EAS LIECHTENSTEIN

ANNUAL REPORT

2017

Credits

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1. Foreword

Dear Readers

The financial centre once again had no bankruptcies in 2017. As a result, EAS did not have to make any payments as part of its guarantee mechanism and was able to concentrate on measures to optimise its internal organisation and processes. The number of financial service providers covered by EAS is also stable, at about 130.

The volume of covered deposits at affiliated banks declined slightly to CHF 5.8 billion. This continues the trend since 2012 and shows that the clients of Liechtenstein banks are typically strongly guided by developments on the securities markets. The current situation on the interest rate market and portfolio adjustments have further increased this effect. Covered investor claims rose to about CHF 1.4 billion, which is relatively low compared with covered deposits. This may seem surprising at first glance but is based on the fact that Liechtenstein financial service providers focus strongly on professional (institutional) clients.

Last year, EAS was able to further strengthen its financial capacities and build up additional reserves. According to its multi-year planning, these reserves will be used to cover the one-time costs incurred in connection with the necessary expansion of deposit guarantee operations by incorporating the European Deposit Guarantee Schemes Directive 2014/49/EU (DGSD II) into the EEA Agreement. EAS expects national entry into force in spring 2019. Further financial information can be found in chapter 6.

In addition, EAS comprehensively strengthened internal governance. New investment rules were issued, and rules of organisation and operation were developed. Both sets of rules further specify existing principles set out in the articles of association and optimise the governance and management structure. Responsibilities and control functions are clearly addressed and allocated. In order to strengthen operational business, it is also planned to institute the position of a director starting in 2018. It should also be noted that both sets of rules anticipate requirements under European law.

With the entry into force of the Recovery and Resolution Act (SAG) at the beginning of 2017, Liechtenstein has significantly improved its financial stability, in that a statutory mechanism is now available to counteract the "too big to fail" risk of large, systemically important banks in a crisis. For EAS, the new rules firstly mean clarity, insofar as the covered deposits at systemically important banks must be protected by the resolution mechanism. Secondly, more far-reaching interfaces in the financial security network (supervisory and resolution authority, Ministry of Finance) must be established and tested.

Finally, it should be noted that with the introduction of MiFID II regulation in Liechtenstein effective the beginning of 2018, investor protection has been further expanded. It remains to be seen what impact the introduction will have on the investment firm structure in Liechtenstein and on client behaviour. However, consolidation among the more than 100 asset management companies cannot be ruled out, given that an increasing number of cooperation arrangements or mergers are being sought in response to rising regulatory costs.

As you read our Annual Report 2017, we wish you interesting insights into our protection scheme for banking and investment clients of Liechtenstein financial service providers.

Siegbert Näscher, President
Rafik Yezza, Managing Director

2. Facts & Figures 2017

130 participants
- 14 banks
- 1 investment firm
- 109 asset managers
- 6 management companies/AIFMs

Covered deposits
- CHF 5.8 billion

Covered investor claims
- CHF 1.4 billion

No compensation cases

Maximum compensation
- Depositors CHF 100’000.00
- Investors CHF 30’000.00

3. Organisation / Structure

3.1 Legal form & purpose

The Deposit Guarantee and Investor Compensation Foundation PCC (EAS) is an autonomous foundation under articles 552 et seq. of the Liechtenstein Persons and Companies Act (PGR), entered in the Commercial Register since 6 September 2001. It is set up in the form of a protected cell company (PCC) in accordance with articles 243 et seq. PGR. The transformation into a protected cell company was completed on 1 April 2015. The founder is the Liechtenstein Bankers Association (LBA).

Together with the cell participants, the foundation constitutes a protection organisation according to article 7 of the Banking Act (BankG). In accordance with its articles of association and the provisions of the Banking Law, its purpose is to guarantee covered deposits and to compensate covered investor claims at the banks and other financial service providers participating in the protection scheme.

The foundation is established for an indefinite period of time and organised under private law. It does not operate a commercial business (article 552 (1) PGR) and is non-profit. The fees collected are used to cover operational and administrative costs. Because of its non-profit purpose, EAS is exempt from corporate income tax under article 45 (2) of the Tax Act.

The current legal framework such as EU directives, the Liechtenstein Banking Act and Ordinance, and the EAS articles of association can be found on the EAS website at www.eas-liechtenstein.li.

Since 2010, EAS has been a member of the European Forum of Deposit Insurers (EFDI), headquartered in Brussels, and of the International Association of Deposit Insurers (IADI), headquartered in Basel. IADI is affiliated with the Bank for International Settlements (BIS) and is the global standard-setter in the field of deposit insurance, while the EFDI as an expert for deposit insurance and investor compensation mainly focuses on the European Single Market.

