

The LLB share

The Liechtensteinische Landesbank share is a worthwhile investment. LLB investors have benefited from attractive dividend yields on the back of positive income growth. The LLB share is listed on the SIX Swiss Exchange.

Market capitalisation

The LLB share has been listed on the SIX Swiss Exchange since 1993 and assigned to the "International Reporting Standard" segment. At the General Meeting of Shareholders on 12 May 2017, the shareholders approved a proposal by the Board of Directors to convert the bearer shares into registered shares at a conversion ratio of 1:1. The share has been listed under the symbol LLBN (security number: 35514757) since completion of the conversion on 18 May 2017. In 2017, a total of 2'306'474 LLB shares (2016: 2'141'897) were traded on the SIX Swiss Exchange, corresponding to 7.5 percent (2016: 7.0%) of total shares issued. With 30.8 million registered shares issued, the market capitalisation of Liechtensteinische Landesbank AG stood at CHF 1'529.2 million (2016: CHF 1'242.8 million) as at 31 December 2017.

Shareholder structure

The Principality of Liechtenstein's holding of 17.7 million LLB shares (57.5% of the share capital) remained unchanged in 2017 on the previous year. In 2011, the Liechtenstein Government, as the representative of the majority shareholder, adopted the ownership strategy it has been pursuing in regards to the Principality's equity stake in Liechtensteinische Landesbank AG. The Liechtenstein Government thereby explicitly supports the stock exchange listing of LLB and retains a majority stake of at least 51 percent.

LLB held 6.2 percent (2016: 6.4%) of its own shares as at the end of the reporting year. No other shareholder held more than 3 percent of the share capital in the reporting year. A total of 11'177'063 shares, or 36.3 percent, were in free float as at 31 December 2017 (31.12.2016: 10'232'642 or 33.2%).

Overall 85.1 percent of the 30.8 million total registered shares were entered in the share register as at 31 December 2017. 14.9 percent, or 4'580'115 shares, were not registered.

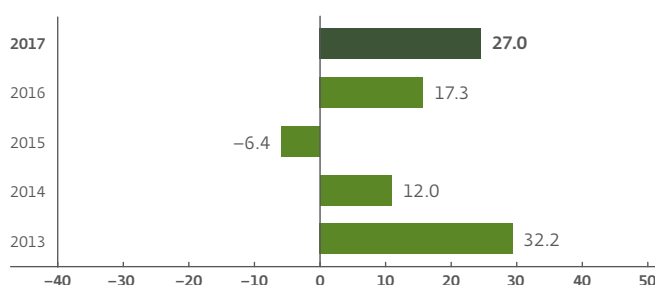
Share price performance

The Swiss Performance Index (SPI) gained 19.9 percent in the 12 months to the end of 2017. The price of the LLB share increased by 23.0 percent to CHF 49.65 as at 31 December 2017. The LLB share outperformed the banking sector: the SWX Banks Index ended the year 22.1 percent higher.

The LLB share held up very well despite persistently low interest rates and global market uncertainties. The LLB Group has a diversified business model, is targeting sustainable, profitable growth with its StepUp2020 strategy and is on track to achieve its strategic objectives. Its annual results for 2017 again underline its ability to produce good results even in a difficult environment. In the view of the analysts (see "Analysts' recommendations" on the next page), also the prospect of rising interest rates in the medium term, among other things, bodes well for a positive performance.

Total return on the LLB share

2013 – 2017, in percent



The total return on the LLB share stood at 27.0 percent (including re-invested dividends). The LLB share closed on 29 December 2017 at a year-end price of CHF 49.65.

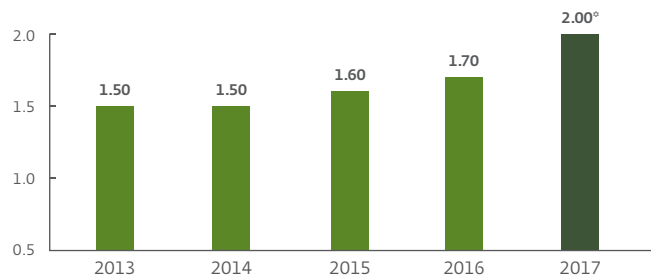
Dividend policy

Liechtensteinische Landesbank pursues an attractive, long-term-oriented dividend policy for the benefit of its shareholders. Furthermore, under the StepUp2020 strategy, the LLB Group is committed to safeguarding its financial security and stability. It intends to keep risk-bearing capital at a Tier 1 ratio of over 14 percent in accordance with Basel III. Against this backdrop, the payout ratio for shareholders should be 40 to 60 percent of Group net profit.

The Board of Directors will propose a dividend of CHF 2.00 per share (2016: CHF 1.70) at the 26th Ordinary General Meeting of Shareholders on 9 May 2018, representing an increase of 17.6 percent. Based on the share price as at the end of 2017, this corresponds to an attractive dividend yield of 4.0 percent. Total dividends to be paid out amount to CHF 57.8 million (2016: CHF 49.0 million). This represents a payout ratio of 51.9 percent for 2017 (2016: 47.2%).

Dividend per share

2013–2017, in CHF



* Proposal of the Board of Directors to the General Meeting of Shareholders on 9 May 2018

Analysts' recommendations

In 2017, the Zürcher Kantonalbank (ZKB) analyst monitored the LLB share and regularly published studies and assessments on the LLB Group. ZKB changed its rating from "market weight" to "overweight" during the reporting year. The analyst raised his rating on 18 September 2017 after a fall in the LLB share price. The LLB share was upgraded to "overweight" in particular on the back of a sector study carried out by ZKB and published in September on the state of fintech in the Swiss banking sector. The ZKB analyst rated LLB as "well-positioned" in terms of its fintech offering and orientation. The acquisition of Semper Constantia Privatbank in Austria, which was announced shortly before Christmas, was viewed favourably by the ZKB analyst. On 3 January 2018, he reconfirmed the "overweight" rating with a fair share price of CHF 60.00. The analyst sees opportunities for returns, in particular, in the prospect of rising interest rates, the potential synergies from acquisitive growth and the cheaply priced share.

Since the middle of 2016, Research Partners AG with analyst Rainer Skierka has also provided coverage of the LLB Group. In January 2017, after a revision of the estimates for 2017–2018, Rainer Skierka confirmed the buy recommendation and set the twelve-month price target to CHF 53.50. On 6 April 2017, Research Partners AG reaffirmed the buy recommendation based on revised earnings estimates and raised the twelve-month price target to CHF 56.20. The equity research from Research Partners AG is not freely available and must be purchased.

In 2017, the private bank Mirabaud, and the analyst responsible Andreas Brun, also took up coverage of LLB. He recommended a "buy" for the LLB share. In March, after publication of the annual results for 2016, he raised the price target from CHF 46.60 to CHF 50.00, arguing that LLB had "not shot all its powder". After the planned acquisition of Semper Constantia Privatbank was announced, the analyst lifted the price target to CHF 53.00.

Communication with the capital market

The LLB Group aims to provide an up-to-date picture of the opportunities and risks relating to its business activities by engaging in an open and ongoing dialogue with investors, analysts and representatives of the media. As a publicly listed company, we are obliged to publish share-price relevant information, including ad hoc information about events that may affect the share price, by means of media communiqués to all stakeholders. We inform shareholders, clients, employees and the public simultaneously, comprehensively and regularly about our business performance, value drivers as well as strategy and provide them with an overview of our key financial and operating figures. The aim is to ensure that the price of the LLB share reflects the fair value of the company.

The LLB Group publishes annual and interim financial results. There are also media and analyst conferences as well as conference calls for analysts, investors and the media. At the General Meetings of Shareholders, the Board of Directors and the Board of Management report transparently on the course of business. We also hold regular discussions with investors, provide information at roadshows and participate in specialist conferences for financial analysts and investors during the course of the year.

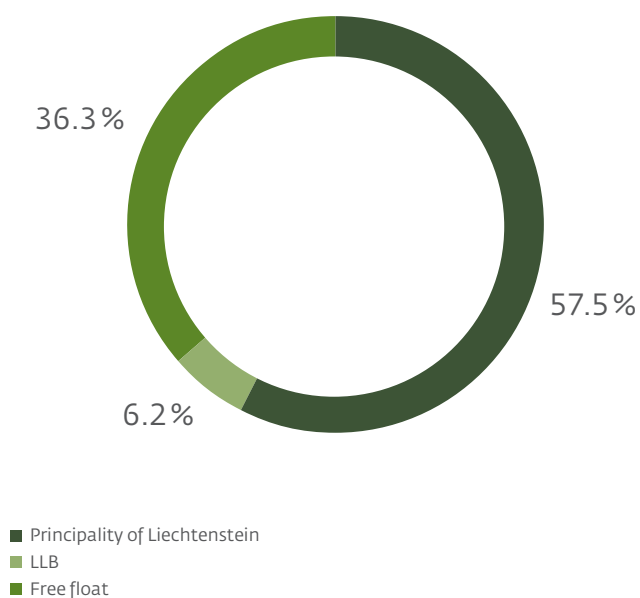
All publicly accessible information about the LLB Group can be accessed on our website at www.llb.li. The public is welcome to register for electronically provided share-price relevant information about the LLB Group at www.llb.li/registration. Additionally, we publish our information via social media channels (Facebook, Twitter). The annual and interim financial reports are published by us in printed form and have also been available in a comprehensive online version with numerous additional functions since 2005. The Annual Report 2017 in German can be accessed online at gb2017.llb.li and in English at ar2017.llb.li.

The LLB share: facts and figures

in CHF thousands	31.12.2017	31.12.2016
Total shares issued	30'800'000	30'800'000
Number of shares eligible for dividend	28'877'063	28'840'762
Free float (number of shares)	11'177'063	10'232'642
Free float (in percent)	36.3	33.2
Year's high (15 May 2017 / 15 November 2016)	55.75	43.30
Year's low (9 January 2017 / 18 January 2016)	40.00	33.35
Year-end price	49.65	40.35
Total return LLB share (in percent)	27.0	17.3
Performance SPI (in percent)	19.9	-1.4
Performance SWX Banking Index (in percent)	22.1	-15.3
Average trading volume (number of shares)	9'197	8'433
Market capitalization (in CHF billions)	1.53	1.24
Earnings per share attributable to the shareholders of LLB (in CHF)	3.66	3.40
Dividend per LLB share (in CHF)	*2.00	1.70
Payout ratio (in percent)	51.9	47.2
Dividend yield at year-end price (in percent)	4.0	4.2
Return on equity attributable to the shareholders of LLB (in percent)	6.1	5.9
Eligible capital per LLB share (in CHF)	54.5	51.7

* Proposal of the Board of Directors to the General Meeting of Shareholders on 9 May 2018.

Shareholder structure in percent



Brand and sponsoring

The “Liechtensteinische Landesbank” and “Bank Linth” brands are prime value creators. Classical and modern, they reflect the values of the LLB Group. They embody our claim to be an innovative driver in the regions where we have our roots.

Brand strategy

The “Liechtensteinische Landesbank” and “Bank Linth” brands convey reliability and trust to our clients. They also signal agility and innovative power. They generate motivation and commitment among our employees. And our stakeholders value the stability, the security and the quality for which we stand. The two strong brands are connected through the elements of colour and image and in this way emphasise that they are part of the LLB Group and its brand world.

The brands connect us with our clients and within our Group of companies. As Liechtensteinische Landesbank, we are a partner of the Principality of Liechtenstein and its people. Through our subsidiary Bank Linth, we are also partners of the economy and society in the region of eastern Switzerland. On the one hand, we stand for the region and its culture. On the other hand, we are an international provider. With our focus on private banking, we are growing in Switzerland and Austria, and expanding into the growth markets of Central and Eastern Europe as well as the Middle East.

With our brands, we want to reach our clients through all channels – in print and online media as well as through personal contact. In this way, we increase the value of our company from without and strengthen its identity from within. The brand strategy and the brand management of the LLB Group are based on the corporate strategy and aim to further increase the brand recognition and firmly anchor the brand values. Concrete communication measures are determined annually during the planning process.

Brand components

The figurative mark of the LLB Group is classical and modern. The clear geometry of the brand logo stands for security and stability. The angles projecting beyond the basic shape symbolise our openness. The colour green signals our origin, and the red square core stands for our focus on what is essential and on our partners. The harmony and equality with which the elements form a unity represent connection and partnership. All LLB Group brands contain the same brand values.

Brand name

The brand architecture comprises two levels – the figurative mark and the brand name. The latter may deviate if a subsidiary is not fully owned by LLB. Hence Bank Linth bears its original name.

Brand orientation

The LLB Group's StepUp2020 strategy focuses on the four core elements – growth, profitability, innovation and excellence. It is reflected in the vision and guiding principles of the Group and in the strategic positioning of the two brands, “Liechtensteinische Landesbank” and “Bank Linth”.

Vision

The LLB Group's vision is: “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.

Guiding principles

The LLB Group's guiding principles, which are derived from this vision, express four binding values that shape our corporate culture: integrity, respectfulness, excellence and pioneering (see chapter “Strategy and organisation”, page 25).

Brand positioning

Both LLB Group brands, “Liechtensteinische Landesbank” and “Bank Linth”, have an identical system of values. At the same time, the brands are clearly positioned with their own promise. For LLB, this is “Tradition meets innovation” and for Bank Linth, “Truly simple”. The respective differentiation of each brand from competing brands provides an important basis for successful brand management.



Tradition meets Innovation.

Liechtensteinische Landesbank is the oldest and longest-standing financial institution in Liechtenstein. It is committed to a concept of banking that is geared towards security and stability, while still being target-oriented and dynamic. LLB has innovative power, the strength of which comes from tradition. It creates added value by synthesising competing values. This leads to new and pioneering solutions. As a bank of values, LLB's journey from tradition into the future is encapsulated in the claim "Tradition meets innovation".



Bank Linth focuses on nurturing strong relationships. As the first financial institution in Switzerland, it has been consistently meeting clients' needs for years now by practising its motto of being "Truly simple". The idea behind this is to provide the individual client with time-saving, clarity and convenience in an ever more hectic and complex world. Excellent service quality, clearly and comprehensibly communicated, transforms clients into equal partners. Simplicity here works at three levels:

- **Simple access** – we want to approach our clients openly and provide a direct route to key contact partners.
- **Simple offerings** – our offerings and solutions must be intelligent and uncomplicated and correspond to the clients' individual wishes.
- **Simple communication** – we speak in a way that is easy to understand and our clients know what to expect from us.

Brand study

Knowing the values our clients hold is the basis of our brand management. Our brand study from 2016 shows the three main characteristics ascribed to LLB:

- LLB is very firmly anchored in Liechtenstein.
- LLB is perceived as an asset management partner.
- LLB is seen as a traditional, secure and stable bank.

The success of the LLB Group is closely related to client satisfaction. We receive information on the effectiveness of our client focus from regular analysis of the systematic feedback from all market divisions.

Brand and digitalisation

With its "Liechtensteinische Landesbank" and "Bank Linth" brands, the LLB Group is seizing the opportunities presented by the digital world. Our aim is to further develop the personal relationship with our clients and, at the same time, convey our values. An example of this is our new web portal with integrated online banking – it has a state-of-the-art layout and is user friendly and fully "responsive". We are one of very few banks that has designed its entire online offering as a one-stop shop (see chapter "Retail & Corporate Banking", page 34, and chapter "Corporate Center", page 45).

In April 2017, the LLB Group won bronze in the "Best of Swiss Web Awards" for the successful interplay between the brand and the online world. The jury of the longest-established web award in Europe honoured the "usability" of the product configurator for the "LLB Combi / Bank Linth Combi". The model fulfils our clients' needs for individuality and clarity in banking.

Social channels

LLB and Bank Linth conduct an omni-channel dialogue. This includes a presence in social media. Clients, potential applicants and employees exchange views here and by doing so help shape the image of the company. The LLB Group aligns its social media activities with its overall strategic concept. It includes four aspects that underscore our proximity to clients, our innovative power, our attractiveness as an employer and our brands' presence. The LLB Group community has continued to grow: on Facebook, for instance, the number of fans increased to 6'334 in 2017 (2016: 761), and 449 posts were published.

Our image on social channels is consistent with the overall image of the LLB Group. In this way, we support the value-oriented positioning of our brands. With concrete and authentic content, we enter into dialogue with all stakeholders through Facebook and Twitter. We strengthen our employer profile using the XING and LinkedIn networks. Given strategic and legal requirements, we are concentrating our efforts in the markets of Liechtenstein, Switzerland and Austria.

youli

Young adults' lives and days are dominated by the smartphone, the internet and social media. Under the "youli" label, the LLB Group is in constant dialogue with 15 to 30 year olds. The platform is active in Liechtenstein and eastern Switzerland and stands for "young Liechtenstein" and "young Linth". We bring infrastructure, coaching, advice, experiences and join-in activities in the language and into the world of the young people (see chapter "Retail & Corporate Banking", page 35).

Campaigns in the spring and autumn of 2017 generated much renewed interest in our youth platform. The number of "youli" fans on Facebook climbed to 3'124 "likes". Our contributions generated over 3'500 positive posts.

Implementation of brand content

We have been promoting the positioning of LLB since 2015 with the “We make traditional banking dynamic.” image campaign. Six subjects communicating our brand image feature in all the important Liechtenstein and Swiss financial newspapers and business journals. These subjects are also on display at both the headquarters in Vaduz and the bank branches in Eschen and Balzers.

Image campaigns

With its “From Liechtenstein, for Liechtenstein” campaign at the beginning of 2017, LLB underlined its position as the bank for the country, the people and the economy of Liechtenstein. The LLB Group also focused on developing its strategic initiatives further. As in the past, investment expertise remained an important topic. LLB’s strategy funds are among the European market leaders in a long-term comparison. In 2017, these were the subject of image campaigns with unconventional implementation in print and online media, which we launched predominantly in Liechtenstein, but also in selected Swiss and international press titles. In 2017, Bank Linth continued its image campaign “Truly simple”.

Profile as an employer

In 2017, the LLB Group further enhanced its profile as an employer of choice. The differentiating and essential features of the LLB Group are the corporate culture, job diversity and scope for growth. Our employer branding concept serves to underline the particular character of the LLB Group as an employer. In line with its vision and guiding principles including the associated values, the LLB Group runs a campaign under the claim “Banking as it is meant to be: friendly and professional”. The campaign includes HR image ads as well as job advertisements in print and online (see chapter “Employees”, page 56).

Sponsoring

Sponsorships and events are gaining in importance worldwide. The instrument enjoys a high level of acceptance among all the stakeholders and conveys credibility and affinity.

In 2016, the LLB Group clearly reformulated its sponsoring strategy:

- We want our four values to be experienced on an emotional and professional level through our activities.
- We strengthen and enable platforms and partnerships which fit us best.
- We coordinate partnerships and our own events group-wide using a new management tool.
- We explain what the LLB Group stands for simply, using topic pyramids.

With our sponsoring policy, we want to gain our target groups as brand ambassadors. Our involvement must suit, complement or strengthen the character of our brands. We therefore only focus on a

few, effective long-term sponsorships that have a clear connection to a specific market area. As a universal bank, we take our responsibility very seriously and sponsor public events. The LLB Group always remains politically neutral in this regard and does not make financial or any other types of contributions to politicians or parties.

Young adults and families

LLB and Bank Linth have placed young adults and families at the centre of their activities. The response has been resounding and very positive. In 2017, our commitment was to supporting, above all, sports, culture and society. We have supported three sponsorships and events for over a decade:

LLB is the main sponsor of FC Vaduz (FCV). We extended our involvement for a further two years in 2016. We have been supporting FCV for thirteen years now, because the team provides important impulses for professional sport in Liechtenstein and because it does valuable work for amateur sport too.

In July 2017, LLB invited bands and artists from the Rhine Valley region into the inner courtyard of LLB in Vaduz for the open-air “Summer in the Courtyard” series of concerts, which is already in its 21st year. What began in 1997 with a concert by the Big Band Liechtenstein has developed into a distinctive feature of the musical summer programme in Liechtenstein.

We have also sponsored the Vaduz Town Run (“Städtlelauf”) for many years now – a popular fun run, staged in May 2017 with participants divided into eighteen categories and covering a running distance of up to ten kilometres (the main run). Participants and spectators from Liechtenstein and the surrounding region came to Vaduz for the 33rd anniversary of the run.

Funding

By foregrounding project sponsorship as support, the LLB Group underscores the principle that each project retains its content and organisational independence. In 2017, Liechtensteinische Landesbank invested CHF 575’000 (2016: CHF 545’000) in projects in Liechtenstein, and Bank Linth invested CHF 398’000 (2016: CHF 426’000) in projects in Switzerland. This is quite apart from our Group’s long tradition of making donations. In this way, LLB has supported non-profit and social organisations for more than thirty years and since 2011 it has done this through the “Zukunftsstiftung der Liechtensteinischen Landesbank AG” (the Future Foundation of Liechtensteinische Landesbank AG), which was founded as part of our 150th anniversary celebrations (see chapter “Responsibilities for society and the environment”, pages 69–70).

Employees

First-class and committed employees are guarantors for the success of the company. To enhance our profile as an attractive employer, we promote and challenge people who want to develop themselves and their bank further.

Corporate culture and value basis

The implementation of the StepUp2020 strategy (see chapter "Strategy and organisation", page 26) requires continuous improvement in performance. The LLB Group has a strong identity and value basis. We firmly believe that an open corporate culture which resolutely upholds values releases positive energy of a kind that makes a true difference to our clients.

Integrity, respectfulness, excellence and pioneering are the values we aspire to hold. What this means for our employees as they go about their work is: we create clarity and stand by our word. We believe in partnership and hold both clients and colleagues in high esteem. We set standards through performance and passion. We play an active role in creating a sustainable future. By living these values, our managers spread the culture throughout the organisation.

LLB as employer

As at the end of December 2017, the LLB Group had 867 full-time equivalents (2016: 858). With 598 full-time equivalents (2016: 587), LLB is one of the largest employers in Liechtenstein.

Employee satisfaction

Our employees are the key to fulfilling our performance mandate (see chapter "Responsibilities for society and the environment", pages 66–68). Their opinion is important to us. The in-depth employee survey, which we conduct every two years, belongs to the dialogue. In the 2017 survey, the LLB Group again achieved good results and the "Swiss Employer Award" (SEA) average in all relevant points. The commitment of the LLB Group's employees, in other words the sense of identity with and being part of the company, remained high with 85 points out of a possible 100 points (2015: 85).

In September 2017, the LLB Group received a Swiss Employer Award for the second time, the first time being in 2016, in the category of 250 to 999 employees. The Swiss Employer Award, a benchmarking initiative based on the largest employee survey in Switzerland, is regarded as a pioneering instrument. For the further development of the LLB

Group, it is important to know how the organisational framework is perceived and whether it promotes and supports the client and performance orientation of the employees in the best way.

The next employee survey is planned for May 2019.

LLB as a regional employer

Satisfied employees – satisfied clients: this correlation plays a significant role in personnel policy questions about client orientation. Almost 100 percent of managers and the majority of employees in the main business locations have their roots in their respective region. They have a long-term view, are highly dedicated to the company and have a high level of integrity.

At the same time, professionals commute every day from eastern Switzerland (2017: 226, 2016: 206) and the Austrian state of Vorarlberg (2017: 73, 2016: 74) to their place of work at LLB in Liechtenstein. LLB is a major regional employer in Liechtenstein and the St. Gallen Rhine Valley. Bank Linth recruits almost all of its professionals from the Swiss regions of Lake Zurich, Sarganserland and Winterthur.

Internal communication

Clear and consistent internal communication increases acceptance among the employees. At a time of fundamental change in the banking sector, the LLB Group has developed a focused business model and the Group Executive Board has forged the path ahead for the company with the StepUp2020 strategy. The LLB Group is committed to communicating clearly to ensure the employees pursue the objectives in a motivated and dedicated manner. The communication concept, which the business area Group Corporate Communications & General Secretary developed together with Group Human Resources, helped to further foster corporate culture and staff motivation in 2017.

The Group CEO informs through a quarterly group-wide newsletter distributed via the intranet. He holds an information meeting for all LLB Group employees at least once a year. There is also an annual Group Night, plus biennial events held by our six divisions. Contributions from the CEO and Group Human Resources about our strategic initiatives can be found on the intranet, which is a key communication channel.

Performance pledge and employee development

The LLB Group is perceived to be an attractive employer that differentiates itself from its competitors through three key strengths: it offers a corporate culture based on partnership, interesting work content and plenty of scope for growth. High-achieving employees have excellent development opportunities and perspectives.

The performance pledge made by Group Human Resources in 2016 is being lived out: enthusiastic individuals should have the chance to advance themselves and the LLB Group. We want to achieve a top-class performance together. The performance pledge was set out in a strategic vision. This is an important instrument to raise awareness of the supportive yet demanding work environment.

Strategic vision



Working environment in focus

The LLB Group wants to enhance its profile as the employer of choice. It implemented additional measures to this end in 2017, among others in the areas of health promotion in the workplace, improvement of the physical working environment and flexibility of working hours and location.

Workplace of the future

Bank Linth reopened its headquarters in Uznach in June 2017 following refurbishment (see chapter "Retail & Corporate Banking", page 34). The entire building features state-of-the-art technology and provides open office areas with short distances for the staff: the "bank of the future" promotes communication and cooperation. Video-conferencing rooms, classic meeting rooms and a large seminar room form a universe for creative work, interaction and innovation. Bank Linth will convert all its branches following this model.

Quality of life in the workplace

The LLB Group is continually developing measures to further a health-promoting working environment. Various initiatives work together to increase the quality of life in the workplace, to reduce stress and to improve the health of the employees. Among these initiatives are seasonal fruit, which have been provided free of charge since the beginning of 2017, as are the water stations with integrated

filter system (see chapter "Responsibilities for society and the environment", page 57). The incentive to work out during the lunch break has increased significantly since showers and changing facilities were installed at our business location in Vaduz.

In addition to this, a majority of our employees now have height-adjustable stand-up desks to work at. We also started to upgrade all the hardware in the offices at the end of 2017. By the end of January 2018, 881 out of 1'200 workstations were equipped with new PCs and notebooks. This means that so far we have upgraded 73 percent of all workstations.

Our "Working Atmosphere and Health Steering Committee" was set up in 2016. Its aim is, on the one hand, to increase job satisfaction and boost staff motivation and, on the other, to reduce work-related absence, which will save costs.

Health and safety

The absenteeism rate gives an indication of the incidence of accidents and long-term illnesses: in 2017, there were 146 (2016: 130). This corresponds to an absenteeism rate of 2.31 percent (2016: 1.97%). Our target rate is between 2 and 2.5 percent. 80 percent of absenteeism costs were due to illness.

