

# Financial statement of LLB AG, Vaduz

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# Report of the statutory auditor

## Report of the statutory auditor to the General Meeting of Liechtensteinische Landesbank Aktiengesellschaft Vaduz

### Report on the audit of the financial statements

#### Opinion

As statutory auditor, we have audited the financial statements (balance sheet, income statement and notes to the financial statements (pages 225 to 247) and the management report (page 224) of Liechtensteinische Landesbank Aktiengesellschaft (LLB AG) for the year ended 31 December 2018.

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

#### Basis for opinion

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

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

#### Our audit approach

##### Overview



Overall materiality: CHF 4.0 million, which represents 5 % of the result from normal business activities.

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

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

- Valuation of loans

#### Materiality

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

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

**Overall materiality** CHF 4.0 million

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

#### Rationale for the materiality benchmark applied

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

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

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

#### Audit scope

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

### Reporting on key audit matters

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

### Valuation of loans

#### Key audit matter

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

As at 31 December 2018, loans amount to CHF 6.8 billion (2017: CHF 6.4 billion) and thus represent the largest asset item of the Bank. Mortgage-based loans form the majority of the loan portfolio (76 % of total loans by value). In addition, the Bank grants corporate loans and Lombard loans.

Any impairments are recognised by means of individual loss allowances. Calculating the amount of the individual loss allowance requires judgement. We focussed on the following two points:

- The methods used by the Bank to identify loans in the loan portfolio that may need a loss allowance, including loans that according to LLB AG's definition show indications of impairment.
- The appropriateness and consistent application of the policies and instructions issued by Group management relating to the calculation of the amount of individual loss allowances.

The recognition and valuation principles applied to accounts receivable from customers and the methods used to identify default risk, to determine the need for impairment and to evaluate collateral are described in the management report.

Please refer to page 230 (Accounting policies and valuation principles) and page 233 (Notes to the balance sheet).

#### How our audit addressed the key audit matter

We tested the adequacy and effectiveness of the following key controls relating to the valuation of accounts receivable from customers:

- Credit processing and approval: Sample testing of the requirements and processes set out in the Bank's internal policies and working instructions in relation to credit processing. We also tested that approvals were granted at the appropriate level of authority.
- Credit monitoring (periodic reviews): Sample testing of identified loans at risk and identifying the extent of any need for impairment.

Where significant judgement was required, we also challenged the decisions of those authorised to approve loans with our own critical opinion as part of our substantive tests of detail. Our tests of detail covered the following:

- Sample-based testing of new business and loans at risk in the loan portfolio (including loans with individual loss allowances or indications of impairment) to evaluate whether additional loss allowances were needed.
- Sample-based testing of the method used to calculate loss allowances on the loan portfolio in terms of its appropriateness and compliance with the policies and instructions issued by the Group.

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

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

### Responsibilities of the Board of Directors for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

### Report on other legal and regulatory requirements

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

The annual report accords with the financial statements.

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

PricewaterhouseCoopers AG

Claudio Tettamanti  
Auditor in charge

Valentin Studer

St. Gallen, 22 February 2019

# Management report

Liechtensteinische Landesbank AG was entered in the Commercial Register of the Principality of Liechtenstein under the register no. FL-0001.000.289-1 on 3 August 1926.

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

On the balance sheet date, Liechtensteinische Landesbank AG, Vaduz, and its subsidiaries held a total of 124'841 registered shares (previous year: 1'922'937 shares). This corresponds to a share capital stake of 0.4 per cent (previous year: 6.2%). With respect to the volume of and changes to treasury shares of Liechtensteinische Landesbank AG, reference is made to the individual financial statement.

The Board of Directors proposes to the General Meeting of Shareholders on 3 May 2019 that a dividend of net CHF 2.10 per registered share be paid out.

No important changes have occurred since the balance sheet date which would necessitate the reporting of any additional data or a correction of the 2018 financial statement.