3.2 Structure

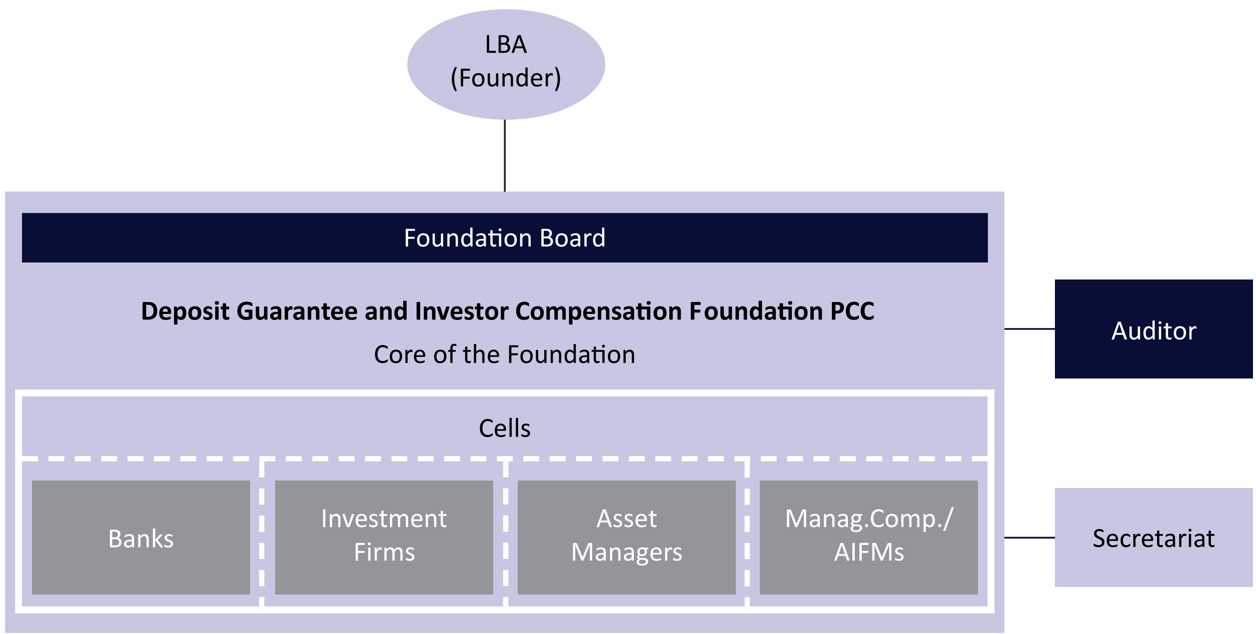
The foundation is a protection institution for covered deposits and investor claims of clients against banks and other financial service providers domiciled in Liechtenstein. It has assumed the obligation to compensate the clients of a bank or other financial service provider up to a certain maximum amount (coverage amount) in the event of default or bankruptcy, if that bank or other financial service provider has a pre-existing contractual relationship with the foundation. With this purpose, EAS as the sole protection institution in Liechtenstein contributes substantially to the protection of creditors and makes a crucial contribution to the reputation and stability of the Liechtenstein financial centre. For this purpose, it operates a combined protection scheme for deposits and investor claims in accordance with the legal and European requirements.

The foundation is composed of a core and the following four cells:
1. Banks
2. Investment firms
3. Asset managers
4. UCITS management companies and AIFMs

The **core** of the foundation is responsible for ongoing operations, namely management of the foundation and administrative processing of compensation cases on behalf of the cells. The core of the foundation has the core assets at its disposal.

Within an individual, separated, and independent **cell**, assets are accumulated through the contributions of the participating financial service providers. These assets serve to finance compensation cases. They are explicitly and exclusively allocated to each cell. The individual cells do not have their own legal personality, however.

The core and each cell are liable only for themselves, i.e., liability does not extend between cells or between the core and individual cells. The core assets assume liability for the core. For an individual cell, only the specifically allocated cell assets are liable. These assets are accumulated in the form and amount of the contributions already paid in by the participants in the cell.



3.3 Bodies

3.3.1 Foundation Board

The Foundation Board is the governing body of the foundation, comprised of three to seven natural persons as members, who are appointed by the founder for an indefinite term and may be dismissed by the founder. It is the Foundation Board's responsibility to manage the foundation and to represent it externally.

At most two seats on the Foundation Board are allocated to the Association of Independent Asset Managers in Liechtenstein (VuVL) and the Liechtenstein Investment Fund Association (LAFV), which represent the participants in the pure investor compensation scheme of EAS in particular. The remaining members of the Foundation Board are representatives of the LBA member banks.

