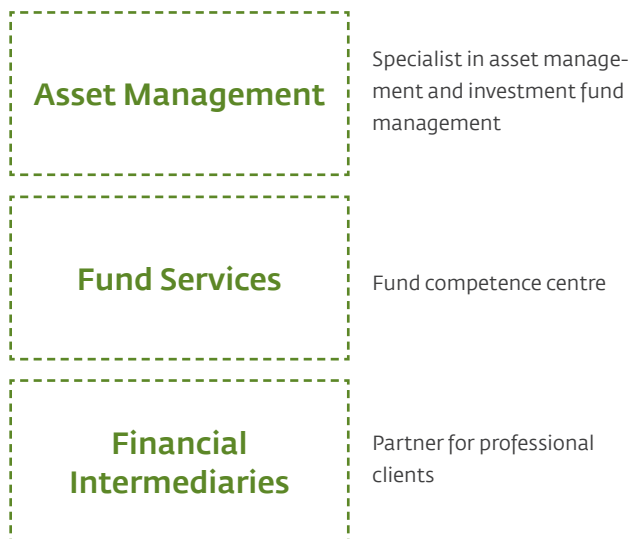


Institutional Clients

As partners we seek a dialogue based on trust with our institutional investors. We are pleased to offer them our investment competence and expertise in a comprehensive and open manner. We consistently view the financial world from the perspective of our clients.

Specialised in serving professional clients

Institutional Clients encompasses the intermediary and fund business, as well as the asset management operations of the LLB Group. We concentrate on fiduciaries, asset managers, fund promoters, insurance companies, pension funds and public institutions. Our core markets are Liechtenstein, Switzerland and Austria.



Transfer of knowledge

Identifying client benefits

For us, our open, partner-like dialogue with our clients makes the decisive difference. In client and round table discussions with structured, follow-up feedback processes, we question and analyse what is important for institutional clients. This ensures that we can offer innovative solutions in those areas where support is actually desired. In turn, this strengthens the network and ensures an ongoing improvement process.

Online platform

Since 2013, the Institutional Clients Division has been making available its knowledge to clients in the areas of asset management, law and taxation via the "LLB Xpert Views" online platform. This provides institutional clients with a transparent and comprehensive overview of the latest developments.

Round table discussions

In exclusive round-table discussions LLB's experts and investment specialists regularly provide the latest information about current topics. The focus here is on issues which concern our clients in practice such as the new EU directive on "Markets in Financial Instruments" (MiFID II), which came into force on 3 January 2018, or the revised Liechtenstein Due Diligence Law. In 2017, a dozen such round table discussions were held, including once again three "LLB Xpert Views Specials", in which on the one hand, the LLB Group explained its investment policy to institutional clients, and on the other, it highlighted specific subjects for fund management companies.

Exchange of information in the Liechtenstein financial centre

The transfer of knowledge and the exchange of information are essential in order to achieve social and economic progress both for the LLB Group and the Liechtenstein financial centre.

As a member of the Association of Independent Asset Managers in Liechtenstein, LLB Asset Management AG, a Group company, is also a committed partner in the development of the financial centre. At the same time, another Group company, LLB Fund Services AG, as a member of the Executive Board of the Liechtenstein Investment Fund Association, actively participates in shaping the business conditions of the Liechtenstein fund centre.

Asset Management

LLB Asset Management AG takes a central position within the LLB Group. This specialist for investment management and investment funds manages future-oriented, high-performing products and

supports all three market divisions with investment competence in their target market regions (see chapter "Strategy and organisation", page 25).

The LLB Group's asset management can call on excellent expertise. It continually invests in the further development of analyses based on quantitative value models, and especially in the equities model to achieve good investment performance. In both asset management and investment advisory business, the LLB Group foregoes retrocessions for its own and external funds.

International quality standards

The LLB Group attaches great importance to carrying out its asset management in accordance with international standards. Accordingly, our asset management has been GIPS certified for over 15 years, i.e. it adheres to a compliance standard in line with the "Global Investment Performance Standards", a method of calculating and presenting investment performance that is recognised throughout the world. The GIPS standards are based on the complete disclosure and comparable presentation of investment results. The latest scientific research and findings in relation to performance measurement and presentation are integrated fully in our processes. These international quality standards ensure that clients receive fair and transparent investment reports.