# Balance sheet

in CHF thousands	Note	31.12.2018	31.12.2017	+ / - %
<b>Assets</b>				
Cash and balances with central banks		3'599'823	3'376'198	6.6
Due from banks		1'447'437	2'174'930	-33.4
due on a daily basis		636'299	642'600	-1.0
other claims		811'138	1'532'331	-47.1
Loans	1	6'789'787	6'406'992	6.0
of which mortgages	1	5'143'457	4'815'600	6.8
of which subordinated claims (gross)		0	0	
Bonds and other fixed-interest securities		1'338'466	939'152	42.5
Money market instruments		0	0	
from public authority issuers		0	0	
from other issuers		0	0	
Bonds		1'338'466	939'152	42.5
from public authority issuers		246'381	177'166	39.1
from other issuers		1'092'086	761'986	43.3
of which subordinated bonds		0	0	
Shares and other non-fixed-interest securities		50'331	227'354	-77.9
Participations	4	30	33	-7.8
Shares in associated companies	4	436'200	170'348	156.1
Intangible assets		42'293	41'651	1.5
Fixed assets	6	89'472	88'225	1.4
Own shares	2a) / 3	7'735	94'894	-91.8
Other assets	17	169'675	162'589	4.4
Accrued income and prepayments		65'554	46'951	39.6
<b>Total assets</b>		<b>14'036'805</b>	<b>13'729'316</b>	<b>2.2</b>
<b>Liabilities</b>				
Due to banks		1'449'095	1'071'357	35.3
due on a daily basis		699'648	560'303	24.9
with agreed maturities or periods of notice		749'447	511'053	46.6
Due to customers		10'351'357	10'525'864	-1.7
savings deposits		2'227'348	2'366'888	-5.9
other liabilities		8'124'009	8'158'976	-0.4
due on a daily basis		7'726'906	7'565'767	2.1
with agreed maturities or periods of notice		397'103	593'209	-33.1
Certified liabilities		131'103	151'224	-13.3
medium-term notes		131'103	151'224	-13.3
Other liabilities	17	269'649	175'937	53.3
Accrued expenses and deferred income		49'775	30'805	61.6
Provisions		9'829	14'545	-32.4
tax provisions	9	5'803	9'951	-41.7
other provisions	9	4'026	4'594	-12.4
Provisions for general banking risks	9	310'000	310'000	0.0
Share capital	10	154'000	154'000	0.0
Share premium		47'750	47'750	0.0
Retained earnings		1'185'080	1'150'080	3.0
legal reserves		390'550	390'550	0.0
reserves for own shares		7'735	94'894	-91.8
other reserves		786'795	664'636	18.4
Balance brought forward		4'872	4'463	9.2
Profit for the year		74'295	93'292	-20.4
<b>Total liabilities</b>		<b>14'036'805</b>	<b>13'729'316</b>	<b>2.2</b>

# Off-balance sheet transactions

in CHF thousands	Note	31.12.2018	31.12.2017	+/- %
Contingent liabilities	1/18	43'893	28'218	55.6
Credit risks		190'660	199'872	-4.6
irrevocable commitments	1	190'622	199'834	-4.6
call liabilities	1	38	37	1.0
Derivative financial instruments	19	15'447'731	13'302'397	16.1
Fiduciary transactions	20	512'591	364'129	40.8



