



Roland Matt
Group CEO

Georg Wohlwend
Chairman of the Board of Directors

Letter to shareholders

A future built on excellence

Dear Shareholders

Since the General Meeting of 12 May 2017, I have had the privilege, as Chairman of the Board of Directors, together with our Group CEO Roland Matt, of guiding the future of the LLB Group. During the past year, I have familiarised myself in detail with the scope of my duties and tasks, and I can now say with conviction that the LLB Group has many strengths.

We are a bank that clients trust. We are a bank that is well aware of its tradition, but which at the same time facilitates its clients' access to the financial world by offering innovative products and services. We are a bank with a strong capital base, a high level of stability and a clear strategy. And we are a bank with which its staff strongly identify.

StepUp2020 strategy takes effect

At the LLB Group, 2017 was characterised by sustained, profitable growth. In the second year of realising of our StepUp2020 strategy, we reached a milestone in our progress by attaining a business volume of CHF 62.3 billion. Thanks to our innovative power, flexibility and closeness to clients, we were successful in further strengthening our position in the target markets. We have the correct goals and our path is clearly defined – the StepUp2020 strategy is taking full effect.

Gratifying Group net profit

The macro-economic and political environment continued to be challenging. Negative interest rates and increasingly strict regulatory measures made further demands on the banks in 2017. At the same time, the stock markets exhibited a stable upward trend with low volatility. In this environment the LLB Group attained a gratifying net profit.

Operating income rose by 7.5 percent while operating expenses remained stable. At CHF 111.3 million, Group net profit was 7.1 percent higher than the previous year's level (2016: CHF 103.9 million.). This is the fourth increase in succession. Loans to clients increased to CHF 12.1 billion (2016: CHF 11.5 billion) and client assets under management expanded by 8.2 percent to CHF 50.3 billion (2016: CHF 46.4 billion). A net new money inflow of CHF 470 million (2016: minus CHF 65 million) confirmed that we have accomplished a positive trend turnaround.

Higher dividend

Our shareholders share in our good business result. In accordance with our long-term dividend policy, the Board of Directors will propose to the General Meeting of Shareholders on 9 May 2018 an increase of 17.6 percent in the dividend compared with the previous year to CHF 2.00 (2016: CHF 1.70). This represents an attractive dividend yield of 4 percent.

The price of the LLB share also rose substantially in 2017. On 31 December 2017, the share closed at CHF 49.65. Its total return stood at plus 27 percent. The STOXX Europe 600 Banks banking index in CHF at the end of December 2017 stood at 22.7 percent. At the end of May

2017, we completed the conversion of our former bearer shares into registered shares. This measure enables us to have an even more focused communication with our shareholders.

Security and stability

The financial security and stability of the LLB Group have become even more solid. Our equity consists solely of hard core capital and totalled CHF 1.9 billion on 31 December 2017, the Tier 1 ratio stood at 22.2 percent. This ratio substantially exceeded the legal requirements and represents a very sound capital base in international comparison. The LLB Group is superbly capitalised and has plenty of scope for its growth ambitions.

In April 2017, the rating agency Moody's confirmed Liechtensteinische Landesbank's Aaa deposits rating, which underlines our stability and financial power. Accordingly, LLB is among the top range of Liechtenstein and Swiss banks and ranks well above the average of European financial institutions.

Excellent investment competence

A further strength of the LLB Group is its investment competence. For its strategy funds, which represent the most important performance indicator of every asset manager, our LLB Asset Management competence centre was again awarded top rankings in 2017; among others, first place in Europe and Germany at the Lipper Fund Awards 2017 as well as three other first places in January 2018.

Furthermore, our clients greatly appreciate our "LLB Invest" model for the asset management and investment advice of the future. Within one and a half years, its volume has risen by CHF 1.6 billion.

Digitalisation offensive

Above all, 2017 was the year of our digitalisation offensive. In February, we introduced new mobile banking apps with touch ID for LLB and Bank Linth designed in accordance with the latest security and technological standards.

In July 2017, we presented our new web portal with integrated online banking. It combines a modern layout with a completely responsive design. The new infrastructure provides us with an excellent basis on which to continually expand and refine our online services and make them even more attractive for our clients.

