'781**	**25'187**	**124'969**	**16'018**

Additional information

in CHF thousands	31.12.2016	31.12.2015	+/−%
Fire insurance value of property	249'338	251'397	−0.8
Fire insurance value of other equipment	66'211	68'890	−3.9
Fire insurance value of investment property	1'935	1'190	62.6
Fair value of investment property	16'018	16'240	−1.4

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	31.12.2016	31.12.2015	+/−%
Due to 2017	3'101	3'505	−11.5
Due 2018 to 2022	6'657	10'855	−38.7
Due 2023 and thereafter	1'647	3'708	−55.6
Total future net commitments for operating leases	**11'405**	**18'068**	**−36.9**

Operating expenses for 2016 include CHF thousands 4'054 and for 2015 CHF thousands 3'598 from operating leases. At year's end, 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	31.12.2016	31.12.2015	+/−%
Due to 2017	1'451	1'598	−9.2
Due 2018 to 2022	4'512	4'280	5.4
Due 2023 and thereafter	3'673	4'406	−16.6
Total future net receivables from operating leases	**9'636**	**10'284**	**−6.3**

Other income for 2016 includes CHF thousands 1'705 and for 2015 CHF thousands 1'804 from operating leases.

19 Goodwill and other intangible assets

in CHF thousands	Goodwill	Other intangible assets	Software	Total
As at 1 January 2015				
Cost	132'517	76'130	120'000	328'647
Accumulated amortisation and impairment	−76'897	−35'376	−62'650	−174'923
Net book amount	**55'620**	**40'754**	**57'350**	**153'724**
Year ended December 2015				
Opening net book amount	55'620	40'754	57'350	153'724
Additions	0	0	3'074	3'074
Disposals	0	0	0	0
Amortisation	0	−3'718	−13'999	−17'717
Disposals / (Additions) from accumulated depreciation	76'897	6'252	13'197	96'346
Change from disposals to the scope of consolidation	−76'897	−20'367	−13'671	−110'935
Closing net book amount	**55'620**	**22'921**	**45'951**	**124'492**
As at 31 December 2015				
Cost	55'620	55'763	109'403	220'786
Accumulated amortisation	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	0	−3'718	−11'342	−15'060
Disposals / (Additions) from accumulated amortisation	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	0	−36'560	−35'730	−72'290
Net book amount	**55'620**	**19'203**	**43'609**	**118'432**

Goodwill

The LLB Group carried goodwill for the following segment:

in CHF thousands	31.12.2016	31.12.2015
Retail & Corporate Banking	55'620	55'620

Goodwill impairment testing

Goodwill is tested twice a year for impairment – in the first quarter as a basis for the interim financial reporting at 30 June and in the third quarter as a basis for the annual financial reporting at 31 December. 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 2016, 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 per 31 December 2016 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 2015. 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 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 40.0 million in

	Growth rates		Discount rates	
in percent	2016	2015	2016	2015
Retail & Corporate Banking	1.0	1.0	6.0	6.0

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 9.5 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 18.5 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 6.5 percent and the free cash flow could be reduced by 8.0 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 business 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 business 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	
2017	3'718
2018	3'718
2019	3'718
2020	3'718
2021	3'718
2022 and thereafter	613
Total	**19'203**

20 Other assets

in CHF thousands	31.12.2016	31.12.2015	+/–%
Settlement account	2'388	2'664	–10.4
VAT and other tax receivables	1'033	2'344	–55.9
Precious metals holdings	12'346	22'812	–45.9
Total other assets	**15'767**	**27'820**	**–43.3**

21 Assets pledged

	31.12.2016		31.12.2015	
in CHF thousands	Carrying value	Actual liability	Carrying value	Actual liability
Financial investments	40'091	0	33'979	0
Mortgage loans	999'269	788'200	1'000'306	770'000
Total assets pledged	**1'039'360**	**788'200**	**1'034'285**	**770'000**

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	31.12.2016	31.12.2015	+ / − %
On demand	109'723	155'569	−29.5
At maturity or callable	513'209	518'065	−0.9
Total due to banks	**622'932**	**673'634**	**−7.5**

23 Due to customers

in CHF thousands	31.12.2016	31.12.2015	+ / − %
On demand	10'246'998	10'731'951	−4.5
At maturity or callable	1'286'388	624'513	106.0
Savings accounts	4'327'079	4'270'586	1.3
Total due to customers	**15'860'465**	**15'627'049**	**1.5**

24 Debt issued

in CHF thousands	31.12.2016	31.12.2015	+/−%
Medium-term notes *	437'200	443'244	−1.4
Shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	790'836	770'000	2.7
Total debt issued	**1'228'035**	**1'213'244**	**1.2**

* The average interest rate per 31 December 2016 was 0.60 percent and per 31 December 2015 0.73 percent.

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					
2015					
Loss carry forwards	1'390	−134	0	0	1'256
Property and equipment	4'081	0	0	0	4'081
Liability for pension plan	14'722	−778	1'519	−2'001	13'463
Derivatives	5'529	−211	0	−449	4'869
Total	**25'722**	**−1'123**	**1'519**	**−2'450**	**23'669**
Offsetting					0
Total, after offsetting					**23'669**
2016					
Loss carry forwards	1'256	29	145	0	1'430
Property and equipment	4'081	−533	0	0	3'548
Liability for pension plan	13'463	860	1'935	0	16'258
Intangible assets	0	126	0	0	126
Derivatives	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**
Deferred tax liabilities					
2015					
Credit loss (expense) / recovery	17	0	0	0	17
Intangible assets	7'582	−744	0	−2'258	4'580
Property	949	0	0	0	949
Financial instruments	8'790	499	0	0	9'289
Provisions	7'691	−361	0	−548	6'782
Total	**25'029**	**−606**	**0**	**−2'806**	**21'617**
Offsetting					0
Total, after offsetting					**21'617**
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 instruments	9'289	−2'649	514	0	7'154
Provisions	6'782	5'458	0	0	12'240
Total	**21'617**	**1'103**	**538**	**0**	**23'258**
Offsetting					−9'513
Total, after offsetting					**13'745**

At 31 December 2016, there existed temporary differences of CHF thousands 3'406 which were not booked as deferred taxes and which in future could be offset with potential tax allowances (previous year: CHF thousands 4'202).