# Income statement

in CHF thousands	Note	2018	2017	+ / - %
Interest income		114'926	99'472	15.5
of which from fixed-interest securities		15'471	11'309	36.8
of which from trading transactions		0	12	-99.0
Interest expenses		-28'064	-22'345	25.6
<b>Net interest income</b>		<b>86'862</b>	<b>77'128</b>	<b>12.6</b>
Shares and other non-fixed-interest securities		162	372	-56.6
of which from trading transactions		162	372	-56.6
Participations and associated companies		10'004	0	
<b>Income from securities</b>		<b>10'166</b>	<b>372</b>	
Credit-related commissions and fees		353	312	13.0
Commissions from securities and investment business		104'076	114'294	-8.9
Other commission and fee income		19'194	20'112	-4.6
Commission and fee expenses		-44'868	-47'641	-5.8
<b>Net commission and fee income</b>		<b>78'754</b>	<b>87'076</b>	<b>-9.6</b>
<b>Income from financial transactions</b>		<b>55'378</b>	<b>70'944</b>	<b>-21.9</b>
of which from trading business	21	50'089	53'011	-5.5
Income from real estate holdings		1'158	1'145	1.1
Sundry ordinary income		21'440	34'359	-37.6
<b>Other ordinary income</b>		<b>22'598</b>	<b>35'504</b>	<b>-36.4</b>
<b>Total operating income</b>		<b>253'758</b>	<b>271'024</b>	<b>-6.4</b>
Personnel expenses	22	-104'900	-94'653	10.8
Administrative expenses	23	-48'022	-41'991	14.4
<b>Total operating expenses</b>		<b>-152'922</b>	<b>-136'644</b>	<b>11.9</b>
<b>Gross operating profit</b>		<b>100'836</b>	<b>134'379</b>	<b>-25.0</b>
Depreciation on intangible assets and fixed assets		-20'649	-19'815	4.2
Sundry ordinary expenses	24	-445	-15'844	-97.2
Allowances on claims and allocations to provisions for contingent liabilities and lending risks	9	-696	-6'597	-89.4
Earnings from the release of allowances on claims and of provisions for contingent liabilities and lending risks	9	1'021	11'277	-90.9
Write-downs to participations, shares in associated companies and securities treated as long-term investments		-3	-14	-82.4
Earnings from write-ups to participations, shares in associated companies and securities treated as long-term investments		0	0	
<b>Result from normal business operations</b>		<b>80'065</b>	<b>103'386</b>	<b>-22.6</b>
Income taxes		-5'864	-9'867	-40.6
Other taxes		95	-227	
Releases / (Additions) to provisions for general banking risks		0	0	
<b>Profit for the year*</b>		<b>74'295</b>	<b>93'292</b>	<b>-20.4</b>

\* The return on capital (annual profit in relation to balance sheet total) amounted to 0.53 per cent as at 31 December 2018 and to 0.68 per cent as at 31 December 2017 (pursuant to the Banking Ordinance, Art. 24e, Para. 1, Point 6).

# Distribution of balance sheet profit

The Board of Directors proposes to the General Meeting of Shareholders on 3 May 2019 that the balance sheet profit as at 31 December 2018 be distributed as follows:

in CHF thousands	2018	2017
Profit for the year	74'295	93'292
Balance brought forward	4'872	4'463
Balance sheet profit	79'167	97'755
<b>Distribution of balance sheet profit</b>		
Allocation to other reserves	10'000	35'000
Allocation to corporate capital (common stock) <sup>°</sup>	64'418	57'883
Balance carried forward <sup>°</sup>	4'749	4'872

<sup>°</sup> Shares eligible for dividends are all shares outstanding except for own shares as of record date. The amounts presented are based on the numbers of shares eligible for dividends as at 31 December 2018.

If this proposal is accepted, a dividend of net CHF 2.10 per registered share will be paid out on 9 May 2019.

# Notes on business operations

Liechtensteinische Landesbank Aktiengesellschaft with its registered office in Vaduz and two domestic branch offices is active as a full-service (universal) bank. LLB AG has subsidiaries in Liechtenstein, Austria and Switzerland. At the end of 2018, LLB AG employed 574 persons (previous year: 545) on a full-time equivalent basis. The average headcount in 2018 amounted to 565 persons (previous year: 540) on a full-time equivalent basis.

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

## Commissions and fees business

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

## Credit and lending business

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

## Money market and interbank business

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Domestic and international funds deposited with the bank, which in as far as they are not invested in lending business or held as liquid funds, are placed with first-class banks, predominantly in Switzerland and Western Europe.

## Securities trading business

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

# Accounting policies and valuation principles

## Basic principles

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

## Recording of business

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

## Foreign currency translations

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

Reporting date rate	31.12.2018	31.12.2017
1 USD	0.9866	0.9765
1 EUR	1.1282	1.1715
1 GBP	1.2628	1.3201

Average rate	2018	2017
1 USD	0.9775	0.9837
1 EUR	1.1524	1.1132
1 GBP	1.3016	1.2749

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

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

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

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

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

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

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

## Participations

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Participations comprises shares owned by LLB AG in companies which represent a minority participation and which are held as long-term investments. These items are valued at cost minus necessary allowances.

## Shares in associated companies

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

## Intangible assets

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

Low-cost acquisitions are charged directly to administrative expenses.

## Tangible fixed assets

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

Low-cost acquisitions are charged directly to administrative expenses.