The digitalisation of banking business – both for our clients and ourselves – is one of the key priorities of the StepUp2020 strategy. Many clients select their bank on the basis of its digital service offering. However, when it is a case of complicated financial subjects, many clients want to talk personally with their trusted adviser.

Bank branch of the future

Our omni-channel strategy includes a modern bank branch concept. Since June 2017, the headquarters of Bank Linth in Uznach have reflected this "bank of the future" concept, which has already proved its worth for two years at the branch in Sargans. The entire network of bank branches is to be converted to the concept by 2020.

Over the next three years, LLB will also adapt its three bank branches in Liechtenstein to accommodate changed client behaviour. In our bank branch of the future, obtaining advice in a multi-media client zone becomes an inspiring experience, while the self-service possibilities for carrying out bank and financial transactions set new standards of efficient service.

Certified client advisers

The higher demands our clients make on the standard of advice and the constantly changing situation on the financial markets require a very high level of competence from our client advisers. By the end of 2020, all our client advisers will have completed a specific training programme in accordance with the standards of the Swiss Association for Quality. The SAQ certification of our client advisers enables us to ensure long-term, outstanding advisory competence according to standardised quality criteria

Lean management

At the LLB Group, the valuable, quality time that our advisers spend with their clients is a key success factor. In 2017, Our Operational Excellence Competence Center continued with the implementation of our lean management culture. The progress achieved in enhancing efficiency, optimising IT and simplifying structures and processes facilitates growth and profitability. The goal of this concept is to establish a sustained culture of continual improvement within the company.

Corporate responsibility

The LLB Group regards corporate social responsibility as being an integral part of its business success. For us social responsibility means harmonising economic activities with our responsibility for society and the environment. This is reflected in the five key themes of market performance, compliance, society, environment and employees.

The significance we attach to these areas is also reflected in this annual report, in which we apply the standards of the Global Reporting Initiative – “Core Option”. In this way, we reveal how – as summarised on page 75 – we fulfil our corporate and social responsibilities.

Employer of choice

Our employees and executives play a vital role in the implementation of our strategic initiatives with their dedication, knowledge, skills and commitment. In 2017, we enhanced our position as an attractive employer, as confirmed by the top grades our employees awarded us in the 2017 staff survey. The excellent result achieved by the LLB Group – for the second time already – culminated in the Swiss Employer Award, which motivates us to implement further measures to enable us to be the employer of choice for talented employees and executives.

MiFID II implemented

The complex EU “Markets in Financial Instruments Directive”, (MiFID II) confronted us with many challenges. We pulled out all the stops to optimise our processes and modify our IT infrastructure so that the extensive regulatory changes could be implemented on time and with a specific focus for our clients. For us this was not just a case of extra time and effort, we also saw the opportunities and supplemented our range of investment services with the “LLB Basic” advisory model.

Successfully going forward

With our strategic objectives fully in mind, we shall maintain the successful course of the LLB Group going forward into 2018. Thanks to the dedication of all our teams, we have achieved significant progress with our strategic core elements of growth, profitability, innovation and excellence.

Digitalisation will continue to be a key priority. The training programme for client adviser certification and the lean management Group programme will make a major contribution to focusing our company even more sharply on the requirements of our clients. The “team@work” Group project is a further step in the development of the digital work place. Our goals are to improve collaboration, the exchange of knowledge and the way information is processed.

Acquisitions in Austria and Switzerland

As part of our StepUp2020 strategy, we also set ourselves the goal of making acquisitions in our domestic markets of Liechtenstein, Switzerland and Austria. At the end of December 2017, we announced the takeover of Semper Constantia Privatbank AG in Vienna. This is a major step, which will enable us to significantly expand our business in Austria and position Austria as our third strong, domestic market.

In February 2018, we signed a purchase agreement to acquire the shares of LB(Swiss) Investment AG, Zurich. This takeover, in line with its strategy, enables the LLB Group to gain access to the Swiss investment fund market and to substantially expand its fund

business, which it will in future operate from the three locations of Liechtenstein, Austria and Switzerland.