The tax losses which were not recognised as deferred tax assets per 31 December 2016 expire as follows:

in CHF thousands	31.12.2016	31.12.2015	+ / – %
Within 1 year	0	0	
Within 2 to 5 years	0	0	
Within 6 to 7 years	0	0	
No expiry	3'406	4'202	– 18.9
Total	**3'406**	**4'202**	**– 18.9**

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 and contingent liabilities

in CHF thousands	Provisions for legal and litigation risks	Provisions for other business risks and restructuring	Total 2016	Total 2015
As at 1 January	24'036	1'318	25'354	33'330
Reclassification	– 1'760	1'760	0	0
Provisions applied	– 93	– 254	– 347	– 4'555
Increase in provisions recognised in the income statement	26'570	2'359	28'929	2'216
Release of provisions recognised in the income statement	– 1'796	– 1'069	– 2'865	– 783
Change from disposals to the scope of consolidation	0	0	0	– 4'854
As at 31 December	**46'957**	**4'114**	**51'071**	**25'354**

in CHF thousands	31.12.2016	31.12.2015	+ / – %
Short-term provisions	51'071	8'354	511.3
Long-term provisions	0	17'000	– 100.0
Total	**51'071**	**25'354**	**101.4**

The provisions for restructuring relate to the StepUp2020 strategy announced in October 2015. As per 31 December 2016, provisions amounting to CHF 0.8 million for restructuring, covering estimated rebuilding and restoration costs and expenses for social plans were allocated. No further significant provisions or restructuring costs are to be expected in connection with the announced strategies.

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 per 31 December 2016, 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 register- ed 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. As per 31 December 2012, in cooperation with our lawyers, on the basis of talks with the US authorities, and taking into consideration differing probabilities, various scenarios were discussed in relation to a possible outflow of resources. On the basis of these discussions, the management reached the conclusion that it is not unlikely that an outflow of resources will occur. Therefore, based on the simulated scenarios and a legal analysis as per 31 December 2012, a provision was set aside for a possible outflow of resources in connection with the investigation being carried out by the US authorities and the resulting possible payment or settlement to the latter. 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 per 31 December 2016. 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 per 31 December 2016. The management believes the provision set aside per 31 December 2016 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. Based on the facts of the case and and the opinion of the attorneys, the management of LLB Verwaltung (Switzerland) AG currently believes that it can successfully defend itself against both claims. LLB Verwaltung (Switzerland) AG has received an undertaking from the insurance company with respect to the costs incurred.

The German tax authorities are currently investigating a large number of banks in various countries with respect to the suspicion of aiding and abetting tax evasion. The Liechtensteinische Landesbank AG is also subject to these investigations. With a view to clearing up the adverse legacy of previous years, the Liechtensteinische Landesbank AG intends to reach an amicable solution. As is the case with other banks, the Liechtensteinische Landesbank AG is currently holding discussions with the German authorities to establish clarity and legal certainty. Taking into consideration the current level of knowledge, the Liechtensteinische Landesbank AG set aside a corresponding provision as per 31 December 2016. Management considers the amount of the allocated provision to be sufficient.

The LLB Group had no contingent liabilities, either per 31 December 2016 or per 31 December 2015.

27 Other liabilities

in CHF thousands	31.12.2016	31.12.2015	+ / – %
Outstanding medium-term notes	124	165	– 24.9
Charge accounts	6'491	17'369	– 62.6
Accounts payable	26'089	19'177	36.0
Clearing accounts	21'461	14'709	45.9
Pension liabilities	116'608	106'664	9.3
Liabilities for outstanding holidays / flexi-time	2'217	2'047	8.3
Liabilities from other long-term benefits	3'914	4'092	– 4.3
Total other liabilities	**176'905**	**164'224**	**7.7**

28 Share capital

	31.12.2016	31.12.2015	+ / – %
Number of bearer shares (authorised and fully paid up)	30'800'000	30'800'000	0.0
Nominal value per bearer share (in CHF)	5	5	0.0
Total nominal value (in CHF thousands)	**154'000**	**154'000**	**0.0**

29 Share premium

in CHF thousands	2016	2015	+ / – %
As at 1 January	25'785	25'785	0.0
Net movements in treasury shares	– 818	0	
As at 31 December	**24'968**	**25'785**	**– 3.2**

30 Treasury shares

	Quantity	in CHF thousands
As at 1 January 2015	1'978'202	168'584
Purchases	0	0
Disposals	0	0
As at 31 December 2015	**1'978'202**	**168'584**
Purchases	0	0
Disposals	– 18'964	– 1'539
As at 31 December 2016	**1'959'238**	**167'045**

31 Retained earnings

in CHF thousands	2016	2015	+ / − %
As at 1 January	1'709'205	1'671'273	2.3
Net profit attributable to the shareholders of LLB	98'181	82'728	18.7
Dividends of LLB	−46'145	−43'233	6.7
Increase / (Reduction) in non-controlling interests	−2'426	−227	970.4
Other changes	0	−1'336	−100.0
As at 31 December	**1'758'816**	**1'709'205**	**2.9**

32 Other reserves

in CHF thousands	2016	2015	+ / − %
As at 1 January	−63'849	−44'108	
Foreign currency translation	−419	−2'280	−81.6
Actuarial gains / (losses) of pension plans	−13'821	−18'383	−24.8
Value changes to financial investments available for sale	3'516	922	281.4
Increase / (Reduction) in non-controlling interests	62	0	
As at 31 December	**−74'511**	**−63'849**	**16.7**

33 Non-controlling interests

in CHF thousands	2016	2015	+/−%
As at 1 January, restated	102'787	101'521	
Non-controlling interests in net profit	5'688	3'573	59.2
(Dividend) / Reduction of nominal value in non-controlling interests	−1'623	−1'609	0.9
Increase / (Reduction) in non-controlling interests	3'269	1'124	190.8
Actuarial gains / (losses) of pension plans	−22	−1'822	−98.8
Value changes to financial investments available for sale	47	0	
As at 31 December	**110'146**	**102'787**	**7.2**

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	
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.

Measurement of fair values by active markets or valuation techniques

The following table shows the classification of fair value hierarchies of financial and non-financial assets and liabilities of the LLB Group. All assets and liabilities are measured at fair value on a recurring basis in the statement of financial position. As per 31 December 2016, 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 2016 business year there were no significant transfers between Level 1 and Level 2 financial instruments.

in CHF thousands	31.12.2016	31.12.2015	+ / – %
Level 1			
Trading portfolio assets	3'613	2'198	64.4
Financial investments at fair value through profit and loss	831'390	776'408	7.1
Financial investments available for sale	198'745	236'237	–15.9
Total Level 1	**1'033'749**	**1'014'843**	**1.9**
Level 2			
Trading portfolio assets	168	252	–33.3
Derivative financial instruments	82'607	62'013	33.2
of which for hedging purpose	1'279	392	226.4
Financial investments at fair value through profit and loss	293'149	366'028	–19.9
Financial investments available for sale	92'408	59'935	54.2
Total Level 2	**468'332**	**488'228**	**–4.1**
Level 3			
Financial investments at fair value through profit and loss	22'926	0	
Investment property	16'018	16'240	–1.4
Total Level 3	**38'944**	**16'240**	**139.8**
Total assets	**1'541'024**	**1'519'311**	**1.4**
Level 1			
Total Level 1	**0**	**0**	
Level 2			
Derivative financial instruments	161'976	151'593	6.8
of which for hedging purpose	2'178	531	310.5
Total Level 2	**161'976**	**151'593**	**6.8**
Level 3			
Total Level 3	**0**	**0**	
Total liabilities	**161'976**	**151'593**	**6.8**

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 2016 business year amounted to CHF 12.2 million. On account of the new assessment of the fair value of financial investments in 2016, there was a reallocation to Level 3. Both at 31 December 2015 and at 31 December 2016, the holdings of financial investments at the LLB Group were unchanged. 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 2016 business year are immaterial and therefore they are not shown. The measurement or valuation also had no influence on other comprehensive income in 2016.