Siegbert Näscher
President, VP Bank AG, member since March 2012

Christoph Reich
Vice President, Liechtensteinische Landesbank AG (LLB), member since March 2012

Roland Frick
Bank Frick & Co. AG, member since October 2015

Lars Inderwildi
Liechtenstein Investment Fund Association (LAFV), member since October 2015

Fredy Wolfinger
Association of Independent Asset Managers in Liechtenstein (VuVL), member since October 2015

Claudia Jehle
NEUE BANK AG, member since October 2016

Ivo Klein
LGT Bank AG, member since March 2017

3.3.2 Auditor

The foundation requires an auditor licensed under Liechtenstein banking law (article 7(4) BankG), which performs an annual legality and regularity audit of the protection scheme and prepares a detailed audit report.

PricewaterhouseCoopers AG (St. Gallen)
since 2001 fiscal year

3.4 Secretariat

According to the articles of association, the Foundation Board may establish a Secretariat reporting to it in order to fulfil its responsibilities. By way of a written agreement, the LBA has been entrusted with the responsibilities of ongoing management and especially with the processing of compensation cases. On the basis of this agreement, the management of the EAS Secretariat has been assigned to the LBA Secretariat, which in particular is responsible for all daily business, international cooperation and administrative concerns of EAS.

Rafik Yezza
Managing Director

Simon Tribelhorn
Secretary

Silvia Heron
Administration

Katharina Zogg
Accounting / Annual Financial Statement

4. Activity Report

The following activity report provides information on the main work and projects of EAS which – alongside ongoing administration of the foundation – were the focus of the Secretariat's activities in the past year. Additionally, international developments relating to deposit insurance and investor compensation are commented on.

The specific and statistical information on the individual cells can be found in chapter 5 below.

4.1 Governance & Organisation

Now that the extended protection scheme has been operating in the form of a protected cell company for about two years, the focus in 2017 was on the prospective further development of the governance and management structure and optimisation of the internal organisation. In this context, the extended requirements of the Deposit Guarantee Schemes Directive 2014/49/EU were also taken into account and actively included in the analysis process and planning of measures. In addition to two ordinary Foundation Board meetings, two further workshops were held in the reporting year in order to reinforce these efforts.

The new regulatory rules for deposit guarantee schemes include the requirement that a certain portion of the payout amount in a guarantee case be financed in advance. This ex ante financing must be collected through annual contributions from the banks until the target level has been reached. EAS manages these ex ante funds in the foundation's banking cell. For that purpose, investment rules were issued early on for the proper management of these funds. The investment rules pay particular attention to security and the need for liquid assets as well as to appropriate diversification.

The requirements and expectations regarding management structure and transparency are steadily increasing. EAS is also engaged in this discussion. For this reason, the Foundation Board, together with the management, began in the reporting year to summarise and clarify the internal management structure and competencies as well as the principles of the internal control system in rules of organisation and operation, with the aim of setting out the organisation and the principles of business operation and financial management of EAS. In addition to the law and the articles of association, the responsibilities and powers of the governing bodies (Foundation Board, Auditor) and management are to be compiled and further developed. The rules are scheduled to come into force in summer 2018, subject to approval by the FMA.

In order to increase process reliability and quality as well as to minimise throughput times, measures were initiated to make the master data management of the more than 130 participants more efficient by extending the CRM software. On this basis, the processes for determining covered investor claims and for invoicing and collection of fees and guarantee contributions will also be optimised.

4.2 Regulation and projects

Legal framework:

Although the Recovery and Resolution Directive 2014/59/EU has not yet been incorporated into the EEA Agreement, Liechtenstein has transposed the directive into Liechtenstein law with the adoption of the Recovery and Resolution Act (SAG). At the same time, issues remaining from Directive 2009/14/EU amending the Deposit Guarantee Schemes Directive were transposed into national law by amending the Banking Act and the Banking Ordinance. With the new provisions applicable effective 2017, Liechtenstein is sending a clear signal for the solution of the "too big to fail" problem and is thereby strengthening the stability of the Liechtenstein financial system as well as depositor protection. Due to the changed legal basis, the articles of association and all cell regulations were also updated in the reporting year.

At the same time as the introduction of the SAG, the resolution authority was established. Its organisation is affiliated to that of the Financial Market Authority (FMA) Liechtenstein. Because of several interfaces defined by law, a regular exchange takes place with representatives of the resolution authority. EAS expects this exchange to intensify in the course of the further development of the framework conditions and the further delineation of the responsibilities relating to the regulation of financial centre stability.