## Treasury shares

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

## Allowances and provisions

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

## Taxes

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

## Provisions for general banking risks

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

## Off-balance sheet transactions

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

## Derivative financial instruments

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

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

## Statement of cash flows

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

## Changes to the previous year

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None.

# Notes to the balance sheet

## 1 Type of collateral

in CHF thousands		Type of collateral			Total	
		Secured by mortgage	Other collateral	Unsecured		
<b>Loans</b>						
	Loans (excluding mortgage loans)	16'757	1'160'872	468'701	1'646'330	
	Mortgage loans					
	residential property	4'150'221	1'318	64'624	4'216'164	
	office and business property	497'290	506	5'797	503'593	
	commercial and industrial property	219'095	0	1'141	220'236	
	other	203'325	0	140	203'465	
	<b>Total loans</b>	<b>31.12.2018</b>	<b>5'086'688</b>	<b>1'162'696</b>	<b>540'403</b>	<b>6'789'787</b>
		31.12.2017	4'797'726	947'651	661'615	6'406'992
<b>Off-balance sheet transactions</b>						
	Contingent liabilities		2'406	37'164	4'323	43'893
	Irrevocable commitments		66'852	13'121	110'649	190'622
	Call liabilities		0	0	38	38
	<b>Total off-balance sheet transactions</b>	<b>31.12.2018</b>	<b>69'258</b>	<b>50'285</b>	<b>115'010</b>	<b>234'553</b>
		31.12.2017	82'599	27'939	117'551	228'090

## Impaired claims

in CHF thousands		Gross outstanding amount	Estimated proceeds from realisation of collateral	Net outstanding amount	Specific allowances
	<b>31.12.2018</b>	<b>48'505</b>	<b>23'689</b>	<b>24'815</b>	<b>24'815</b>
	31.12.2017	64'710	35'630	29'080	29'080

## 2 Securities and precious metals holdings

### a Securities and precious metals trading positions

in CHF thousands	Book value		Cost		Market value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Debt securities	0	50	0	50	0	50
listed	0	50	0	50	0	50
unlisted	0	0	0	0	0	0
Equities	10	1	67	43	10	1
listed	1	1	58	43	1	1
of which own shares	0	0	0	0	0	0
unlisted	10	0	10	0	10	0
Precious metals	1'421	1'293	1'421	1'293	1'421	1'293
<b>Total</b>	<b>1'431</b>	<b>1'344</b>	<b>1'489</b>	<b>1'386</b>	<b>1'431</b>	<b>1'344</b>

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

in CHF thousands	Book value		Cost		Market value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Debt securities	1'338'466	939'101	1'346'528	952'599	1'351'745	950'021
listed	1'338'466	939'101	1'346'528	952'599	1'351'745	950'021
unlisted	0	0	0	0	0	0
Equities	7'760	95'012	8'402	168'744	8'070	95'620
listed	7'735	94'894	8'195	163'886	8'015	95'474
unlisted	25	118	207	4'858	55	146
<b>Total</b>	<b>1'346'226</b>	<b>1'034'113</b>	<b>1'354'931</b>	<b>1'121'343</b>	<b>1'359'814</b>	<b>1'045'641</b>

### c Securities and precious metals as fixed assets

in CHF thousands	Book value		Cost		Market value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Debt securities	0	0	0	0	0	0
listed	0	0	0	0	0	0
unlisted	0	0	0	0	0	0
Equities	50'296	227'225	57'304	231'127	53'396	234'540
listed	0	0	0	0	0	0
unlisted	50'296	227'225	57'304	231'127	53'396	234'540
Precious metals	35'658	28'358	35'658	28'358	35'658	28'358
<b>Total</b>	<b>85'954</b>	<b>255'583</b>	<b>92'962</b>	<b>259'485</b>	<b>89'054</b>	<b>262'898</b>



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

Quantity / in CHF thousands	Quantity		Book value	
	2018	2017	2018	2017
As at 1 January	1'922'937	1'959'238	94'894	78'987
Bought	116'500	0	7'100	0
Sold*	-1'914'596	-36'301	-163'176	-3'159
Additions / (Impairments)	0	0	68'917	19'066
<b>As at 31 December</b>	<b>124'841</b>	<b>1'922'937</b>	<b>7'735</b>	<b>94'894</b>

\* This contains the transfer of 1.85 million treasury shares on 4 July 2018 to the owners for the purchase of Semper Constantia Privatbank AG with registered office in Vienna.