In 2017, 43 employees with long-service anniversaries of ten to forty years went on a sabbatical for up to four weeks (2016: 47). Most

utilised the maximum number of days possible. This opportunity to rest and recuperate and broaden their horizon helps maintain flexibility, commitment and productivity.

Standards for the prevention of accidents and illnesses as well as for safety management apply group-wide. Procedures in the event of a fire or accident at the workplace as well as emergency and disaster management are governed by a directive. Eleven employees from the organisational units Security Management and Facility Management are responsible for carrying out routine building and equipment checks.

Return to work

Surveys conducted by the European Agency for Safety and Health at Work (www.osha.europa.eu) show that in Europe around 50 percent of sickness leave is due to stress in some form or other. What is more, mental stress can also often result in physical stress and vice versa. LLB Group employees in difficult work or life situations are able to gain free and anonymous access to psychological support.

Our aim is to reduce short- and long-term absences and to facilitate the return to work. We offer support to employees returning to work after a long absence and to those with serious health problems. Providing practical support enables employees to maintain or regain their productivity.

Compatibility of work and life situation

Our employee policy aims to create an optimal working environment. This includes the compatibility of work and private life in different life situations. In 2017, we progressed with projects offering greater flexibility of working hours and location.

To improve the compatibility of the work and life situation, we launched a project called "FreiZeit-Kauf" (purchase leisure time). For the first time, all LLB Group employees could increase their holiday entitlement by five or ten days. The employees forego some of their salary in return for leisure time. In 2017, 86 employees used this opportunity and gained a total of 645 additional leave days. At the same time, we support 80 percent part-time working and paternity leave.

As a forward-looking company, we are also continually developing the modern eWorkplace. Our objectives are to improve the availability of information and processes, to support the ability to work anywhere and anytime and to promote the exchange of knowledge within the Group.

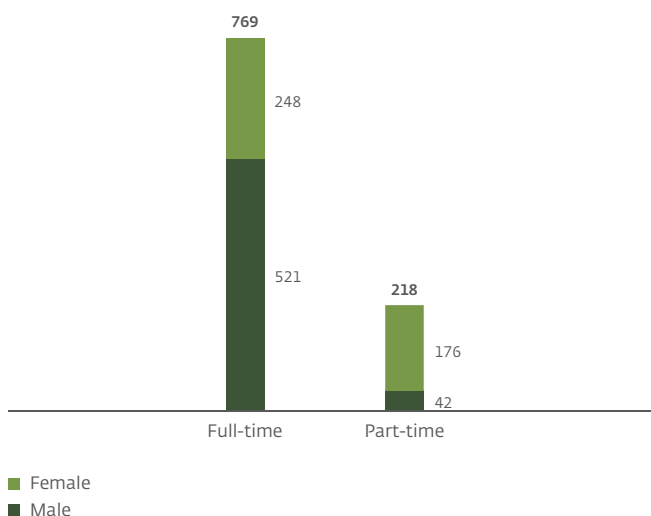
New crèche

In September 2017, the "Villa Wirbelwind" in Vaduz opened its doors for the first time. The crèche is open to the children of all Liechtenstein bank employees. Given the growing skills shortage in the region and the increasing demand for childcare places, it is an important move to ensure that Liechtenstein banks remain among the most innovative and attractive employers in the future, too.

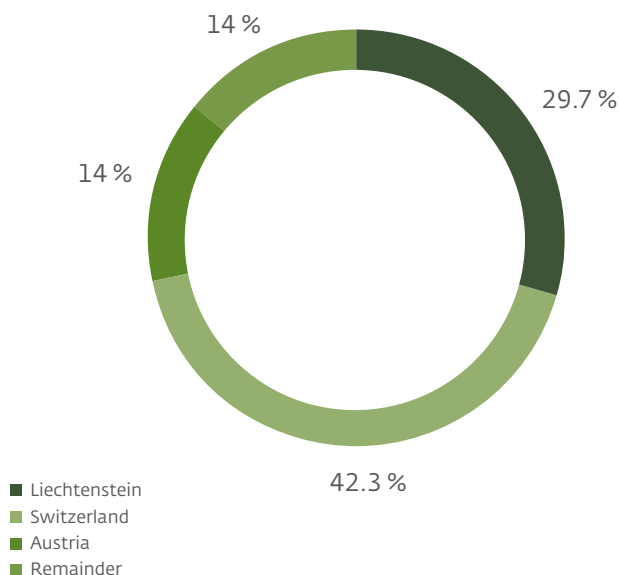
Diversity of employees and managers

The LLB Group employs people from 36 nations. Our success is based on the diversity of our employees and managers. The LLB Group aims to create an environment of appreciation for all employees, regardless of their nationality, age, gender, educational background, etc. The different skills, cultures and viewpoints make us a pioneering company.

Permanent employees by employment type



Employees by nationality



Even if we do not have a specific programme in place to promote diversity, people of different nationalities working together has been commonplace at our Group for many years. In 2017, 30 percent of our employees were Liechtenstein nationals, 42 percent Swiss and 14 percent were Austrian nationals. We are committed to ensuring that our client base is reflected in our employee mix (see "Regional employer", page 56). This also applies to our traditional cross-border markets in Germany and the rest of Western Europe as well as to the growth markets of Central and Eastern Europe and the Middle East.

The proportion of women working for the LLB Group is relatively high at 43 percent, though they are still under-represented in leadership positions. However, the growing number of well-educated women is bound to effect change in this area in the next few years. The Board of Directors and management support the culture of diversity. In July 2016, the first woman was appointed to the Group Executive Board (see chapter "Corporate governance", pages 96–97).

Women in management positions:

- Executive management: 5 men, 1 woman
- Senior management: 24 men, 1 woman

The Board of Directors of LLB, which is publicly listed, has been characterised by an above-average proportion of women since 2014. With two out of the seven members women, they represent almost 30 percent of the board members.

Training and professional education

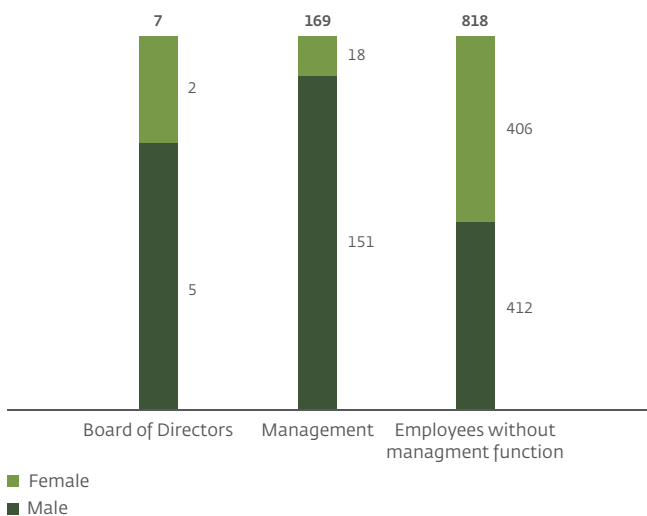
For the LLB Group, training and professional education is an important instrument for raising its competitiveness. In 2017, we invested CHF 1.4 million (2016: CHF 1.6 million) in the targeted development of managers, talent and competences. Effectiveness monitoring conducted by the organisational unit Group Human Resources showed that further progress had been made in 2017. In addition, we invested CHF 244'000 (2016: CHF 239'000) in training programmes in accordance with the standards of the Swiss Association for Quality (SAQ).

The culture of "challenging and promoting" has proved successful. In 2017, 71 percent of the vacant leadership positions could be filled internally by an existing employee. At the same time, new entrant managers and employees have a significantly higher level of qualifications: 73 percent either graduated from a university or a university of applied sciences or have higher professional training. The opportunities that we offer help us to recruit and retain committed employees and managers.

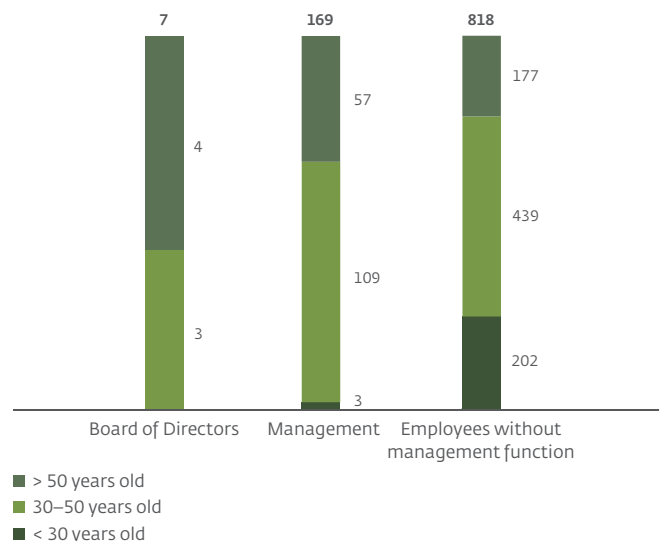
Management culture

Courses are held every two years to promote the further development of our management culture. In 2016, our 160 managers took part in the "Leading to success II" training course and dealt intensively with our vision, our guiding principles and the StepUp2020 strategy. They were essentially introduced to the concept of situational leadership. The next training courses are scheduled for 2018.

Number of employees by gender



Number of employees by age group



Client adviser certification

A strong client relationship remains the most important success factor in banking in the long term. The LLB Group accordingly invests heavily in the know-how of its employees. By the end of 2020, all employees who have contact with clients will have completed training programmes in accordance with the standards of the Swiss Association for Quality (SAQ). A total of 55 employees were certified by the end of 2017. Another 70 to 75 employees are likely to receive certification in 2018.

With our new programme for SAQ client adviser certification, we are ensuring the outstanding advisory competence of the LLB Group for the long term according to uniform quality criteria. The certification also complies with the regulatory requirements arising from the European Markets in Financial Instruments Directive (MiFID II) and the Swiss Financial Services Act (FinSA).

Measuring the success of staff development

The LLB Group has installed two uniform appraisal processes – the "Performance Management Process" (PMP) and the "People Development Process" (PDP) – to support the systematic further development of its staff as skilled employees, managers and individuals.

- The PMP is used to link Group objectives with individual staff objectives. The process has been institutionalised across the company and it works for employees and managers alike, irrespective of their position.
- The main focus of the PDP is on the competences that LLB needs to achieve the objectives set in the StepUp2020 strategy (2016 to end-2020). In 2014, Group Human Resources, together with the operating units, created five "Potential Pools" to systematically develop identified talent with good performance and excellent conduct. In 2017, 8.25 percent (71 individuals) (2016: 7%, 64 individuals) of our employees were allocated to appropriate "Potential Pools" on the basis of a careful evaluation process.

Professional training

When it comes to the training of its junior employees, Liechtensteinische Landesbank lives up to its responsibility as one of the largest providers of training in Liechtenstein. In 2017, 36 apprentices (2016: 38) at the LLB Group benefited from high-quality dual professional training, which combines theory and practice. The classic basic training remains the main pillar of the development programme for our junior employees. We believe that the provision of a broad education is a key task, especially as through the Federal Vocational Baccalaureate (FVB) it allows young adults to keep their options open to go to a university of applied sciences or a traditional university.

Bachelor, work and study, and master programmes

Since 2014, the LLB Group has intensified its focus on university graduates. Each year there are three different programmes available for nine candidates – there were seven candidates in 2017: practical-based direct entry for graduates (2017: 3), a work and study programme for

postgraduates in the final phase of their studies (2017: 2) and a trainee programme for postgraduates (2017: 2). Talented young people get to know our company in-depth from the inside as part of an eighteen-month on-the-job trainee programme covering three areas of work – in 2017, we took on two trainees with an above-average master's degree.

Our trainees are in contact with top management, are involved in day-to-day business from their very first day of work and profit from the comprehensive spectrum of a universal bank. Trainees whose performance and commitment in all three areas of work are satisfactory are recommended for a permanent position. In order to enhance its profile as an attractive employer, the LLB Group strengthened its presence at the Universities of Liechtenstein and St. Gallen, FHS St. Gallen University of Applied Sciences and Zurich University of Applied Sciences (ZHAW) in Winterthur.

Representation of employees

One of our objectives is to be a responsible and fair employer. Since 1999, a Representation of Employees (Arbeitnehmervertretung) at LLB's parent bank has actively fostered dialogue with female and male colleagues, on the one hand, and with corporate management, on the other. The board of the Representation of Employees acts as the mediator between the staff and the Group Executive Board as well as between employees and supervisors and promotes cooperation. The Group Executive Board informs the Representation of Employees of all matters that are relevant to employees. The Group CEO, the Head of Group Human Resources and representatives from the Representation of Employees meet every quarter. The Representation of Employees has a say, for example, in issues relating to staff pension plans, rationalisation projects, staff retrenchment and employee surveys.

Personnel Pension Fund Foundation

In 2017, 625 employees of our corporate Group who work in Liechtenstein were covered by the retirement, life and disability insurance plans of the autonomous Personnel Pension Fund Foundation of Liechtensteinische Landesbank. The pension fund and its defined contribution scheme offer three attractive savings plans that go beyond the requirements of the law (Occupational Pension Act (OPA)). In addition, LLB's contributions as an employer amount to two-thirds of the financing of the fund.

As at the end of December 2017, the liquidity ratio of the LLB pension fund stood at 111.0 percent (as at the end of December 2016: 109.3%) and had thus increased by 1.7 percentage points on the previous year. The return on investment was 7 percent (2016: 3%). The accumulated capital bore interest of 4 percent in 2017. The pension plan assets amounted to CHF 283.5 million (2016: CHF 290.5 million).

The low interest rate environment and the steady increase in life expectancy have induced the Board of Trustees from 1 January 2018 to gradually reduce the pension conversion rate at the retirement age of 64 by 0.1 percent per year to 5.1 percent (currently 5.5%). As of 1 January 2023, the normal retirement age of the Liechtenstein AHV (state pension) will be raised to 65. The pension conversion rate will then be 5.22 percent.

Without lowering the conversion rate, the gap between the capital that is actually available and the capital that is necessary to provide the old-age pension granted would become wider and wider. Through this measure, the long-term financing and provision can be kept in equilibrium.

Fair compensation

The LLB Group offers attractive employment conditions. It spent CHF 155.4 million (2016: CHF 140.8 million) on salaries and social contributions in 2017 (see Notes to the consolidated income statement, page 144). The previous year's result also included one-time expense reductions from the valuation of staff pension obligations amounting to CHF 10.2 million. The current year's result includes one-time additional expenses for pension obligations of CHF 1.1 million.

We have a modern compensation system that is considered exemplary in the banking sector (see chapter "Compensation report", page 104). We place emphasis on fair compensation that explicitly rewards skills and performance. Women and men in the same position and at the same performance level are in the same pay scale and wage model. This is valid for all our business locations.

We are aware that the ratio of female to male salaries in our company is of importance to our stakeholder groups and our business success. We refrain from making this information public, on the one hand, for confidentiality reasons and, on the other, because functions are not strictly comparable and certain aspects of the compensation system are not included.

LLB Group headcount statistics

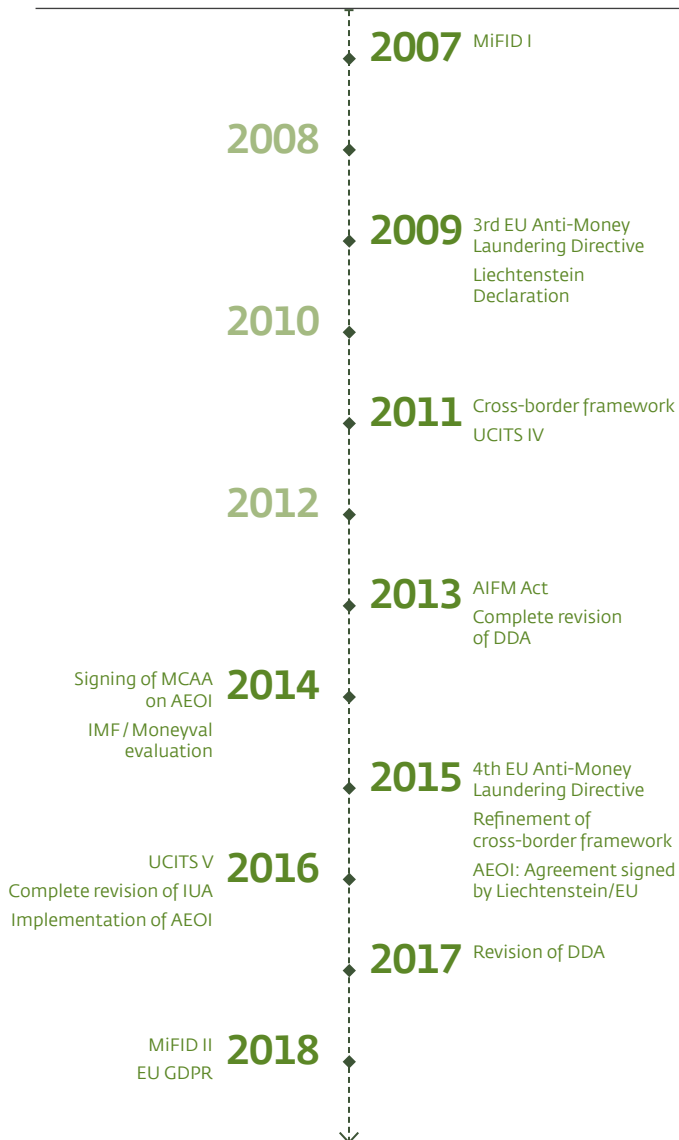
	2017	2016	2015	2014	2013
Employees					
Number of employees (full-time equivalents)	867	858	816	893	925
Full-time employees	769	767 ^o	674	789	784
Part-time employees	218	207	202	244	279
Apprentices	36	38	42	47	50
Trainees incl. BEM interns	4	11	7	6	4
Key figures					
Staff turnover rate in percent	11.0	10.4	12.6	11.5	21.8
Average length of service in years	9.6	9.6	10.7	9.7	8.2
Average age in years	40.3	40.2	39.9	40.2	39.8
Diversity and equal opportunities					
Number of nations	36	39	31	34	29
Share of women in percent	43	42	44	45	45
Training and professional education					
Training costs in CHF thousands	1'384	1'570	1'195	1'191	1'291
SAQ certification	244	239	130		

^o In the previous year the number of full-time employees was given as 718, the correct figure was 767.

Regulatory framework and developments

With the implementation of the Automatic Exchange of Information, Liechtenstein is one of the so-called Early Adopters of a comprehensive cooperation in international tax matters. The country and the financial centre stand for access to markets and for legal certainty.

Implementation of regulatory frameworks 2007–2018



Financial centre strategy

Liechtenstein has decided to adopt a financial centre strategy that is based on client tax compliance. The Government Declaration of 14 November 2013 signalled the country's strong commitment towards its tax compliance strategy heralded by the Liechtenstein Declaration of 12 March 2009. Liechtenstein is also implementing the US Foreign Account Tax Compliance Act by passing the FATCA Law. At the same time, it is signed up to the Automatic Exchange of Information (AEOI) in tax matters and the applicable standards of the Organisation for Economic Co-operation and Development (OECD).

In 2016, the Liechtenstein Bankers Association published its strategy for the Liechtenstein banking and financial centre entitled "Roadmap 2020". Its long-term focus is on quality, stability and sustainability. Furthermore, the banks and the Bankers Association expressly and actively support the financial centre's tax compliance strategy.

International tax topics

Automatic exchange of information (AEOI)

Liechtenstein was among the so-called Early Adopter Countries that signed the multilateral agreement on the automatic exchange of information, the so-called Multilateral Competent Authority Agreement (MCAA), on 29 October 2014. To date, 102 countries and financial centres have signed up to the AEOI. On 22 August 2016, Liechtenstein took another important step towards the implementation of its financial centre and tax strategy. The Government deposited its instrument of ratification for the Council of Europe and OECD Convention on Mutual Administrative Assistance in Tax Matters (MAC) at the OECD in Paris.

Exchange of data in 2017/2018

The first exchange of bank data with EU countries (excluding Austria) occurred in 2017 for the 2016 fiscal year. The MAC, which is a comprehensive multilateral instrument for tax matters, has been in force since 1 December 2016. On the basis of this agreement, the Automatic Exchange of Information has been implemented with 32 other states since 2017. Another 27 states will be added from 2018.

AEOI in Switzerland

In 2017, Swiss banks collected tax data which from 2018 will be exchanged with the EU member states and nine other states. From 2018, Switzerland will implement the Automatic Exchange of Information in tax matters with 41 other partner countries – including Liechtenstein.

Double taxation agreements and tax information exchange agreements

Bilateral, long-term cooperation agreements form the basis of Liechtenstein's financial centre policy. By the end of 2017, tax information exchange agreements (TIEAs) were concluded with 36 countries and double taxation agreements (DTAs) with 17 countries.

• Liechtenstein / Switzerland

The new double taxation agreement between Liechtenstein and Switzerland has been applied since 2017. The two countries signed the DTA on 10 July 2015 and it came into force on 22 December 2016. It is a comprehensive agreement which is based upon OECD recommendations and avoids the double taxation of income and capital. It replaces the agreement of 22 June 1995 between Switzerland and Liechtenstein on various tax issues, which only governed the taxation of certain income.

The new DTA also includes the taxation of AHV pensions. These can be taxed solely in the state of residence. The respective country of domicile will continue to retain the right of taxation in the case of cross-border commuters. Benefits from occupational pensions are subject to taxation in the recipient's country of domicile. The taxation of dividends, interest and royalty payments is now also governed by this new agreement.

• Liechtenstein / Austria

In 2017, Austria exchanged tax information on new clients for the first time on the basis of the AEOI agreement. Data collection started in October 2016 and an extended exchange to include existing clients will take place in September 2018.

To avoid duplication with the AEOI agreement, Liechtenstein and Austria signed on 17 October 2016 a Protocol of Amendment to the withholding tax agreement applicable since 2014. Both countries thereby agreed upon the partial continuation of the withholding tax agreement which includes provisions on non-transparent asset structures and existing transparent asset structures as at 31 December 2016. All other accounts and custody accounts fall under the AEOI agreement with the EU in future.

FATCA

The Liechtenstein FATCA Law ensures that Liechtenstein's financial institutions can operate in the US capital market. On 16 May 2014, Liechtenstein and the USA hence concluded an agreement (Intergovernmental Agreement according to model 1) on the implementation of the Foreign Account Tax Compliance Act (FATCA). This US Act obliges financial institutions worldwide to identify their US clients and to

disclose their assets and revenues to the Internal Revenue Service (IRS) of the United States. The information goes beyond the applicable provisions of the Qualified Intermediary (QI) regime.

Cross-border banking

The LLB Group concentrates its international activities on selected strategically and economically significant markets. The aim thereby is to limit the regulatory risks that exist in cross-border financial services. Our focus lies on the onshore markets of Liechtenstein, Switzerland and Austria, the traditional cross-border markets of Germany and the rest of Western Europe as well as on the growth markets of Central and Eastern Europe and the Middle East.

The LLB Group's internal rulings ensure that employees know and comply with the regulations of the respective target country when engaging in cross-border activities. Again in 2017, training courses were conducted for client advisers in the particular markets relevant to them.

Data protection

The ever more stringent legal requirements provide clear guidelines for data protection. Data protection is central for the LLB Group. In 2017, the Group Information Security Department received no alerts from the persons responsible for data security in the Group companies. We are bound by the laws and the regulatory guidelines in Liechtenstein, Switzerland and Austria, as well as the specific requirements and circumstances in our target markets.

Liechtenstein / Switzerland

The LLB Group implemented in 2016 the latest Swiss standards on dealing with risks associated with electronic client data. Switzerland is currently working on a revision of its Data Protection Act, which should bring it into line with the EU General Data Protection Regulation (EU GDPR)

EU General Data Protection Regulation

The EU General Data Protection Regulation entered into force in the European Union on 24 May 2016. It harmonises the rules on the recording and processing of personal data by companies and public authorities across the EU. It aims to ensure the protection of data and guarantee the free movement of data within the EU. After a two-year transition period, the Regulation will be binding throughout the European Union from 25 May 2018. The GDPR establishes a uniform legal basis for data protection across the EU for the first time.

The content of the Regulation brings various significant changes: New is the "right to be forgotten", under which a person can have the data controller erase their data from the web. New is also the "one-stop-shop mechanism", under which a person can notify directly the

data protection authorities in their member state of any data breaches, regardless of where the breach occurred.

The Regulation also provides in part for stricter rules on key aspects of the data protection law: for instance, informing a person about the processing of their data, making contractual arrangements for the processing of data by third parties and transferring personal data to third countries.

The EEA is currently in the process of taking over the GDPR. As an EEA member, Liechtenstein has therefore initiated a complete revision of its Data Protection Act. The LLB Group has established rules which are applicable throughout the company and started to implement the necessary organisational and technical adjustments

Rules of conduct

We expect our corporate bodies and employees to comply with the applicable laws, regulations and guidelines, professional standards and our rules of conduct. The rules of conduct stipulate which transactions in financial instruments are not permitted for employees and corporate bodies and also set out the general principles for employee transactions for own account. How business relationships are supported by employees and corporate bodies is also clearly regulated, as is the acceptance of inducements and the exercise of secondary employment.

Regulatory environment

Protection against money laundering

The fight against money laundering and terrorist financing has been a top priority for years for Liechtenstein, which has a zero-tolerance policy towards such matters. As a member of the EEA, Liechtenstein implemented in 2017 the 4th EU Anti-Money Laundering Directive 2015 / 849 as well as Regulation 2015 / 847 on information accompanying transfers of funds.

The relevant implementing provisions are found especially in the Law on Professional Due Diligence to Combat Money Laundering, Organised Crime, and Terrorist Financing (Due Diligence Act; DDA) of 1 September 2017 and the corresponding Ordinance (Due Diligence Ordinance; DDO).

In 2002, 2007 and 2013/2014, the International Monetary Fund (IMF) and Moneyval (the Council of Europe's Committee of Experts) assessed to what extent the Liechtenstein provisions on anti-money laundering and combating the financing of terrorism meet the standards laid down by the Financial Action Task Force (FATF 40+9 Recommendations). In their last report, the IMF and Moneyval attested positively to Liechtenstein's standards in combating money laundering and financing of terrorism.

LLB has assigned the highest priority to combating money laundering and its predicate offences as well as financing of terrorist or criminal activities. Monitoring is performed by an IT system. In addition to

the systematic monitoring of transactions, employees receive ongoing training on regulatory changes. They are also sensitised to the indications of possible money laundering activities.