Single Customer View (SCV):
Single Customer View (SCV) was introduced already in 2016 to prepare the payout function in a compensation case within the tighter deadlines (currently 20 days) and to increase the quality and efficiency of the determination of covered deposits at the banks. In the reporting year, the SCV manual prepared for the banks was expanded and updated to take account of the new legal foundations. On the basis of the ongoing exchange of experience, clarifications have also been made at several points in order to further strengthen the necessary harmonisation among the participants. The SCV procedure will be mandatory in Liechtenstein starting with the entry into force of the provisions of the new Deposit Guarantee Schemes Directive.

In order to ensure a high compliance rate with EAS requirements, as a first step the status of implementation of the SCV framework at the banks was assessed by the statutory auditors, on behalf of EAS and on the basis of predefined audit procedures. In 2017, the audit results were assessed and evaluated in a structured manner. Based on these results, separate follow-up meetings were held with the banks to discuss and record the current status of development and the planning of measures. Overall, EAS has found that the participating banks meet the expectations placed in them to prepare for the new requirements. A further audit by the external auditors is planned for autumn 2018 to ensure that the banks are adequately prepared for the future legal obligation, in line with the principle of proportionality.

Risk-based calculation of contributions:
Another sub-project in preparation for national implementation of the Deposit Guarantee Schemes Directive deals with the guarantee contributions. In the context of the ex ante financing that will be required in future, a calculation model was defined together with the participating banks and on the basis of the European requirements. Based on a simulation with data as of 31 December 2016, the adequacy and effectiveness of the draft model were reviewed in the reporting year. The knowledge gained from that simulation will be used in the further development of the calculation model. Because of the delays in the legislative process, a further simulation with data as of the end of 2017 can be carried out. EAS expects that banks will be required to pay ordinary guarantee contributions for the first time in 2019, based on the risk-based contribution calculation model, as ex ante financing for the deposit guarantee fund.

Up to a maximum of 30% of the future guarantee contributions required of banks can be made through irrevocable payment commitments. These payment commitments must be fully collateralised by cash or low-risk assets that are unencumbered by any third-party rights and are at the disposal of the deposit guarantee scheme. In agreement with the participating banks, EAS intends to use this option and has initiated work to prepare the organisational and technical arrangements.

4.3 Public relations

After preparing a comprehensive annual report for the first time in 2016 and making it publicly available on its website, EAS further increased financial transparency by extending the information contained in the notes to the annual financial statement. The EAS website, which is completely available in German and English, was also continuously updated and converted to the https protocol.

Due to delays in the legislative process for transposing the Deposit Guarantee Schemes Directive 2014/49/EU into national law, the planned communication measures to accompany the introduction of the new legal provisions have also been delayed.

4.4 European & international developments

EU & Single Market (EEA):
As an EEA member state, Liechtenstein has to implement the relevant EU rules for the Single Market. For EAS, this means especially that Liechtenstein must undertake the actual regulatory work relating to deposit insurance and investor compensation and to closely follow the other rules relating to banks and investment firms, such as CRD IV and MiFID.

In mid-2014, in addition to the new Deposit Guarantee Schemes Directive (2014/49/EU, DGSD II), the Bank Recovery and Resolution Directive (2014/59/EU, BRRD) was also published.

The EU member states had time until the end of that year to transpose the provisions into national law. The BRRD – as well as DGSD II – are still being incorporated into the EEA Agreement and are thus not yet legally binding on Liechtenstein. In order to strengthen financial stability, the BRRD was nevertheless transposed into national law with the new SAG, which has been applicable since 2017. Liechtenstein also plans to implement the new, harmonised deposit guarantee provisions into national law in the first half of 2019.

The recast Markets in Financial Instruments Directive (2014/65/EU, MiFID II) was also published in mid-2014. Liechtenstein transposed the MiFID II provisions into national law at the same time as the EU member states and put them into effect together with Regulation (EU) No 600/2014 (MiFIR) at the beginning of 2018.

At the end of 2016, the EU Commission proposed a comprehensive regulatory package (Risk Reduction Package, RRP) to amend the existing financial stability rules (CRD/CRR/BRRD). The primary objective of this package is to complete the EU reform agenda and optimise the resilience of banks and investment firms by addressing remaining weaknesses and introducing several elements that are still outstanding and have been published by global standard-setters such as the Basel Committee on Banking Supervision and the Financial Stability Board (FSB). In the reporting year, the EU Parliament and Council examined and assessed the Commission's proposals. It is expected that the regulatory package will be discussed in a final round by the end of 2018. Liechtenstein will also transpose and apply the new EU regulations. EAS will analyse potential implications with regard to its protection system and assess any need for adjustments.

European Forum of Deposit Insurers (EFDI):
Membership in EFDI is particularly valuable, given that EAS is able to use it to exchange important experiences with regard to concrete implementation measures and payout cases of deposit guarantee schemes in the individual EU member states and to strengthen cross-border cooperation. In view of the fact that no compensation case has yet to be settled in Liechtenstein, the exchange of technical and organisational questions is of great importance for EAS.