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 on 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. The financial investments do not diverge to highest or best use.

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.

35 Non-current assets held for sale

Properties, which are fully owned by a Group company, are to be sold. The transfers of ownership will take place in the first quarter of 2017. One property consists of a single-family home, another property contains rental apartments and a business branch. The business branch will continue to be used on a leased agreement basis. It is assumed that the sale of the properties, which had a carrying value of CHF 0.8 million per 31 December 2016, will achieve a profit of around CHF 0.1 million.

Notes to the consolidated off-balance sheet transactions

36 Contingent liabilities and assets

in CHF thousands	31.12.2016	31.12.2015	+/– %
Collateral guarantees and similar instruments	20'984	22'161	–5.3
Performance guarantees and similar instruments	41'855	37'945	10.3
Total contingent liabilities	**62'839**	**60'106**	**4.5**

37 Credit risks

in CHF thousands	31.12.2016	31.12.2015	+/– %
Irrevocable commitments	254'805	275'134	–7.4
Pay-in and pay-up obligations	9'104	8'964	1.6
Total credit risks	**263'909**	**284'097**	**–7.1**

38 Fiduciary transactions

in CHF thousands	31.12.2016	31.12.2015	+/– %
Fiduciary deposits with other banks	221'961	100'567	120.7
Fiduciary loans	403'604	482'947	–16.4
Other fiduciary financial transactions	404'810	490'026	–17.4
Total fiduciary transactions	**1'030'375**	**1'073'540**	**–4.0**

39 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.

	31.12.2016		31.12.2015	
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 reverse repurchase agreements	33'391	33'391	9'699	9'699
of which capable of being resold or further pledged without restrictions	33'391	33'391	9'699	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	0	622'876	0	1'143'165
of which resold or further pledged securities	0	42'707	0	18'772

Pension plans and other long-term benefits

40 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 2016 and 31 December 2015. 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 business 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	2016	2015	2016	2015
Defined benefit costs				
Service cost				
Current service cost	−16'090	−16'561	−452	−420
Past service cost including effects of curtailment	10'202	7'938	0	247
Gain / (Losses) from non-routine settlements	0	2'825	0	0
Total service cost	**−5'888**	**−5'798**	**−452**	**−173**
Net interest				
Interest cost on defined benefit obligation	−3'981	−5'655	−33	0
Interest income on plan assets	3'245	4'683	0	0
Total net interest	**−736**	**−972**	**−33**	**0**
Administration expense	−600	−677	0	0
Net actuarial (losses) / gains recognised	0	0	125	−278
Total defined benefit cost	**−7'224**	**−7'447**	**−360**	**−451**
of which personal expense	−7'224	−7'447	−360	−451
of which financial expense	0	0	0	0
Contributions to defined contribution plans	**−212**	**−215**	**0**	**0**
Remeasurement of the defined benefit liability				
Actuarial (gains) / losses				
Arising from changes in demographic assumptions	2'897	0		
Arising from changes in economic assumptions	−11'331	−22'640		
Arising from experience	−13'817	4'426		
Return on plan assets (excl. amounts in interest income)	6'473	−3'510		
Total defined benefit cost recognised in other comprehensive income	**−15'778**	**−21'724**		
Total benefit cost	**−23'214**	**−29'386**	**−360**	**−451**

Development of plan obligations

	Pensions plans		Other long-term benefits	
in CHF thousands	**2016**	**2015**	**2016**	**2015**
As at 1 January	483'502	522'886	4'092	4'134
Current service cost	16'090	16'561	452	420
Plan participation contributions	6'910	6'580	0	0
Interest costs	3'981	5'655	33	53
Benefits paid through pension assets	−6'026	−15'929	0	0
Benefits paid by employer	−2	−1	−536	−479
Actuarial (gains) / losses	22'251	18'214	−125	278
Plan amendments	−10'202	−7'938	0	13
Liabilities extinguished on business divestiture	0	−62'526	0	−313
Exchange rate differences	0	0	−2	0
Others	0	0	0	−14
As at 31 December	**516'504**	**483'502**	**3'914**	**4'092**
of which active employees	357'399	349'298		
of which pensioners	159'105	134'204		
Average term of obligation	18.3	18.5		

Development of plan assets

	Pension plans	
in CHF thousands	**2016**	**2015**
As at 1 January	376'838	422'608
Plan participation contributions	6'910	6'580
Company contributions	13'056	12'777
Assets extinguished on business divestiture	0	−49'694
Interest income on plan assets	3'245	4'683
Administration expense	−600	−677
Benefits paid through pension assets	−6'026	−15'929
Return on plan assets (excl. amounts in interest income)	6'473	−3'510
As at 31 December	**399'896**	**376'838**

The pension fund assets per 31 December 2016 include shares of LLB with a market value of CHF thousands 10 (31. 12. 2015: CHF thousands 16). The expected Group contributions for the 2017 financial year amount to CHF thousands 12'861 for the pension plans and CHF thousands 511 for the other long-term benefits.

Overview of the net debt recognised in the balance sheet

	Pension plans		Other long-term benefits	
in CHF thousands	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Present value of funded obligations	516'002	483'426	0	0
Minus fair value of plan assets	399'896	376'838	0	0
Under- / (Over-)funded	**116'106**	**106'588**	**0**	**0**
Present value of unfunded obligations	502	76	3'914	4'092
Net debt recognised in the balance sheet	**116'608**	**106'664**	**3'914**	**4'092**

Asset classes and expected returns

	31.12.2016	31.12.2015
in CHF thousands	Share of total assets	Share of total assets
Equities		
quoted market prices (Level 1)	80'977	82'756
other than quoted market prices	0	0
Bonds		
quoted market prices (Level 1)	150'954	154'459
other than quoted market prices	0	0
Real estate		
quoted market prices (Level 1)	1'193	866
other than quoted market prices	24'894	19'500
Alternative financial investments	910	0
Qualified insurance policies	91'888	83'617
Other financial investments	18'790	23'237
Cash	30'290	12'403

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	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**
Discount rate	0.70	0.85	0.74	0.90
Future salary increases	1.50	1.50	1.56	1.55
Future pension indexations	0.05	0.05	0.94	0.00
Life expectancy at the age of 65				
Year of birth	1971	1970	1971	1970
men	24.18	23.24	24.18	23.24
women	26.22	25.67	26.22	25.67
Year of birth	1951	1950	1951	1950
men	22.26	21.49	22.26	21.49
women	24.32	23.96	24.32	23.96

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.