Awards

In a long-term competitive comparison, the most important track record of every asset manager, LLB consistently achieves top rankings with its strategy funds. In 2018, LLB also received three Lipper Fund Awards Switzerland. For its range of bond, equities and strategy funds licensed for Switzerland, our Asset Management received the award for being the best asset manager among the large group of smaller asset managers in the last three years. In 2017/2018, LLB won the following awards:

- **Lipper Fund Awards Switzerland 2018:** best group over three years "Overall Small Company", best group over three years "Bond Small Company" and best performance in the category "Equity Global Income" (three awards in one year)
- **Lipper Fund Awards 2017:** First place in Europe and Germany (three awards in four years);
- **Umbrella Fund Award** of "GELD" 2017, the Austrian journal for financial professionals (13 umbrella awards in six years);
- **Hedge Fund Awards 2018** of the magazine "Acquisition International (AI)": "Best Portfolio Manager – Liechtenstein" and "Best Alternative UCITS Fund" (two awards in two years).

LLB investment funds – EU-compatible

All LLB funds are Europe-compatible. This means they comply with the UCITS V EU directive (Undertakings for Collective Investment in Transferable Securities). And they pursue the philosophy of strict diversification. The reference attributes of every fund, such as strategy, costs

and risk profile, can be simply and clearly read on the monthly Fund Factsheet. Around 30 retrocession-exempt LLB funds are actively managed by experienced fund managers and are licensed for distribution in Liechtenstein, Switzerland, Austria and Germany.

Good performance and low costs have seen the volume invested in LLB funds grow continually in the last six years. At the end of 2017, it stood at CHF 5.2 billion.

Asset management

With six different investment strategies from "Fixed Interest" to "Equities" in the reference currencies CHF, EUR and USD, LLB enables the broad diversification of capital investments.

The volume of assets under management at the end of 2017 totalled CHF 5.9 billion.

Client requirements are always at the forefront in the LLB Group. Accordingly, we shall expand our range of offerings by including passive asset management mandates and passively managed equity funds.

Fund Services

The Fund Services Business Area is the fund competence centre of the LLB Group and an important earnings pillar having growth potential. In 2017, thanks largely to net new money inflows, assets under management climbed to CHF 13.9 billion.

Private labelling

LLB Fund Services AG is one of the three largest fund service providers in the Liechtenstein financial centre and has established a name for itself as a specialist in the field of private label funds. Depending on the client's requirements, private label funds can be structured according to Liechtenstein or EU law. These fund solutions are very individual and are ideally suited for efficient asset management and as structuring alternatives for large volumes of assets. Irrespective of whether a fund is set up for a limited group of investors or is offered to the public, the level of investor protection is the same.

Established according to the concept of an "all-in-one shop", Fund Services offers a comprehensive range of services. We plan and set up made-to-measure funds both in-house and for independent asset managers, family offices and other promoters. We structure and manage these vehicles and ensure state-of-the-art risk management.

LLB as a custodian bank

At the end of 2017, LLB was serving as a custodian bank for 255 funds and again extended its position as the market leader in Liechtenstein. Twenty years ago, LLB took over the function as the custodian bank for the first private label funds in Liechtenstein. As a pioneer in this business, it has acknowledged experience and expertise in the management and administration of complex fund mandates having various strategies and asset classes.

EU passport for UCITS and alternative investment funds

With a share of 0.3 percent of the fund market, Liechtenstein is one of Europe's fund boutiques. Thanks to its membership of the EEA, however, it is the only country having unlimited access to two economic areas, i.e. Switzerland and the European Union.

On account of the UCITS (2011) and AIFM (2013) laws, which are based on European legislation, Liechtenstein alternative investment funds (AIF) and alternative investment fund managers (AIFM), as well as UCITS funds, enjoy unlimited access to the 28 EU and EEA/EFTA states.

Growth potential in Switzerland

The new double taxation agreement (DBA) between Liechtenstein and Switzerland came into effect in January 2017. As a custodian bank, and the first financial institute in Liechtenstein, LLB in close cooperation with LLB Fund Services AG, can enable its clients to obtain a refund of Swiss withholding tax. This opens up new, interesting asset structuring possibilities for Swiss clients.

In February 2018, Liechtensteinische Landesbank signed a purchase agreement to acquire the shares of LB(Swiss) Investment AG, Zurich. This takeover, in line with its strategy, provides the LLB Group with access to the Swiss funds markets and therefore enables a strong expansion of its fund business. In future, it will conduct this business from out of three locations, namely, Liechtenstein, Austria and Switzerland.

Financial intermediaries

The team responsible for financial intermediaries offers independent asset managers, fiduciaries and insurance companies comprehensive service and care so that together they can create suitable solutions for the intermediaries' end clients. At the same time, we are a reliable partner for public institutions and pension funds when they need asset management and payment services.