The takeovers of Semper Constantia Privatbank AG and LB(Swiss) Investment AG represent a quantum leap in the realisation of the StepUp2020 strategy. Both acquisitions are important elements for accelerated growth.

In 2018, the integration of Semper Constantia Privatbank and LB(Swiss) Investment will be key priorities of our work. The integration of LB(Swiss) Investment should be completed by July 2018. In the second quarter, we plan to rename the company "LLB Swiss Investment AG".

It is expected that Semper Constantia Privatbank will be taken over in July 2018. Thereafter it is planned in September 2018 to merge Semper Constantia with LLB Austria to form Liechtensteinische Landesbank (Österreich) AG. The resulting unit will become a top provider of private banking and institutional client services in Austria. Accordingly, it is ideally positioned to continue to grow in this attractive market.

Election of new members of the Board of Directors

The Board of Directors of Liechtensteinische Landesbank AG proposes to the General Meeting of Shareholders of 9 May 2018 – subject to approval from the supervisory authority – that Thomas Russenberger and Dr. Richard Senti be elected as new members of the Board. On account of the term of office limitation, Markus Büchel, Markus Foser and Roland Oehri will step down as members of the Board of Directors. We would like to thank them for their years of dedication to the LLB Group. In the last nine years they have made a significant contribution to strengthening our core competences and to placing our company on the path to profitable growth within the scope of our StepUp2020 strategy.

Thank you for your trust

We are confident that, thanks to our stable foundation, focused business model, diversified earnings structure and clear strategy, we are well prepared for the forthcoming challenges and opportunities, and that we can again achieve a solid Group business result in 2018.

We would like to thank our clients for their loyalty. Whatever the LLB Group achieves is predominantly thanks to the efforts, motivation and competence of our employees. We want to express our thanks to you, our esteemed shareholders, for your great solidarity and commitment to our company.

Yours sincerely



Roland Matt
Group CEO



Georg Wohlwend
Chairman of the Board of Directors

Strategy and organisation

The LLB Group is a universal bank with a strong private banking and institutional banking business. It has a client-oriented business model and under its StepUp2020 strategy is targeting growth, profitability, innovation and excellence.

Group structure and organisation

Three market divisions

The LLB Group's business model is based on three profitable market divisions:

- Retail & Corporate Banking comprises the universal banking business in the home markets of Liechtenstein and Switzerland (see chapter "Retail & Corporate Banking", pages 33–36). It provides the full range of universal bank services to private and corporate clients. As the market leader in Liechtenstein, LLB has a strong competitive position. Bank Linth is the leading regional bank in eastern Switzerland.
- Private Banking encompasses all the LLB Group's private banking activities: investment advice, asset management, asset structuring as well as financial and retirement planning (see chapter "Private Banking", pages 37–40). Its focus is on the onshore markets of Liechtenstein, Switzerland and Austria, on the traditional cross-border markets in Germany and the rest of Western Europe, and on the growth markets of Central and Eastern Europe as well as on the Middle East.
- Institutional Clients encompasses the intermediary and investment fund business as well as the LLB Group's Asset Management Business Area (see chapter "Institutional Clients", pages 41–44). Clients include fiduciaries, lawyers, asset managers, fund promoters, insurance companies, pension funds and public institutions. The target markets are Liechtenstein and Switzerland. With our Asset Management unit, the largest investment team in Liechtenstein, we have multiple award-winning investment expertise.

Governance and management structure

The LLB Group has a stable governance and management structure and an efficient organisation.

- The Board of Directors is responsible for overall management, supervision and control; it sets the basis for the Group's strategy, organisation and finances (see chapter "Corporate governance", pages 81–95).
- The Group Executive Board comprises the heads of the six divisions – the three market divisions and Group CEO, Group CFO and Group COO (see organisational structure, pages 76–77).
- The LLB Group includes the three banks Liechtensteinische Landesbank AG, Bank Linth LLB AG and LLB (Österreich) AG as well as the two competence centres LLB Asset Management AG and LLB Fund Services AG.