	Pension plans			
	31.12.2016		31.12.2015	
	+0.25%	**−0.25%**	**+0.25%**	**−0.25%**
Discount rate	−23'242	25'009	−21'525	23'141
Salary increase	2'132	−2'076	2'324	−2'273
Interest credit rate	5'369	−5'235	5'198	−5'064
	+1 year	**−1 year**	**+1 year**	**−1 year**
Life expectancy	13'726	−13'923	12'318	−12'527

Related party transactions

41 Related parties

The LLB Group is controlled by the Principality of Liechtenstein, which holds 57.5 percent of the bearer shares of Liechtensteinische Landesbank AG, Vaduz. At the end of the year under report, LLB held 6.4 percent of its own shares (previous year: 6.4 %), 3.0 percent were held by Thornburg Investment Management Inc. and 0.1 percent were held by members of the Board of Directors and the Board of Management. The remaining bearer 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", page 163 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	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Compensations												
Members of the Board of Directors **	764	764	0	0	107	110	0	0	170	170	1'041	1'044
Members of the Board of Management ***	3'120	3'134	1'131	481	1'020	1'022	0	0	1'131	481	6'402	5'118

* 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	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Members of the Board of Directors						
Hans-Werner Gassner, Chairman	0	0	0	0	0	0
Markus Foser, Vice Chairman	1'000	300	0	0	1'000	300
Markus Büchel, Member	1'291	1'294	0	0	1'291	1'294
Patrizia Holenstein, Member	0	0	0	0	0	0
Roland Oehri, Member	0	0	0	0	0	0
Gabriela Nagel-Jungo, Member	400	400	0	0	400	400
Urs Leinhäuser, Member	0	0	0	0	0	0
Related parties	1'425	1'580	0	0	1'425	1'580
Total	**4'116**	**3'574**	**0**	**0**	**4'116**	**3'574**
Members of the Board of Management						
Roland Matt, CEO	1'005	1'255	0	0	1'005	1'255
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**	**4'065**	**0**	**0**	**3'815**	**4'065**

At 31 December 2016, the maturities of the fixed mortgages for the members of the Board of Directors and related parties ranged between 13 and 107 months (previous year: between 11 and 119 months) at standard market client interest rates of 0.95 to 1.65 percent p.a. (previous year: 1.10 to 1.60 %). At 31 December 2016, the maturities of the fixed mortgages for the members of the Board of Management ranged between 22 and 102 months (previous year: between 1 and 114 months) at interest rates of 0.4 to 1.88 percent p.a. (previous year: 1.05 to 2.88 %).

Of the total amount for mortgages for the members of the Board of Management, CHF thousands 1'000 (previous year: CHF thousands 750) was granted at the preferential interest rate for staff, the remainder was subject to the standard market client interest rate. In the previous year, no new loans were granted.

The fair value of cover of new loans granted amounted to CHF thousands 1'577 (previous year: CHF thousands 1'577).

No allowances for loans to management were necessary. LLB granted third parties guarantees amounting to CHF thousands 168 (previous year: CHF thousands 0) for management and related parties.

Transactions with management

in CHF thousands	2016	2015	+ / − %
Loans			
As at 1 January	7'639	7'926	−3.6
Loans issued during the year	700	300	133.3
Loan repayment during the year	−408	−587	−30.5
As at 31 December	**7'931**	**7'639**	**3.8**
Deposits			
As at 1 January	4'673	4'792	−2.5
Change	697	−119	
As at 31 December	**5'370**	**4'673**	**14.9**
Income and expenses			
Interest income	112	144	−22.3
Interest expenses	−2	−8	−75.0
Other income *	18	14	28.6
Other expenses **	−4	−2	100.0
Total	**124**	**148**	**−16.3**

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

Transactions with own pension funds

in CHF thousands	2016	2015	+ / – %
Loans			
As at 1 January	765	1'444	– 47.0
Change	– 423	– 679	– 37.7
As at 31 December	**342**	**765**	**– 55.3**
Deposits			
As at 1 January	7'812	5'621	39.0
Change	9'785	2'191	346.6
As at 31 December	**17'597**	**7'812**	**125.3**
Income and expenses			
Interest income	0	0	
Interest expenses	– 8	– 27	– 70.4
Other income *	641	627	2.2
Other expenses	2	– 12	
Total	**635**	**588**	**8.0**

* 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	2016	2015	+ / – %
Loans			
As at 1 January	0	0	
Change	0	0	
As at 31 December	**0**	**0**	
Deposits			
As at 1 January	546	452	20.8
Change	196	94	108.7
As at 31 December	**742**	**546**	**35.9**
Income and expenses			
Other income	1	1	– 11.0
Total	**1**	**1**	**– 11.0**

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

Scope of consolidation

Companies	Jurisdiction of incorporation	Business activity	Currency	Capital Stock	Equity interest (in percent) IFRS	Legal
Fully consolidated companies						
Bank Linth LLB AG*	Uznach	Bank	CHF	16'108'060	74.8	74.2
Liechtensteinische Landesbank AG	Vaduz	Bank	CHF	154'000'000	100.0	100.0
Liechtensteinische Landesbank (Österreich) AG	Vienna	Bank	EUR	2'000'000	100.0	100.0
LLB Asset Management AG	Vaduz	Asset management company	CHF	1'000'000	100.0	100.0
LLB Berufliche Vorsorge AG	Lachen	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	Vaduz	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	Erlenbach	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	Vaduz	Charitable foundation	CHF	30'000	100.0	100.0
Associated companies and joint ventures						
Data Info Services AG	Vaduz	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 2016						
None						

* On 31 December 2016, 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 of its own shares on 31 December 2016. 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 per 31 December 2016 and per 31 December 2015, there were no major restrictions in respect of the possibility to access assets of the Group companies or to appropriate them. As per 31 December 2016 and per 31 December 2015, 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 Risk Committee.

Group Credit & Risk Management
The Group Credit & Risk Management Department 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, securities 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) 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.

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.

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.