The Financial Intelligence Unit (FIU) serves as the country's central authority for obtaining and analysing information that is necessary to recognise money laundering, predicate offences for money laundering, organised crime and terrorist financing. It represents Liechtenstein in the Committee of Experts on anti-money laundering and terrorist financing in the EU. The revision of the FIU Law on 1 March 2016 and the adaptations made to the Due Diligence Act ensure Liechtenstein is fully legally compliant with the international standard.

MiFID II / Liechtenstein

The Liechtenstein financial centre implemented the Markets in Financial Instruments Directive (MiFID) on 1 November 2007. MiFID simplifies cross-border financial services and allows investment firms, banks and stock markets to also offer their services in other EU / EEA member states. Furthermore, they are required to conduct precise client and product analyses as well as disclose information on compensations and commissions.

The Amendment (MiFID II) and the accompanying Regulation (MiFIR) came into force in the EU on 3 January 2018, one year later than originally planned. They provide for further regulation of the financial markets and investment services. MiFIR also regulates trading transparency. Besides the refinement of regulations since MiFID, the aim of MiFID II is to create greater transparency in the markets and to increase investor protection.

High-frequency trade will be made more transparent and subject to stricter supervisory controls, while position limits on commodity trading will be stricter. In future, throughout the EU, consultations at bank branches and consultations by telephone must record and document in a comprehensive manner why a financial product was recommended and how it matches the client's risk profile.

In Liechtenstein, the implementation of MiFID II required comprehensive changes to the Banking Act and the Asset Management Act, the Banking Ordinance and the Asset Management Ordinance, as well as amendments in particular to the Act on Certain Undertakings for Collective Investment in Transferable Securities (UCITS Act) and the Financial Market Supervision Act (FMA Act). The legislative process has been completed at national level and the amendments came into force on 3 January 2018. LLB implemented MiFID II within the specified time.

FinSA / Switzerland

Switzerland intends to conceptually reshape the guiding principles of its financial centre in order to transpose investor protection issues arising from MiFID II, in particular, into national law. On 4 November 2015, the Federal Council adopted the dispatch on the Financial Services Act (FinSA) and on the Financial Institutions Act (FinIA). The bills are being debated by Parliament.

The FinSA governs the prerequisites for providing financial services and offering financial instruments. The FinIA makes provision for an activity-based, differentiated supervisory regime for financial institutions requiring authorisation. The FinSA and the FinIA shall serve to provide modern investor protection and are expected to come into force in 2019.

The Financial Market Infrastructure Act (FMIA) and the Financial Market Infrastructure Ordinance (FMIO), which have been in force since 1 January 2016, are also all part of the new Swiss financial market architecture. Consequently, new rules that are consistent with the applicable international standards will apply in Switzerland for financial market infrastructures, such as trading venues and central counterparties, as well as for derivatives trading.

Access to the EU market

The Liechtenstein investment fund centre has a legal basis that is focused on clients and investor protection. Investment fund law comprises three pillars: the Act on Certain Undertakings for Collective Investment in Transferable Securities (UCITS Act, 2011), the Law on Alternative Investment Fund Managers (AIFM Act, 2013) and the Investment Undertakings Act (IUA), which was revised in 2016.

UCITS V

With the transposition of the EU's Directive on Undertakings for Collective Investment in Transferable Securities (UCITS V) into the Act on Certain Undertakings for Collective Investment in Transferable Securities (UCITS Act), traditional funds will be subject to uniform regulation Europe-wide. It places new requirements on custodian banks with regard to liability, control function, custody, independence and sanctions level.

AIFM

Access to the EU market is central to the competitiveness of both the Liechtenstein financial and investment fund centre. Since the adoption of EU law in the EEA Agreement, Liechtenstein investment companies have been legally entitled not only to administer and sell UCITS funds across national borders, but also to use the EU passport for alternative investment fund managers (AIFMs). The AIFM Directive serves to increase the transparency of the activities of the alternative investment fund managers and the alternative investment funds (AIFs) they manage vis-à-vis investors and the supervisory authorities.

IUA

The Investment Undertakings Act (IUA) was completely revised in 2016 and applies to four clearly defined domestic investment fund categories. The new investment fund law regulates most notably the fund business model for single investors that was specially set up in Liechtenstein.

Group Legal & Compliance competence centre

Group Legal & Compliance has been under the Group CFO Division since 2016. LLB has a traditional legal department, Group Legal, plus three specialised compliance departments:

- Group Financial Crimes Compliance is responsible for fulfilling legal anti-money laundering requirements.
- Group Regulatory Compliance is focused on compliance with supervisory requirements, inter alia, in the areas of MiFID and cross-border.
- Group Tax Compliance is responsible, inter alia, for implementing a tax compliance strategy as well as AEOI and FATCA.

Compliance, according to the regulations governing the conduct of business of Liechtensteinische Landesbank AG of 1 January 2016, means the observance of legal, regulatory and internal regulations as well as of common market standards and codes of conduct. Group Legal & Compliance supports and advises the Group Executive Board regarding the assessment and monitoring of legal and compliance risks. This organisational unit is involved in all the LLB Group's regulatory measures and projects.

Responsibilities for society and the environment

Awareness of the need to act responsibly is deeply rooted in the LLB Group. As partner of the Principality of Liechtenstein as well as of society and the economy, we are committed to leaving future generations with stable social conditions and an environment that is as intact as possible.

Sustainability mandate

The LLB Group's business policy, which is focused on continuity, forms the basis for sustainable action. Sustainability to us means balancing economic viability with social and environmental responsibility. The Annual Report 2017 contains an integrated "Stakeholders report" for the third time, the first time being in 2015 and the second in 2016. It was prepared in accordance with the Global Reporting Initiative (GRI) Standards – "Core Option". By doing this, we are highlighting our proactive focus on sustainability.

Implementation of the CSR Directive

Since 2017, capital market-oriented corporations as well as large credit institutions and insurance companies that have more than 500 employees have been required to disclose information about their Corporate Social Responsibility (CSR) performance in their annual report. In September 2016, EEA country Liechtenstein amended its Persons and Companies Act (PGR) and implemented Directive 2014/95/EU (the CSR Directive on disclosure of non-financial and diversity information). For the first time ever, Liechtenstein has regulations on reporting about certain sustainability topics such as environmental, employee and social matters, as well as respect for human rights, anti-corruption and bribery matters.

LLB met EEA requirements a year before the law came into force in Liechtenstein. At the end of 2014, it compiled a set of around 25 sustainability topics. In 2015, in accordance with version 4.0 of the GRI, we established, reviewed and evaluated a list of material aspects and indicators and focused on strategic priorities, as shown in the materiality matrix on the right. We reviewed and supplemented the material aspects in 2016 and 2017.

Value-oriented

The values of "integrity", "respectfulness", "excellence" and "pioneering" (see chapter "Strategy and organisation", page 25) underpin the LLB Group's actions. We are client-oriented and, as such, are investing in the further development of the physical and electronic contact points (see chapters "Retail & Corporate Banking", page 34; "Corporate Center", page 45). Here we are paying particular attention to meeting our clients' security needs and our data protection standards for the use of the various distribution channels at all times. Our internal code of conduct provides a guiding framework for the value-based and responsible actions of all employees (see chapter "Strategy and Organisation", page 26).

Contribution to the sustainable development of Liechtenstein

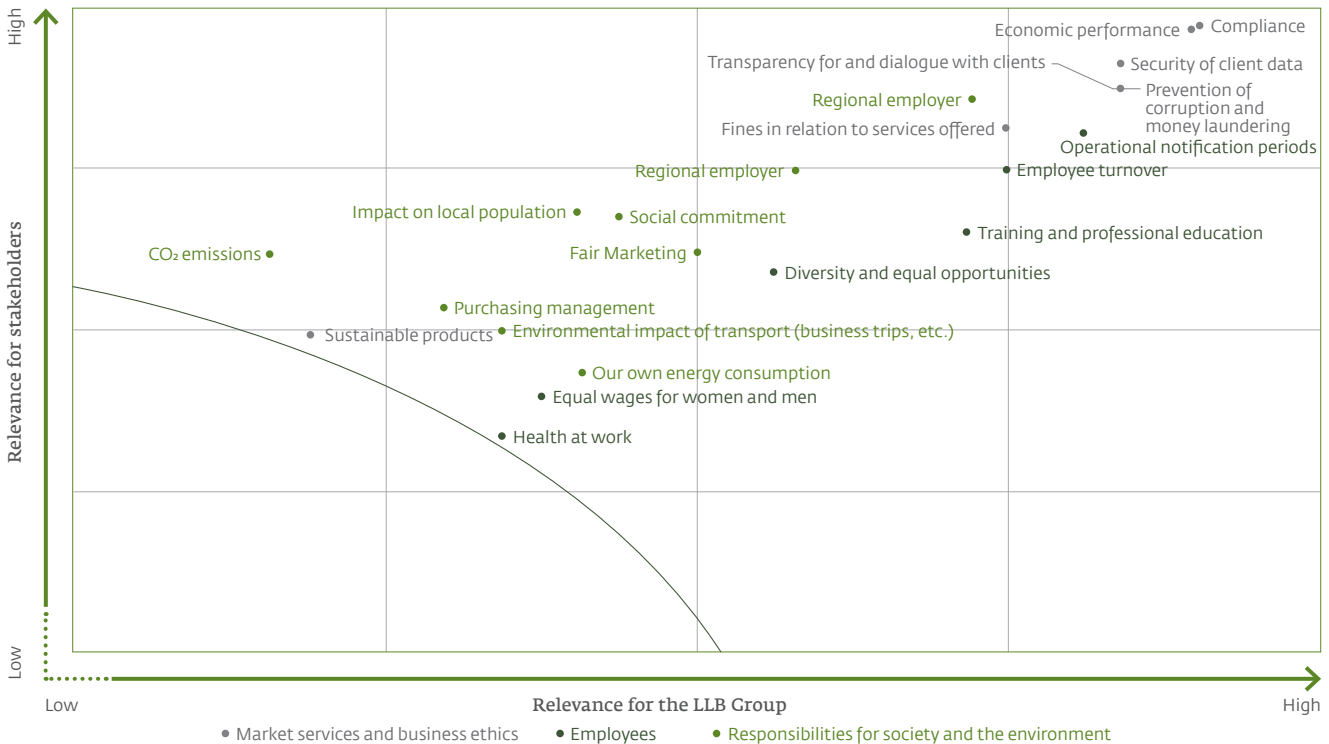
The LLB Group is involved in different cultural, environmental and social areas (see chapter "Brand and sponsoring", page 53) and thus in the sustainable development of a prosperous Liechtenstein. This forms the basis for the fulfilment of our performance mandate. We indirectly promote Liechtenstein as a workplace and contribute to the prosperity of the people (see chapter "Retail & Corporate Banking", page 33).

In dialogue with stakeholder groups

For the LLB Group, sustainability as a corporate responsibility means meeting the expectations of the different internal and external stakeholder groups. The Group Corporate Communications & General Secretary Business Area works together with the line and support units of the core team on an ongoing basis to further develop the key sustainability topics.

While the members of this core team represent the views of the LLB Group, they are in regular dialogue – personally, by electronic media or telephone, or at information meetings, working sessions, roadshows or conferences – with the different stakeholders who we influence and who, in turn, influence the course of our business.

Materiality matrix for sustainability aspects



The stakeholder groups are in particular:

- **Clients:** Their needs are uppermost at every point of contact. Our client advisers systematically record client needs plus private and corporate client satisfaction. The LLB Group fosters partnership-based dialogue with its institutional clients via its “LLB Xpert Views” online platform and in round-table discussions (see chapters “Retail & Corporate Banking”, “Private Banking” and “Institutional Clients”).
- **Principality of Liechtenstein:** The Principality of Liechtenstein is our majority shareholder. The Chairman of the Board of Directors of the LLB Group and the Group CEO submit a bi-annual report on the course of business to the Head of the Government of Liechtenstein. Once a year, the Board of Directors and the Group Executive Board exchange views with the entire Government. It, in turn, reports to the Audit Commission of the Landtag (Parliament) on the implementation of the investment strategy of Liechtensteinische Landesbank AG (see chapter “Corporate governance”, page 78).
- **Shareholders:** In addition to the annual General Meeting of Shareholders, we exchange views with our shareholders at investor presentations and in regular meetings with the Liechtenstein

Government as the representative of the majority shareholder, the Principality of Liechtenstein (see chapter “Corporate governance”, page 101).

- **The public:** We are in continuous dialogue with the public through our employees. We also foster an intensive exchange with media representatives (see chapter “The LLB share”, page 51).
- **Partners and non-governmental organisations (NGOs):** Through our membership of associations and organisations, we maintain a dialogue with partners and NGOs (see chapters “Regulatory framework and developments”, page 62, “Institutional Clients”, pages 41–42, and “Responsibilities for society and the environment”, pages 68– 69).
- **Employees:** We obtain our employees’ opinions by engaging in dialogue during the annual objective-setting process as well as in the employee survey, which is conducted every two years (see chapter “Employees”, pages 56–57).

Key sustainability topics

Sustainable business management and long-term responsibility are core values to us. The key factors in selecting and prioritising topics

This page includes, inter alia, the following GRI standard indicators (2016 version): 102–47. A complete list of all indicators shown in the report can be found in the GRI Content Index on page 75.

for the materiality matrix were: the external impact; the impact on the stakeholder groups; the relevance to the existence of the banking group; and public perception. For the key sustainability topics, we defined the relevant GRI aspects and indicators. The LLB Group closely monitors the topics included in the materiality matrix (see chart on page 67) and addresses them individually. The topics positioned in the top right of the matrix are of particular significance. In 2017, we further developed the process of identifying and managing sustainability topics.

Performance mandate

The Principality of Liechtenstein is the majority shareholder in LLB with 57.5 percent of the share capital. This ownership situation is unique in Liechtenstein. Sustainable business management is part of the performance mandate and the principles governing the corporate strategy of Liechtensteinische Landesbank. At the same time, social commitment has always been a significant part of our corporate identity. Our activities are in line with our statutory mandate: according to Art. 3 of the Law on the Liechtensteinische Landesbank (LLBG) of 21 October 1992 and under the investment strategy of the Government of the Principality of Liechtenstein of 22 November 2011, LLB is mandated with the social responsibility of promoting Liechtenstein's economic development while at the same time still taking ethical and ecological factors into account.

Financial stability

Liechtenstein is among eleven countries worldwide with an AAA rating. On 29 January 2018, Standard & Poor's (S&P) reconfirmed its best rating for the country's creditworthiness. Liechtenstein has no national debt, instead it has large reserves thanks to strict budgetary discipline. A functioning banking sector and stable financial centre with strong international connections contribute substantially to the financial results of the state.

The financial services sector, accounting for around 24 percent of GDP, is the most important sector in the Liechtenstein economy after industry. The banks are particularly distinguished by their financial stability. Having a sufficiently high-quality equity base at its disposal is part of the LLB Group's identity. Today it already meets the core capital ratio required under Basel III regulations from 2019 onwards (see chapter "Finance and risk management", page 29).

Economic contribution

The LLB Group bases its business policy on market principles and strives to generate a reasonable profit. The Principality of Liechtenstein and its population participate in profits through regular distributions. The economic contribution – dividends, direct taxes and the compensation payment for the state guarantee – of the LLB Group amounted to CHF 46.4 million in 2017 (2016: CHF 38.4 million). LLB

receives no financial support for its banks or Group companies in Liechtenstein, Switzerland and Austria from any government.

LLB is the only bank in Liechtenstein which carries a state guarantee for savings account deposits and medium-term notes (cash bonds). This is regulated in the Law on the Liechtensteinische Landesbank of 21 October 1992. According to Art. 5, the Principality of Liechtenstein is liable for savings account deposits at the Landesbank and for medium-term notes (cash bonds) of the Landesbank, insofar as the bank's own resources are not sufficient. For this additional security, from which our clients benefit, LLB makes a yearly compensation payment to the Principality. In 2017, this amounted to CHF 1.1 million (2016: CHF 1.2 million).

Sustainable products and services

With a range of products and services, the LLB Group takes social responsibility for the future generations in its home markets of Liechtenstein and Switzerland. This applies to both private individuals and small and medium-sized enterprises (SMEs).

Risk-conscious growth in the mortgage lending business

The development of the real estate and mortgage market plays a key role in the economy. In Liechtenstein, LLB has a leadership position in the mortgage lending business with a market share of around 50 percent. Bank Linth is an important partner for the people and economy of eastern Switzerland. To achieve sustained, profitable growth, the LLB Group focuses in Liechtenstein and Switzerland on the quality of the mortgage portfolio and risk-conscious growth carefully tuned to suit the region and the type of property. In 2017, mortgages accounted for 87.4 percent (2016: 86.5%) of loans granted by the LLB Group, corresponding to CHF 10.6 billion (2016: CHF 10.0 billion).

Private financial planning

LLB is the only bank in Liechtenstein to offer comprehensive private financial planning. Changing asset structures, the growing diversity and complexity of financial instruments, the globalisation of financial markets and changes in retirement planning are new aspects that we have to take account of. The need for professional and holistic private financial planning is growing. In 2017, LLB further refined its "LLB Compass" service offering, which offers solutions for all stages of life and business. Bank Linth launched its comprehensive advisory service in Switzerland in spring 2017.

LLB offers three separate advisory packages for corporate clients. In the case of owners of small and medium-sized enterprises (SMEs), private and business assets are often closely interlinked. Our 360-degree financial planning covers all the important topics such as assets, financing, retirement planning, real estate, taxes and estates.

LLB Liechtenstein Pension Fund Foundation

At LLB, client orientation means nurturing stable, long-term relationships at the same time as being innovative and proactive. With the LLB Liechtenstein Pension Fund Foundation, we have been offering our clients a service that is extraordinary for a bank since 2005. With a market share of around 40 percent, the LLB Liechtenstein Pension Fund Foundation is an essential pillar of the pension fund market in Liechtenstein.

It is also an important element in LLB's integrated advisory and financial planning services for SMEs. Occupational retirement provision, financed by a capital funding system, is becoming increasingly important in an ageing society. The LLB Liechtenstein Pension Fund Foundation is represented on the Executive Board of the Liechtenstein Pension Scheme Association (LPKV) and has a decisive role in expanding the Liechtenstein pension fund market. To address the financing of pensions, a reform package for the Old-Age and Survivors' Insurance (OASI) and occupational pension provision came into force in Liechtenstein on 1 January 2017.

The LLB Liechtenstein Pension Fund Foundation has established itself as a competence centre. As the youngest pension fund in the Principality, it ranks as the number two among the independent collective foundations. At the end of 2017, it had significantly increased pension fund capital under management to CHF 732 million (2016: CHF 620 million). It provided services to 423 (2016: 420) companies with 5'360 (2016: 4'970) active insured persons and had a liquidity ratio of 107 percent (2016: 104.4%). The foundation has a very good structural ratio: for each pensioner there are 19 active insured contributors (2016: 21 active insured contributors).

Sustainable investment

According to Liechtenstein's Environmental, Social and Governance (ESG) Market Report of November 2016, LLB with its funds is the market leader in the Principality. The funds are managed by LLB Asset Management AG, the LLB Group's investment competence centre. We concentrate on the shares of companies that are audited on their ESG criteria and have a good sustainability rating. ESG criteria are increasingly having an impact on the risk and return profile of a company and hence on the investment portfolio of an investor.

Sustainable asset management

Our product range also includes "Sustainable asset management", developed by the Asset Management Business Area of the LLB Group. When constructing a portfolio, certain sectors such as tobacco, alcohol, nuclear energy and armaments are excluded. Companies which do not comply with specific social or environmental standards as well as countries which are subject to sanctions are also excluded. To ensure we invest in a socially responsible way, we focus on investment-grade bonds, inflation-linked bonds, convertible bonds, developed market equities and real estate investment trusts (REITs).

Basically, the LLB Group's investment policy excludes ethically unsuitable products or behaviour. Hence we exclude high-yield bonds, emerging market bonds and equities, commodities and alternative investments such as hedge funds. Liechtensteinische Landesbank has no financial products itself which contain soft commodity investments. In the case of products from other providers, it is guided by the Dow Jones UBS Commodity Index, which consists of one third energy, one third non-ferrous and precious metals and one third soft commodities such as corn, soya, cocoa or rice. In the case of the LLB strategy funds, the proportion of investments in commodities amounts to 2 percent, whereby merely 0.66 percent consists of futures on soft commodities as a complement.

Risk management

Integrity, performance and trustworthiness form the basis of responsible and transparent corporate governance. Effective risk management, that means permanent and systematic monitoring to minimise risk, also plays a decisive role (see chapter "Finance and risk management", page 28). By specifying a future-oriented risk strategy, the Board of Directors establishes the guidelines for dealing with risks. In addition, it continues to develop corporate governance on an ongoing basis (see chapter "Corporate governance", page 78).

The applicable laws, directives, guidelines and market standards as well as supervisory and internal regulations form an essential base. Group Legal & Compliance advises the business areas, identifies and analyses compliance risks, and ensures that all staff comply with the rules of conduct (see chapter "Regulatory framework and developments", page 64).

The non-profit Future Foundation

Sustainability in everyday life

The "Zukunftsstiftung der Liechtensteinischen Landesbank AG" (the Future Foundation of Liechtensteinische Landesbank AG), which was founded in 2011 as part of our 150th anniversary celebrations, supports commitment to social and ecological sustainability in everyday life. We support organisations and non-profit projects that improve living and working conditions and promote self-responsibility. Besides this, we promote projects dedicated to environmental protection. We focus on innovations in the areas of knowledge transfer as well as the integration and implementation of social entrepreneurship.

Trust, responsibility and reliability are important to the LLB Group. The company is closely connected to the people and the economy of Liechtenstein and the adjacent regions. In addition to project-specific contributions amounting to CHF 32'000, the Future Foundation contributed to society by donating a total of CHF 79'500 to social organisations in 2017. The Future Foundation is a member of the network of

the "Vereinigung liechtensteinischer gemeinnütziger Stiftungen" (Association of Liechtenstein Non-Profit Foundations), which aims to promote the idea of entrepreneurial philanthropy.

Projects in 2017

The Future Foundation's commitment in the areas of community service and the environment has a lasting, sustainable impact. Through its annual donations to a set circle of social institutions in Liechtenstein, the Future Foundation helps to maintain healthy social structures in the country. Providing additional funding to individual projects helps innovative ideas in the area of social and ecological development in the LLB Group's market regions to be realised in practice.

Over the past six years, the Future Foundation has made over 120 donations and contributions to around 40 projects, in all totalling over CHF 900'000.

Since the projects receiving funding contributions are mostly small, focused and located in the market regions of LLB and Bank Linth (Liechtenstein and eastern Switzerland) as well as LLB Österreich, from the point of view of the beneficiary organisations the funding is often critical to their realisation. In 2017, the Future Foundation supported the following projects:

- **Verein Neuraum (new space association) – FreeVeloPoint:** The association has old bicycles renovated in a social workshop and provides them free of charge to the public. There are now around eighty bicycles available for use and fourteen docking stations across Liechtenstein's municipalities.
- **pepperMINT:** The MINT Initiative Liechtenstein is a social foundation that offers children and young people the chance to experience and learn mathematics, computer science, natural science and technology in a fun way.
- **Initiative Praktische Hilfe (practical help initiative):** Refugees and asylum seekers receive support when it comes to learning a language, applying for a job or filling out a form. And through networking with institutions and companies, the initiative helps refugees to integrate into the work process faster.
- **Sibiu 2018 –** Providing support to a Romany village in Romania: In October, thirty apprentices from Liechtenstein are to refurbish an old carpenter's workshop under the supervision of expert craftsmen. The objective of the project is to contribute to improving the living conditions in the municipalities of Transylvania by preserving the cultural heritage.
- **Association NetzWerk – "Freiwilliges Soziales Jahr Liechtenstein" (voluntary year of community service):** This project, which has been supported by the Future Foundation since 2016, offers young people the opportunity to complete a professionally organised voluntary social service year at a social institution. Six people successfully completed a social service year in 2017.
- **"Stiftung Zukunft Liechtenstein" foundation:** LLB has been promoting this think tank, which addresses economic and socio-

political topics relevant to the sustainable development of Liechtenstein and the securing of its future, for the past four years.

- **Alte Metzg Schaan:** In 2017, LLB again supported the Christmas campaign to distribute food aid to people in need.

Drink tap water – donate drinking water

LLB joined "Drink & Donate" – a drinking water project. Since February 2017, hydration stations that use fresh tap water have been provided at its headquarters in Vaduz. Laboratory tests attest to its excellent quality. LBB donates CHF 60 per employee per year to "Drink & Donate", a Zurich-based non-profit organisation. We donated a total of CHF 39'000 in 2017.

By consuming tap water instead of transporting branded bottled water thousands of kilometres, we want to reduce our CO₂ footprint, produce less waste, save energy and protect our environment. In this way, the 660 LLB employees in Vaduz and our clients make a sustainable contribution to supporting people in developing countries who do not have access to clean drinking water.

Mobility management

The LLB Group is committed to actively managing the environmental impact of the business and commuter traffic caused by its employees.

Promoting the use of public transport

We encourage our staff to use public transport and, if possible, not to drive to work, but to form car pools or switch to more environmentally friendly alternatives. According to a report by the Liechtenstein Government on its Energy Strategy 2020, road traffic in Liechtenstein grew at an average annual rate of 5 percent between 2009 and 2015. Densely built-up areas mean that carriageways and parking spaces cannot be expanded in many cases.

In 2013, LLB's Mobility Commission added new elements to its comprehensive mobility management, which was introduced in 2010. It considerably increased not only the costs for parking spaces but also the rewards to those employees who switch from using private motorised transport to more environmentally friendly means of transport. The fee system for employee parking spaces comprises four rates. LLB makes graduated payments to employees who forego a parking space.

It subsidises 50 percent of the cost of an annual travel pass with LIECHTENSTEINmobil (LIEmobil), the Liechtenstein bus company, as an incentive to use public transport. Employees commuting to their workplace from outside the area served by LIEmobil buses receive an allowance for using regional public transport. There are a total of six vehicles and two trailers available for work-related trips, errands and building maintenance.

Cycling to work

More than half of the distances travelled by car in Liechtenstein are shorter than five kilometres, as are the distances between the individual LLB buildings in Vaduz. Our employees have had the possibility to use company bicycles since 1996; we now have 45 such bicycles.