Corporate culture, strategy and objectives

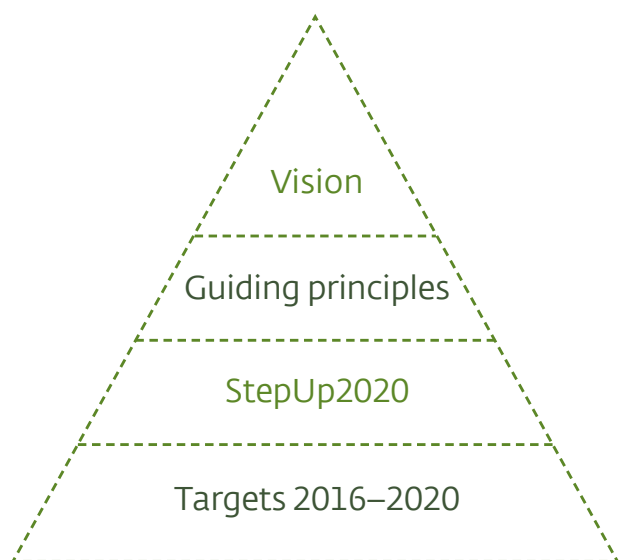
Vision and guiding principles

The LLB Group has a unique corporate culture. It is committed to a concept of banking with a binding system of values. We have enhanced our profile by redefining our vision and guiding principles in 2014 and firmly establishing them in the minds of the employees and managers.

Our **vision** is encapsulated in the sentence: "We set standards for banking with values." Our vision of banking is based on the idea that we can excel at managing material values if we have a clearly defined system of values.

The resulting **guiding principles** refer to a binding system of values, which mean the following to us:

- **Integrity** – we create clarity and stand by our word.
- **Respectfulness** – we believe in partnership and hold both clients and colleagues in high esteem.
- **Excellence** – we set standards through performance and passion.
- **Pioneering** – we play an active role in creating a sustainable future.



Vision, guiding principles, strategy and objectives drive our thinking and our actions within the LLB Group in a sustainable way. Our success depends on high-quality implementation by the Group Executive Board and all employees.

Code of Conduct

We believe that responsible, forward-looking management practices are critical to our success. As a trustworthy and respectful partner, we want to be measured by our vision, our guiding principles and our Code of Conduct, which we introduced on 1 January 2018.

We set high standards when it comes to responsibility – both for ourselves as a company and for each individual. The Code of Conduct lays down these standards in a binding set of guidelines. It reflects our values and clarifies what we expect of the Boards of Directors, the Group Executive Board, the managers and the employees. It shows how to handle potential issues or difficult situations that affect our business practices or our dealings with each other.

The LLB Group is present in many countries – where the laws, regulations and rules of conduct are as different as the history, language and culture. The Code of Conduct helps us to implement our company's values in our target markets and further strengthen the trust placed in us by our clients, investors and partners. Further information can be found at www.llb.li/en/the-llb/governance#verhaltenskodex.

StepUp2020 strategy and objectives

Under the StepUp2020 strategy, the LLB Group embarked in 2016 on a phase of sustainable, profitable growth, after having repositioned itself under the Focus2015 strategy. In 2017, the Group Board of Directors, under the direction of the new Chairman of the Board of Directors, carried out a comprehensive review of StepUp2020 and explicitly confirmed its strategic direction.

The four core elements

Always with an eye to the clients, we will concentrate on our strengths. Up to 2020, we will focus on four core elements:

- **Growth:** We want to achieve this in two ways. Firstly, we want to grow organically by building on our own strengths. To this end, we will increase resources available for client advisory services. Secondly, we will target acquisitions in our home markets of Liechtenstein, Switzerland and Austria.
- **Profitability:** We intend to increase our margins by offering outstanding products and services. Efficient market penetration will help to generate profitable income. Maintaining strict cost management will be key.
- **Innovation:** We will invest in the future in a targeted manner. On the one hand, we will develop pioneering digital solutions and, on the other, we will provide our clients with an optimised and personalised service. We will automate standard business and individualise trust-based business.
- **Excellence:** We will continually improve processes throughout the organisation using lean management principles. Our aim is to increase the benefit to clients and boost added value. Given increasing regulation, we will strive to maintain strict compliance standards. And we will provide focused certified training programmes for our client advisers. We believe outstanding expertise is a key success factor.