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 Distribution 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 Value-at-risk and sensitivities by risk categories

Value-at-risk
The value-at-risk is an estimate of the potential loss under normal market conditions and is calculated at the LLB Group on the basis of a confidence level of 99 percent and a holding period of twelve weeks.

Calculation is made based on historical value-at-risk.

Sensitivities
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.

In contrast, 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.

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 fluctuation risk
Within the scope of financial risk management, interest fluctuation risk in the balance sheet business of the LLB Group is primarily secured by means of interest rate swaps. 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. To offset the value adjustments of interest rate hedging transactions, which are to be booked to profit and loss, the LLB Group introduced fair value hedge accounting at portfolio level for interest fluctuation risks from 1 October 2015 (see page 122, point 2.8, Derivative financial instruments and hedge accounting).

At 31.12.2016, mortgage loans stood at CHF 9'986 million. The exchange rate risks applying to this portfolio are hedged at 13.6 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	31.12.2016 Value-at-risk	31.12.2016 Sensitivity	31.12.2015 Value-at-risk	31.12.2015 Sensitivity
Currency risk		**10'581**		**10'132**
of which affecting net income		6'505		56
of which not affecting net income		4'076		10'076
Interest rate risk	**25'547**	**52'598**	**34'130**	**49'815**
of which affecting net income		20'716		24'424
of which not affecting net income		31'882		25'391
Equity price risk *		**38'556**		**36'603**
of which affecting net income		29'315		36'603
of which not affecting net income		9'241		0

* Corresponds to a 10 percent change in equity instruments.

Exchange rate risk by currency

in CHF thousands	31.12.2016 Sensitivity	31.12.2015 Sensitivity
Currency risk	**10'581**	**10'132**
of which USD	856	2'599
of which EUR	8'593	6'802
of which others	1'131	731

Interest fluctuation risk by currency

Increase per 100 basis points in CHF thousands	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31.12.2015						
CHF	−7	−2'505	7'542	4'497	−47'309	−37'782
EUR	−18	562	−3'352	−3'202	−396	−6'405
USD	−18	561	−3'372	−3'499	−1'083	−7'411
Other currencies	−3	82	−906	2'329	281	1'783
All currencies	**−47**	**−1'299**	**−88**	**125**	**−48'507**	**−49'815**
31.12.2016						
CHF	−3	−2'993	8'212	6'324	−53'036	−41'495
EUR	−8	240	−3'238	−1'063	−102	−4'171
USD	−8	312	−2'267	−4'940	−207	−7'109
Other currencies	−4	188	−70	63	0	176
All currencies	**−23**	**−2'253**	**2'638**	**384**	**−53'344**	**−52'598**

1.6 Currency risks

Balance sheet by currency per 31 December 2015

in CHF thousands	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central banks	2'537'454	857	20'955	706	2'559'972
Due from banks	342'579	1'688'472	1'737'013	486'010	4'254'074
Loans	10'210'865	512'381	233'625	34'619	10'991'490
Trading portfolio assets	2'443	1	6	0	2'450
Derivative financial instruments	59'930	17	895	1'171	62'013
Financial investments at fair value	974'822	275'341	185'423	3'022	1'438'608
Investment in joint venture	47	0	0	0	47
Property and equipment	123'077	0	244	0	123'321
Investment property	16'240	0	0	0	16'240
Goodwill and other intangible assets	124'434	0	59	0	124'493
Current tax assets	0	0	0	0	0
Deferred tax assets	23'669	0	0	0	23'669
Accrued income and prepaid expenses	33'024	7'518	5'155	230	45'927
Non-current assets held for sale	0	0	0	0	0
Other assets	1'456	210	3'877	22'277	27'820
Total assets reported in the balance sheet	**14'450'040**	**2'484'797**	**2'187'252**	**548'035**	**19'670'122**
Delivery claims from forex spot, forex futures and forex options transactions	2'701'115	2'458'905	2'108'035	743'473	8'011'528
Total assets	**17'151'155**	**4'943'702**	**4'295'287**	**1'291'508**	**27'681'651**
Liabilities and equity					
Due to banks	521'891	30'123	26'159	95'461	673'634
Due to customers	10'382'867	2'538'094	2'184'990	521'097	15'627'049
Derivative financial instruments	149'513	17	892	1'171	151'593
Debt issued	1'199'568	0	13'676	0	1'213'244
Current tax liabilities	6'172	0	0	0	6'172
Deferred tax liabilities	21'617	0	0	0	21'617
Accrued expenses and deferred income	18'244	4'618	4'840	189	27'891
Provisions	25'354	0	0	0	25'354
Other liabilities	143'263	5'414	14'355	1'192	164'224
Share capital	154'000	0	0	0	154'000
Share premium	25'785	0	0	0	25'785
Treasury shares	−168'584	0	0	0	−168'584
Retained earnings	1'709'205	0	0	0	1'709'205
Other reserves	−63'849	0	0	0	−63'849
Non-controlling interests	102'787	0	0	0	102'787
Liabilities and equity reported in the balance sheet	**14'227'833**	**2'578'266**	**2'244'912**	**619'110**	**19'670'122**
Delivery liabilities from forex spot, forex futures and forex options transactions	3'021'099	2'339'449	1'982'353	665'089	8'007'990
Total liabilities and equity	**17'248'932**	**4'917'715**	**4'227'265**	**1'284'199**	**27'678'111**
Net position per currency	**−97'777**	**25'987**	**68'022**	**7'309**	**3'540**

Balance sheet by currency per 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**

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
31.12.2015						
Financial assets						
Cash and balances with central banks	2'559'972	0	0	0	0	2'559'972
Due from banks	2'443'001	472'688	1'165'230	100'000	0	4'180'919
Loans	1'576'050	1'998'215	1'188'700	4'532'461	1'688'483	10'983'909
Trading portfolio assets	0	0	0	870	1'600	2'470
Financial investments	11'884	82'277	169'640	673'097	116'489	1'053'386
Total financial assets	**6'590'906**	**2'553'181**	**2'523'570**	**5'306'428**	**1'806'572**	**18'780'657**
Derivative financial instruments	140'000	401'000	863'482	40'000	0	1'444'482
Total	**6'730'906**	**2'954'181**	**3'387'052**	**5'346'428**	**1'806'572**	**20'225'139**
Financial liabilities						
Due to banks	358'566	70'065	195'000	50'000	0	673'631
Due to customers	7'196'897	1'135'714	2'694'698	4'510'137	0	15'537'446
Debt issued	8'803	17'270	156'300	624'402	406'470	1'213'244
Total financial liabilities	**7'564'266**	**1'223'049**	**3'045'998**	**5'184'538**	**406'470**	**17'424'321**
Derivative financial instruments	20'000	5'000	153'482	556'000	710'000	1'444'482
Total	**7'584'266**	**1'228'049**	**3'199'480**	**5'740'538**	**1'116'470**	**18'868'803**
Interest rate repricing exposure	**–853'360**	**1'726'132**	**187'572**	**–394'110**	**690'102**	**1'356'336**
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**

In the interest rate repricing balance sheet excess assets, equity and liability are calculated using fixed-interest rate and derivative positions in the balance sheet and broken down interest commitments of financial assets and liabilities (nominal) into cycle times. The positions within an unspecified duration of interest rate repricing are allocated to the corresponding cycle times on the basis of a replication.