LLB employees have been taking part in the competition run by the Verkehrs-Club Liechtenstein (VCL) "Radfahren für Ihre Gesundheit" (Cycling for your health) and the one by the LIHK "Mit dem Rad zur Arbeit" (Cycling to work) for years. We make a contribution of CHF 50 towards the cost of buying a bicycle helmet. Since 2016, this rule has also applied to ski and motorcycle helmets and runs under the motto "Kluge Köpfe schützen sich" (Clever heads protect themselves).

We want to make it as easy as possible for our staff to make the switch to using bicycles for transportation. This is the reason why we have installed showers and changing facilities right next to the bicycle room and offer towel services.

State-of-the-art video technology

Since ecology and the economy are inseparably linked, our aim of promoting energy efficiency also applies to the number of kilometres travelled on business trips. We were able to further reduce this amount as a result of having installed over 25 video-conferencing systems group-wide since 2015. The LLB Group uses the latest state-of-the-art, high-end video technology with the best picture and sound quality so that decision-making processes and optimum knowledge transfer can be accelerated at executive and project team meetings. At the same time, this means travel cost savings and, hence, an improvement in the CO₂ footprint, as shown in the table on "Energy consumption and greenhouse gas emissions".

Due to increasing demand, we installed more video-conferencing systems in 2017 and will develop the technology further in 2018.

Sustainable procurement

Purchasing management

The growing complexity of supply chains makes purchasing management, in conjunction with sustainable business management, an important discipline. The LLB Group is committed to ensuring that human rights and ecological standards are observed in the supply chain.

That is why we drew up a group-wide directive in 2013 that sets minimum standards our suppliers are obliged to accept. These include compliance with laws, minimisation of the environmental impact, staff health protection as well as the avoidance of both child labour and forced labour. Fairness, transparency, data protection, human rights as well as ecological and ethical behaviour are essential criteria for our purchasing management. Offers are systematically analysed and checked for compliance with the standards.

We increasingly raise our employees' awareness to consider sustainability when choosing office supplies, office equipment and suppliers. Our purchasing management is continuously being developed. This will support our mission to integrate the factor of sustainability, analyse savings potential and reduce costs.

Well over 50 percent of our suppliers are based in Liechtenstein or eastern Switzerland. Our local buyers (category managers) check that new suppliers are observing human rights and ecological standards. When procuring IT products, the category manager for the purchasing class "IT & market data (IT)" checks the resource consumption for operating and disposing of the equipment.

Energy efficiency and climate protection

For the LLB Group and its stakeholder groups, sustainability means ensuring long-term corporate success, accepting responsibility and using resources in a conscious way. Fossil energy sources, which are essential to modern industrial society, are finite. For both ecological and economic reasons, scarce resources must be used responsibly. This guiding principle applies equally to LLB in Liechtenstein, Bank Linth and LLB Österreich.

The recording of energy consumption and greenhouse gas emissions is being continuously optimised. For the first time, we also collected data for our business location in Vienna for 2017 and retrospectively for 2016. This necessitated a revised presentation of the environmental indicators.

The LLB Group wants to contribute to climate protection by increasing energy efficiency and save costs at the same time. This is the reason why we are continuously optimising the recording of energy consumption and greenhouse gas emissions. The organisational units Security Management and Facility Management identify potential energy savings and evaluate the effect of efficiency measures. An example of this is the "Green Datacenter".

"Green IT" data processing centre

Infrastructure and energy costs for data processing centres are a key factor in facility and IT management. Potential energy savings are high. The branch office of Liechtensteinische Landesbank in Eschen (FL) has set standards in this area for the Rhine Valley region since December 2012. The LLB data processing centre, which was built according to the American Uptime Institute's Tier III Certification of Design, is an extremely secure data centre. This means that highly sensitive business data are perfectly protected.

Our data processing centre, however, not only has one of the highest security standards of the region, it also reflects a clear commitment to "Green IT". All building elements – from construction, to insulation and the architectural design of the building – were carefully matched to each other in order to increase energy efficiency. Since the

This page includes, inter alia, the following GRI standard indicator (2016 version): 102-48.
A complete list of all GRI indicators shown in the report can be found in the GRI Content Index on page 75.

middle of 2013, we have reduced power consumption substantially and consequently lowered our CO₂ emissions.

The power consumption of the cooling devices plays an essential part in terms of power usage effectiveness (PUE). We aim to achieve a PUE value of below 1.5, which would be half the original energy usage. By 2013, we had already achieved a PUE value of 1.54. In 2017, we achieved a PUE of 1.48 (2016: 1.40).

Energy-efficient branch offices

Sustainable construction is based on the interaction between ecology and technology and is becoming the standard. The building that houses the Eschen branch office complies with the Minergie standard. The energy-efficient design of the branch office in the data processing centre enabled the energy consumption of our buildings in Liechtenstein to be reduced substantially.

Our main buildings are responsible for the bulk of energy consumption. Since two of our business premises in Vaduz (headquarters and Haus Wuhr Ost) are equipped with photovoltaic systems, we generate a small part of our electric power in an environmentally friendly manner. In 2017, the PV systems produced 8'930 kilowatt-hours (2016: 10'170 kWh). The amount of electricity produced was lower compared to 2016 due to the sale of Haus Engel in Vaduz, which also produced solar energy, in June 2017.

Energetic renovation of buildings

We are increasing the energy efficiency of our branch offices by means of various measures. Bank Linth, for instance, has set itself the goal of refurbishing all nineteen branch offices according to its "bank of the future" concept by the year 2020 (see chapter "Retail & Corporate Banking", page 34; "Employees", page 57).

Whereas the Bank Linth branch offices in Pfäffikon (SZ), Kaltbrunn (SG) and Schmerikon (SG) were built in accordance with the Minergie standard, the headquarters of Bank Linth in Uznach (SG) were completely renovated in 2017. This will bring about a massive improvement in energy efficiency and a reduction in power consumption. Furthermore, an agreement has been made with the power plant in Uznach whereby half of the energy drawn must come from renewable energy.

In addition, the air-conditioning system of the Bank Linth building in Rapperswil was updated in 2017. Detailed assessments showed that when the building was constructed in 1969, materials containing asbestos had been used. In the summer of 2017, the building was completely renovated, inside and out, and the hazardous waste was disposed of properly. There was no risk to health.

In order to identify further potential for optimisation, we measure the thermal insulation values of our buildings. In 2017, we set about replacing the glass in the windows, the rubber seals and the blinds in Haus Äule. The work should be completed by early 2018.

Promotion of sustainable construction

Due to uncertainty about costs for conventional energy sources, energy and ecological considerations are becoming increasingly important for new buildings and building refurbishments. Furthermore, environmental regulatory pressure is mounting and the people living in Liechtenstein and eastern Switzerland are also becoming more ecologically aware. The LLB Group actively supports sustainable construction and provides eco mortgages and renovation mortgages that promote the efficient and sparing use of resources. Clients benefit from a preferential rate of interest for investment in new buildings that comply with the Minergie, passive house or other comparable standards for alternative energy.

Electric charging points

We want to promote electromobility by installing electric charging points. We plan to install nine electric charging points at six locations in Liechtenstein during the first quarter of 2018. The charging points will be primarily for use by our employees who drive to work in an electric car, but will also be available to our clients.

Reduction in operational CO₂ emissions

Our commitment to climate protection is bearing fruit. We have made progress thanks to sustainable mobility and the energy efficiency of our IT infrastructure and buildings. The LLB Group's investment in the promotion of the use of public transport contributed, out of all LLB employees, to 248 coming to work in Vaduz by bus, bike or on foot in 2017 (2016: 246). Efficiency measures at our data processing centre have enabled us to reduce our CO₂ emissions since 2013. Group-wide CO₂ emissions fell from 904 tonnes in 2015 to 885 tonnes in 2016. The figure for 2017 was 951 tonnes, whereby our business location in Vienna was also included in the data collection for the first time.

Climate foundations

We are convinced that actions driven by sustainability and responsibility increase the value of the LLB Group and have an impact that extends beyond our own company. We promote small and medium-sized enterprises (SMEs) that contribute to climate protection. LLB is a partner of the independent non-profit LIFE Climate Foundation Liechtenstein (since 2009) and the Swiss Climate Foundation (since 2012). The Swiss Climate Foundation has awarded CHF 575'015 to 40 SMEs in Liechtenstein from the start of the cooperation through to January 2018.

That is why LLB belongs to a group of 27 partner firms that pool their resources to promote SMEs in Switzerland and Liechtenstein. The companies do this in an uncomplicated and efficient manner and, through their activities, help to protect the climate. LLB refunds of CO₂ contributions from Liechtenstein made to the Climate Foundation are used to support new products and technological developments that contribute to climate protection as well as energy-saving projects.

Energy consumption and greenhouse gas emissions ^{1,2}

	2017	2016
Energy consumption (in MWh)	6'760	6'374
Electricity	5'080	4'956
District heating	356	349
Total heating fuels	1'156	875
Heating oil	233	233
Natural gas ³	923	642
Total motor fuels	167	193
Diesel (vehicles and emergency power generator testing)	131	151
Petrol (vehicles)	36	42
CO₂ emissions (in tCO₂e)⁴	951	885
Scope 1 total ⁵	300	249
Heating fuels	252	194
Motor fuels	44	51
Volatile gases (refrigerants)	4	4
Scope 2 total ⁶	651	636
Electricity ⁷	572	558
District heating	79	78

¹⁾ Business locations in Liechtenstein, Vienna and Bank Linth. Our business location in Vienna was included in the data collection for the first time, whereby the data for 2017 was estimated on the basis of consumption in the previous year. As a result of the inclusion of our business location in Vienna, the key figures for 2016 were also recalculated retrospectively.

²⁾ The recording of data on heat consumption is partly incomplete and is being optimised.

³⁾ The natural gas consumption of two new rental properties in Liechtenstein was estimated on the basis of consumption in the previous year. Natural gas consumption was substantially lower in 2016 due to the refurbishment of Bank Linth's headquarters; following its completion, consumption was significantly higher in 2017.

⁴⁾ Greenhouse gas emissions calculated using Greenhouse Gas Protocol Guidelines.

⁵⁾ Greenhouse gas emissions from own heating boilers, motor fuels and air-conditioning systems.

⁶⁾ Greenhouse gas emissions produced from production of purchased electricity and district heating.

⁷⁾ Reported using location-based approach following Greenhouse Gas Protocol Scope 2 Guidance, used as an approximation for the market-based approach.

Sustainability report

The LLB Group considers sustainability or corporate social responsibility (CSR) to be an integral part of its business success. We want to create long-term added value for our clients, shareholders, employees and other stakeholder groups. Moreover, we are committed to responsible corporate governance, which includes our economic, ecological and social performance. Sustainability topics occupy an important place in our Annual Report.

To provide even more transparency for our stakeholder groups, we prepared our sustainability reporting for the 2017 report year according to the standards of the Global Reporting Initiative (GRI). GRI, a non-governmental organisation, develops standards that provide companies with a systematic framework for communicating corporate responsibility in a transparent and comparable manner. GRI is the most widely used comprehensive sustainability reporting standard in the world. The GRI standards provide for a focus on topics material to business activity.

This report has been prepared in accordance with the GRI standards: Core option. The report was submitted to the GRI Materiality Disclosure Service and confirmation of its successful alignment with GRI standards was issued on 2 March 2018. By submitting its CSR reporting in accordance with GRI standards, LLB meets the current requirements: Following the amendment of Liechtenstein's Persons and Companies Act (PGR), capital market-oriented corporations as well as large credit institutions and insurance companies that have more than 500 employees have been required since 2017 to disclose information about their Corporate Social Responsibility (CSR) performance in their annual report.

The Annual Report 2017 includes all companies with a 100 percent equity interest (see "Scope of consolidation", page 177) as well as Bank Linth LLB AG, unless explicitly noted otherwise.

The systematic identification of key sustainability topics for the LLB Group and its stakeholder groups can be found on page 67. The key topics are structured according to the topic groups: market performance, compliance, responsibilities for society and the environment, as well as employees. As far as the data situation allows, this report covers all topics considered material.

As regards material boundaries, all the topics listed are relevant to the whole LLB Group as well as to stakeholder groups particularly interested in the success of the company – such as shareholders and employees. They influence business risks and opportunities, including the company's reputation, which can impact the success of the business.

Materiality outside of the LLB Group depends on the various stakeholder groups in our value creation chain. Topics related to market performance and compliance are relevant to our clients. Topics related to regulations are material to the supervisory authorities. Topics related to responsibilities for society and the environment are relevant to our neighbours, the Principality of Liechtenstein as well as environmental and social organisations. Topics in the area of employees are material to them and our clients. The competence and motivation of the people in the LLB Group substantially determine the quality of the services we provide for our clients.

Information on management approaches to sustainability can be found at ar2017.llb.li/gri-content-index.

GRI Content Index



Universal standards

Topic-specific standards

Reference	Page number / Information
GRI 101: Foundation (2016)	
GRI 102: General Disclosures (2016)	
Organizational Profile	
GRI 102-1	Liechtensteinische Landesbank AG
GRI 102-2	25
GRI 102-3	Vaduz, Liechtenstein
GRI 102-4	39
GRI 102-5	50
GRI 102-6	39
GRI 102-7	Cover, 56
GRI 102-8	56, 58, 59, 61
GRI 102-9	71
GRI 102-10	none
GRI 102-11	MA p. 2
GRI 102-12	62
GRI 102-13	41, 47, 67, 69
Strategy	
GRI 102-14	3
Ethics and Integrity	
GRI 102-16	25
Governance	
GRI 102-18	76
Stakeholder Engagement	
GRI 102-40	66
GRI 102-41	none
GRI 102-42	66
GRI 102-43	34, 66
GRI 102-44	66
Reporting practice	
GRI 102-45	74
GRI 102-46	74
GRI 102-47	67, 75
GRI 102-48	71
GRI 102-49	74
GRI 102-50	Calendar year 2017
GRI 102-51	March 2017
GRI 102-52	annually
GRI 102-53	kornelia.pfeiffer@llb.li
GRI 102-54	74
GRI 102-55	75
GRI 102-56	none

Reference	Page number / Information	Reasons for omission
GRI 200: Economic		
GRI 201: Economic Performance (2016)		
GRI 103-1/2/3	MA p. 3	
GRI 201-1	68	
GRI 201-3	60	
GRI 201-4	68	
GRI 202: Market Presence (2016)		
GRI 103-1/2/3	MA p. 3	
GRI 202-2	56	
GRI 203: Indirect Economic Impacts (2016)		
GRI 103-1/2/3	MA p. 4	
GRI 203-2	56	
GRI 204: Procurement Practices (2016)		
GRI 103-1/2/3	MA p. 4	
GRI 204-1	71	
GRI 205: Anti-corruption (2016)		
GRI 103-1/2/3	MA p. 5	
GRI 205-1	64, MA p. 5	
GRI 205-2	64, MA p. 5	
GRI 205-3	no incidents	
GRI 300: Environmental		
GRI 302: Energy (2016)		
GRI 103-1/2/3	MA p. 6	
GRI 302-1	73	
GRI 302-4	72	
GRI 305: Emissions (2016)		
GRI 103-1/2/3	MA p. 6	
GRI 305-1	73	
GRI 305-2	73	
GRI 305-5	72	

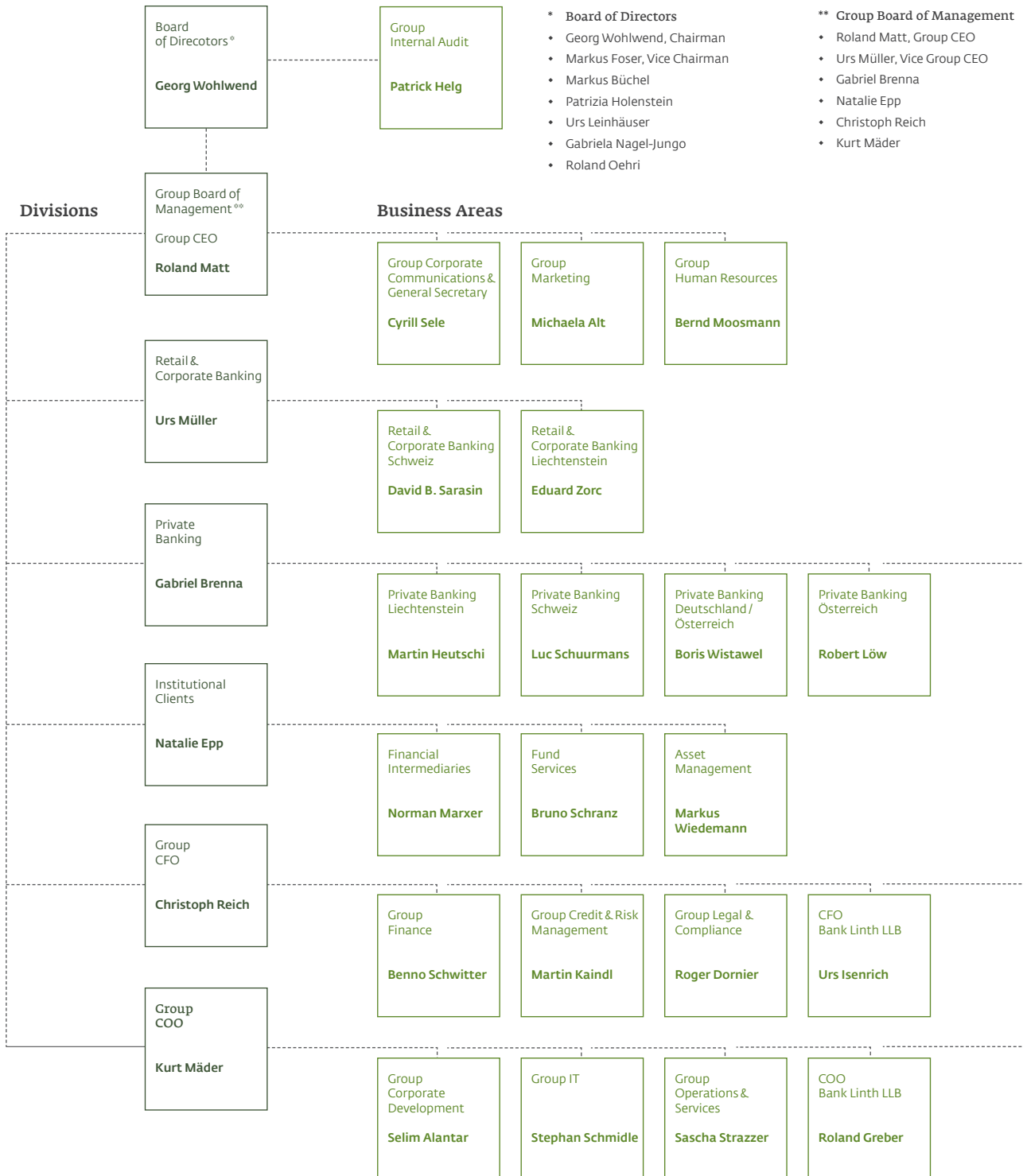
Reference	Page number / Information	Reasons for omission
GRI 400: Social		
GRI 401: Employment (2016)		
GRI 103-1/2/3	MA p. 8	
GRI 401-1	61	
GRI 402: Labor / Management Relations (2016)		
GRI 103-1/2/3	MA p. 8	
GRI 402-1	56	MA p. 8
GRI 403: Occupational Health and Safety (2016)		
GRI 103-1/2/3	MA p. 9	
GRI 403-1	60	
GRI 403-2	57	
GRI 404: Training and Education (2016)		
GRI 103-1/2/3	MA p. 10	
GRI 404-1	59	
GRI 404-2	60	
GRI 404-3	60	
GRI 405: Diversity and Equal Opportunity (2016)		
GRI 103-1/2/3	MA p. 11	
GRI 405-1	59	
GRI 405-2	61	MA p. 11
GRI 413: Local Communities (2016)		
GRI 103-1/2/3	MA p. 12	
GRI 413-1	69	
FS13	32	
GRI 417: Marketing and Labeling (2016)		
GRI 103-1/2/3	MA p. 13	
GRI 417-1	42	
GRI 417-3	no violations	
FS16	35	
GRI 418: Customer Privacy (2016)		
GRI 103-1/2/3	MA p. 14	
GRI 418-1	63	
GRI 419: Socioeconomic Compliance (2016)		
GRI 103-1/2/3	MA p. 15	
GRI 419-1	no penalties	
GRI G4: Sector Disclosures		
Product Portfolio		
GRI 103-1/2/3	MA p. 17	
FS7	33, 68	
FS8	72	

Unless otherwise stated, the page numbers in the index are based on this report. In some cases, disclosures are given in our online document on management approaches to sustainability, which is published in our online Annual Report at ar2017.llb.li/gri-content-index. In this case, the relevant page numbers are marked with DMA.

This page includes, inter alia, information on GRI standard indicator 102-48 (2016 version).

Organisational structure of the LLB Group

on 1 January 2018



Group companies

on 1 January 2018

Liechtensteinische Landesbank
(Österreich) AG (100 %)

Board of Directors

- Gabriel Brenna, Chairman
- Christoph Reich, Vice Chairman
- Kurt Mäder

Board of Management

- Robert Löw, Chairman
- Gerd Scheider

LLB Asset

Management AG (100 %)

Board of Directors

- Natalie Epp, Chairman
- Gabriel Brenna, Vice Chairman
- Christoph Reich
- Urs Müller

Board of Management

- Markus Wiedemann,
Managing Director
- Christian Zogg

Bank Linth LLB AG (74.2 %)

Board of Directors

- Ralph Peter Siegl, Chairman
- Urs Müller, Vice Chairman
- Gabriel Brenna
- Beatrix Frey-Eigenmann
- Karin Lenzlinger Diedenhofen
- Kurt Mäder
- Christoph Reich

Board of Management

- David B. Sarasin, Chairman
- Urs Isenrich, Vice Chairman
- Roland Greber
- Luc Schuurmans

LLB Fund Services AG (100 %)

Board of Directors

- Natalie Epp, Chairman
- Martin Alge, Vizepräsident
- Peter Meier

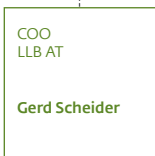
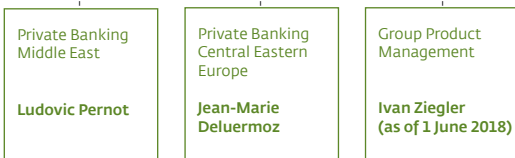
Board of Management

- Bruno Schranz,
Managing Director
- Roland Bargetze
- Thomas Mähr

LLB Verwaltung (Schweiz) AG (100 %)

Board of Directors

- Christoph Reich, Chairman
- Kurt Mäder, Vice Chairman
- Martin Alge



Corporate governance

Corporate governance is an essential part of the LLB Group's corporate policy. It ensures responsibilities, control and transparency. The fundamental basis for the Group's corporate governance are the SIX Swiss Exchange's Direct Corporate Governance (DCG), the Liechtenstein law concerning the control and supervision of public companies (ÖUSG), the Law on the Liechtensteinische Landesbank (LLBG) as well as their statutes and rules of procedure.

Basis

Our responsibly minded management, which is focused on long-term added value, is characterised by efficient cooperation between the Group Executive Board and the Board of Directors, by transparent accounting and reporting as well as by good shareholder relations.

The principles and directives defining corporate governance are laid down in two laws: "the law concerning the control and supervision of public companies" (ÖUSG) of 19 November 2009 and the Law on the Liechtensteinische Landesbank (LLBG) of 21 October 1992. In addition, they are laid down in the statutes and rules of procedure of the LLB. These documents are based on the directives and recommendations of the "Swiss Code of Best Practice for Corporate Governance" issued by the Swiss Business Federation (economiesuisse).

On 22 November 2011, the Liechtenstein Government as the representative of the principal shareholder, the Principality of Liechtenstein, adopted – with reference to the ÖUSG Law – a so-called participation strategy for Liechtensteinische Landesbank AG. This strategy defines how the Principality intends to deal with its majority shareholding in the medium and long term and therefore also provides minority shareholders with certainty in planning.

The Government commits itself to the stock exchange listing of the LLB and a majority participation of at least 51 percent. The Government represents the shareholder interest of the Principality at the General Meeting of Shareholders pursuant to the rights afforded to it by stock corporation law. It observes corporate autonomy as well as the rights and obligations resulting from the stock exchange listing. At the same time, as a shareholder it also respects the decision-making authority of the Board of Directors concerning corporate strategy and corporate policy. In accordance with Art. 16 of the ÖUSG Law, the participation strategy was adopted after consultation with the LLB's Board of Directors. Further information can be found at www.llb.li/participation-strategy.

The General Meeting of Shareholders on 8 May 2015 resolved to further, substantially strengthen shareholder rights by approving, in particular, the expansion of the rights of shareholders to include items on the agenda and make proposals, and they introduced the option of postal voting and electronic voting as well as electronic delegation of proxies. Following the revision of the Statutes, and on account of the StepUp2020 strategy, in November 2015 the Board of Directors undertook a revision of the rules of procedure, which came into force on 1 January 2016.

The General Meeting of Shareholders of 12 May 2017 approved the conversion of the previous bearer shares into registered shares. This step enables LLB to conform to the international trend towards more transparency regarding the shareholder structure. The share exchange took place on 18 May 2017.

The Board of Directors of the LLB Group has held the "Best Board Practice" label of the Swiss Association for Quality and Management Systems (SQS) and the Liechtenstein Association for Quality Assurance Certificates (LQS) since December 2010. The business activities and organisation of the Board of Directors exhibit a high level of quality. In December 2016, within the scope of their reassessment, both SQS and LQS reconfirmed the evaluation of the good quality and transparency of the bank's corporate governance. The Board of Directors was once again awarded the "Best Board Practice" label for a further three years. The continuity reassessment in 2017 reconfirmed yet again that activities and organisation of the LLB Board of Directors continue to exhibit a constantly high level of quality and consistently fulfil the Best Board Practice criteria.

The following corporate governance report complies with the requirements of the Corporate Governance Directive (RLCG) of the SIX Swiss Exchange Regulation, status 13 December 2016, as well as the fully revised guidelines of the Six Exchange Regulation regarding the RLCG of 10 April 2017. If information required by the RLCG is disclosed in the Notes to the financial statement, a corresponding reference is shown.

1 Group structure and shareholders

1.1 Group structure

1.1.1 Description of the operative structure

The Liechtensteinische Landesbank is a public company ("Aktiengesellschaft") according to Liechtenstein law. It is the parent company of the LLB Group, which is based on a parent company structure.

The LLB Group has an organisational structure based on market divisions which is geared towards client and market needs. Besides the three market divisions "Retail & Corporate Banking", "Private Banking" and "Institutional Clients", the management structure encompasses the functions of Group Chief Executive Officer (Group CEO), Group Chief Financial Officer (Group CFO) and Group Chief Operating Officer (Group COO).