Furthermore, the planned changes to the EFDI statutes were advanced in order to promote the positioning and professionalisation of the association as well as the integration of its members. In the reporting year, the articles of association were amended by way of a resolution of the General Meeting in order to promote the positioning and professionalisation of the association as well as to improve member integration. This was accompanied by the approval of a framework for increasing membership fees. Although the focus is clearly on the single market, EFDI also aims to be an attractive partner for European third countries. In addition to deposit guarantee schemes, EFDI also aims to be THE European platform for investor compensation schemes. EAS fully supports these efforts.

EAS is actively represented in the EU committee that serves as a comprehensive platform for dealing with EU regulation and its effects on protection schemes. In this body, a new working group on stress testing of deposit guarantee schemes was set up in the reporting year. According to the new, uniform European standards, deposit guarantee systems must regularly carry out comprehensive simulations to audit their proper functioning, and they must report the results to the responsible supervisory authority and the EBA. The working group is intended to provide substantial support for the implementation of the protection schemes as a platform for exchanging experiences and as a central interface to the EBA.

As a combined protection scheme, EAS is also committed to ensuring that sufficient weight is given to investor compensation within the association. EAS makes contributions in this regard not only at the level of its articles of association, but is also actively involved in the EFDI working group, which collects, evaluates, and assesses information on the status of European investor compensation systems on the basis of a comprehensive questionnaire. The resulting questions are examined and discussed with in-depth analyses and in the working group. In the reporting year, EAS dealt with the impact of MiFID and other investor protection rules on the activities of investor compensation systems. In addition, EAS was able to present itself at the annual special conference on the topic of "Current developments in the regulation of investor compensation systems".

EAS also regularly exchanges information with representatives of German-language deposit guarantee schemes. In addition to bilateral talks, material questions and experiences are examined and discussed at five-country meetings. In November 2017, EAS welcomed representatives from Germany, Austria, Luxembourg, and Switzerland to Liechtenstein already for the second time. Given that no compensation case has had to be settled in Liechtenstein so far, the exchange of technical and organisational questions is of great importance for EAS. Moreover, Liechtenstein banks have subsidiaries or branches in these markets.

International Association of Deposit Insurers (IADI): As the international standard-setter, IADI issues the Core Principles for Effective Deposit Insurance Schemes, which were revised at the end of 2014. These Core Principles serve as the basis for the International Monetary Fund (IMF) and the World Bank to evaluate the quality of deposit guarantee schemes in their country assessments.

The Secretariat took part in the annual IADI survey and exercised its membership rights at the annual general meeting. Furthermore, the European Regional Committee was informed regularly of relevant developments.

EAS also accompanied a student from the University of St. Gallen (HSG), whose bachelor's thesis analysed EAS's compliance with the IADI Core Principles. The results of the analysis were presented by the author and discussed with the Foundation Board at a meeting. This provided useful insights for the further development of the protection scheme, in particular with regard to the integration of EAS into the financial safety net.

5. Cells

In addition to statistical information, this chapter presents and comments on important developments relating to the individual cells, where applicable.

5.1 Overview
Each cell constitutes its own protection scheme for covered deposits (only banks) and investor claims (all participants), with the purpose of financing and processing compensation cases. Operational activities are delegated to the core of the foundation. During the reporting year, EAS administered four cells for the following categories of financial service providers:

- Banks (authorised under the BankG)
- Investment firms (authorised under the BankG)
- Asset managers (authorised under the Asset Management Act)
- Management companies and AIFMs (authorised under the UCITS Act and the AIFM Act), with a supplementary licence for individual portfolio management

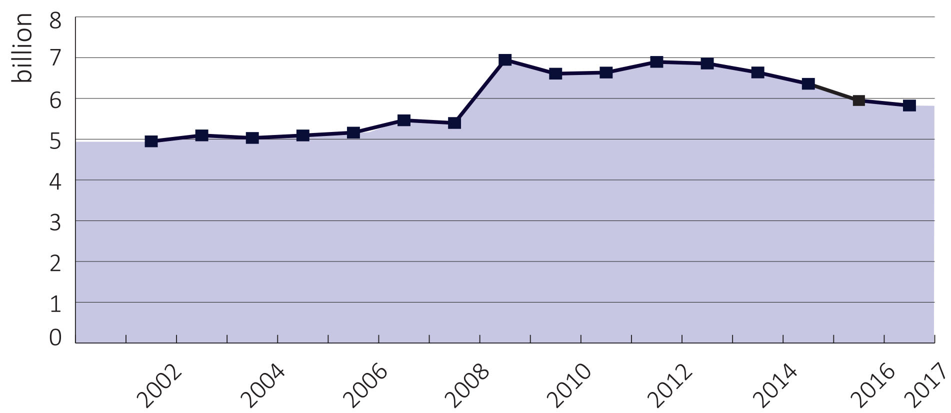
As in the previous years, no compensation cases arose during the reporting year.