Innovative B2B solutions

With the goal of enhancing competitiveness and improving efficiency, we are focusing on preferred partners and their networks. To strengthen our long-term collaboration with intermediary clients, LLB has offered innovative and exclusive B2B solutions under the label "LLB Xpert Solutions" since 2016.

Voice-of-customer analysis

To enable more time to be gained for clients, in spite of increasing regulatory and administrative demands, the LLB Group has launched a lean initiative (see chapter "Corporate Center", page 47). The Financial Intermediaries Business Area has been involved in the lean management process since September 2017 to gain more time for clients. For this purpose, it is essential that we know the wishes, expectations and ideas of our clients. Accordingly, in 2017 we utilised the "voice-of-customer" (VOC) method to expand our understanding of clients' requirements.

Within the scope of the VOC analysis we surveyed trust companies and independent asset management companies of various sizes in Liechtenstein and Switzerland. The results of the survey confirmed our assumption that continued and trustworthy communication, LLB investment competence, digitalisation, as well as the transfer of knowledge regarding regulatory and investment topics are of central importance.

To further strengthen this transfer of knowledge, at the start of 2017 we set up our own pre-compliance function at the interface to the client advisers. This enables us to pursue our objective of carrying out clarifications quickly and more efficiently so that our client advisers have more time for their clients.

Digital client interfaces

The advance of digitalisation in asset management and trust business is unstoppable. Mounting complexity and stricter demands in the legal and regulatory fields call for an innovative and efficient infrastructure. Digitalisation, standardisation and automation must be interlinked in an optimal manner.

In 2018, we shall make targeted investments in digital interfaces. We shall strive to provide clients with optimum work processes and support them in efficiently processing data.

Certified client advisers

The LLB Group is convinced that success in future will depend on an intelligent combination of human and technological resources. Therefore we are investing in enhancing the knowledge of our employees. In 2017, five client advisers and assistants completed the training programme in accordance with the standards of the Swiss Association for Quality (SAQ). By 2020, all 35 advisers and assistants will have completed the programme (see chapter "Employees", pages 60).

Moreover, in 2017, training courses were held on key regulatory issues, e.g. on the implementation of the fourth EU anti-money laundering directive, on the money transfer ordinance in the Liechtenstein Due Diligence Law, on the implementation of the automatic exchange of information in taxation matters, and on the EU MiFID II directive (see chapter "Regulatory framework and developments", pages 64).

Business segment result

The segment profit before tax climbed to a new record, gaining over 20 percent to reach CHF 56 million. Operating income improved, especially due to the good result achieved with interest differential business. This benefitted from higher revenues from investments in foreign currencies. Income from fees and commissions as well as trading business exceeded the previous year's figure thanks to active marketing measures and increased client activity. Allowances for credit losses included the release of a position amounting to CHF 7.5 million. Operating expenses increased – although general and administrative ex-

penses remained the same – on account of the expansion of personnel in line with the bank's strategy and higher internal settlements.

Client assets under management rose by 11.3 percent to a new record level of CHF 27.5 billion. Positive inflows with custodian bank funds contributed in particular to the gratifying net new money inflows totalling around CHF 400 million. In spite of an extremely competitive environment the segment was able to maintain its gross margin.

Segment reporting

in CHF thousands	2017	2016	+ / - %
Net interest income	14'725	10'300	43.0
Credit loss (expense) / recovery	7'500	1'275	488.2
Net interest income after credit loss (expense) / recovery	22'225	11'575	92.0
Net fee and commission income	56'201	55'795	0.7
Net trading income	11'138	10'538	5.7
Other income	2	3	-33.3
Total operating income	89'566	77'911	15.0
Personnel expenses	-17'709	-17'041	3.9
General and administrative expenses	-2'507	-2'538	-1.2
Depreciation and amortisation	0	0	
Services (from) / to segments	-13'369	-12'167	9.9
Total operating expenses	-33'585	-31'746	5.8
Segment profit before tax	55'981	46'165	21.3

Performance figures

	2017	2016
Gross margin (in basis points) *	30.7	30.8
Cost-Income-Ratio (in percent) **	40.9	41.4
Net new money (in CHF millions)	397	-568
Growth of net new money (in percent)	1.6	-2.3

* Operating income (excluding credit loss expense) relative to average monthly business volumes.

** Operating expenses (excluding provisions for legal and litigation risks) in relation to operating income (excluding credit loss expense).

Additional information

	31.12.2017	31.12.2016	+ / - %
Business volume (in CHF millions)	27'790	25'227	10.2
Assets under management (in CHF millions)	27'485	24'704	11.3
Loans (in CHF millions)	305	523	-41.7
Employees (full-time equivalents, in positions)	90	86	4.8