2 Liquidity 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 indentified, 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.

2.5 Liquidity coverage ratio (LCR)

The delegated regulation (EU) 2015 / 61, which came into force in Liechtenstein in January 2016, supplements the Capital Requirements Regulation (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 2016, a regulatory LCR lower limit of 70 percent was applicable for the LLB Group. With a value of 115 percent, the LLB Group's ratio was substantially higher than legally required.

The following table shows the maturities according to contractual periods.

Maturity of financial assets and liabilities (nominal including coupons)*

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	Total
31.12.2015							
Financial assets							
Cash and balances with central banks	2'559'972	0	0	0	0	0	2'559'972
Due from banks	410'235	0	2'508'005	1'170'631	100'198	0	4'189'069
Loans	170'011	331'929	1'764'295	1'681'120	5'820'478	1'755'921	11'523'753
Trading portfolio assets	0	0	0	18	929	1'623	2'569
Derivative financial instruments	0	0	49'350	11'811	339	513	62'013
Financial investments at fair value	0	0	70'794	181'017	721'413	121'973	1'095'197
Total financial assets	**3'202'230**	**331'929**	**4'343'093**	**3'032'785**	**6'643'018**	**1'879'517**	**19'432'573**
Financial liabilities							
Due to banks	155'567	0	273'042	194'928	50'017	0	673'553
Due to customers	10'076'253	4'854'338	105'657	374'523	145'275	0	15'556'046
Derivative financial instruments	0	0	46'604	12'739	44'021	48'229	151'593
Debt issued	0	0	30'440	167'401	664'241	417'322	1'279'404
Total financial liabilities	**10'383'413**	**4'854'338**	**409'138**	**736'852**	**859'532**	**417'322**	**17'660'596**
Net liquidity exposure	**–7'181'183**	**–4'522'410**	**3'933'955**	**2'295'933**	**5'783'486**	**1'462'195**	**1'771'975**
Off-balance sheet transactions	**344'203**	**0**	**0**	**0**	**0**	**0**	**344'203**
Contingent liabilities	60'106	0	0	0	0	0	60'106
Irrevocable promises	275'134	0	0	0	0	0	275'134
Deposit and call liabilities	8'964	0	0	0	0	0	8'964

* Derivative financial instruments at replacement values.

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	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
Derivative financial instruments	0	0	62'488	18'462	379	1'279	82'607
Financial investments at fair value	0	0	39'040	150'140	783'578	77'136	1'049'893
Total financial assets	**4'156'875**	**271'140**	**3'540'470**	**3'084'229**	**6'795'934**	**1'769'714**	**19'618'363**
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
Derivative financial instruments	0	0	62'832	22'249	38'724	38'171	161'976
Debt issued	0	0	27'253	208'283	639'049	403'128	1'277'713
Total financial liabilities	**9'933'299**	**4'814'828**	**810'117**	**1'010'292**	**824'931**	**433'437**	**17'826'903**
Net liquidity exposure	**−5'776'423**	**−4'543'688**	**2'730'353**	**2'073'937**	**5'971'004**	**1'336'277**	**1'791'460**
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 promises	254'805	0	0	0	0	0	254'805
Deposit and call liability	9'104	0	0	0	0	0	9'104

* Derivative financial instruments at replacement values.

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 (Moody's) **
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 a recognised rating agency (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 countries, segments 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 Maximum credit risk without considering collateral

in CHF thousands	31.12.2016	31.12.2015	Average
Credit risks from balance sheet transactions			
Due from banks	3'114'861	4'254'074	3'684'468
Loans			
Mortgage loans	9'956'289	9'548'989	9'752'639
Loans to public authorities	82'441	82'975	82'708
Other loans	1'500'145	1'359'526	1'429'836
Trading portfolio assets			
Fixed-interest securities	3'772	2'440	3'106
Derivative financial instruments	82'607	62'012	72'310
Financial investments at fair value			
Fixed-interest securities	1'053'057	1'072'579	1'062'818
Total	**15'793'172**	**16'382'595**	**16'087'885**
Credit risks from off-balance sheet transactions			
Contingent liabilities	62'839	60'106	61'473
Irrecoverable commitments	254'805	275'134	264'969
Liabilities from calls on share and other equities	9'104	8'964	9'034
Total	**326'748**	**344'204**	**335'476**

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.

3.8 Due from banks and loans

in CHF thousands	31.12.2016 Loans	31.12.2016 Due from banks	31.12.2015 Loans	31.12.2015 Due from banks
Neither overdue nor value allowance made	11'297'277	3'114'861	10'698'117	4'254'074
Overdue but no value allowance made	98'411	0	112'226	0
Overdue, value allowance made (specific)	85'781	0	90'591	0
Default-stressed, value allowance made (specific)	164'405	0	201'601	0
Value allowance made (general)	0	0	903	0
Gross	**11'645'874**	**3'114'861**	**11'103'438**	**4'254'074**
Minus allowances (specific)	−106'999	0	−111'948	0
Net	**11'538'875**	**3'114'861**	**10'991'490**	**4'254'074**

Due from banks and loans neither overdue nor allowances made

in CHF thousands	Mortgage loans	Loans to public authorities	Other loans	Total loans	Due from banks
31.12.2015					
Investment grade	4'139'807	3'003	855'958	4'998'768	2'644'682
Standard monitoring	4'894'123	79'972	384'037	5'358'132	1'609'392
Special monitoring	244'598	0	56'778	301'376	0
Sub-standard	39'464	0	377	39'841	0
Total	**9'317'992**	**82'975**	**1'297'150**	**10'698'117**	**4'254'074**
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**

Loans overdue but no allowances made

in CHF thousands	Mortgage loans	Loans to public authorities	Other loans	Total loans
31.12.2015				
Overdue by up to 30 days	53'073	0	52'366	105'440
Overdue 31 to 60 days	0	0	6'504	6'504
Overdue 61 to 90 days	0	0	283	283
Total	**53'073**	**0**	**59'153**	**112'226**
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**

Loans with specific allowances

in CHF thousands	Mortgage loans	Loans to public authorities	Other loans	Total loans	Due from banks
31.12.2015					
Overdue Claims	35'453	0	55'138	90'591	0
Default-distressed claims	173'600	0	28'001	201'601	0
Fair value of cover	−177'915	0	−2'329	−180'244	0
Total specific value allowances	**31'138**	**0**	**80'810**	**111'948**	**0**
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**

Newly agreed loans

Newly agreed loans are not substantial.