Strategic success factors

The LLB Group's success is based on a number of factors, the most important being:

- a clear strategy with high-quality implementation
- a client-oriented business model
- a strong competitive position
- innovative, client-oriented products and services
- security and stability
- a stable management structure
- highly effective employees and efficient processes
- interaction between digitalisation and personal contact
- a unique corporate culture

Financial targets up to the end of 2020

Under the StepUp2020 strategy, the LLB Group pursues four financial targets:

Business volume > CHF 70 bn
Cumulative Group net profit 2016–2020 > CHF 500 m
Cost-Income-Ratio < 65%
Tier 1 Ratio > 14%

Value-oriented management

The LLB Group takes aspects of value orientation into consideration in all areas of the company. For example, the compensation model for the management and the majority of employees includes a component of pay that depends on the company's performance. Three years ago, we decided to introduce the Market-Adjusted Performance Indicator (MAPI) so as to be able to make a careful and objective evaluation of the management's performance. The model was developed in conjunction with FehrAdvice & Partners AG, Zurich, and is based on the results of behavioural economics research carried out by Professor Ernst Fehr from the University of Zurich.

This model enables us to evaluate the management's performance holistically and without any distortion. This is done by comparing the long-term stock return (total shareholder return, TSR) with the TSR of a comparable group. The difference between the TSR of the LLB Group and that of the comparable group gives an indication of the actual performance of the company's management.

The LLB Group's compensation model is considered exemplary in Switzerland. The Swiss Institute of Directors voted it the best salary model in 2016 of all companies listed on the Swiss stock exchange (see chapter "Compensation report", pages 103–111).

	Retail & Corporate Banking	Private Banking	Institutional Clients
Objectives and markets	<ul style="list-style-type: none"> Market leader in Liechtenstein and leading provider in eastern Switzerland 	<ul style="list-style-type: none"> Leading provider in Liechtenstein as well as expansion in Switzerland and Austria Stable position in the traditional offshore markets of Germany and the rest of Western Europe Expansion and recognised market position in the growth markets of Central and Eastern Europe (CEE) as well as in the Middle East (ME) 	<ul style="list-style-type: none"> Preferential partner for fiduciaries and lawyers, asset managers, fund promoters, insurance companies, pension funds and public institutions in Liechtenstein, Switzerland and Austria
Strategic initiatives	<ul style="list-style-type: none"> LLB Combi: Individual product packages LLB Compass: 360-degree financial planning SME Box: Refine the SME offering Efficient credit processes Bank branches of the future 	<ul style="list-style-type: none"> LLB Invest: Asset management and investment advisory services of the future Transparent pricing model Increase the number of client advisers 	<ul style="list-style-type: none"> LLB Xpert Solutions: Innovative B2B solutions Dialogue / knowledge transfer using LLB Xpert Views Investment Center organisation
Corporate initiatives	<ul style="list-style-type: none"> Innovative services and products Pioneering digital solutions: Video identification, mobile banking apps with Touch ID, web portal with integrated online banking Lean management SAQ certification for client advisers Further excellence in distribution 		

Finance and risk management

Assuming risk goes hand in hand with the business of banking. A conscious and prudent approach to dealing with risk is of paramount importance to the LLB Group. Finance and risk management is based on a sustainable approach.

Risk management

We are convinced that sustainable, profitable growth is only possible with a prudent risk culture. Consciously accepting and profitably managing risks is one of the LLB Group's core competences. We attach great importance to a prudent approach to dealing with risk at all levels of the organisation.

To avoid conflicts of interest, we have established effective and organisationally independent controlling bodies and processes. We address the issue of risk in a constructive and solution-oriented dialogue and manage it appropriately.

Risk assessment

It is essential for the protection of the reputation, the maintenance of the excellent financial strength and the securing of the sustainable profitability of the LLB Group that risks are dealt with prudently (see chapter "Risk management", pages 178–196). The LLB Group applies an appropriate organisational and methodological framework for assessing and managing risk.

For equity capital and liquidity, which are important reference figures for a bank, we use the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP).