5.2 Banking cell
During the entire reporting year, all banks authorised in Liechtenstein with a full licence participated in the banking cell of the deposit guarantee and investor compensation scheme. Not affiliated with the system is SIGMA KREDITBANK AG, which merely has a restricted licence for lending in accordance with article 3(3)(b) BankG and thus is under no obligation to join a deposit guarantee scheme.

Based on the articles of association as well as the cell regulation and the participation contracts, the cell is financed only if a compensation case occurs (ex post financing). The basis for determining the individual guarantee contributions is the reporting of covered deposits and investor claims, which are consolidated into a weighted guarantee amount and distributed proportionately among the participants using a matrix.

The total of the weighted guarantee amount determined as of 30 September 2017 – valid from 1 January 2018 – is CHF 5,950,839,581.00. According to the cell regulation, the foundation grants maximum coverage for deposits and investor claims of up to CHF 400 million. This upper limit on the scheme corresponds to 6.7 % of the current guarantee amount, meaning that the contributions to be made by the banks (without interest) will at no time exceed the indicated limit in total.

The following chart shows the development of covered deposits since the foundation was established in 2001:



5.3 Cells for other financial service providers

All investment firms and asset management companies as well as UCITS management companies or AIFMs with a supplementary license for individual portfolio management were active participants in the investor compensation system in their respective cells during the reporting year. Turnover occurred mainly among the more than 100 asset management companies, where many existing authorisations were returned and new companies entered the market. The individual additions to and exits from the cells can be found in the participant statistics in chapter 5.4.

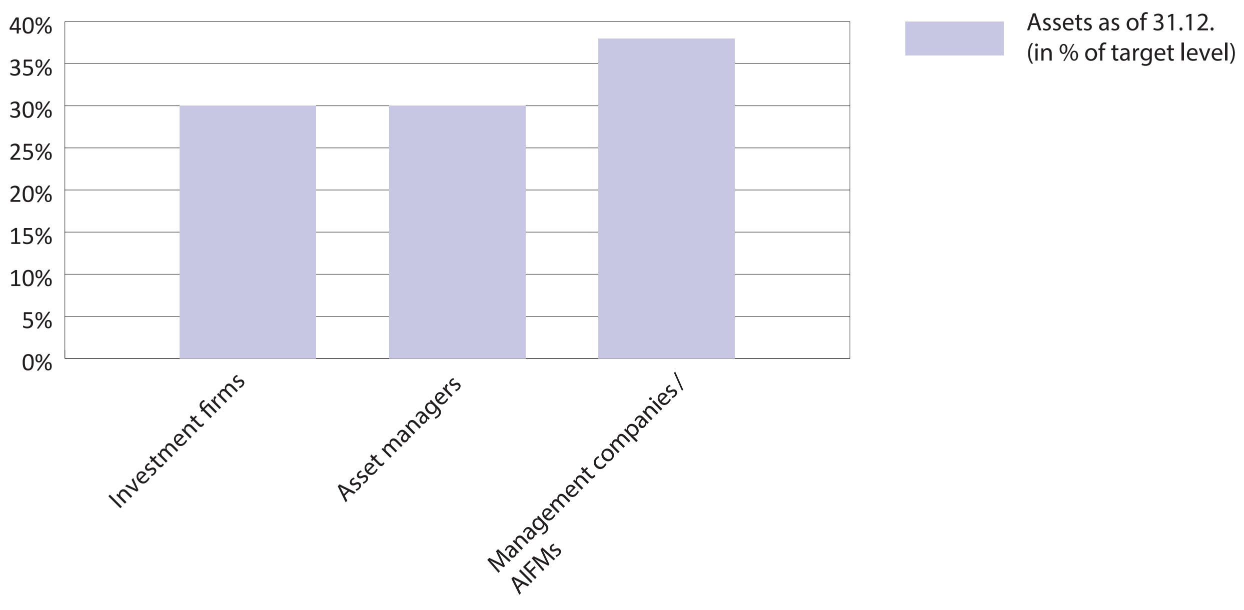
Based on the articles of association as well as the applicable cell regulations and participation contracts, the cell assets necessary for an average compensation case are financed in advance by collecting guarantee contributions (ex ante financing).

The target level for each cell amounts to 0.3% of the sum of the covered investor claims of all participants of a cell. That target level was determined for the first time on the basis of the audited sum of the covered investor claims of all cell participants as of the cut-off date of 30 June 2015.