3.9 Overdue and default-distressed claims by geographical area

	31.12.2016			31.12.2015		
in CHF thousands	Default distressed claims	Overdue claims	Specific value allowance	Default distressed claims	Overdue claims	Specific value allowance
Liechtenstein and Switzerland	164'405	94'109	69'604	201'601	121'002	67'866
Europe excluding FL / CH	0	1'496	0	0	19'784	6'769
North America	0	1'632	0	0	2'399	0
Asia	0	49'238	562	0	15'437	539
Others	0	37'718	36'833	0	44'195	36'774
Total	**164'405**	**184'193**	**106'999**	**201'601**	**202'817**	**111'948**

3.10 Debt instruments

	31.12.2016			31.12.2015		
in CHF thousands	Trading portfolio	Designation fair value	Total	Trading portfolio	Designation fair value	Total
AAA	0	615'806	615'806	698	569'577	570'275
AA1 to AA3	99	263'547	263'646	0	238'719	238'719
A1 to A3	2'205	149'956	152'161	728	156'883	157'611
Lower than A3	957	7'303	8'260	519	13'645	14'164
Without a rating	512	16'445	16'957	495	93'755	94'249
Total	**3'772**	**1'053'057**	**1'056'830**	**2'440**	**1'072'579**	**1'075'019**

3.11 Taken-over collateral

	2016			2015		
in CHF thousands	Financial investments	Real estate / Properties	Total	Financial investments	Real estate / Properties	Total
As at 1 January	0	1'018	1'018	0	0	0
Additions / (Disposals)	0	0	0	0	1'018	1'018
Profit / (Loss)	0	0	0	0	0	0
As at 31 December	**0**	**1'018**	**1'018**	**0**	**1'018**	**1'018**

Taken-over collateral is resold as soon as possible and is reported under financial investments, trading portfolio assets or investment property.

3.12 Risk concentration

Risk concentration by regions

in CHF thousands	Liechtenstein / Switzerland	Europe excl. FL / CH	North America	Asia	Others *	Total
31.12.2015						
Credit risks from balance sheet transactions						
Due from banks	2'365'632	1'866'858	12'094	5'730	3'760	4'254'074
Loans						
Mortgage loans	9'532'756	16'233	0	0	0	9'548'989
Loans to public authorities	82'975	0	0	0	0	82'975
Other loans	875'534	109'191	7'890	142'806	224'105	1'359'526
Trading portfolio						
Fixed-interest securities	761	703	248	0	728	2'440
Derivative financial instruments	46'167	15'178	21	40	606	62'012
Financial investments at fair value						
Fixed-interest securities	219'778	632'954	111'223	20'276	88'348	1'072'579
Total	**13'123'603**	**2'641'117**	**131'476**	**168'852**	**317'547**	**16'382'595**
Credit risks from off-balance sheet transactions						
Contingent liabilities	50'429	2'570	0	4'057	3'050	60'106
Irrevocable commitments	225'548	18'383	0	9'459	21'744	275'134
Liabilities from calls on shares and other equities	8'964	0	0	0	0	8'964
Total	**284'941**	**20'953**	**0**	**13'516**	**24'794**	**344'204**
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 authorities	82'441	0	0	0	0	82'441
Other loans	890'463	158'702	1'658	272'570	176'752	1'500'145
Trading portfolio						
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
Liabilities from calls on shares and other equities	9'104	0	0	0	0	9'104
Total	**276'849**	**8'893**	**0**	**9'385**	**31'621**	**326'748**

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

Risk concentration by sectors

in CHF thousands	Financial services	Real estate	Private households	Others *	Total
31.12.2015					
Credit risks from balance sheet transactions					
Due from banks	4'254'074	0	0	0	4'254'074
Loans					
Mortgage loans	94'376	1'334'613	6'951'031	1'168'969	9'548'989
Loans to public authorities	0	0	0	82'975	82'975
Other loans	529'230	34'331	369'292	426'673	1'359'526
Trading portfolio					
Fixed-interest securities	605	0	0	1'835	2'440
Derivative financial instruments	48'161	222	5'601	8'028	62'012
Financial investments at fair value					
Fixed-interest securities	599'151	10'650	0	462'778	1'072'579
Total	**5'525'597**	**1'379'816**	**7'325'924**	**2'151'258**	**16'382'595**
Credit risks from off-balance sheet transactions					
Contingent liabilities	9'161	3'323	12'139	35'483	60'106
Irrevocable commitments	49'494	53'124	111'181	61'335	275'134
Liabilities from calls on shares and other equities	8'964	0	0	0	8'964
Total	**67'619**	**56'447**	**123'320**	**96'818**	**344'204**
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 authorities	0	0	0	82'441	82'441
Other loans	240'799	34'357	530'319	694'670	1'500'145
Trading portfolio					
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
Liabilities from calls on shares and other equities	9'104	0	0	0	9'104
Total	**69'485**	**35'540**	**83'111**	**138'612**	**326'748**

* 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. 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. Consequently, a reputational risk can both cause losses in all risk categories, such as market or credit risks, and be caused by such losses.

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

7 Fair value of financial instruments

The following table shows the fair values of financial instruments, based on the valuation methods explained in the following, and assumptions. 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 transaction date on the principal market or the most advantageous market. Details about the measurement of fair values are shown in note 34.

Fair value of financial instruments

	31.12.2016			31.12.2015		
in CHF thousands	Carrying value	Fair value	Deviation	Carrying value	Fair value	Deviation
Assets						
Cash and balances with central banks	3'450'726	3'450'726	0	2'559'972	2'559'972	0
Due from banks	3'114'861	3'116'584	1'723	4'254'074	4'260'282	6'208
Loans	11'538'876	12'090'778	551'902	10'991'490	11'623'046	631'556
Trading portfolio assets	3'781	3'781	0	2'450	2'450	0
Derivative financial instruments	82'607	82'607	0	62'013	62'013	0
Financial investments at fair value	1'438'618	1'438'618	0	1'438'608	1'438'608	0
Liabilities						
Due to banks	622'932	624'153	−1'221	673'634	675'052	−1'418
Due to customers	15'860'465	15'939'393	−78'928	15'627'049	15'719'261	−92'212
Derivative financial instruments	161'976	161'976	0	151'593	151'593	0
Debt issued	1'228'035	1'289'599	−61'564	1'213'244	1'289'414	−76'170
Deviation between fair value and carrying value			**411'911**			**467'964**

The following valuation methods are applied in calculating the fair value of financial instruments:

Cash and balances with central banks and money market instruments

These financial instruments have a maturity or a refinancing profile of maximum one year. The book value corresponds approximately to fair value.