### 4 Participations and shares in associated companies

in CHF thousands	31.12.2018	31.12.2017
<b>Participations</b>		
With market value	0	0
Without market value	30	33
<b>Total participations</b>	<b>30</b>	<b>33</b>
<b>Shares in associated companies</b>		
With market value	0	0
Without market value	436'200	170'348
<b>Total shares in associated companies</b>	<b>436'200</b>	<b>170'348</b>

## 5 Substantial participations and shares in associated companies

Company name and registered office	Business activity	Currency	Share capital	% share of votes	% share of capital
<b>Participations</b>					
Data Info Services AG, Vaduz	Service company	CHF	50'000	50.0	50.0
<b>Shares in associated companies</b>					
Liechtensteinische Landesbank (Österreich) AG, Vienna	Bank	EUR	5'000'000	100.0	100.0
LLB Asset Management AG, Vaduz	Asset management	CHF	1'000'000	100.0	100.0
LLB Fund Services AG, Vaduz	Fund management company	CHF	2'000'000	100.0	100.0
LLB Swiss Investment AG	Fund management company	CHF	8'000'000	100.0	100.0
LLB Holding AG, Uznach	Holding company	CHF	95'328'000	100.0	100.0
Zukunftsstiftung der Liechtensteinischen Landesbank AG	Charitable foundation	CHF	30'000	100.0	100.0

## 6 Statement of fixed assets

in CHF thousands	Cost	Accumulated depreciation	Book value 31.12.2017	Investments	Disinvestments	Reclassifications	Additions	Depreciation	Book value 31.12.2018
<b>Total participations (non-controlling interests)</b>	37	-4	33	0	0	0	0	-3	<b>30</b>
<b>Total shares in associated companies</b>	206'967	-36'619	170'348	266'002	-400	0	0	250	<b>436'200</b>
<b>Total securities and precious metals as fixed assets</b>	335'444	-79'861	255'583	196'920	-366'548	0	0	0	<b>85'954</b>
<b>Total intangible assets<sup>o</sup></b>	136'411	-94'760	41'651	12'609	0	0	0	-11'967	<b>42'293</b>
Real estate									
bank premises	174'281	-111'577	62'704	2'676	0	0	0	-4'826	60'555
other properties	25'038	-10'038	15'000	0	0	0	0	0	15'000
Other fixed assets	97'478	-86'956	10'522	7'253	0	0	0	-3'856	13'919
<b>Total fixed assets</b>	<b>296'797</b>	<b>-208'571</b>	<b>88'225</b>	<b>9'929</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-8'682</b>	<b>89'472</b>
Fire insurance value of real estate			194'917						194'917
Fire insurance value of other fixed assets			40'205						37'036

<sup>o</sup> Solely licence and software costs.

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

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

in CHF thousands	31.12.2018	31.12.2017
<b>Excluding lending transactions and pension transactions with securities</b>		
Book value of pledged and assigned (as collateral) assets	50'248	82'980
Actual commitments	0	0
<b>Lending transactions and pension transactions with securities</b>		
Self-owned securities lent or delivered as collateral within the scope of securities lending or borrowing transactions, or self-owned securities transferred in connection with repurchase agreements	250'228	177'305
of which capable of being resold or further pledged without restrictions	250'228	177'305
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	582'184	395'266
of which resold or further pledged securities	82'759	41'864

## 8 Liabilities due to own pension funds

in CHF thousands	31.12.2018	31.12.2017	+ / - %
Current account, call money and time deposits	19	26	-26.5
Savings deposits	20'089	27'122	-25.9
<b>Total</b>	<b>20'108</b>	<b>27'149</b>	<b>-25.9</b>