Integrated approach

The Group Chief Financial Officer (CFO) is responsible for finance and risk management at the LLB Group. He is a member of the Group Executive Board and head of the Group CFO Division. The latter encompasses the following tasks and key areas in finance and risk management:

- **Overall bank management:** It ensures transparency at all management levels in order that costs and income can be managed in line with corporate strategy and in an efficient and timely manner. This includes medium-term planning, the annual budgeting process, the Group Management Information System (MIS) and capital management.
- **Financial management:** It includes the preparation of the financial statements in accordance with both local laws and International Financial Reporting Standards (IFRS) as well as regulatory reporting and group-wide treasury management.
- **Risk management:** It is based on risk policy and encompasses the systematic identification and assessment, reporting, management and monitoring of credit risks, market risks, liquidity risks and operational risks as well as asset liability management (ALM).
- **Credit management:** It implements efficient and effective credit processes as well as timely credit decisions according to valid directives and instructions in a risk-oriented and profit-oriented manner.
- **Legal & Compliance:** Systematic monitoring encompasses legal and regulatory changes, providing support for their implementation and carrying out subsequent controls to avoid operational, financial and reputational risk. It deals not only with legal risk, but also compliance risk, such as money laundering and market abuse, and risk related to tax issues (see chapter "Regulatory framework and developments", pages 62–65).

Conservative credit risk policy

The LLB Group accompanies private persons, companies, small businesses and public institutions to finance their plans for the future. The majority of the loans in 2017, i.e. 87.0 percent (2016: 86.4%), comprised credits secured by mortgages.

The LLB Group primarily extends mortgages within the market regions of Liechtenstein, north-eastern Switzerland and the region of Zurich.

Differentiated control processes

We pursue a conservative credit risk policy. It includes the individual and differentiated evaluation of loan applications, the conservative assessment of collateral values, the individual calculation of affordability as well as compliance with standard equity requirements. The differentiated control processes help us to reliably fulfil our performance mandate (see chapter "Responsibilities for society and the environment", page 68) and to take appropriate account of risks.

For real estate financing, we observe the Ordinance on Banks and Investment Firms (FL-BankV), which governs risk management in accordance with Art. 7a and Art. 21c. ff of the Liechtenstein Banking Act. For financing in Switzerland, we observe the minimum requirements for mortgage financing drawn up by the Swiss Bankers Association (SBA) and approved by the Swiss Financial Market Supervisory Authority (FINMA). We also apply the EU guidelines on assessing, evaluating and processing mortgage secured loans.

We have developed a group-wide uniform methodology for determining the collateral value of our Lombard loans.

Independent Credit & Risk Management

Within the LLB Group, credit competences are assigned in relation to the current expertise of key employees and their experience according to different levels and credit types. The authority to grant credit has been given to Group Credit & Risk Management and the Credit Committees, with the exception of standard business transactions. Credit decisions are thus made independently of market pressures and market targets. In this way, we are able to avoid conflicts of interest and objectively and independently assess risk in individual cases.

Internal control system

The LLB Group applies standards that are customary in the banking industry for the internal control system (ICS), a sub-system of corporate risk management. The ICS contributes to increasing risk transparency within the company as an integral part of our group-wide risk management by monitoring the risks in the relevant business processes through effective control processes.

Equity strategy

A good equity base not only protects its reputation, but is also part of the financial management and credibility of a bank. Having a sufficiently high-quality equity base at its disposal is part of the LLB Group's identity. The LLB Group's financial strength shall remain, as far as possible, unaffected by fluctuations in the capital markets.

We simulate external influences and analyse how these affect our capital base using scenario analyses and stress tests and, where necessary, we take measures to limit risks.

Solid equity base

LLB is considered to be of systemic importance to the Liechtenstein economy and subject to a regulatory minimum capital adequacy ratio of 13 percent. We are targeting a Tier 1 ratio of over 14 percent as a strategic objective.

As at the end of 2017, the LLB Group had CHF 1.9 billion in equity capital (31.12.2016: CHF 1.8 billion). At 22.2 percent (31.12.2016: 21.0%), LLB's Tier 1 ratio is well above the regulatory requirement.