The rules of procedure adopted by the Board of Directors, in particular, the functions diagram in the appendix ensure the proper conduct of business, the appropriate organisation, as well as the uniform management of the LLB Group. In accordance with the functions diagram, the Board of Directors, the Chairman of the Board of Directors, the committees of the Board of Directors, the Group CEO and the Group Executive Board are decision-making authorities.

The functions of the Board of Directors and the Group Executive Board of the LLB Group are combined with those of the Board of Directors and the Board of Management of the LLB parent company. Within the scope of the duties and powers defined by the rules of procedure and the functions diagram, the above-mentioned authorities can make decisions and issue rulings that are binding for both the parent company and the LLB Group companies – but taking into consideration the provisions of current local law applicable to the individual Group companies.

The members of the Group Executive Board are represented on the Boards of Directors of the consolidated companies. A member of the Group Executive Board serves as the Chairman of the Board of Directors of a subsidiary company with the exception of Bank Linth LLB AG.

The organisational structure of the LLB Group as at 1 January 2018 is shown on pages 76 to 77. The detailed segment reports are shown on pages 33 to 49 and 139 to 141.

1.1.2 Listed companies included in the scope of consolidation

The Liechtensteinische Landesbank, with its headquarters in Vaduz, is listed on the SIX Swiss Exchange. As at 31 December 2017, its market capitalisation stood at CHF 1'529.2 million (30'800'000 registered shares at a nominal value of CHF 5.00 at a year-end price of CHF 49.65).

Bank Linth LLB AG, with its headquarters in Uznach, in which the Liechtensteinische Landesbank holds a majority equity stake of 74.2 percent, is also listed on the SIX Swiss Exchange. As at 31 December 2017, its market capitalisation stood at CHF 409.1 million (805'403 registered shares with a nominal value of CHF 20.00 at a year-end price of CHF 508.00).

1.1.3 Unlisted companies included in the scope of consolidation

Details of the unlisted companies included in the scope of consolidation (company, registered office, activities, share capital and equity interest) can be found in the Notes to the consolidated financial statement of the LLB Group in the table "Scope of consolidation" on page 177.

1.2 Major shareholders

The Principality of Liechtenstein is the major shareholder of the Liechtensteinische Landesbank. The Law on the Liechtensteinische Landesbank states that – in terms of capital and voting rights – the Principality of Liechtenstein must hold at least 51 percent of the shares. These may not be sold.

At the end of 2017, the Principality's equity stake in the shares of the Liechtensteinische Landesbank remained unchanged at 57.5 percent. Detailed information about the development of this equity stake can be found at www.llb.li/capital+structure. Less than 0.1 percent of the shares were held by members of the Board of Directors and the Group Executive Board, while the LLB Group held 1'922'937 or 6.2 percent of its own shares.

The remaining registered shares were in free float, whereby none of the other shareholders held more than 3 percent of the share capital. There are no binding shareholder agreements.

1.3 Cross participations

There are no cross participations between Liechtensteinische Landesbank AG and its subsidiaries or third parties.

Company	Reg. office	Listed on	Market capitalisation (in CHF thousands)	Stake (in %)	Segment	Security number	ISIN number
Liechtensteinische Landesbank AG	Vaduz	SIX Swiss Exchange	1'529'220		International Reporting Standard	35514757	LI0355147575
Bank Linth LLB AG	Uznach	SIX Swiss Exchange	409'145	74.2	Swiss Reporting Standard	130775	CH0001307757

2 Capital structure

2.1 Capital

The 25th ordinary General Meeting of Shareholders on 12 May 2017 resolved to convert the previously listed bearer shares into registered shares having the same nominal value. The share exchange took place on Thursday, 18 May 2017 at the ratio of 1:1. Consequently, the share capital of the Liechtensteinische Landesbank comprised 30'800'000 registered, fully paid shares with a nominal value of CHF 5.00 each and therefore amounted to CHF 154.0 million.

2.2 Conditional and approved capital

On the balance sheet date, the Liechtensteinische Landesbank had no conditional capital and no approved capital

2.3 Changes to capital

Details regarding changes to capital during the last three report years are shown in the table "Consolidated statement of changes in equity" on page 125.

2.4 Shares and participation certificates

As at 31 December 2017, the share capital amounted to 30'800'000 fully paid registered shares with a nominal value of CHF 5.00. With the exception of the LLB shares held by the Liechtensteinische Landesbank and its subsidiaries (1'922'937 shares), all the shares are eligible for dividend. As at 31 December 2017, share capital eligible for dividend therefore amounted to CHF 144.4 million. In principle, all LLB shares are eligible for voting according to the principle of "one share, one vote". However, on account of the regulations concerning the purchase of own shares (Art. 306a ff. PGR / Liechtenstein Person and Company Law), the shares held by Liechtensteinische Landesbank and its subsidiaries are not eligible for voting. There are no priority rights or similar entitlements. Shareholders have a subscription right with the issue of new shares, which entitles them to subscribe to new shares in proportion to the number of shares they already hold.

Liechtensteinische Landesbank AG has not issued participation certificates.

2.5 Profit-sharing certificates

Liechtensteinische Landesbank AG has no outstanding profit-sharing certificates

2.6 Transfer limitations and nominee registrations

The registered shares of Liechtensteinische Landesbank are fully transferable, whereby the Principality of Liechtenstein holds at least 51 per cent of the capital and voting rights, and may not sell this equity stake.

The Liechtensteinische Landesbank maintains a share register containing the names of the owners of registered shares. Upon request, the purchasers of registered shares are entered in the share register as shareholders having a voting right provided that they expressly render a declaration that they have purchased these shares in their own name for their own account. If the purchaser is not prepared to render such a declaration, the Board of Directors can refuse to enter the shares with voting rights in the register. Pursuant to Art. 5a of the Statutes (www.llb.li/statutes), the Board of Directors has specified that nominee registrations without the above-mentioned declaration are generally to be made without a voting right. The legal refusal of registration in the share register on important grounds remains reserved.

2.7 Convertible bonds and options

As at 31 December 2017, the Liechtensteinische Landesbank had no bonds or convertible bonds or options on its own shares outstanding.

3 Board of Directors

3.1 Members

a) Name, nationality, education and professional career

Name	Year of birth	Profession	Nationality
Georg Wohlwend*	1963	Business economist	FL
Markus Foser**	1969	Business consultant	FL
Markus Büchel	1953	Human resources manager (retired)	FL
Patrizia Holenstein	1957	Lawyer	CH
Urs Leinhäuser	1959	Business economist	CH
Gabriela Nagel-Jungo	1969	Professor of financial management	CH
Roland Oehri	1968	Fiduciary	FL

* Chairman

** Vice Chairman

Pursuant to the limitation of the term of office stipulated in the Landesbank Law, the eleven-year term of office of Hans-Werner Gassner as Vice Chairman of Board of Directors ended at the General Meeting of Shareholders on 12 May 2017. The General Meeting of Shareholders elected Georg Wohlwend as new Chairmen of the Board for a term of office of three years. In addition, it confirmed Gabriela Nagel-Jungo and Urs Leinhäuser as members of the Board of Directors for a further term of office of three years.



Education:

Licentiate in economics, University of Zurich, field of study information systems, 1991; International Professional Development Program at the University of Tulsa (USA) 1992; Swiss Banking School, 1999; EFQM Assessor, 2007; Management training at the University of St. Gallen, 2008; Taxation training at the University of Liechtenstein, 2012; Swiss Board School, St. Gallen, 2014

Professional career:

Working scholarship of Martin Hilti Foundation at Hilti, Tulsa (USA), 1992–1993; Employee in the Organisation Department of VP Bank AG, Vaduz, 1994–1996; Deputy Head Logistics at VP Bank AG, Vaduz, 1998–2000; Member of the Management Board and Head Logistics at VP Bank AG, Vaduz, 1998–2000; Member of the Management Board and Head Trust Banking at VP Bank AG, Vaduz, 2000–2006; Member Group Executive Management and Head Intermediaries at VP Bank AG, Vaduz, 2006–2010; Member Group Executive Management and Head Banking Liechtenstein and Regional Market at VP Bank AG, Vaduz, 2010–2012; Partner and Member of the Executive Board of Salmann Investment Management AG, Vaduz, 2013–2014



Education:

Business economist (Dipl. Betriebsökonom HWV), 1983 IMD Lausanne, SSE 1998

Professional career:

Tax inspector, Tax Office of Canton Schaffhausen, 1983–1986; Deputy Head of Tax Department, Refidar Moore Stephens AG, Zurich, 1986–1988; Group Controller and Managing Director Cerberus Denmark (1992) at Cerberus AG, Männedorf, 1988–1994; Head of Group Controlling and CFO of Piping Systems Division, Georg Fischer AG, Schaffhausen, 1995–1999; CFO and Member of the Group Executive Board, Mövenpick Holding AG, Adliswil, 1999–2003; CFO and Head of Corporate Center and Member of Corporate Management, Rieter Holding AG, Winterthur, 2003–2011; CFO and Deputy CEO and Member of Corporate Management, Autoneum Holding AG, Winterthur, 2011–31 March 2014; Businessman, since 1 April 2014; Managing Partner of ADULCO GmbH, Winterthur, since 2016



Gabriela Nagel-Jungo

Education:

Licentiate in economics, University of Zurich, 2001; Teaching diploma in business subjects, 2004; Dr. oec. publ., University of Zurich, 2007; Professor of Financial Management, awarded by ZFH, 2011

Professional career:

Semester assistant at the Chair for Business Administration, Swiss Federal Institute of Technology (ETH) Zurich, 1998–1999; Head of Financial Accounting and Payroll, netto-netto AG, Wetzikon, 2002–2005; Assistant at the Institute for Accounting and Controlling (Prof. Dr. C. Meyer), University of Zurich, 1999–2007; Lecturer and project leader, Zurich University of Applied Sciences, since 2007; Head of the Centre for Accounting & Controlling, Zurich University of Applied Sciences, since 2010 (2016 upgraded to "Institute for Financial Management"); Deputy Head of the Department of Banking, Finance, Insurance, Zurich University of Applied Sciences, since 2011



Markus Foser

Education:

Licentiate in economics, major in business IT, University of Zurich, 1996; Swiss federal diploma in financial analysis and asset management CEFA, 2000

Professional career:

Equity research and fund management, Liechtensteinische Landesbank, 1997–2002; Advisor to mainly institutional clients with derivative and structured products, Bank Vontobel (Liechtenstein) AG, Vaduz, 2002–2003; Head of Fund & Investment Services (Asset Management), swissfirst Bank (Liechtenstein) AG, Vaduz, 2004–2007; Member of the Executive Board, Banque Pasche (Liechtenstein) SA, Vaduz, responsible for Fund & Investment Services (Asset Management), 2008–2009; Proprietor, MAFOS Consult Anstalt, Vaduz, 2009–2013; First Advisory Trust reg., Strategic Projects & Business Development, since 2012



Roland Oehri

Education:

Commercial apprenticeship, 1987; Federally qualified business economist FH, 1993; Liechtensteinische trustee and fiduciary examinations, 1998

Professional career:

Investment advisor, Foreign Private Clients Department, VP Bank AG, Vaduz, 1993–1999; Head of Foreign Private Clients Department, VP Bank AG, Vaduz, 1999; Client advisor, Private Trust Banking, VP Bank AG, Vaduz, 2000; Client advisor and Head of Intermediaries Department, Bank Wegelin (Liechtenstein) AG, Vaduz, later swissfirst Bank (Liechtenstein) AG, Vaduz, 2000–2003; Vice President of LOPAG Louis Oehri & Partner Trust reg., Ruggell, 2004–2009; Partner and Managing Director, Sequoia Treuhand Trust reg., Ruggell, since 2006; Partner and Managing Director, Sequoia Capital Management AG, Ruggell, since 2007



Patrizia Holenstein

Education:

Licentiate in law, University of Zurich, 1980; Dr. iur. University of Zurich, 1981; Admitted to the Zurich bar, 1985; LLM, London School of Economics, 1989

Professional career:

Lecturer at the University of Zurich, 1981–1984; Clerk, District Court of Zurich and Supreme Court of the Canton of Zurich, 1981–1985; Lawyer, Haymann & Beglinger, Zurich, 1985–1988; Lawyer, Clifford Chance London (Banking Department), London 1989–1990; Holenstein Rechtsanwälte AG, Zurich, Founder and Managing Partner, since 1990



Markus Büchel

Education:

Apprenticeship as mechanical draughtsman, 1969–1973; Commercial college Buchs, 1973–1974; Mechanical engineer (Dipl. Ing. FH), Abendtechnikum Vaduz, 1974–1978

Professional career:

Hilti AG, Schaan (various technical functions), 1973–1981; ThyssenKrupp Presta AG, Eschen, development / engineering (various functions), 1981–1991; ThyssenKrupp Presta AG, Eschen, Head of Technical Services, 1991–1995; ThyssenKrupp Presta AG, Eschen, Head of Human Resources of the Presta Group, 1995–2013 (Retirement)

b) Executive / non-executive members

All members of the Board of Directors of Liechtensteinische Landesbank AG are non-executive member. Pursuant to Art. 22 of the Liechtenstein banking law in connection with Art. 10 of the Law on the Liechtensteinische Landesbank, various special bodies must be constituted for the direction, supervision and control of a bank, on the one hand, and for the Board of Management or Group Executive Board, on the other hand. No member of the Board of Directors is allowed to be a member of the Board of Management or Group Executive Board.

c) Independence

All members of the Board of Directors are independent within the context of the Swiss Exchange "Directive Corporate Governance" concerning corporate governance information. In 2017, as well as in the three previous years, no member of the Board of Directors was a member of the Group Executive Board or the Board of Management of the Liechtensteinische Landesbank or a Group company. No member of the Board of Directors had significant business relationships with the Liechtensteinische Landesbank or a Group company. In accordance with Art. 12 of the Liechtenstein law concerning the control and supervision of public companies, all contracts with the members of the Board of Directors must be in writing and they must be approved by the Board of Directors. The same conditions apply to contracts concluded with third parties.

3.2 Other activities and commitments

Georg Wohlwend is a member of the Board of Directors of Neutrik AG, Schaan, and of Seed X Liechtenstein AG, Schaan, as well as Chairman of the Board of Directors of Alegria Capital AG, Vaduz.

Markus Foser is a Member of the Board of Directors of Ameliora Wealth Management AG, Zurich.

Markus Büchel is a Member of the Board of Directors of Verwo AG, Reichenburg, and a Member of the Executive Committee of the Progressive Party.

Patrizia Holenstein is a Member of the Board of Directors of Argos Holding AG, Sarnen, as well as of Oase Holding AG, Baar und Bellerive Estates AG, Zurich.

Urs Leinhäuser is a Member of the Board of Directors of Burckhardt Compression Holding AG, Winterthur, of Ammann Group Holding, Berne, of VAT Group, Haag, as well as Chairman of the Board of Directors of AVESCO AG, Langenthal, and Member of the Management Committee of the Institute for Financial Management and Financial Law of the University of St. Gallen.

Gabriela Nagel-Jungo is a Member of the Board of Directors of Ruetschi Technology AG, Muntelier, and of the Building Insurance Institute of Canton Zurich.

Roland Oehri is a Member of the Board of Directors of RFINANZ (Liechtenstein) AG, Ruggell.

Otherwise the Members of the Board of Directors are not involved in the management or supervisory boards of important Liechtenstein, Swiss or foreign private or public law corporations, establishments or

foundations, nor do they exercise any permanent management or consultancy functions for important Liechtenstein, Swiss or foreign interest groups, nor do they perform official functions or hold political office.

3.3 The number of permitted activities

Liechtensteinische Landesbank AG is not subject to the Swiss ordinance against excessive compensation in listed public companies (OaEC). Liechtensteinische Landesbank AG has not issued any regulations on the number of permitted activities.

3.4 Election and term of office

3.4.1 Principles governing the election procedure

In accordance with the Law on the Liechtensteinische Landesbank of 21 October 1992, the Board of Directors of the Liechtensteinische Landesbank is composed of five to seven members, who are elected individually by the General Meeting of Shareholders for a term of office of three years; whereby a year corresponds to the period from one ordinary General Meeting of Shareholders to the next. Members can be re-elected for a further two terms. After three terms of office, the Chairman of the Board of Directors can – in justified cases – be re-elected for an extraordinary term of office of at most two years.

The 12th ordinary General Meeting of Shareholders on 7 May 2004 passed an amendment to the statutes that allowed for the staggered renewal of the Board of Directors in order to preclude a complete renewal of the Board. Furthermore, the "Group regulation concerning the Group Nomination & Compensation Committee" (see point 3.5.2 "Composition of all Board of Directors' committees, their duties and individual competences") stipulates that the Board of Directors aims at continuity through the orderly renewal of the Board, succession planning, as well as through the appropriate staggering of the terms of office (no complete renewal) pursuant to current corporate governance provisions.

The Chairman of the Board of Directors is elected by the General Meeting of Shareholders. The Vice Chairman is elected from among the members of the Board of Directors by its members. New members or the Chairman of the Board of Directors elected as substitutes shall be elected for a full term of office of three years. The General Meeting of Shareholders can dismiss members of the Board of Directors on important grounds. When nominating a new member, the Board of Directors shall ensure that this candidate will not exceed the age limit of 70 years during his period of office. Furthermore, the Board of Directors shall not propose an existing member for re-election if the person would exceed the age limit of 70 years during the new term of office.

Georg Wohlwend has been Chairman of the Board of Directors since 2017. Markus Foser has been Vice Chairman since 2009. Cyrill Sele has been Secretary (recorder of the minutes) since April 2013.

3.4.2 First-time election and remaining term of office

Name	First-time appointment	Elected until
Georg Wohlwend	2017	2020
Markus Foser	2009	2018
Markus Büchel	2009	2018
Patrizia Holenstein	2013	2019
Urs Leinhäuser	2014	2020
Gabriela Nagel-Jungo	2014	2020
Roland Oehri	2009	2018

3.5 Internal organisation

3.5.1 Separation of tasks of the Board of Directors

Name	Function	Committee memberships
Georg Wohlwend	Chairman	Group Nomination & Compensation Committee* Strategy Committee*
Markus Foser	Vice Chairman	Group Nomination & Compensation Committee Strategy Committee
Markus Büchel	Member	Group Nomination & Compensation Committee
Patrizia Holenstein	Member	Group Audit Committee Group Risk Committee
Urs Leinhäuser	Member	Group Audit Committee Group Risk Committee
Gabriela Nagel-Jungo	Member	Group Audit Committee* Strategy Committee
Roland Oehri	Member	Group Risk Committee*

* Chairman

3.5.2 Composition of all Board of Directors' committees, their tasks and terms of reference

In accordance with the statutes, the Board of Directors may according to its discretion appoint committees. To support it in performing its tasks, the Board has so far implemented three standing committees: the Group Nomination & Compensation Committee, the Group Audit Committee and the Group Risk Committee. In addition, there is a Strategy Committee formed on an ad hoc basis. The Board of Directors elects the committee members from among its members and appoints the chairmen. The Chairman of the Board of Directors cannot be elected to the Group Audit Committee or the Group Risk Committee. Each committee is composed of at least three members. As preparatory bodies, these committees deal in detail with the tasks assigned to them, submit the results of their work to the Board of Directors and make proposals if decisions are required.

The committee members must possess the expertise for the tasks and duties they have taken on. All committee members must be independent.

Terms of office on committees correspond to the length of terms of office on the Board of Directors. Committee membership also ends when members step down from the Board of Directors.

The Board of Directors issued separate regulations for the three standing committees, which stipulate their duties and individual competencies.

The committees can invite outside persons as experts and entrust LLB staff, in particular, with administrative duties.

Group Audit Committee

The Group Audit Committee supports the Board of Directors in fulfilling the duties and responsibilities vested in it by banking law with respect to its duty to supervise and control of:

- the methodology and quality of external auditors;
- the quality and integrity of the financial reporting including the structure of the financial accounting function, the financial controlling and financial planning
- the collaboration between the internal and external auditors and their independence.

The Group Audit Committee regulation lays down the organization and workings as well as the competencies and responsibilities of the Committee, in so far as these are not prescribed by law, the statutes or the rules of procedure. The following persons are members of the Group Audit Committee:

Name	Function
Gabriela Nagel-Jungo	Chairman
Patrizia Holenstein	Member
Urs Leinhäuser	Member

The Group Audit Committee has the following tasks:

- analysing the LLB Group's Consolidated Interim Report and the Annual Report as well as the financial statement of the parent bank. This encompasses the discussion of the following subject areas with the Group CFO, the Head Group Finance, the auditor in charge of the external auditors (not for the Consolidated Interim Report) and the Head of Group Internal Audit:
 - examining whether the financial reporting has been prepared in compliance with applicable accounting standards as well as the legal and regulatory provisions;
 - evaluating the quality of applicable accounting principles and processes;
 - examining and assessing how the Group Executive Board as well as the internal auditors and Group Internal Audit estimate the risk of significant misrepresentation, which are the largest risk areas and how these are monitored and what measures are taken to counter them;
- reporting to the Directors about the work undertaken in connection with the above-mentioned points.
- Petitioning the Board of Directors about whether the LLB Group's Consolidated Annual Report and the financial statement of the parent bank can be presented to the General Meeting of Shareholders and published. And as regards the Consolidated Interim Financial Report only as to whether it can be published;
- monitoring and assessing the suitability and effectiveness of the internal control system in the area of financial reporting;
- assessing the documentation regarding forthcoming amendments of the accounting principles;
- evaluating the budgeting process as well as the budget proposal for the following year;
- taking note and discussion of the risk analysis made by the external auditors, the auditing strategy derived from it and the respective risk-oriented auditing plan (including the budget for the forthcoming audit year);
- analysing the audit reports submitted by the external audit and Group Internal Audit to the Board of Directors. Discussion of the major problems identified during the auditing process with the external auditors;
- monitoring the implementation of recommendations put forward by the external auditors and Group Internal Audit and eliminate weak points and deficiencies identified by them;
- assessing the qualifications, the quality, the independence, the objectivity and the performance of the external auditors (auditors according to banking law and person and company law) and of Group Internal Audit, as well as their cooperation;
- discussion of the annual activity report and the annual audit plan including risk analysis of Group Internal Audit as well as the approval of proposals to the Group Board of Directors;
- examining the compatibility of the external auditors' auditing activities with possible consulting mandates as well as assessing and discussing their professional fees;
- submitting a proposal to the Board of Directors for the attention of the General Meeting regarding the appointment or dismissal of the external auditors (appointed according to banking law and person and company law).
- Establishment of the procedure to be followed in selecting new external auditors.

Group Risk Committee

The Group Risk Committee supports the Board of Directors in fulfilling the duties and responsibilities vested in it by banking law in regard to

- the assessment and provision of advice on the current and future overall risk tolerance and strategy of the LLB Group;
- the control and implementation of the risk strategy by the Group Executive Board;
- the examination of whether pricing of the investments and liabilities takes into reasonable consideration the business model and the risk strategy of the LLB Group and, if this is not the case, the submission of a plan of appropriate measures;
- the examination of whether the incentives offered in the compensation system take into consideration risk, capital, liquidity and the probability and timing of earnings.

The Group regulation concerning the Group Risk Committee lays down the organization and working methods as well as the competencies and responsibilities of the Committee, in so far as these are not prescribed by law, the statutes or the rules of procedure. The following persons are members of the Group Risk Committee:

Name	Function
Roland Oehri	Chairman
Patrizia Holenstein	Member
Urs Leinhäuser	Member

The Group Risk Committee has the following risk-related tasks:

- monitoring the integrity and suitability of the risk management in the LLB Group, which is based on risk policy, in particular, in regard to market, credit, liquidity as well as operational risks;

- assessing the integrity and suitability of the internal control system in regard to the identification, measurement, limitation and monitoring of risks. In the areas of compliance and risk control this includes, in particular, the assessment of the precautions that are to ensure the observance of the legal (e.g. capital adequacy, liquidity and risk distribution regulations) and bank-internal (e.g. risk policy framework) provisions;
- supporting the Board of Directors to formulate and implement the risk-relevant Group rulings and directives issued by it (over-all risk policy, among others) as well as the relevant guidelines and processes that are set down in these rulings and directives;
- assessing, at least on an annual basis, the Groupwide policy on risks (e.g. risk policy framework and credit risk management) as well as other topics defined by Group Credit & Risk Management (e.g. ICAAP report, credit watch list). In doing so, the concerned authorities are to be consulted and the suggestions and proposals of the Group Executive Board are to be considered. A proposal is then to be made to the Group Board of Directors as the approving authority. Further risk-relevant Group rulings and directives that have to be approved by the Group Board of Directors are to be treated in the same manner;
- examining the risk propensity within the scope of the risk-bearing capacity statement. This is performed both from the perspective of the going concern and also of the gone concern. Based on the risk appetite, the Group Risk Committee can propose adjustments to the limits system to the Board of Directors;
- assessing the overall risk situation and supervising adherence to the limits set by the Board of Directors;
- discussing and assessing the Risk Report of the LLB Group and submission of a proposal to the Group Board of Directors as the approving authority;
- examining whether the pricing of the investments and liabilities takes into reasonable consideration the business model and the risk strategy of the LLB Group and, if this is not the case, the submission of a plan of appropriate measures;
- examining whether the incentives offered in the compensation system take into consideration risk, capital, liquidity and the probability and timing of earnings.

Group Nomination & Compensation Committee

The Group Nomination & Compensation Committee supports the Board of Directors in fulfilling the following duties and responsibilities vested in it by banking law, in particular in relation to:

- formulating the guidelines for succession planning;
- the selection and nomination of members of the Board of Directors and members of the Group Executive Board;
- the annual evaluation of the structure, size, composition and performance of the Board of Directors and the Group Executive Board, as well as the recommending of changes if necessary;
- the annual evaluation of the knowledge, abilities and experience of the individual members of the Board of Directors and the Group Executive Board, as well as its bodies. The submission of the evaluation to the Board of Directors and the Group Executive Board;
- reviewing of the procedure adopted by the Board of Directors in selecting and appointing the Group Executive Board, as well as submission of recommendations to the Board of Directors;
- formulating compensation regulations for the parent bank and the LLB Group;
- establishing the compensation of the members of the Board of Directors and the Group Executive Board, as well as of other employees, in so far as their compensation is to be determined by the Board of Directors in accordance with the compensation regulations;
- establishing the guidelines for the human resources policy.