The adequacy of the initial determination of the target level is reviewed each year on the basis of the reports. If the sum of the covered investor claims of all cell participants changes significantly (+20% / -30%), the adequacy of the target amount is re-evaluated and, where necessary, a new target level is defined. Guarantee contributions are levied until the cell assets reach or exceed the target level. After that, no contributions are levied until the actual cell assets fall below the target amount by 10%.

The target level for the cell assets is being built up over 10 years by collecting annual guarantee contributions from all cell participants. Every unit participant must make a basic contribution of at least CHF 250 each year, regardless of whether the participant has covered investor claims or not. In the year of joining a cell scheme, new participants have to provide the basic contribution at least.

The following chart shows the relative achievement of the target amount during the accumulation phase for the 2017 fiscal year in the individual cells for other financial service providers:



5.4 Participant statistics

The following table shows the development of cell participants in the reporting year:

2017 reporting year					
	Number of participants per cell				
	Banks	Investment firms	Asset managers	UCITS MCs / AIFMs	TOTAL
01.01.	14	1	115	8	138
New members	0	0	4	0	4
Returns of licences	0	0	– 10	– 2	– 12
Exits	0	0	0	0	0
Change of cell	0	0	0	0	0
31.12.	**14**	**1**	**109**	**6**	**130**
Increase / decrease	**0**	**0**	**– 6**	**– 2**	**– 8**

The list of current cell participants is published on the EAS website at **www.eas-liechtenstein.li**.

6. 2017 Annual Financial Statement

According to the PGR requirements, the annual financial statement of the foundation contains the financial information for both the core (operation of the institution) and the cells, which serve solely to finance any compensation cases. Separate accounts are maintained for all subareas. This separation permits unique identification of the individual assets at any time in accordance with article 243e(4) PGR.

6.1 Information on the annual financial statement

Accounting is carried out in accordance with the general provisions of the PGR. The annual accounts have been prepared in accordance with statutory regulations and the principles of proper accounting. The valuation assumes the foundation's continued existence. The accounts are kept in Swiss francs. The rate for tax purposes is used to convert foreign currencies into Swiss francs as of the balance sheet date. There are no deviations from the general valuation principles, accounting methods, and accounting rules as set out in the PGR.

The 2017 fiscal year closed with a annual profit of CHF 2,416.77. The net profit (taking account of the profit brought forward of CHF 26,383.02 from the previous year) thus amounts to CHF 28,799.79. The balance sheet total for 31 December 2017 amounts to CHF 798,691.92. The income from participation fees amounts to CHF 280,400.00, of which CHF 42,000.00 results from the collection of admission fees. An additional CHF 60,000.00 was allocated to other provisions, which can be used by the Foundation Board for future project expenses and for the financial relief of participants.

As there are no compensation cases, the cell report (chapter 6.3) only includes items for ordinary ex ante financing in accordance with the plan for asset accumulation.

With a reporting date of 9 April 2018, the auditors presented their report for the year 2017. They recommended that the Foundation Board approve the annual financial statement, consisting of the balance sheet, income statement, notes and the cell report.

At its meeting on 25 April 2018, the Foundation Board considered and approved the annual financial statement.

6.2 Foundation: Balance sheet, income statement and notes

Balance sheet (in CHF)			
		31.12.2017	31.12.2016
Assets		**CHF**	**CHF**
Accounts receivable	1	250.00	0.00
Cash and cash equivalents	CR	798,441.92	662,104.51
TOTAL ASSETS		**798,691.92**	**662,104.51**
Liabilities and equity			
Foundation capital		30,000.00	30,000.00
Reserves	2, CR	190,000.00	190,000.00
Retained earnings		26,383.02	16,757.37
Annual profit		2,416.77	9,625.65
Total equity		**248,799.79**	**246,383.02**
Provisions	3, CR	534,057.70	403,481.44
Accounts payable		4,814.43	5,220.05
Accrued expenses		11,020.00	7,020.00
Total liabilities		**549,892.13**	**415,721.49**
TOTAL OF LIABILITIES AND EQUITY		**798,691.92**	**662,104.51**

Income statement (in CHF)			
		2017	2016
Income from participation fees	4	280,400.00	279,800.00
Operating expenses	5	–217,851.41	–195,053.38
Allocation / releases of other provisions	3	–60,000.00	–75,000.00
Financial income from foundation operation		–168.57	–169.67
Income of ordinary operation		**2,380.02**	**9,576.95**
Incom from cell contributions		70,576.26	72,481.44
Allocation/releases of provisions pay out claims	3	–70,576.25	–72,481.44
Financial income from cell assets		36.75	48.70
Cell income	CR	**36.75**	**48.70**
Annual profit		**2,416.77**	**9,625.65**

CR = Cell Reporting

Notes to the 2017 Financial Statements

General remarks
The Deposit Guarantee and Investor Compensation Foundation PCC (EAS) is an autonomous foundation under articles 552 et seq. of the Liechtenstein Persons and Companies Act (PGR), entered in the Commercial Register since 6 September 2001. It is set up in the form of a protected cell company (PCC) in accordance with articles 243 et seq. PGR and it does not operate a commercial business (article 107 PGR). Because of its non-profit purpose, the EAS is exempt from corporate income tax.