## 9 Allowances and provisions / provisions for general banking risks

in CHF thousands	Total 31.12.2017	Specific allowances	Recoveries, overdue interest, currency differences	New provisions charged to income statement	Provisions released to income statement	Total 31.12.2018
<b>Allowances for loan default risks</b>						
Specific allowances	29'080	-4'441	502	696	-1'021	24'815
Lump-sum individual allowances (incl. those for country risks)	0	0	0	0	0	0
Provisions for taxes and deferred taxes	9'951	0	0	0	-4'148	5'803
Other provisions	4'594	-373	0	0	-195	4'026
<b>Total allowances and provisions</b>	<b>43'625</b>	<b>-4'815</b>	<b>502</b>	<b>696</b>	<b>-5'364</b>	<b>34'644</b>
Minus allowances	-29'080					-24'815
<b>Total provisions according to balance sheet</b>	<b>14'545</b>					<b>9'829</b>
<b>Provisions for general banking risks</b>	<b>310'000</b>					<b>310'000</b>

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

in CHF thousands	31.12.2018			31.12.2017		
	Total nominal value	Quantity	Capital ranking for dividend	Total nominal value	Quantity	Capital ranking for dividend
Share capital	154'000	30'800'000	153'376	154'000	30'800'000	144'385
<b>Total common stock</b>	<b>154'000</b>	<b>30'800'000</b>	<b>153'376</b>	<b>154'000</b>	<b>30'800'000</b>	<b>144'385</b>

No conditional or authorised capital exists.

in CHF thousands	31.12.2018		31.12.2017	
	Nominal	Holding in %	Nominal	Holding in %
With voting right: Principality of Liechtenstein	88'500	57.5	88'500	57.5
With voting right: shareholder group Haselsteiner Familien-Privatstiftung and grosso Holding Gesellschaft mbH	9'025	5.9		

## 11 Statement of shareholders' equity

in CHF thousands	2018
Share capital	154'000
Share premium	47'750
Legal reserves	390'550
Reserve for own shares	94'894
Other reserves	664'636
Provisions for general banking risks	310'000
Balance sheet profit	97'755
<b>Total shareholders' equity as at 1 January (before profit distribution)</b>	<b>1'759'585</b>
Dividend and other distributions from previous year's profit	-57'883
Net profit for the year	74'295
Allocation to provisions for general banking risks	0
<b>Total shareholders' equity as at 31 December (before profit distribution)</b>	<b>1'775'997</b>
Of which:	
Share capital	154'000
Share premium	47'750
Legal reserves	390'550
Reserve for own shares	7'735
Other reserves	786'795
Provisions for general banking risks	310'000
Balance sheet profit	79'167

## 12 Maturity structure of assets, liabilities and provisions

in CHF thousands	Sight deposits	Callable	Due within 3 months	Due between 3 months to 12 months	Due between 12 months to 5 years	Due after 5 years	Immo- bilised	Total
<b>Assets</b>								
Cash and balances with central banks	3'599'823	0	0	0	0	0	0	3'599'823
Due from banks	636'299	0	473'863	280'442	52'331	4'502	0	1'447'437
Loans	24'673	529'013	1'248'885	871'531	3'155'784	959'902	0	6'789'787
of which mortgage loans	16'647	107'933	327'889	723'724	3'092'257	875'008	0	5'143'457
Securities and precious metals held for trading	1'431	0	0	0	0	0	0	1'431
Securities and precious metals holdings as current assets (excluding trading positions)	1'346'226	0	0	0	0	0	0	1'346'226
Securities and precious metals holdings as fixed assets	35'658	50'296	0	0	0	0	0	85'954
Other assets	533'197	0	44'801	33'072	49'477	14'703	90'895	766'146
<b>Total assets</b>	<b>31. 12. 2018</b>	<b>6'177'309</b>	<b>579'309</b>	<b>1'767'549</b>	<b>1'185'045</b>	<b>3'257'592</b>	<b>979'107</b>	<b>90'895 14'036'805</b>
	31. 12. 2017	5'355'885	743'417	2'197'422	1'249'959	3'194'992	896'675	90'966 13'729'316
<b>Liabilities and provisions</b>								
Due to banks	461'312	238'336	591'655	157'792	0	0	0	1'449'095
Due to customers	6'929'105	2'965'376	231'075	225'748	54	0	0	10'351'357
of which savings deposits	0	2'167'574	55'397	4'352	25	0	0	2'227'348
of which other liabilities	6'929'105	797'802	175'678	221'396	29	0	0	8'124'009
Certified liabilities	0	0	4'379	13'363	89'500	23'861	0	131'103
of which medium-term notes	0	0	4'379	13'363	89'500	23'861	0	131'103
Provisions (excluding provisions for general banking risks)	0	0	0	0	9'829	0	0	9'829
Other liabilities	178'874	196	40'818	30'824	52'676	16'036	0	319'423
<b>Total liabilities and provisions</b>	<b>31. 12. 2018</b>	<b>7'569'290</b>	<b>3'203'908</b>	<b>867'926</b>	<b>427'727</b>	<b>152'060</b>	<b>39'897</b>	<b>0 12'260'808</b>
	31. 12. 2017	7'865'705	2'656'381	858'084	393'000	148'628	47'934	0 11'969'731
Bonds and other fixed-interest securities that are due in the following financial year								157'317