The Group regulations concerning the Group Nomination & Compensation Committee regulate the organisation, working methods, as well as the competences and responsibilities of the committee, in so far as these are not prescribed by law, the statutes or the rules of procedure. The following persons are members of the Group Nomination & Compensation Committee:

Name	Function
Georg Wohlwend	Chairman
Markus Büchel	Member
Markus Foser	Member

On behalf of the Board of Directors and the Group Executive Board, the Group Nomination & Compensation Committee strives to achieve the following goals while complying with the applicable principles of corporate governance:

- Balanced composition of the bodies taking into consideration the professional knowledge required for the bank and personal suitability of members.
- Continuity thanks to planned renewal and succession as well as a reasonable staggering of terms of office (no complete renewal).
- Seamless transfer of office and functions thanks to a systematic introduction into the specific tasks at the bank.

The Group Nomination & Compensation Committee ensures an expedient and smooth procedure for the election and re-election of the member of the Board of Directors. It is responsible, in particular, for the following tasks:

- the development of criteria for the selection, election and re-election of candidates;
- the selection and evaluation of candidates as well as the submission of election proposals to the Board of Directors for submission to the General Meeting of Shareholders in accordance with the developed criteria;
- the development of succession plans and the periodic review of them, both in the case of the end of a term of office and in the case of an early stepping down of members;
- ensuring the further training of the entire Board of Directors;
- planning the introductory phase for new members;
- reviewing work practice in regard to age-related limits and term limits.

The Group Nomination & Compensation Committee ensures an expedient and smooth procedure for the election and re-election of the members of the Group Executive Board. It is responsible, in particular, for the following tasks:

- the development of criteria for the selection and appointment of candidates for the attention of the Board of Directors;
- the selection and evaluation of candidates as well as the submission of proposals to the Board of Directors at the request of the Group CEO in accordance with the developed criteria;
- the development and application of criteria for the performance appraisal of the Group Executive Board in corpore as well as of individual members at the request of the Group CEO;
- the development of succession plans and the periodic review of them, both in the case of the age-related or contingency stepping down of members, in collaboration with the Group CEO;
- ensuring the further training of the members of the Group Executive Board;
- reviewing work practice in regard to age-related limits.

The Group Nomination & Compensation Committee ensures an expedient and smooth procedure for the appointment and appraisal of the Head of Group Internal Audit. It has the following tasks in particular:

- the development of criteria for the selection and appointment of candidates for the attention of the Board of Directors;
- the selection and evaluation of candidates as well as the submission of proposals to the Board of Directors in accordance with the developed criteria;
- the development and application of criteria for the performance appraisal of the Head of Group Internal Audit.

The nomination of delegates in the Board of Directors' committees of the LLB Group and associated companies should ensure the implementation of the Group strategy and a uniform external perception of the

LLB Group. At the request of the Group Executive Board, the Group Nomination & Compensation Committee submits appointment proposals to the Board of Directors for submission to the individual General Meeting of Shareholders of the LLB Group and associated companies.

The Group Nomination & Compensation Committee is responsible for fulfilling the tasks defined in the Group regulation "Fit & Proper – assessment of the members of the Board of Directors, the Group Executive Board, the Head of Group Internal Audit and of holders of key functions".

The Group Nomination & Compensation Committee has the following tasks, in particular, in relation to compensation:

- the formulation of recommendations, both for the definition of basic principles and for the stipulating of regulations, regarding the compensation policy of the members of the Board of Directors, of the Group Executive Board and of other employees of the bank for submission to the Board of Directors;
- the formulation of proposals for the compensation of the members of the Board of Directors, of the Group Executive Board and of the Head of Group Internal Audit for submission to the Board of Directors in accordance with the existing principles and regulations;
- the annual review of the Group regulation "Compensation standards", the LLB AG regulation of the same name, as well as the Group regulation "Fit & Proper – assessment of the members of the Board of Directors, the Group Executive Board, the Head of Group Internal Audit and of holders of key functions" for submission to the Board of Directors;
- the annual review of the compensation of the members of the Board of Directors, the Group Executive Board, the Head of Group Internal Audit and senior executives in risk management and compliance in accordance with the Group regulation "Compensation standards" and the parent bank regulation of the same name for submission to the Board of Directors in accordance with the existing principles and regulations.

The Group Nomination & Compensation Committee has the following responsibilities in relation to strategic human resources management:

- the stipulation and periodic review of the principles of human resources policy;
- the review of the processes for the systematic development of employees and executives.

Strategy Committee

It is one of the tasks of the Board of Directors to formulate and periodically evaluate the LLB Group's strategy. In this task it is supported by the Strategy Committee. The members of the committee are:

Name	Function
Georg Wohlwend	Chairman
Markus Foser	Member
Gabriela Nagel-Jungo	Member

Representation in foundations

Georg Wohlwend is a Member of the Board of the "Future Foundation of Liechtensteinische Landesbank AG".

Markus Büchel and Markus Foser are Members of the Board of Trustees of the Personnel Pension Fund Foundation of Liechtensteinische Landesbank AG as employer representatives.

3.5.3 Working methods of the Board of Directors and its committees

Board of Directors

A meeting of the Board of Directors is convened by invitation of its Chairman as often as business requires, but at least four times a year. If a member of the Board of Directors, the Group CEO or at least two members of the Group Executive Board submit a written request to the Chairman, he will promptly convene a meeting of the Board of Directors. Together with the written invitation, the members of the Board of Directors also receive the agenda for the meeting, the minutes of the last meeting and other important documentation required for the meeting at least five business days prior to the date set for the meeting. Meetings of the Board of Directors can also be called with

a shorter period of notice if there is a pressing matter. It is within the discretion of the Chairman to determine the urgency of that matter. Board meetings are chaired by the Chairman. A quorum of the Board of Directors is constituted when a majority of the members is present. In urgent cases, resolutions may be passed by circular. Unanimity is required for resolutions to be dealt with by circular. Resolutions shall be passed by a simple majority of votes. In the case of a tie, the Chairman shall have the casting vote.

The members of the Board of Directors are to regulate their personal and business matters in such a manner that, as far as possible, actual or potential conflicts of interest are avoided. The members of the Board of Directors are obliged to inform the Chairman in cases of real or potential conflicts of interest. This is regardless of whether the real or potential conflicts of interest are of a general nature or related to a matter to be discussed at a meeting. The Board of Directors shall decide whether there are grounds for a recusal of the member. In such a case, that member may neither participate in the discussion of the matter in question nor vote on it. He has the right to express his opinion before leaving the Committee.

During the 2017 business year, the Board of Directors of Liechtensteinische Landesbank AG held a total of eleven ordinary and four extraordinary meetings. The meetings lasted between 0.50 and 7.00 hours; the closed meeting lasted one and a half days. The closed meeting was conducted by the Board of Directors in collaboration with the Group Executive Board following the ordinary meeting in July 2017. The closed meeting focused on the annual strategy review of StepUp2020. The subjects of the extraordinary board meetings were the negotiations with the authorities of North Rhine–Westphalia to resolve past issues relating to the untaxed assets of German clients, the legal decision in the law suit involving LLB Verwaltung (Switzerland) AG, and the takeover of Semper Constantia Privatbank AG.

Date	Meeting	Attendance	Duration in h
18 January 2017	extraordinary	all	1.25
27 February 2017	ordinary	all	4.75
4 April 2017	ordinary	all	3.00
2 May 2017	ordinary	all	2.50
30 May 2017	ordinary	all	5.25
4/5 July 2017	closed	all	15.25
18 August 2017	ordinary	all, excepting Urs Leinhäuser	4.50
19 September 2017	ordinary	all	4.50
6 October 2017	extraordinary	all, excepting Patrizia Holenstein and Gabriela Nagel-Jungo	0.50
24 October 2017	ordinary	all	2.50
6 November 2017	ordinary	all	4.25
21 November 2017	ordinary	all	5.00
15 December 2017	ordinary	all	7.00
20 December 2017	extraordinary	all, excepting Urs Leinhäuser	2.00
21 December 2017	extraordinary	all, excepting Patrizia Holenstein	0.50

Group Audit Committee

The members of the Group Audit Committee meet at least four times a year. These ordinary meetings are convened by the Chairman. An agenda is compiled prior to each meeting, which is sent together with the necessary information and the minutes of the last meeting to the meeting's participants at least five days prior to the date of the meeting. The members of the Group Audit Committee, the Group CEO, the Group CFO, the external auditors, the Head of Group Internal Audit can request the Chairman of the Group Audit Committee to convene extraordinary meetings. To deal with specific issues, the Group Audit Risk Committee can also invite other persons, such as members of the Group Executive Board, the Chairman of the Group Risk Committee, other staff of the LLB Group companies, representatives of the external auditors or external consultants. The Group CEO, the Group CFO and the Head of Group Internal Audit usually participate in the meetings in an advisory capacity. The other members of the Board of Directors, who are not members of the Group Audit Committee, are entitled to participate in the meetings.

During the 2017 business year, the members of the Group Audit Committee met for six ordinary meetings. No external experts were called in during the business year.

Date	Attendance	Duration in h
27 February 2017	all	4.00
30 May 2017	all	1.50
3 July 2017	all	3.00
19 July 2017	all	0.50
17 August 2017	all, excepting Urs Leinhäuser	2.25
14 December 2017	all	3.50

Group Risk Committee

The members of the Group Risk Committee meet at least four times a year. These ordinary meetings are convened by the Chairman. An agenda is compiled prior to each meeting, which is sent together with the necessary information and the minutes of the last meeting to the meeting's participants at least five days prior to the date of the meeting. The members of the Group Risk Committee, the Group CEO, the Group CFO, the external auditors, the Head of Group Internal Audit and the Chairman of the Group Audit Committee can request the Head of Group Credit & Risk to convene extraordinary meetings. To deal with specific issues, the Group Risk Committee can also invite other persons, such as members of the Group Executive Board, the Chairman of the Group Risk Committee, other staff of the LLB Group companies, representatives of the external auditors or external consultants. The Group CEO, the Group CFO, the Head of Group Internal Audit and the Head of Group Credit & Risk Management usually participate in the meetings in an advisory capacity. The other members of the Board of Directors, who are not members of the Group Risk Committee, are entitled to participate in the meetings.

During the 2017 business year, the Group Risk Committee held four ordinary meetings. No external experts were called in during the business year.

Date	Attendance	Duration in h
27 February 2017	all	1.00
3 July 2017	all	2.00
17 August 2017	all, excepting Urs Leinhäuser	1.50
21 November 2017	all	2.00

Group Nomination & Compensation Committee

The Group Nomination & Compensation Committee convenes as often as business requires, but at least twice a year. The meetings are convened by the Chairman. He compiles an agenda prior to each meeting, which is sent together with the necessary information and the minutes of the last meeting to the meeting's participants at least five days prior to the meeting. In 2017, six meetings were held at which all of the committee members were present.

To deal with specific issues, the Group Nomination & Compensation Committee can also invite other persons, such as the Head of Group Human Resources, representatives of the external auditors or external consultants. The Group CEO usually participates in the meetings in an advisory capacity; except when topics are discussed that particularly concern the Board of Directors itself, the business area of Group Internal Audit or the performance assessment of the Group CEO and the establishment of his compensation. In the 2017 business year, the Group CEO and the Head Group Human Resources partially attended all the meetings.

Date	Attendance	Duration in h
24 January 2017	all	1.50
23 February 2017	all	1.25
23 May 2017	all	2.00
27 June 2017	all	1.00
5 September 2017	all	2.00
28 November 2017	all	2.00

The Strategy Committee

The Strategy Committee held four meetings in 2017. At the closed meeting on 4 and 5 July 2017, the full Board of Directors together with Group Executive Management discussed of the status of the implementation of the StepUp2020 strategy (see chapter "Strategy and organisation, page 26), the results of the strategy review 2017, and selected core subjects. The latter had previously been discussed in the Strategy Committee on 18 May and 28 June 2017. During meetings held in the second half of 2017, the Strategy Committee dealt with the ongoing activities in relation to acquisitional growth.

Date	Attendance	Duration in h
18 May 2017	all	2.00
28 June 2017	all	1.50
24 October 2017	all	2.00
10 November 2017	all	2.00

Resolutions at the committee meetings

The committees carry out solely preparatory or advisory tasks on behalf of the Board of Directors. Resolutions at the meetings are passed with an absolute majority of the members present. The attendance of more than half of the members is required for a quorum. Only the members of the committees are eligible to vote. In the case of a tie, the Chairman has the casting vote. The subjects dealt with and resolutions passed are recorded in the corresponding minutes. The minutes are circulated to the meeting's participants and the members of the Board of Directors. The Chairmen of the committees inform the full Board of Directors about the agenda dealt with at the last committee meeting and submit proposals for those points requiring resolutions. Furthermore, they submit an annual activity report to the full Board of Directors, which contains a summary of their activities and of pending matters.

Self-evaluation

In general, the Board of Directors evaluates its own performance annually and also that of the committees. This evaluation serves to determine whether the Board of Directors and the committees are functioning appropriately. The results of the self-evaluation are recorded in writing. In 2017, no self-evaluation was carried out because, in December 2017, as part of the re-assessment process for the "best board practice" label, the Board of Directors accompanied by an assessor evaluated its own performance, and discussed the core issue of the current and future composition of the Board as well as that of the committees. The committees also carried out no self-evaluation reviews in 2017.

3.6 Definition of areas of responsibility

The Board of Directors is responsible for the direction, supervision and control of the LLB Group. It is ultimately responsible for the success of the LLB Group as well as for attaining sustained value for both shareholders and employees. It makes decisions in consultation with the Group CEO concerning the LLB Group's corporate strategy and assumes final responsibility for monitoring the conduct of business. Furthermore, the Board of Directors monitors compliance with applicable legal provisions and regulations. At the request of the Group CEO, the Board of Directors determines the financial and human resources required to implement the corporate strategy.

Within the scope of the duties and responsibilities defined in the Statutes, the Board of Directors has the following tasks:

- the definition of management policies;
- the definition of the LLB Group's management strategy, including its periodic monitoring;
- the passing of resolutions regarding all proposals to the General Meeting of Shareholders;
- the issuing of a regulation concerning Group Internal Audit, the discussion of the reports submitted by Group Internal Audit and the external auditors and the approval of the reports concerning measures implemented on the basis of audit reports and their monitoring;

- decisions regarding the LLB Group's expansion into important new business operations as well as its withdrawal from existing important business operations;
- decisions regarding the acquisition or sale of participations in other companies as well as the establishment or liquidation of LLB Group companies and the nomination of their Boards of Directors;
- decisions regarding the setting-up and closure of bank offices, branches and representative offices;
- decisions regarding the initiation of legal actions involving claims of over CHF 10 million as well as judicial and extrajudicial settlements involving amounts of over CHF 10 million;
- the approval of all business matters and decisions that exceed the authority of the powers delegated by the Board of Directors;
- decisions regarding the exercise of external mandates and activities by members of the Group Executive Board and Group Internal Audit staff.

Concerning the organization of business activities and the required concomitant issuing of rulings and directives, the Board of Directors is, in particular, responsible for:

- the regular monitoring of corporate governance principles and management structures laid down in the rules of procedure;
- the issuing of rulings and directives for the parent bank as well those that are binding Group-wide, subject to respective applicable local law;
- the regularization and monitoring of internal control systems and the issuing of regulations regarding this function;
- the appointment and dismissal of the Group CEO, the Vice Group CEO, all the other members of the Group Executive Board and the Head of Group Internal Audit as well as the provisions for deputies and the review of their performance, including succession planning;
- the supervision of the Group CEO, the Vice Group CEO and the other members of the Group Executive Board regarding compliance with legal provisions, statutes and rulings and directives as well as the LLB Group's economic development;
- the appointment of the committee members from among its members;
- the regularization of the compensation principles within the LLB Group.

Concerning the ultimate liability for the organization of accounting, financial control and financial planning, the Board of Directors is, in particular, responsible for:

- the approval of the applicable accounting standards;
- the approval of medium-term planning and budgeting;
- the preparation of the Annual Report and the Consolidated Annual Report;
- the approval of the Consolidated Interim Report;
- the ensuring of regular reporting on the course of business and extraordinary occurrences; this includes annotated reporting, on

a quarterly basis, as regards the development of business, the earnings situation, balance sheet development, liquidity and equity requirements;

- the stipulation of the competence to authorize expenditure.

Concerning the ultimate responsibility as regards risk management, the Board of Directors is, in particular, responsible for:

- the definition in Group regulations of the strategies and principles of the LLB Group's risk policy and their monitoring;
- the issuing of regulations concerning the fundamentals of risk management, determination of risk appetite, risk control as well as accountability and the processes for the approval of risk-related transactions, whereby interest, credit, liquidity and market price risks and operational risks as well as legal and reputational risks, in particular, are to be identified, controlled, reduced and monitored, as well as the annual review of them;
- the stipulation of credit competences and the regulation of transactions for the account of corporate bodies and employees as well as resolutions regarding large commitments including cluster risks;
- the evaluation of the effectiveness of the internal control system;
- the stipulation of overall and individual limits at least once a year;
- the approval of quarterly reports, including comments on the risk situation;
- the ensuring of prompt information in the event of imminent risk threats and losses of considerable importance.
- the issuing of a code of conduct for employees and corporate bodies of the LLB Group in relation to dealing with conflicts of interest and the issuing of instructions for preventing the misuse of confidential information.

The Group Executive Board, under the leadership of Group CEO, is responsible for the management of the LLB Group. It is composed of six members, the three heads of the market divisions: Retail & Corporate Banking, Private Banking and Institutional Clients, as well as the Group CFO, the Group COO and the Group CEO. The Group Executive Board meets as often as business requires, but at least once a month.

The LLB Group conducts its business within a framework of the three market-oriented divisions: Retail & Corporate Banking, Private Banking and Institutional Clients as well as the shared service functions of the Group CFO and Group COO. The heads of the divisions are responsible for the operative management of the divisions.

The heads of the market-oriented divisions are responsible for the cross-divisional collaboration of their business areas and they represent the LLB Group vis-à-vis the general public and other stakeholders in their relevant markets, and vis-à-vis the relevant client groups. Together with the heads of the Group CFO and Group COO Divisions and the heads of the business areas, they implement and coordinate the strategy of their divisions.

The heads of the divisions create the organisational prerequisites in order to manage the business areas assigned to their divisions over all the LLB Group companies. They actively coordinate all business activities with each other.

Taking into consideration prevailing local law, the Group Executive Board issues the regulations necessary for the operation and management of the divisions, provided this does not lie within the competence of the Board of Directors. These regulations may be binding for individual or several divisions of LLB Group companies.

In addition to the powers and duties set forth in the statutes, the Group Executive Board is responsible, in particular, for:

- implementing the resolutions made by the Board of Directors and its committees;
- submitting suggestions concerning the organisation of business activities in general and proposals for specific business matters to the Board of Directors and the responsible committees, provided
- these matters exceed the scope of authority of the Group Executive Board, in particular, with respect to:
 - the definition and periodic review of the LLB Group's corporate strategy as well as the allocation of resources to implement the strategy and attain corporate objectives;
 - participations, Group companies, business offices, branches and representative offices;
 - medium-term planning;
 - annual expenditure and income budget;
 - financial reporting and the annual report;
- implementing an efficient structure and organisation and an effective internal control system for the prevention and limitation of risks of all types;
- implementing the risk policy approved by the Board of Directors and reviewing compliance with it;
- active participation in the distribution of all significant risks, participation in the valuation of assets as well as in the use of external creditworthiness assessments and internal models regarding key risks;
- composition of the Risk Committee;
- comprehensive reporting to the Board of Directors regarding the risk situation in accordance with the provisions of risk policy;
- naming of persons (with the exception of the staff of Group Internal Audit), who can sign on behalf of the parent bank;
- regular reporting to the Board of Directors and its committees, in particular to the Chairman about the conduct of business and special occurrences;
- issuing of regulations for the conduct of business at the LLB Group;
- coordination of the LLB Group's range of products as well as specifying the pricing policy and the terms and conditions for the products and services offered;
- deciding on the conclusion of cooperation and partnership agreements as well as the membership of professional associations;
- authorising investments for personnel expenses and general and administrative expenses of up to CHF 1 million in specific cases and investments of up to CHF 3 million (with prior notification of the Chairman of the Board of Directors) which are not included in the budget adopted by the Board of Directors. In such a case, the

Chairman decides about any matters to be presented to the Board of Directors;

- continuously monitoring the developments within the Divisions and business operations as well as initiating problem-solving measures;
- continuously monitoring financial reporting;
- setting objectives for business activities and the course of business as it executes the strategy approved by the Board of Directors; thereby ensuring that decision-making is timely and of a high quality as well as monitoring the implementation of the decisions made;
- ensuring that their objectives comply with general business targets and with the LLB Group's course of business.

The Group CEO is the highest authority within the LLB Group management and is liable to account. He is, in particular, entirely responsible for the development of the corporate strategy of the LLB Group and the divisions as approved by the Board of Directors and – in coordination with the Group Executive Board – for the implementation of this strategy. The Group CEO represents the Group Executive Board vis-à-vis the Board of Directors and externally.

The Group CEO

- ensures the coherent management and development of the LLB Group as well as the implementation of the strategy that is stipulated and periodically monitored by the Board of Directors;
- sets objectives for business activities and the course of business;
- ensures high-quality and timely decision-making;
- ensures that the objectives set by the members of the Group Executive Board comply with management objectives;
- submits recommendations to the Board of Directors concerning compensation principles within the LLB Group;
- monitors the implementation of any decisions that are made;
- monitors the implementation of the resolutions made by the Board of Directors and its committees;
- is responsible – in coordination with the Chairman of the Board of Directors – for concrete succession planning within the Group Executive Board and submits proposals to the Board of Directors regarding the nomination of members of the Group Executive Board with the exception of the Group CEO.

3.7 Information and control instruments vis-à-vis the Group Executive Board

The Chairman of the Board of Directors is informed about the agenda of Group Executive Board meetings and receives the minutes. He participates in its meetings in an advisory capacity as required. The purpose of this is for both parties to update each other on important topics and form their opinions.

Principally, the Board of Directors, the individual committees and especially the Chairman of the Board are kept informed about the activities of the Group Executive Board by the Chairman of the Group Executive Board. The members of the Group Executive Board report to the Group CEO for the attention of the Board of Directors. The Group CEO ensures that the Chairman of the Board of Directors and the Board of Directors as well as its committees are informed in a timely and appropriate manner. The Group CEO regularly reports to the Board of Directors about current business developments and important business issues, including all matters that fall within the remit of the Board of Directors.

The Group CEO generally attends the meetings of the Board of Directors in an advisory capacity, informs it about the development of business as well as extraordinary occurrences and provides additional information on request. The Group CFO regularly informs the Board of Directors about finances and risk management as well as about the proper implementation of the Bank's risk policy. The other members of the Group Executive Board attend meetings when matters involving them are dealt with. The Group CEO and the Group CFO usually participate in the meetings of the Group Audit Committee and the Group Risk Committee in an advisory capacity. If required, the Group CEO can inform the Chairman of the Board of Directors outside of meetings of the Board of Directors about the course of business and special occurrences.

During meetings, each member of the Board of Directors can request information about all matters relating to the LLB Group. Outside of meetings, each member of the Board of Directors can also request information about the course of business from members of the Group Executive Board and, with the approval of the Chairman of the Board of Directors, also about individual business transactions.

Internal supervision and control

The LLB Group has standardized bank management systems that generate quantitative and qualitative data for the Group Executive Board and in a summarized form for the Board of Directors. This enables the Board of Directors to inform itself about significant business developments, such as the course of business, earnings situation, budget utilisation, balance sheet development, liquidity, risk situation and the fulfilment of equity requirements. The Board of Directors discusses and approves the annotated reports on finances and risk management on a quarterly basis.

In exercising its supervision and control functions, the Board of Directors is also assisted by Group Internal Audit, which is subordinate directly to the Chairman of the Board of Directors. Group Internal Audit is independent in its reporting and is not subject to any directive or other limitations, and within the LLB Group, it has an unrestricted right to peruse all information and documents. Group Internal Audit assumes the function of the internal auditor for all Group companies that are required to prepare a consolidated statement of accounts and submits the reasons for its decision to the Board of Directors or the respective Board of Directors of the Group company as to whether there exists an effective internal control system and whether risks are being adequately monitored. Group Internal Audit provides independent, objective and systematic reporting services regarding:

- the effectiveness of processes for defining the strategy and principles of risk policy as well as the general compliance with the approved strategy;
- the effectiveness of governance processes;
- the effectiveness of the risk management, including the evaluation of whether risk identification and management are adequate;
- the effectiveness of internal controls, in particular, whether these are adequate in relation to the risks taken;
- if necessary, the effectiveness and sustainability of measures for reducing and minimizing risks;
- the reliability and completeness of financial and operational information (that is, whether activities are correctly and fully documented) as well as the quality of the underlying data and models;
- compliance with legal and regulatory requirements as well as with internal rulings and directives and agreements.

The powers and duties of Group Internal Audit are stipulated in a special set of regulations. The planning of annual auditing is carried out on the basis of the evaluation of risks and controls and is guided by a long-term auditing plan.

To avoid duplication of work and to optimize controls, the auditing plans are coordinated with the statutory auditors. The short-term auditing plan and the personnel requirement plan are reviewed by the Group Audit Committee and submitted to the Board of Directors for approval. In addition, Group Internal Audit regularly monitors the rectification of any deficiencies found and the implementation of its recommendations; it submits reports about this procedure to the Group Audit Committee.

The results of every examination are recorded in a written audit report. The audit reports of the parent bank and all Group companies are sent to the Chairman of the Board of Directors, the members of the Group Audit Committee and the Group Risk Committee, the Group Executive Board, the Head of Group Credit & Risk Management as well as to the Head of Group Legal & Compliance and the external auditors. The Head of Group Internal Audit compiles a report on a quarterly basis for submission to the Group Audit Committee and the Group Executive Board as well to the responsible committees of the other banks of the LLB Group. He also compiles a written activity report annually

for submission to the Board of Directors. Particular findings that need to be dealt with immediately are communicated to the Chairman of the Board of Directors without delay by the Head of Group Internal Audit. In addition, Group Internal Audit regularly monitors the rectification of any deficiencies found and the implementation of its recommendations; it submits reports about this procedure to the Group Audit Committee.

Risk management

The proactive approach towards risks is an integral part of the LLB Group's corporate strategy and ensures the Group's risk-bearing capacity. The LLB Group attaches great importance to proactive and comprehensive opportunity / risk management. As part of the risk policy, the Board of Directors issues guidelines and regulations concerning the principles of risk management. In this way, the Board of Directors sets qualitative and quantitative standards for risk responsibility, risk management, risk reduction and risk control.