Due from / to banks, loans and due to customers

The fair value of these positions having a maturity or a refinancing profile is determined using similar maturity swap rates. Replicate portfolios are employed for products for which fixed-interest rates or cash flows are not known in advance.

Trading portfolio assets, derivative financial instruments and financial investments at fair value through profit and loss

For the majority of financial instruments, fair value corresponds to the market value. The fair value of financial instruments without an established market value is determined using generally accepted valuation models.

8 Netting of financial assets and financial liabilities

The table below provides an overview of the financial assets and financial liabilities which are subject to an enforceable netting agreement or similar agreements. 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 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 below 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 below does not represent the current credit risk in connection with the transactions conducted by LLB Group.

	Subject to netting agreements			Potential netting amounts				
in CHF thousands	Gross amounts before netting	Netting amounts	On the balance sheet recognised amounts, net	Financial instruments	Financial collaterals	Amounts after potential netting	Amounts without potential netting	On the balance sheet recognised amounts
31.12.2015								
Financial assets subject to off-setting, enforceable netting agreements or similar arrangements								
Reverse repurchase agreements	884'088	0	884'088	0	−778'478	105'610	0	884'088
Positive replacement values	62'012	0	62'012	−8'066	−57'361	−3'414	0	62'012
Cash collateral receivables on derivative instruments	112'769	0	112'769	−112'769	0	0	0	112'769
Total assets	**1'058'869**	**0**	**1'058'869**	**−120'834**	**−835'838**	**102'196**	**0**	**1'058'869**
Financial liabilities subject to off-setting, enforceable netting agreements or similar arrangements								
Reverse repurchase agreements	80'000	0	80'000	0	−79'270	730	0	80'000
Negative replacement values	151'594	0	151'594	−112'769	0	38'825	0	151'594
Cash collateral payables on derivative instruments	6'938	0	6'938	−6'938	0	0	0	6'938
Total liabilities	**238'531**	**0**	**238'531**	**−119'706**	**−79'270**	**39'555**	**0**	**238'531**
31.12.2016								
Financial assets subject to off-setting, enforceable netting agreements or similar arrangements								
Reverse repurchase agreements	238'874	0	238'874	0	−176'431	62'443	0	238'874
Positive replacement values	82'607	0	82'607	−4'008	−71'427	7'172	0	82'607
Cash collateral receivables on derivative instruments	118'747	0	118'747	−118'747	0	0	0	118'747
Total assets	**440'228**	**0**	**440'228**	**−122'755**	**−247'858**	**69'615**	**0**	**440'228**
Financial liabilities subject to off-setting, enforceable netting agreements or similar arrangements								
Reverse repurchase agreements	42'903	0	42'903	0	−42'863	40	0	42'903
Negative replacement values	161'976	0	161'976	−118'747	0	43'229	0	161'976
Cash collateral payables on derivative instruments	2'842	0	2'842	−2'842	0	0	0	2'842
Total liabilities	**207'721**	**0**	**207'721**	**−121'589**	**−42'863**	**43'269**	**0**	**207'721**

9 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.

At the LLB Group, the scope of consolidation for determining capital requirements and for the financial accounts is identical.

9.1 Segmentation of credit risks

	Regulatory risk weighted									
in CHF thousands	**0 %**	**10 %**	**20 %**	**35 %**	**50 %**	**75 %**	**100 %**	**150 %**	**250 %**	**Total**
31.12.2016										
Central governments and central banks	3'528'032	0	10'472	0	0	0	0	0	0	3'538'504
Regional governments	0	0	112'370	0	10'222	0	0	0	0	122'592
Public sector entities	0	0	50'758	0	0	0	0	0	0	50'758
International organisations	73'399	0	0	0	0	0	0	0	0	73'399
Banks and securities firms	0	0	2'888'271	0	740'917	0	280	0	0	3'629'468
Corporates	0	0	87'255	0	113'625	0	1'043'159	40'811	0	1'284'849
Retail	0	0	0	0	0	263'921	520'703	0	0	784'624
Secured by real estate	0	0	1'849	7'570'622	1'573'117	0	679'629	0	0	9'825'216
In default	0	0	0	0	0	1'269	94'619	77'549	0	173'437
Equity	0	0	0	0	0	0	27'448	0	47	27'495
Covered bonds	0	175'030	0	0	0	0	0	0	0	175'030
Collective investments and others	65'490	0	19'386	0	0	1	501'262	0	0	586'139
Total	**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**
Total previous year	2'831'199	95'501	4'594'176	7'298'124	2'012'106	236'711	2'821'944	84'528	0	19'974'289

9.2 Mitigation of credit risk

	31.12.2016				31.12.2015			
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	9'148	0	9'148	0	6'408	0	6'408
Off-balance sheet positions	0	352	0	352	0	50	0	50
Derivatives	0	0	0	0	0	0	0	0
Total	**0**	**9'499**	**0**	**9'499**	**0**	**6'458**	**0**	**6'458**

9.3 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 the year 2016, the leverage ratio of LLB Group amounted to 7.8 percent.

10 Internal capital (Pillar II)

The financial market regulatory requirements with respect to quantitative risk management, which arise from Pillar II, are fulfilled by 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 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 LLB Group is in a position to bear potential losses.

For the purpose of the calculation of its risk-bearing capacity, LLB Group employs a value-at-risk approach with a confidence level of 99.9 percent and a holding duration of one year. Correlations between the individual risk types are not considered. To underpin operational risks, LLB Group applies the values from the basic indicator approach of Pillar I and adjusts them by adding a risk premium.

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	31.12.2016	31.12.2015	+ / – %
Assets in own-managed funds	4'568	4'412	3.5
Assets with discretionary mandates	6'519	6'372	2.3
Other assets under management	35'341	34'786	1.6
Total assets under management (incl. double counting)	**46'428**	**45'570**	**1.9**
of which double counting	3'957	3'836	3.2
Net new money	**– 65**	**– 206**	**– 68.4**

Breakdown of assets under management

in percent	31.12.2016	31.12.2015
By asset class		
Equities	22.9	23.1
Bonds	17.3	17.4
Investment funds	23.4	22.9
Liquidity	32.8	33.7
Precious metals / others	3.6	2.9
Total	**100.0**	**100.0**
By currency		
CHF	46.4	47.3
EUR	23.1	23.1
USD	23.7	23.1
Other	6.7	6.5
Total	**100.0**	**100.0**

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 gains, 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. During the year under report, client assets amounting to net CHF 75 million were reclassified as custody assets.