### 13 Due from and due to associated companies and related parties

#### a Due from and due to participations and associated companies

in CHF thousands	31.12.2018	31.12.2017	+ / - %
Due from participations	0	0	
Due to participations	0	0	
Due from associated companies	435'461	604'880	-28.0
Due to associated companies	1'114'671	865'388	28.8

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

in CHF thousands	31.12.2018	31.12.2017	+ / - %
Due from the Principality of Liechtenstein	0	4	-100.0
Due to the Principality of Liechtenstein	0	0	
Due from companies associated with the Principality of Liechtenstein *	57'750	65'500	-11.8
Due to companies associated with the Principality of Liechtenstein *	0	0	

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

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

#### c Loans to corporate bodies

in CHF thousands	31.12.2018	31.12.2017	+ / - %
Members of the Board of Directors	576	3'189	-81.9
Members of the Board of Management	2'844	2'895	-1.8

#### d Related party transactions

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

## 14 Breakdown of assets and liabilities by location

in CHF thousands	31.12.2018		31.12.2017	
	FL / CH	Abroad	FL / CH	Abroad
<b>Assets</b>				
Cash and balances with central banks	3'599'823	0	3'376'198	0
Due from banks	904'077	543'360	1'616'446	558'484
Loans (excluding mortgages)	841'480	804'850	895'044	696'349
Mortgage loans	5'143'457	0	4'815'600	0
Bonds and other fixed-interest securities	220'247	1'118'220	104'986	834'166
Shares and other non-fixed-interest securities	40'749	9'582	217'455	9'899
Participations	30	0	33	0
Shares in associated companies	131'405	304'795	98'508	71'840
Intangible assets	42'293	0	41'651	0
Fixed assets	89'472	0	88'225	0
Own shares	7'735	0	94'894	0
Other assets	129'411	40'264	97'092	65'497
Accrued income and prepayments	49'975	15'580	34'712	12'239
<b>Total assets</b>	<b>11'200'154</b>	<b>2'836'651</b>	<b>11'480'842</b>	<b>2'248'474</b>
<b>Liabilities</b>				
Due to banks	468'820	980'275	318'579	752'777
Due to customers (excluding savings deposits)	5'716'052	2'407'957	5'440'060	2'718'916
Savings deposits	1'895'742	331'606	2'045'987	320'900
Certified liabilities	131'103	0	151'224	0
Other liabilities	220'682	48'967	137'802	38'134
Accrued expenses and deferred income	24'334	25'440	20'080	10'725
Provisions	9'829	0	14'545	0
Provisions for general banking risks	310'000	0	310'000	0
Share capital	154'000	0	154'000	0
Share premium	47'750	0	47'750	0
Legal reserves	390'550	0	390'550	0
Reserves for own shares	7'735	0	94'894	0
Other reserves	786'795	0	664'636	0
Profit carried forward	4'872	0	4'463	0
Profit for the year	74'295	0	93'292	0
<b>Total liabilities</b>	<b>10'242'559</b>	<b>3'794'246</b>	<b>9'887'863</b>	<b>3'841'453</b>

## 15 Geographical breakdown of assets by location

	31.12.2018		31.12.2017	
	Absolute value	% of total	Absolute value	% of total
Liechtenstein / Switzerland	11'200'154	79.8	11'480'842	83.6
Europe (excluding Liechtenstein / Switzerland)	1'670'897	11.9	1'402'259	10.2
North America	403'751	2.9	198'049	1.4
Asia	501'612	3.6	386'590	2.8
Others	260'391	1.9	261'576	1.9
<b>Total assets</b>	<b>14'036'805</b>	<b>100.0</b>	<b>13'729'316</b>	<b>100.0</b>