The LLB Group manages risks according to strategic objectives. It evaluates and manages risks through the application of detailed, qualitative and quantitative standards for risk responsibility, risk management and risk control. We utilise the "Internal Capital Adequacy Assessment Process" (ICAAP) and "Internal Liquidity Adequacy Assessment Process" (ILAAP) to deal with equity capital and liquidity issues, both of which are extremely important factors for banks. These processes ensure that adequate capital and liquidity to cover all essential risks are always available.

The risk management specialists strive to create and maintain a Group-wide uniform risk culture and risk approach. This establishes the fundamentals for an appropriate risk / return profile and an optimum allocation of capital. The Group Risk Committee invites the Chairmen of the Group Risk Committees to a quarterly discussion of the risk status. Their reports are summarized every six months in an overall risk report of the LLB Group, which is discussed by the Board of Directors. Further details concerning risk management can be found in the chapter "Financial and risk management (pages 28 to 30) as well as in the Notes to the consolidated financial statement of the LLB Group on pages 178 to 196.

Compliance

All employees of the LLB Group are obliged to comply with all legal, regulatory and internal regulations as well as to observe common market standards and professional codes of conduct. The compliance functions within the LLB Group annually report in writing to the Board of Directors about their activities, findings and the measures taken (see the chapter "Regulatory framework and developments", page 65).



Roland Matt

Education:

Business economist FH, 1995; Federally qualified financial analyst and asset manager, 1999; Federally qualified finance and investment expert, 2002

Professional career:

Head of Research, VP Bank AG, Vaduz, 1999; Head of Asset Management Division, VP Bank AG, Vaduz, 2000 – 2001; Family Office Project Head, VP Bank AG, Vaduz, 2002

Liechtensteinische Landesbank:

Head of Investment Services, 2002 – 2006; Head of Domestic Clients Division, 2007 – 2008; Member of the Group Executive Board and the Board of Management, since 2009; Head of Domestic Market and Institutional Market Divisions, 2009 until March 2011; Head of International Market Division, April 2011 until 15 January 2012; Vice Chairman of the Group Executive Board and the Board of Management, April 2011 until 15 January 2012; Group Chief Executive Officer, since 16 January 2012

Other functions:

Member of the Board of the Liechtenstein Chamber of Commerce and Industry; Member of the Board of the Liechtenstein Bankers Association; Member of the Board of Trustees of the Personnel Pension Fund Foundation of Liechtensteinische Landesbank AG; Chairman of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"



Natalie Epp

Education:

Mag. Iur., University of Innsbruck, 2000; Executive Master of European and International Business Law, University of St. Gallen, 2006

Professional career:

Legal assistant at the Liechtenstein Bankers Association, 2003 – 2005; Private labelling client adviser at the Liechtenstein Fund Management Company IFOS, 2006 – 2007; Member of senior management at the Liechtenstein Fund Management Company IFOS, 2008 – 2011

Liechtensteinische Landesbank:

Head of the Institutional Clients Business Unit, 2011 until 30 June 2012; Head of Fund Services Business Area, 1 July 2012 until 30 June 2016; Member of the Group Executive Board and the Board of Management, since 1 July 2016; Head of the Institutional Clients Divisions, since 1 July 2016

Board of Directors' mandates in Liechtensteinische Landesbank Group companies:

LLB Fund Services AG (Chairwoman); LLB Asset Management AG (Chairwoman); LLB Qualified Investors AGmK (member); LLB Invest AGmVK (member)

Other functions:

Member of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"



Gabriel Brenna

Education:

M.Sc., Electrical Engineering, École polytechnique fédérale de Lausanne (EPFL), 1998; Ph.D., Electrical Engineering, Semiconductors, Swiss Federal Institute of Technology (ETH) Zurich, 2004

Professional career:

Project Leader, Philips Semiconductors, Zurich, 1998 – 1999; Research and instruction, ETH Zurich, 2000 – 2004; Senior Project Leader, Advanced Circuit Pursuit, Zollikon, 2002 – 2004; McKinsey & Company, Zurich and London; most recently, Partner and Head of Swiss Private Banking and Risk Management Practice, 2005 until September 2012

Liechtensteinische Landesbank:

Member of the Group Executive Board and the Board of Management, since 1 October 2012; Head of Private Banking Division, since 1 October 2012

Board of Directors' mandates in Liechtensteinische Landesbank Group companies:

Liechtensteinische Landesbank (Österreich) AG, (Head of the Supervisory Board); Bank Linth LLB AG (Member); LLB Asset Management AG (Vice Chairman); LLB Services (Schweiz) AG (Chairman)

Other functions:

Member of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"



Urs Müller

Education:

Licentiate in law, University of St. Gallen (HSG), 1993

Professional career:

Auditor, Unterrheintal District Court; Associate Court Clerk, Oberrheintal District Court, 1993 – 1995

Liechtensteinische Landesbank:

Legal counsel, 1995 – 1998; Head of Legal & Compliance, 1998 – 2006; Head of Institutional Clients Division, 2007 until April 2011; Member of the Group Executive Board and the Board of Management, since April 2011; Head of Domestic Market and Institutional Market Divisions, April 2011 until June 2012; Head of Institutional Clients Division, 1 July 2012 until 30 June 2016; Head of Retail & Corporate Banking Division since 1 July 2016; Vice Group Chief Executive Officer, since 1 July 2012

Board of Directors' mandates in Liechtensteinische Landesbank Group companies:

Bank Linth LLB AG (Vice Chairman); LLB Asset Management AG (Member); LLB Berufliche Vorsorge AG, Lachen (Chairman)

Other functions:

Member of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"



Christoph Reich

Education:

Federally qualified licentiate in economics, FHS St. Gallen, 1999; Executive MBA, University of St. Gallen (HSG), 2009

Professional career:

Commercial apprenticeship, St. Galler Kantonalbank, Buchs (SG), 1990 – 1993; Investment advisor for private clients, St. Galler Kantonalbank, Wil (SG), 1994 – 1996; Senior consultant, KPMG Consulting (from October 2002, Bearing Point), Zurich, 1999 until mid-2003; Team manager Budget and Management Services, Asian Development Bank, Manila / Philippines, 2003 – 2006; Partner at Syndeo AG, Head of Accounting and Controlling for Banks, Horgen / ZH, end of 2006 until October 2010

Liechtensteinische Landesbank:

Head of Group Finance & Risk Department, November 2010 until 15 January 2012; Member of the Group Executive Board and the Board of Management, since 16 January 2012; Chief Financial Officer, 16 January 2012 until 30 June 2012; Group Chief Financial Officer, since 1 July 2012

Board of Directors' mandates in Liechtensteinische Landesbank Group companies:

Liechtensteinische Landesbank (Österreich) AG (Vice Chairman); Bank Linth LLB AG (Member); LLB Asset Management AG (Member); LLB Beteiligungen AG (Chairman); LLB Verwaltung (Schweiz) AG (Chairman); LLB Linth Holding AG (Chairman); LLB Holding (Switzerland) AG (Chairman)

Other functions:

Member of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"



Kurt Mäder

Education:

Federally qualified physicist, Swiss Federal Institute of Technology (ETH) Zurich, 1987; Dr. sc. nat., ETH Zurich, 1992

Professional career:

Scientist, National Renewable Energy Laboratory, Golden, Colorado, 1992 – 1994; Senior scientist, Centre Européen de Calcul Atomique et Moléculaire, Lyon, 1994 – 1996; Head of Operations, ELCA Informatik AG, Zurich, 1996 – 2004; Member of the Board of Management, Bank Linth LLB AG, Uznach, 2005 – 2008

Liechtensteinische Landesbank:

Member of the Group Executive Board and the Board of Management, since 2009; Head of Corporate Service Center, 2009 until June 2012; Group Chief Operating Officer, since 1 July 2012

Board of Directors' mandates in Liechtensteinische Landesbank Group companies:

Liechtensteinische Landesbank (Österreich) AG (Member); Bank Linth LLB AG (Member); LLB Beteiligungen AG (Vice Chairman); LLB Verwaltung (Switzerland) AG (Vice Chairman); Data Info Services AG (Chairman); LLB Linth Holding AG (Vice Chairman); LLB Holding (Switzerland) AG (Vice Chairman)

Other functions:

Member of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"

4 Group Executive Board

4.1 Members

Name	Year of birth	Nationality	Function / Area of responsibility	Member of the Group Executive Board since
Roland Matt	1970	FL	Group Chief Executive Officer	2009
Urs Müller	1962	FL/CH	Head of Retail & Corporate Banking Division Vice Group Chief Executive Officer	2011
Gabriel Brenna	1973	CH/I	Head of Private Banking Division	2012
Natalie Epp	1977	AT	Head of Institutional Clients Division	2016
Kurt Mäder	1962	CH	Group Chief Operating Officer	2009
Christoph Reich	1974	CH	Group Chief Financial Officer	2012

The LLB Group's organisational structure is consistently geared towards client and market needs. For this purpose the Retail & Corporate Banking (Urs Müller), Private Banking (Gabriel Brenna) as well as Institutional Clients (Natalie Epp) Market Divisions are represented at the Group Executive Management level. The Group Chief Financial Officer (Christoph Reich) as well as the Group Chief Operating Officer (Kurt Mäder) are also Members of the Group Executive Management. The Group Executive Board consists of six members including the Group Chief Executive Officer (Roland Matt).

4.2 Other activities and commitments

Apart from the mandates specified on pages 96 to 97, the members of the Group Executive Board are not involved in the management or supervisory boards of important Liechtenstein, Swiss or foreign private or public law corporations, establishments or foundations, nor do they exercise any permanent management or consultancy functions for important Liechtenstein, Swiss or foreign interest groups, nor do they perform official functions or hold political office.

4.3 Number of permitted activities

Liechtensteinische Landesbank AG is not subject to the Swiss ordinance against excessive compensation in listed public limited companies (OaEC). Liechtensteinische Landesbank AG has not issued any regulations on the number of permitted activities.

4.4 Management contracts

The Liechtensteinische Landesbank has not concluded any management contracts.

5 Compensation, participations and loans

Details concerning compensation, participations and loans can be found in the compensation report (pages 103 to 111).

6 Shareholders' participation rights

6.1 Voting right limitation and representation

At the Liechtensteinische Landesbank's General Meeting of Shareholders, each share carries one vote. In accordance with Art. 306a ff. of person and company law, the LLB shares held by the Liechtensteinische Landesbank itself and its subsidiaries (1'922'937 shares as at 31 December 2017) are not eligible to vote.

Each shareholder has various possibilities of participating in the General Meeting of Shareholders. At the General Meeting of Shareholder he can vote his own shares or authorise a third party in writing to vote them, or have them voted by another shareholder eligible to vote. The Chairman of the General Meeting shall decide whether the authorisation is valid. A person acting as a representative may act on behalf of more than one shareholder and vote differently for the various shares he represents. Shareholders may also vote their shares in writing by post or by means of electronic communication prior to the General Meeting. On account of the many different voting possibilities, the Liechtensteinische Landesbank has decided not to designate an independent proxy in accordance with Art. 18, para.1 of the Statutes (www.llb.li/statutes). The LLB is not subject to the pertaining provision of the ordinance against excessive compensation by listed companies

6.2 Statutory quorum

At the General Meeting of Shareholders, a quorum is present if half of the share capital is represented. The Board of Directors can decide to permit shareholders to vote their shares by post or by means of electronic communication prior to the General Meeting. If a shareholder votes his shares in this manner prior to the General Meeting, his share capital is regarded as being represented for the purpose of constituting a quorum. If a quorum is not constituted, a further General Meeting of Shareholders has to be convened within two weeks that makes decisions irrespective of the represented shares, unless otherwise prescribed by mandatory laws and statutes.

Provided that legal provisions do not stipulate to the contrary, the General Meeting passes its resolutions and decides its elections by an absolute majority of the votes cast.

6.3 Convening of the General Meeting of Shareholders

The Board of Directors convenes an ordinary General Meeting of Shareholders with a period of notice of 30 days. The meeting must be held within six months following the end of a business year. The invitation to the General Meeting is to be publicised on the company's website as well as, if necessary, in other media to be designated by the Board of Directors. The invitation must contain the information required by law, especially the agenda to be dealt with at the meeting, the proposals of the Board of Directors and, in the event of elections, the names of the proposed candidates.

An extraordinary General Meeting may be convened by the Board of Directors if this is in the urgent interest of the Liechtensteinische Landesbank or at the written request – stating the reason for convening the extraordinary General Meeting – of shareholders representing ten percent of the share capital.

6.4 Agenda

The Board of Directors specifies the agenda for the General Meeting of Shareholders in accordance with Art. 1 the Liechtensteinische Landesbank's statutes. The statutes may be viewed at www.llb.li/statutes. The General Meeting can only deal with items which are listed in the agenda, with the exception of a proposal for the convening of an extraordinary General Meeting.

Shareholders, who together hold at least 5 percent of the share capital represented, can request that an item be placed on the agenda to be dealt with by the General Meeting. Requests for items to be placed on the agenda must be received, at the latest, 21 days prior to the date of the General Meeting. The Board of Directors shall publicise the amended agenda at least 13 days prior to the date of the General Meeting.

6.5 Registration in the company's share register

The Liechtensteinische Landesbank has exclusively issued registered shares. It maintains a share register containing the names of the owners of registered shares. Upon request, the purchasers of registered shares are entered in the share register as shareholders having a voting right provided that they expressly render a declaration that they have purchased these shares in their own name for their own account. If the purchaser is not prepared to render such a declaration, the Board of Directors can refuse to enter the shares with voting rights in the register. Pursuant to Art. 5a of the Statutes (www.llb.li/statutes), the Board of Directors has specified that nominee registrations without the above-mentioned declaration are generally to be made without a voting right. In order for the right to vote to be exercised at the General Meeting of Shareholders, entry in the share register must be made at the latest three working days prior to the date of the General Meeting. Accordingly, the deadline for entry in the share register for the

General Meeting on 9 May 2018 was fixed at 5 p.m. on Friday, 4 May 2018. From 7 to 9 May 2018 no entries will be made in the share register.

7 Change of control and defensive measures

The Liechtensteinische Landesbank is a banking institute licensed under Liechtenstein law with its registered office in the Principality of Liechtenstein. As a Liechtenstein bank listed on SIX Swiss Exchange, Liechtensteinische Landesbank AG must in addition to complying with Liechtenstein law also comply with various Swiss regulatory requirements. Since 1 January 2016, the provisions regarding the disclosure of significant shareholders are regulated in the Financial Market Infrastructure Law and in the Financial Market Infrastructure Ordinance and also apply to the LLB. Shareholders attaining, falling below or exceeding the threshold percentages of 3, 5, 10, 15, 20, 25, 33.33, 50 or 66.67 of voting rights must notify SIX and the LLB (www.llb.li/thresholds).

The Liechtensteinische Landesbank's statutes contain no regulations comparable with the Swiss provisions regarding opting out or opting up. Likewise, there are no changes of control clauses in favour of the members of the Board of Directors and / or the members of the Group Executive Board or other senior executives.

Pursuant to the Law on the Liechtensteinische Landesbank, the Principality of Liechtenstein holds at least 51 percent of the capital and votes.

8 Independent auditors

8.1 Duration of mandate and term of office of the auditor in charge

8.1.1 Date of acceptance of existing auditing mandate

Every year, the General Meeting of Shareholders appoints one or more natural or legal entities as the independent auditors in accordance with the legal provisions. The independent auditors examine the company's adherence to the legal provisions, the statutes and the other regulations.

PricewaterhouseCoopers AG, St. Gallen, has served as the independent auditors of the Liechtensteinische Landesbank according to company and banking law since 1998. The auditing mandate was taken over from Revisuisse Price Waterhouse AG, St. Gallen, and its predecessor Revisa Treuhand AG, St. Gallen. Pursuant to person and company law and banking law, the independent auditors were elected by the General Meeting of Shareholders on 12 May 2017 at the proposal of the Board of Directors for a period of one year.

8.1.2 Term of office of the auditor in charge of the current auditing mandate

Claudio Tettamanti has been the responsible auditor in charge since 2014. The auditor in charge changes every seven years.

8.2 Audit fees

In the 2017 business year, PricewaterhouseCoopers AG invoiced the companies of the LLB Group for CHF thousands CHF 1'399 (2016: CHF thousands 1'272) in respect of audit fees. These fees include the work carried out as required by the respective regulatory authorities. In addition, in the 2017 business year, PricewaterhouseCoopers AG received CHF thousands 261 (2016: CHF thousands 242) for services in connection with our own investment funds.

The Group Audit Committee oversees the fees paid to PricewaterhouseCoopers AG for their services.

8.3 Additional fees

For other services, PricewaterhouseCoopers AG invoiced the LLB Group companies CHF thousands 1'700 (2016: CHF thousands 449) in 2017. The increase in the corporate finance area is attributable to due diligence services in connection with the acquisitional growth of the LLB Group.

Audit fees and additional fees

in CHF thousands	2017	2016
Audit fees	1'399	1'272
Additional fees	1'700	449
Corporate finance	1'423	125
International accounting	46	45
Taxation advice	188	270
Legal and other advice	43	9

8.4 Information instruments of the external auditors

The Group Audit Committee fulfils a supervisory, control and monitoring function, which also extends to the external auditors. It is responsible, among other tasks, for:

- taking note of and discussing the risk analysis made by the external auditors, the auditing strategy derived from it and the respective risk-oriented auditing plan;
- the discussion of major problems identified during the auditing process with the external auditors;
- the monitoring of the implementation of recommendations put forward by the external auditors and Group Internal Audit to eliminate weak points and deficiencies;
- the analysis of the audit reports submitted by the external audit and Group Internal Audit to the Board of Directors;
- the assessment of the qualification, quality, independence, objectivity and performance of the external and Group Internal Audit;
- the discussion of the annual activity report and the annual audit plan including risk analysis of Group Internal Audit, with the

evaluation of whether this function has adequate resources and competences, as well as the approval of proposals to the Board of Directors;

- the examination of the compatibility of external auditors' auditing activities with possible consulting mandates as well as the evaluation and discussion of their professional fees;
- the evaluation of the collaboration between the external auditors and Group Internal Audit;
- the submission of a proposal to the Board of Directors for the attention of the General Meeting regarding the appointment or dismissal of the external auditors (appointed according to banking law and person and company law). The Group Audit Committee is responsible for defining the procedure to appoint new external auditors.

The external auditors perform their work in accordance with the legal provisions, and according to the principles of the profession in the respective country of domicile of the Group company, as well as according to the "International Standards on Auditing". The independent auditors regularly report to the Board of Directors, the Group Audit Committee and the Group Executive Board about their findings and submit suggestions for improvements to them. The most important report is the audit report on the LLB Group required by banking law. This summarized report is submitted in writing to the Board of Directors once a year. In addition, the responsible auditor in charge of the external auditors presents a report at one meeting of the Group Audit Committee. All reports from the internal and external auditors concerning all Group companies are submitted to the Group Audit Committee.

Important findings in the reports of the internal and external auditors since the last meeting and all reports concerning the Group companies are addressed at the next meeting of the Group Audit Committee. The Head of Group Internal Audit is responsible for providing the relevant information and reports directly to the Group Audit Committee. He is appointed by the Board of Directors and is subordinate to the Board's Chairman.

Representatives of the external auditors participated in two meetings of the Group Audit Committee but did not attend any meetings of the Board of Directors during the report period. The Head of Group Internal Audit attended five of the six meetings of the Group Audit Committee and all the meetings of the Board of Directors. The external auditors submit periodic reports dealing with the audit planning based on risk analysis, the current audit reporting, the annual activity report as well as on a comparison of actual with budgeted fees.

The Group Audit Committee annually evaluates the performance of the external and internal auditors in their absence. The following criteria are applied in assessing the performance of the external auditors and their professional fees (auditing and additional fees): comparison of fees and budgeted fees as well as the previous year's fees, feedback from the departments audited, quality of the auditors' findings, structured assessment of the auditors' expertise. The independence of the external auditors is evaluated on the basis of the information

concerning independence provided in the annual report of PricewaterhouseCoopers AG and an assessment of their conduct. The cost planning and its observance are also reviewed and discussed annually. Furthermore, the Group Audit Committee periodically reviews alternatives and submits a proposal to the full Board of Directors for the attention of the General Meeting regarding the appointment of the external Group auditors.

Additional orders are placed on the basis of offers from competitors taking into consideration the level of expertise. The Group Audit Committee bases its assessment of the placing of orders for additional services on the periodic reports it receives from Group Internal Audit regarding reliability, scope and relation to audit fees.

The Group Audit Committee reports to the full Board of Directors once a year concerning the activities of the external auditors and the assessment of their performance.

The external auditors have direct access to the Board of Directors at all times. They hold regular discussions with the Chairman of the Board of Directors and the Chairman of the Group Audit Committee.

9 Information policy

The Liechtensteinische Landesbank simultaneously, comprehensively and regularly provides its shareholders, clients, employees and the general public with information. This ensures that all stakeholder groups are treated equally. Equality of opportunity and transparency are ensured through institutionalizing and nurturing these ties as well as establishing and preserving relationships that are based on trust with the financial community, on the one hand, and with the media and all other interested recipients of information, on the other.

The most important information media of the Liechtensteinische Landesbank are its web site (www.llb.li) as well as its annual and interim reports, media communiqués, its media and financial analysts conference and the conference call for media and analysts, and its General Meeting of Shareholders.

As a listed company, the Liechtensteinische Landesbank is obliged to publish information about potential share price-relevant facts (ad hoc publicity, Art. 53 of the exchange listing regulations). To receive ad hoc announcements in accordance with the directives for ad hoc publicity automatically, an interested party can register at www.llb.li/registration. Ad hoc announcements are published under the link www.llb.li/mediacommuniques.

If you have any questions, please contact the following person who is responsible for investor relations:

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Agenda

Date	Time	Event
8 March 2018	7.00 a.m.	Publishing of 2017 business result at www.llb.li ; release of online Annual Report 2017 at ar2017.llb.li
	10.30 a.m.	Financial reporting and analyst conference
9 March 2018		2017 business result advertisement in the "Liechtensteiner Vaterland" and the "Liechtensteiner Volksblatt"
9 April 2018		Publication of printed Annual Report 2017
9 May 2018	6.00 p.m.	General Meeting of Shareholders
14 May 2018		Ex-dividend date
15 May 2018		Dividend record date
16 May 2018		Dividend payment date
23 August 2018	7.00 a.m.	Publishing of interim financial statement 2018; publication of printed interim financial statement 2018 and release of online interim financial statement 2018 at www.llb.li
	10.30 a.m.	Conference Call
24 August 2018		2018 interim financial result advertisement in the "Liechtensteiner Vaterland" and the "Liechtensteiner Volksblatt"

10 Important changes since the balance sheet date

- At the 26th General Meeting of Shareholders on 9 May 2018, Markus Foser, Markus Büchel and Roland Oehri will step down from the Board of Directors as a result of the legal limitation of terms of office. It is proposed to the General Meeting – subject to approval from the supervisory authority – that Thomas Russenberger and Dr. Richard Senti be elected members of the Board of Directors for a term of office of three years.
- On 22 December 2017, Liechtensteinische Landesbank announced that it had signed a purchase agreement for the acquisition of 100 percent of the shares of Semper Constantia Privatbank AG (Semper Constantia) with registered office in Vienna. The purchase price of around EUR 185 million, consisting of equity and goodwill, will be paid partly in cash and partly in shares of LLB AG. For this purpose, LLB will employ 1.85 million of its own shares. After the successful conclusion of the transaction, the Haselsteiner Familien-Privatstiftung, Ortenburger Strasse 27, 9800 Spittal / Drau, Austria, and the grosso Holding Gesellschaft mbH, Walfischgasse 5, 1015 Vienna, Austria, will together hold a stake of 6 percent of the capital and voting rights of LLB (<https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html>). The LLB Group will hold virtually no further own shares.

Compensation report

The Group regulation “Compensation standards” sets down the framework for the group-wide compensation policy. It defines the basis, values, objectives and responsibilities and sets out the minimum requirements for the design of the compensation systems. The compensation report contains information about the elements and methods of determining compensation, as well as the compensation paid to the Board of Directors and the Group Executive Board.

Introduction

On 1 January 2014, the “Ordinance against Excessive Compensation with respect to Listed Stock Corporations” (OaEC) came into force in Switzerland. Pursuant to the ordinance, Swiss public companies whose shares are listed on an exchange in Switzerland or abroad must publish details about the compensation of the members of their governing bodies in a compensation report. The details to be reported are set out in Art. 13 to 16 of the OaEC.

The OaEC does not apply to foreign companies that are publicly listed in Switzerland. According to the Regulatory Board Communiqué No. 2 / 2014 of 1 September 2014, No. II, all companies listed on the SIX Swiss Exchange should have to disclose the same information on corporate governance. Issuers that are not subject to the regulations of the OaEC have to therefore publish details about the compensation of the members of the Board of Directors and the Board of Management in the same manner as Art. 14 to 16 of the OaEC. By publishing this compensation report, Liechtensteinische Landesbank AG is fulfilling this obligation.

The following report deals with the compensation policy, the basis and elements of the compensation, the responsibilities and methods of determining compensation. The compensation paid during the 2017 business year is also presented.

Compensation policy

On 18 August 2011, the Board of Directors issued the Group regulation “Compensation standards” for Liechtensteinische Landesbank AG and its Group companies (revised on 1 January 2017). The Group regulation is based on: the current version of the Ordinance on Banks and Investment Firms (Banking Ordinance) of 22 February 1994, in particular Appendix 4.4; EU Directive 2013/36/EU (CRD IV) of 26 June 2013; Regulation No. 575/2013 (CRR) of 26 June 2013; Delegated Regulation No. 527/2014 of 12 March 2014; and Delegated Regulation No. 604/2014 of 4 March 2014. These legal provisions are applied to the LLB Group in a way and to a degree that is commensurate with

its size and internal organisation as well as the type, scope and complexity of its business.

The Group regulation “Compensation standards” regulates the framework for the group-wide compensation policy, in particular in regard to its alignment to risk management. It stipulates the basis, values and objectives and sets out the minimum requirements for the design of the compensation systems. In addition, it regulates Group-internal and Group-external reporting as well as related responsibilities.

The Group regulation applies to the Group Board of Directors, the Group Executive Board, members of the Board of Directors, members of the Board of Management of the Group companies, senior managers exercising control functions, risk takers as well as to employees who receive total compensation comparable to that of at least the lowest total compensation that a member of the Board of Management has received, and whose decisions have a significant influence on the risk profile.