Accounting and valuation methods
Accounting is carried out in accordance with the general provisions of the Law on Persons and Companies (PGR). The annual accounts have been prepared in accordance with statutory regulations and the principles of proper accounting. The valuation assumes the foundation's continued existence.

The accounts are kept in Swiss francs. The rate for tax purposes is used to convert foreign currencies into Swiss francs as of the balance sheet date. There are no deviations from the general valuation principles, accounting methods, and accounting rules as set out in the PGR.

Receivables and other assets are stated at their nominal value. All risky items are taken into account by carrying out appropriate value adjustments.

Provisions take into account all uncertain liabilities and anticipated losses from pending transactions. They are stated at the amount required according to reasonable commercial judgement.

They include **provisions for potential payout claims** by depositors and investors that are established from the guarantee contributions, as well as **other provisions** which can be used by the Foundation Board for future project expenses and for the financial relief of participants. As a non-profit foundation, EAS aims to cover the regular annual budget with stable administrative fees. If additional income arises as a result of new admissions or lower expenses, reserves are accrued.

Accounts payable are stated at the repayment amount.

Balance sheet notes

	31.12.2017	31.12.2016
1. Accounts receivable (CHF)		
Accounts receivable administration fees	1,600.00	1,600.00
Accounts receivable cell contributions	565.00	315.00
Total accounts receivable gross	**2,165.00**	**1,915.00**
Specific bad debt charges	1,915.00	1,915.00
TOTAL ACCOUNTS RECEIVABLE	**250.00**	**0.00**

2. Reserves (CHF)			
Cell reserves	CR	120,000.00	120,000.00
Capital reserves		70,000.00	70,000.00
TOTAL RESERVES		**190,000.00**	**190,000.00**

3. Provisions (CHF)			
Pay out claims	CR	174,057.70	103,481.44
Other provisions		360,000.00	300,000.00
TOTAL PROVISIONS		**534,057.70**	**403,481.44**
Status as of January 1		403,481.44	256,000.00
Application		0.00	0.00
New allocation out of income statement		130,576.26	147,481.44
Releases to income statement		0.00	0.00
STATUS AS OF DECEMBER 31		**534,057.70**	**403,481.44**

Income statement notes

	2017	**2016**
4. Income from participation fees (CHF)		
Income form entry fees	42,000.00	35,000.00
Income from administration fees	238,400.00	244,800.00
TOTAL PARTICIPANT FEES	**280,400.00**	**279,800.00**

5. Operating expenses (CHF)		
Administration expenses	192,186.73	184,722.53
Public relation expenses	25,664.68	10,330.85
TOTAL OPERATING EXPENSES	**217,851.41**	**195,053.38**

Additional notes

As of 31 December 2017, there were no sureties, guarantees, pledges, or other contingent liabilities.

6.3 Cell report

Cell balance sheets as of 31 December 2017 (in CHF)				
Cells	**Banks**	**Investment firms**	**Asset Managers**	**MCs / AIFMs**
Assets				
Accounts receivable	0.00	0.00	250.00	0.00
Cash and cash equivalents	30,019.81	30,769.96	197,349.06	35,771.19
TOTAL ASSETS	**30,019.81**	**30,769.96**	**197,599.06**	**35,771.19**
Liabilities and Equity				
Provisions for pay out claims	0.00	750.00	167,557.70	5,750.00
Cell reserves	30,000.00	30,000.00	30,000.00	30,000.00
Retained earnings	13.92	13.99	22.98	14.68
Annual profit	5.89	5.97	18.38	16.51
TOTAL LIABILITIES AND EQUITY	**30,019.81**	**30,769.96**	**197,599.06**	**35,771.19**

Cell income statements 2017 (in CHF)				
Cells	**Banks**	**Investment firms**	**Asset Managers**	**MCs / AIFMs**
Participant contributions	0.00	250.00	68,576.26	1,750.00
Allocation of claim provisions	0.00	–250.00	–68,576.26	–1,750.00
Result before financial income	**0.00**	**0.00**	**0.00**	**0.00**
Financial income	5.89	5.97	18.38	6.51
Annual profit	**5.89**	**5.97**	**18.38**	**6.51**