## 16 Breakdown of assets and liabilities by currency

in CHF thousands	CHF	EUR	USD	Others	Total
<b>Assets</b>					
Cash and balances with central banks	3'587'758	11'392	384	289	3'599'823
Due from banks	187'282	109'835	694'591	455'730	1'447'437
Loans (excluding mortgages)	723'373	441'841	426'282	54'833	1'646'330
Mortgage loans	5'136'067	7'390	0	0	5'143'457
Bonds and other fixed-interest securities	429'645	419'630	489'191	0	1'338'466
Shares and other non-fixed-interest securities	35'720	8'381	6'229	0	50'331
Participations	30	0	0	0	30
Shares in associated companies	436'200	0	0	0	436'200
Intangible assets	42'293	0	0	0	42'293
Fixed assets	89'472	0	0	0	89'472
Own shares	7'735	0	0	0	7'735
Other assets	134'742	6'116	28'277	540	169'675
Accrued income and prepayments	30'859	17'862	15'993	840	65'554
<b>Total on-balance sheet assets</b>	<b>10'841'178</b>	<b>1'022'447</b>	<b>1'660'947</b>	<b>512'233</b>	<b>14'036'805</b>
Delivery claims from forex spot, forex futures and forex options transactions	3'448'956	4'703'362	4'222'210	1'065'581	13'440'109
<b>Total assets</b>	<b>14'290'134</b>	<b>5'725'809</b>	<b>5'883'157</b>	<b>1'577'813</b>	<b>27'476'914</b>
<b>Liabilities</b>					
Due to banks	534'516	441'657	391'549	81'373	1'449'095
Due to customers (excluding savings deposits)	3'938'545	1'648'477	2'018'545	518'443	8'124'009
Savings deposits	2'223'291	4'057	0	0	2'227'348
Certified liabilities	130'697	406	0	0	131'103
Other liabilities	211'519	54'050	3'057	1'022	269'649
Accrued expenses and deferred income	22'784	15'137	11'326	528	49'775
Provisions	9'829	0	0	0	9'829
Provisions for general banking risks	310'000	0	0	0	310'000
Share capital	154'000	0	0	0	154'000
Share premium	47'750	0	0	0	47'750
Legal reserves	390'550	0	0	0	390'550
Reserves for own shares	7'735	0	0	0	7'735
Other reserves	786'795	0	0	0	786'795
Profit carried forward	4'872	0	0	0	4'872
Profit for the year	74'295	0	0	0	74'295
<b>Total on-balance sheet liabilities</b>	<b>8'847'178</b>	<b>2'163'784</b>	<b>2'424'477</b>	<b>601'366</b>	<b>14'036'805</b>
Delivery liabilities from forex spot, forex futures and forex options transactions	5'467'335	3'545'357	3'421'479	1'010'770	13'444'941
<b>Total liabilities</b>	<b>14'314'513</b>	<b>5'709'141</b>	<b>5'845'956</b>	<b>1'612'136</b>	<b>27'481'746</b>
<b>Net position per currency</b>	<b>-24'379</b>	<b>16'669</b>	<b>37'201</b>	<b>-34'322</b>	<b>-4'832</b>

## 17 Other assets and liabilities

in CHF thousands	31.12.2018	31.12.2017	+/- %
Precious metals holdings	37'080	29'651	25.1
Tax prepayments	655	439	49.3
Positive replacement values <sup>°</sup>	79'281	74'512	6.4
Settlement account	47'153	51'151	-7.8
Clearing accounts	1'610	3'035	-46.9
Deferred tax claim	3'896	3'801	2.5
<b>Total other assets</b>	<b>169'675</b>	<b>162'589</b>	<b>4.4</b>
Charge accounts	3'560	4'967	-28.3
Negative replacement values <sup>°</sup>	119'723	118'118	1.4
Accounts payable	103'103	16'440	527.2
Settlement account	16'930	17'168	-1.4
Clearing accounts	26'332	19'244	36.8
<b>Total other liabilities</b>	<b>269'649</b>	<b>175'937</b>	<b>53.3</b>

<sup>°</sup> Replacement values are shown gross.