To implement the Group regulation “Compensation standards” at Liechtensteinische Landesbank AG, the Board of Directors has also issued the separate regulation “Compensation standards” (revised on 1 January 2017). As a company exempt from Art. 12, Para. 2 of the OaEC, Liechtensteinische Landesbank has not stipulated any regulations concerning compensation, participation and loans.

The Group companies issue company-specific compensation guidelines, which take into consideration the applicable (special) legal regulations. Deviations from the Group regulation are only permitted if they stem from prevailing law or special legal regulations.

The compensation for performance complies with the business strategy as well as with the goals and values of the LLB Group and is based on the following principles:

- **Sustainability and risk adjustment:**
Compensation practices must contribute to long-term corporate development. They must support risk management and the pursuit of both continuous increases in the company's value and long-term client and employee retention. Compensation policy has to offer incentives in a manner that allows for adequate risk behaviour by individual persons in order to counteract any conflicts of interest.
- **Foundation of trust:**
The design of the compensation regulations and processes is based on a mutual foundation of trust between employees and employers. This is necessary because there are time differences between the provision of the performance and the acceptance of responsibility on the one hand, and the payment of the compensation on the other. Furthermore, a performance appraisal has subjective elements. Accordingly, the voluntary nature of the payment of the variable component must be ensured and attention must be drawn to the scope of discretion in this respect.
- **Performance and success orientation:**
Compensation practices also have to reward both individual performance and company-related performance. The focus on the Group's success promotes, and is in line with, the LLB Group's long-term interests. Acknowledging individual performance serves performance motivation, the management of individual performance contributions towards achieving company goals as well as the retention of top performers.
- **Simplicity, clarity and comprehensibility:**
The compensation regulations and models are to be kept simple, clear and comprehensible. Employees as well as third parties should be able to easily understand the basic concepts.
- **Fair compensation in accordance with responsibilities and management level:**
The determination of compensation also has to consider the workload as well as the degree of responsibility and reflect the different management level requirements in a clear and fair manner.
- **Group orientation:**
Compensation has to promote Group orientation. It aims to further commitment towards Group success and increased identification with the Group through employee participation in the long-term development of value and in shared ownership by means of an appropriate share option scheme.

The compensation policy forms the basis for the compensation standards stipulated in appropriate regulations and for the compensation model. The compensation standards set out the targets, processes and requirements for the design of the compensation. They also contain rules for the coordination between compensation and risk management. For employees who receive a variable component of compensation, the compensation model specifies the ratio between fixed and variable portions and the allocation mechanism for the variable portion.

Elements of compensation

The compensation model of the LLB Group

The LLB Group's compensation model aims at ensuring that compensation is performance-linked. Among other elements, this means that an above-average performance has a positive and a below-average performance a negative effect on the amount of compensation. In accordance with the compensation policy, the compensation model focuses on sustained, long-term-oriented action.

The LLB Group's compensation model was developed in conjunction with FehrAdvice & Partners AG, Zurich. It is based on the results of behavioural economics research carried out by Prof. Ernst Fehr from the University of Zurich. A key performance indicator is the so-called "Market-Adjusted Performance Indicator" (MAPI). The MAPI captures the company as holistically as possible, which means it reveals not only short-term successes but also long-term effects. The MAPI gives an undistorted, holistic view of management performance. This is done by comparing the long-term stock return of a company (total shareholder return, TSR) with the TSR of a tailored, relevant comparable group and allows external market effects to be factored out. The difference between the TSR of the company and that of the comparable group gives an indication of the actual performance of the company's management.

In March 2017, the LLB Group's compensation model was honoured by the Swiss Institute of Directors as the best salary model in 2016 of all companies listed on the Swiss stock exchange. The jury of experts described the compensation model as "exemplary". The three main criteria by which it was judged were internal fairness, external fairness and performance-related fairness.

The compensation system of the LLB Group

The compensation system is essentially based on the following approaches:

1. Clear performance incentives, performance orientation and transparency:

A target compensation (total compensation or total target compensation) is defined for each employee. It determines how much employees who attain their targets can earn. A bonus-malus logic ensures that employees earn more or less than their defined target compensation depending on whether they exceed or do not attain

their targets. Compensation depends on performance and not on corporate results that can be affected by market conditions. Acknowledging individual performance serves performance motivation, the management of individual performance contributions towards achieving company goals as well as the retention of top performers.

2. Uniform focus on the structure of the LLB Group:

The compensation system across the whole Group follows a uniform logic and is in accordance with the management structure.

3. Fair compensation in accordance with responsibilities and management level:

The determination of compensation considers the workload as well as the degree of responsibility and reflects the different requirements in a clear and fair manner.

4. Target orientation:

The variable component of the target compensation depends on the salary model and the attainment of targets, which are determined during the annual objectives-setting process and reflect the orientation of and change in the bank. The focus on relative management performance (MAPI) promotes, and is in line with, the LLB Group's long-term business interests. The fulfilment of basic tasks is shown through the function level and thus in the assignment of the reference compensation curve.

5. Fairness and freedom to act:

The variable component is a significant part of the target compensation. Internal transfers and departures are possible at any time and calculated fairly on a pro rata basis.

6. Integrity and trust:

The design of the compensation regulations and processes is based on a mutual foundation of trust between employees and employers. This is necessary because there are time differences between the provision of the performance and the acceptance of responsibility on the one hand, and the payment of the compensation on the other. Furthermore, a performance appraisal always has subjective elements. As a reliable employer, the LLB Group also stands by its employees in difficult times.

These approaches should ensure the understanding of the functioning of the compensation system and fairness for the employees.

Target compensation

In general, target compensation (total target compensation) is comprised of a fixed and a variable component. The fixed component encompasses all contractually agreed or statutory compensation, which is already stipulated prior to the provision of any performance. The variable component includes, in particular, those elements of

compensation which vary depending on various criteria, such as the business success of the company, the individual performance of the employee or the results attained by the organisational unit. In general, the amount and payment of the variable component is at the free discretion of the employer.

Fixed component of target compensation

The fixed component must be reasonably proportionate to the variable component. It is to be calculated in such a manner that indeed the payment of the variable component could be dispensed with. This proportionate relationship is specified in the individual compensation guidelines of Liechtensteinische Landesbank AG and of the LLB Group companies. Depending on the salary model, it varies from 97.6 percent of the target compensation to 67 percent of the target compensation for the Board of Management.

Variable component of target compensation

The variable component of the target compensation is paid in cash and/or in the form of an entitlement to acquire LLB shares, which is subject to a blocked period of three years. Other financial instruments, such as options or bonds, are not considered. The variable component may not exceed 100 percent of the fixed component of the total compensation for each person.

A clawback ruling applies to the blocked portion of the variable compensation, which is largely governed by the individually attained performance and the risks. If a significant change occurs in the assessment of performance and risks during the blocking period (for example, inadequate due diligence, untrustworthy business management or incurring excessive risks), the acquired share entitlements are to be reduced accordingly. The body which decides on the amount of the variable compensation during the annual compensation process will decide about the reduction of the share entitlements. Moreover, the share entitlement in the year concerned will be forfeited if the average Group net profit in the last three years is negative.

A guaranteed variable compensation, for example in the form of a minimum bonus, may only be promised in exceptional circumstances and must be limited to the first working year. As a basic principle, no severance compensation and no additional voluntary annuity payments will be made to employees who leave the company.

The fixed compensation component and the variable target compensation are insured in the staff pension scheme for old age, death and invalidity. The employees of the LLB Group receive fringe benefits in the form of preferential conditions on bank products as customary in the industry as well as a limited preferential interest rate for mortgage loans and on credit balances.

Group Internal Audit is responsible for reviewing the implementation of the Group regulation "Compensation standards" once a year. The results of this review are reported in writing to the Board of Directors. The compensation of senior executives in risk management and compliance at the parent bank and at the LLB Group companies is reviewed once a year by the relevant Board of Directors or by the

Compensation Committee (if such a body exists in the Group company). The Group Nomination & Compensation Committee carries out these tasks for the Group functions.

Compensation of the Board of Directors and the Group Executive Board

Board of Directors

The Board of Directors stipulates the amount of compensation of its members in accordance with their duties and responsibilities. The members of the Board of Directors receive a fixed compensation, which includes the participation in (ordinary and extraordinary) meetings and the General Meeting of Shareholders. The fixed compensation is paid out in cash and in the form of entitlements for the acquisition of LLB shares. The number of LLB shares is calculated on the basis of the average share price in the last quarter of the business year. The entitlement to acquire LLB shares is subject to a blocked period of three years.

The members of the Board of Directors do not receive any variable compensation. They also do not profit from the additional benefits for staff (fringe benefits) or from their preferential conditions on bank products. Business relations with them are subject to the same conditions that apply to comparable transactions with third parties. On account of legal provisions, no severance payment may be made in the event of the termination of a mandate (Art. 21, Para. 2 of the law concerning the control and supervision of public companies).

Group Executive Board

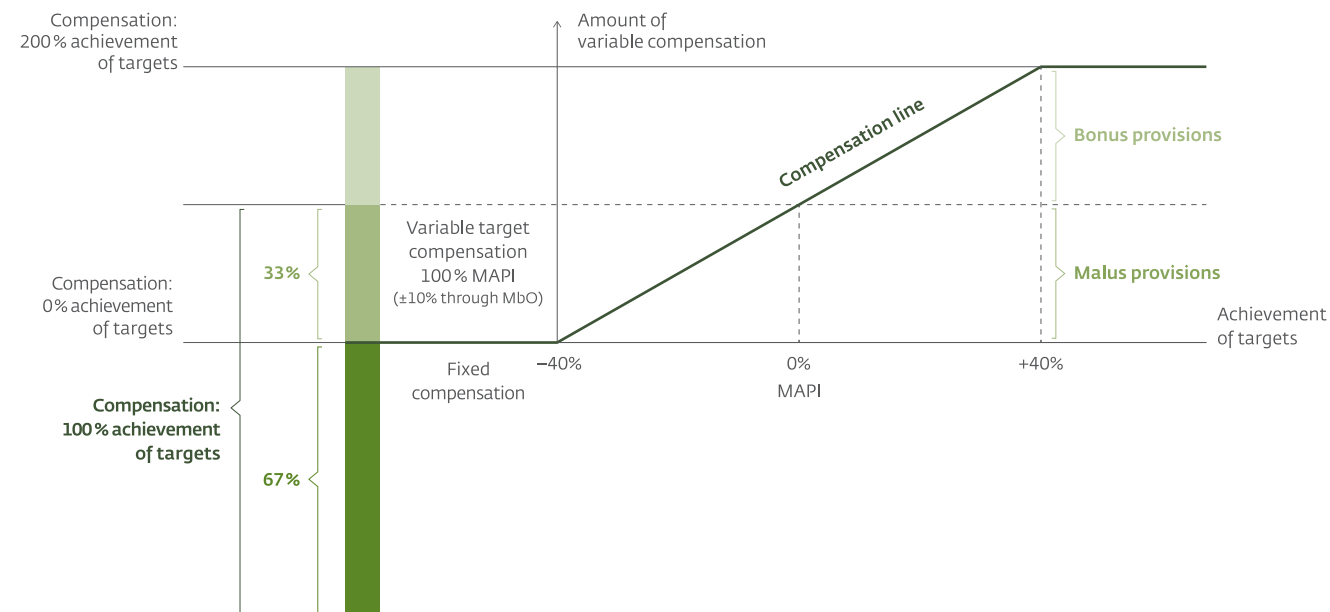
A target compensation is defined for each member of the Group Executive Board. It consists of a fixed compensation (67 %) and a variable target compensation (33%). The target compensation corresponds to the compensation attributable to the member of the Group Executive Board if the targets are 100 percent attained.

The compensation model also contains a bonus-malus provision. The members of the Group Executive Board receive more or less than their target compensation depending on whether they exceed, partly attain or do not attain the annual targets. The maximum bonus possible is 200 percent of the variable target compensation and the maximum malus possible is 0 percent of the variable target compensation. This means that the variable compensation is limited to the total amount of the fixed compensation.

The fixed compensation for the members of the Group Executive Board in 2017 was determined on the basis of a compensation comparison carried out by the Towers Watson company in 2016. This comparison comprised between 5 and 13 comparable banks and between 7 and 23 comparable positions per function represented on the Group Executive Board.

The amount of the variable compensation is determined by the Group performance. This is measured using relative total shareholder return (TSR), i.e. the so-called "Market-Adjusted Performance Indicator" (MAPI). This is done by comparing the TSR of the LLB share in relation to the TSR of a peer group. The peer group is broadly diversified and comprises a group of 25 banks. Its composition is discussed and evaluated annually by the Group Nomination & Compensation

Compensation model: Group Executive Board



Committee. In 2016, the Group Nomination & Compensation Committee, together with FehrAdvice & Partners AG, undertook a periodic review of the peer group. To achieve lower volatility and greater comprehensibility, the peer group was reduced from 28 to 25 banks. From the 2017 business year onwards, the peer group will be composed exclusively of banks from the LLB Group's home markets of Liechtenstein, Switzerland and Austria. The Board of Directors can adjust the variable compensation, based on the individual performance within the framework of the Management by Objectives (MbO) process, by plus / minus 10 percent of the variable target compensation.

The compensation model is illustrated in the previous chart.

Geographic distribution of the 25 banks in the peer group:

Liechtenstein	1
Switzerland	21
Austria	3

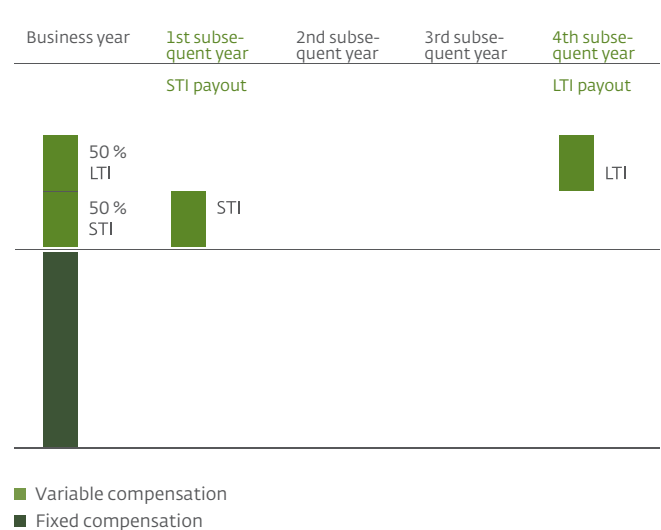
The MAPI compares the management's performance with that of a comparable group of banks. Market effects can be eliminated from the performance indicator by comparing performance with a peer group. The MAPI is therefore free of external market effects. It is calculated annually by FehrAdvice & Partners AG, Zurich.

If the MAPI is 0 percent, which means that the TSR of the LLB share corresponds to the TSR of the peer group, the members of the Group Executive Board receive their variable target compensation. The variable compensation is linearly dependent on the MAPI. No variable compensation is paid if the MAPI is minus 40 percent or less. If the MAPI is 40 percent or more, the maximum variable compensation is paid, which is capped at 200 percent of the variable target compensation.

The fixed compensation is paid out in cash every month, the variable component is provided in the first quarter of the following year. The variable compensation comprises a short-term incentive (STI) and a long-term incentive (LTI). The STI is paid in cash and the LTI is paid in the form of an entitlement to acquire LLB shares. The distribution between the STI (50 %) and the LTI (50 %) is statutorily fixed. The number of LLB shares for the LTI is calculated on the basis of the average share price in the last quarter of the business year. The LTI is subject to a blocked period of three years. The three-year period remains in force even after termination of employment. After three years, the entitlement to acquire shares is transformed into a right to the transfer of the corresponding LLB shares. The share entitlement can be withdrawn or reduced if – during the three-year period – there are significant changes in the assessment of performance and / or risk behaviour of the member of the Group Executive Board. Moreover, the share entitlement in the year concerned will be forfeited if the average Group net profit in the last three years is negative. At the end of the three-year period, the Group Nomination & Compensation Committee examines whether the prerequisites for the entitlement have been met.

The Committee submits its decision to the Board of Directors for a final decision.

LTI with clawback mechanism



The employment relationship of the members of the Group Executive Board is stipulated in individual employment contracts. The period of notice is four months. The contracts of employment do not contain any special clauses, such as, for example, severance compensation following the termination of employment or even in the event of a change in control.

The fixed compensation component and the variable target compensation are insured in the staff pension scheme for old age, death and invalidity. The members of the Group Executive Board are subject to the same conditions in relation to fringe benefits as apply to other employees of the LLB Group. The preferential conditions on bank products as customary in the industry largely consist of a limited preferential interest rate for mortgage loans and on credit balances.

Responsibilities and methods of determining compensation

The Group Nomination & Compensation Committee (see point 3.5.2 "Composition of all Board of Directors' committees, their tasks and terms of reference", pages 86–90) advises the Board of Directors in all aspects concerning compensation. Its tasks include:

- the formulation of recommendations for the stipulation of principles and the establishment of regulations for the compensation policy concerning the members of the Board of Directors, the members of the Group Executive Board and the other employees of the bank for submission to the Board of Directors;
- the formulation of proposals for the compensation of members of the Board of Directors and of the Group Executive Board as well as the Head of Group Internal Audit for submission to the Board of Directors in accordance with existing principles and regulations;
- the annual review of the Group regulation "Compensation standards", the LLB AG regulation of the same name as well as the Group regulation "Fit & Proper – Assessment of members of the Board of Directors, members of the Board of Management, the Head of Group Internal Audit and of key function holders" for submission to the Board of Directors;
- the annual review of the compensation of the members of the Board of Directors, members of the Group Executive Board, the Head of Group Internal Audit and senior executives in risk management and compliance pursuant to the Group regulation "Compensation standards" and the LLB AG regulation of the same name for submission to the Board of Directors in accordance with existing principles and regulations;
- the annual perusal of the compensation of all staff who are covered by the Group regulation "Compensation standards" and the LLB AG regulation of the same name.

The Board of Directors approves the principles and regulations governing compensation and specifies annually the amount of the compensation for the members of the Board of Directors and the members of the Group Executive Board, which reflects their professional experience and the organisational responsibility they bear in the company. The decision regarding the amount of the compensation of the members of the Board of Directors and the members of the Group Executive Board is made at the discretion of the Board of Directors and is based on their duties and responsibilities. The amount of variable compensation of the Board of Management is dependent on the individual fixed compensation from the compensation model. The Chairman of the Group Executive Board has a right of proposal concerning the compensation of the other members of the Board of Management. The members of the Group Executive Board are not present at the discussion and the decision concerning the amount of their compensation.

Pursuant to Art. 12, Para. 2 of the Law on the Liechtensteinische Landesbank, the Board of Directors must inform the Government about the compensation ruling specified for it. Liechtensteinische

Landesbank does not submit the total compensation of the Board of Directors and the Group Executive Board to the General Meeting of Shareholders for approval. It also does not hold an advisory vote on the question of compensation.

Compensation in 2017

For the 2017 business year, the members of the Board of Directors received a fixed compensation of CHF thousands 942. Contributions to benefit plans and other social contributions amounted to CHF thousands 119. The fixed compensation was paid in cash (CHF thousands 772) as well as in the form of an entitlement to acquire LLB shares (CHF thousands 170). The entitlement to acquire LLB shares is subject to a blocked period of three years.

In comparison with the previous year, the total compensation of the members of the Board of Directors increased by CHF thousands 20 or 1.9 percent. This was due to additional compensation expense incurred during the handover of the chairmanship of the Board of Directors in May, as a result of which contributions to benefit plans and other social contributions also rose accordingly.

For the 2017 business year, the members of the Group Executive Board received a fixed compensation of CHF thousands 3'055 and a variable compensation of CHF thousands 1'684. Contributions to benefit plans and other social contributions amounted to CHF thousands 1'046. The fixed compensation was paid in cash. The variable compensation was paid in cash (50%) as well as in the form of an entitlement to acquire LLB shares (50%), which is subject to a blocked period of three years. The number of shares for the share-based compensation is calculated from the average share price of the last quarter of 2017 (CHF 49.50). The variable compensation for the members of the Group Executive Board was, on average, approximately 55.1 percent of the fixed compensation or 29.1 percent of total compensation.

The total compensation of the members of the Group Executive Board in 2017 decreased by CHF thousands 617 or 9.7 percent. This decrease was primarily the result of the lower variable compensation. The MAPI was plus 4.1 percent (previous year: plus 22.5%), which corresponds to an attainment of targets of 110.4 percent (previous year: 156.2%).

The total compensation of the members of the Board of Directors and the members of the Group Executive Board for the 2017 business year is reported on an accrual basis. The variable compensation was charged to the 2017 income statement. Payment of the STI to the members of the Group Executive Board will be made in the first quarter of 2018. The entitlement to acquire LLB shares by the Group Executive Board (LTI) and the Board of Directors is subject to a blocked period of three years.

Details of the compensation and the participations of the members of the Board of Directors and the Group Executive Board, as well as loans to them are shown in the following table.

Compensation of key management personnel

in CHF thousands	Fixed compensation °		Variable compensation		Contribution to benefit plans and other social contributions		Share-based payments		Entitlements		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Members of the Board of Directors												
Georg Wohlwend, Chairman since 13.05.2017**	190	0	0	0	50	0	0	0	25	0	265	0
Hans-Werner Gassner, Chairman until 12.05.2017**	125	300	0	0	39	73	0	0	15	40	179	413
Markus Foser, Vice Chairman	119	119	0	0	12	9	0	0	30	30	161	158
Markus Büchel, Member	64	64	0	0	0	5	0	0	20	20	84	89
Patrizia Holenstein, Member	68	74	0	0	6	6	0	0	20	20	94	100
Urs Leinhäuser, Member	74	74	0	0	0	4	0	0	20	20	94	98
Gabriela Nagel-Jungo, Member	67	63	0	0	5	5	0	0	20	20	92	88
Roland Oehri, Member	65	70	0	0	7	5	0	0	20	20	92	95
Total	772	764	0	0	119	107	0	0	170	170	1'061	1'041
Members of the Board of Management***												
Roland Matt, Group CEO	637	637	175	182	196	189	0	0	175	182	1'183	1'190
Other members of the Board of Management****	2'418	2'483	667	949	850	831	0	0	667	949	4'602	5'212
Total	3'055	3'120	842	1'131	1'046	1'020	0	0	842	1'131	5'785	6'402

° Fixed compensation fee, meeting allowances.

** The Chairman receives a fixed compensation for his 70 percent workload. He does not receive meeting allowances.

*** The compensation was paid to Adulco GmbH in 2017.

**** The Board of Management comprises six members.

***** Heinz Knecht went into retirement on 30 June 2016. From this date, Urs Müller previously Head of the Institutional Clients Division, took over from Heinz Knecht as Head of the Retail & Corporate Banking Division. Natalie Epp has been Head of the Institutional Clients Division since 1 July 2016.

Share holdings of related parties

	Bearer shares	
	31.12.2017	31.12.2016
Members of the Board of Directors		
Georg Wohlwend, Chairman since 13.05.2017	500	
Hans-Werner Gassner, Chairman until 12.05.2017		2'729
Markus Foser, Vice Chairman	835	160
Markus Büchel, Member	568	0
Patrizia Holenstein, Member	358	0
Urs Leinhäuser, Member	250	250
Gabriela Nagel-Jungo, Member	235	235
Roland Oehri, Member	950	400
Total	3'696	3'774
Members of the Board of Management		
Roland Matt, Group CEO	13'458	10'707
Urs Müller, Vice Group CEO	14'746	11'370
Gabriel Brenna	7'683	4'079
Natalie Epp (since 01.07.2016)	50	50
Kurt Mäder	8'479	5'041
Christoph Reich	6'513	3'228
Total	50'929	34'475
Other related companies and parties		
Related parties	100	100
Total	100	100

No member of the Board of Directors or the Board of Management owns more than 0.1 percent of the voting rights.

Loans to key management personnel

in CHF thousands	Fixed mortgages		Variable mortgages		Total	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Members of the Board of Directors						
Georg Wohlwend, Chairman since 13.05.2017	0	0	0	0	0	0
Hans-Werner Gassner, Chairman until 12.05.2017	0	0	0	0	0	0
Markus Foser, Vice Chairman	300	300	700	700	1'000	1'000
Markus Büchel, Member	1'285	1'291	0	0	1'285	1'291
Patrizia Holenstein, Member	0	0	0	0	0	0
Urs Leinhäuser, Member	0	0	0	0	0	0
Gabriela Nagel-Jungo, Member	400	400	0	0	400	400
Roland Oehri, Member	0	0	0	0	0	0
Related parties	553	1'075	350	350	903	1'425
Total	2'538	3'066	1'050	1'050	3'588	4'116
Members of the Board of Management						
Roland Matt, Group CEO	1'005	1'005	0	0	1'005	1'005
Other members of the Board of Management*	2'810	2'810	0	0	2'810	2'810
Related parties**	0	0	0	0	0	0
Total	3'815	3'815	0	0	3'815	3'815

* In addition there is a surety limit of CHF thousands 84 for a member of the Board of Management.

** There is a surety limit of CHF thousands 84.

As at 31 December 2017, the maturities of the fixed mortgages for the members of the Board of Directors and related parties ranged between 1 and 95 months (previous year: between 13 and 107 months) at standard market client interest rates of 1.10 to 1.65 percent p.a. (previous year: 1.10 to 1.65 %). The maturities of mortgages with a variable interest rate granted at standard market conditions were between 2 and 23 months (previous year: between 14 and 35 months).

As at 31 December 2017, the maturities of the fixed mortgages for the members of the Board of Management ranged between 10 and 90 months (previous year: between 22 and 102 months) at interest rates of 0.4 to 1.88 percent p.a. (previous year: 0.4 to 1.88 %).

No new loans were granted in 2017. The fair value of cover of new loans granted in the previous year amounted to CHF thousands 1'577.

Of the total amount for mortgages for the members of the Board of Management, CHF thousands 1'000 (previous year: CHF thousands 1'000) was granted at the preferential interest rate for staff, the remainder was subject to the standard market client interest rate. Other credits granted to the members of the Board of Management totalled CHF thousands 246 (previous year: CHF thousands 246).

No allowances for loans and other credits granted to management were necessary. LLB issued guarantees to third parties on behalf of management or related parties totalling CHF thousands 168 (previous year: CHF thousands 168).

Compensation, loans and credits to related parties pursuant to Art. 16, OaEC

Liechtensteinische Landesbank AG paid no compensation to persons pursuant to Art. 16, OaEC. Loans and credits to related parties pursuant to Art. 16, OaEC were granted at standard market conditions.