The LLB Group continues to enjoy a high level of financial stability and security on account of its solid equity base, which consists entirely of hard core capital. The comfortable capital situation gives the LLB Group leeway to make acquisitions (see chapter "Strategy and organisation", page 27).

Regulatory standards

Basel III

The comprehensive reform package of the Basel Committee on Banking Supervision (Basel III) has been in effect in the EU since 1 January 2014. The regulations commit banks to larger capital buffers and set requirements for liquidity coverage. The reforms aim to improve the regulation, the supervision and the risk management of banks and, as a result, to increase the resilience of both individual banks and the banking system as a whole.

Liechtenstein, as a member of the EEA, implemented the Basel III standard with the enactment of the Capital Requirements Regulation (CRR) and the accompanying Capital Requirements Directive (CRD IV) on 1 February 2015.

Bank Recovery and Resolution Directive

The Recovery and Resolution Act (RRA) and the Recovery and Resolution Ordinance (RRO) have been in force in Liechtenstein since 1 January 2017. The EEA country has thereby transposed the Directive 2014/59/EU on the recovery and resolution of financial institutions (the Bank Recovery and Resolution Directive (BRRD)) into national law. Through the RRA, among other things, Liechtenstein has provided a framework for solving the "too-big-to-fail" issue and strengthening the stability of the Liechtenstein financial system.

The RRA requires LLB, as a systemically important bank in Liechtenstein, to submit a recovery plan to the Liechtenstein Financial Market Authority (FMA). The recovery plan contains an analysis of measures determined as part of an overall bank stress test that can be taken to restore its financial position under various crisis scenarios.

Internal capital adequacy assessment process

The Liechtenstein Banking Act (FL-BankG) requires the banks to have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis adequate equity capital. The internal capital adequacy assessment process (ICAAP) is an important risk management instrument for the LLB Group. The ICAAP is documented in the internal regulations and guidelines and is reviewed and revised annually, taking into account overall bank stress tests.

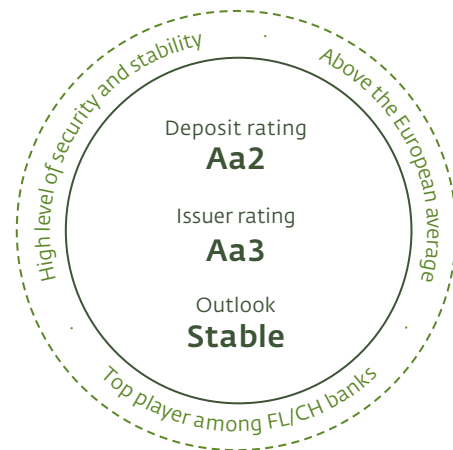
Internal liquidity adequacy assessment process

The Banking Ordinance (FL-BankV) requires the banks to have in place robust strategies, policies, processes and systems that enable them to identify, measure, manage and monitor liquidity risk. The internal liquidity adequacy assessment process (ILAAP) is set down in the internal regulations and guidelines and is reviewed and revised annually.

Within the framework of the ILAAP, the liquidity coverage ratio (LCR), as a binding regulatory liquidity reference figure, represents an important indicator both for liquidity risk assessment as well as liquidity risk management. At the end of 2017, a regulatory lower limit of 80 percent was applicable for the LLB Group. The minimum requirement ensures that credit institutions maintain a reasonable level of liquidity in order to cover their liquidity requirements in the case of a liquidity stress scenario within 30 calendar days. With an LCR of 126 percent (2016: 115 %), the LLB Group's ratio was substantially higher than that required under the regulations.

Rating confirms financial strength

Moody's, the rating agency, assigned a deposit rating of Aa2 to Liechtensteinische Landesbank in April 2016 and reaffirmed the rating in the spring of 2017. This underlines LLB's stability and financial strength. LLB is among the top range of Liechtenstein and Swiss banks and ranks well above the average of European financial institutions.



Moody's acknowledged the solid financial fundamentals, in particular the good capital base as well as the good liquidity and refinancing situation. Moody's rating provides investors and market participants with additional transparency.