



Roland Matt
Group CEO

Hans-Werner Gassner
Chairman of the Board of Directors

Letter to shareholders

Going forward with innovative strength

Dear Shareholders

The LLB Group can look back on a successful 2016 business year. We have made a dynamic start to implementing the StepUp2020 strategy and have worked intensively on our core elements of growth, profitability, innovation and excellence. We have in place a strategic, client-focused business model and we are a bank which firmly upholds its values and continually inspires with technologically innovative offers. Consequently, we have succeeded in 2016 in strengthening our position in the target markets and again achieving operative progress.

Substantially higher net profit

A demanding environment encompassing negative interest rates, volatile financial markets and increasing regulation continued to challenge the banks. But in spite of the uncertainties and the restraint shown by investors, the LLB Group attained substantially higher net profit.

Group net profit rose in 2016 by 20.4 percent to CHF 103.9 million (2015: CHF 86.3 million). Operating income increased by 18.7 percent to CHF 371.7 million (2015: CHF 313.2 million). Besides higher income from financial investments, rising long-term interest rates, especially in the second half of 2016, led to valuation gains with interest rate hedging instruments. Operating expenses amounted to CHF 258.2 million (2015: CHF 221.1 million). The increase was attributable to the strategic expansion of personnel, the upgrading of the bank branch network, accruals for variable salary components and the allocation of provisions for legal and litigation risks.

The business volume of the LLB Group expanded to CHF 58.0 billion (31 December 2015: CHF 56.6 billion). Loans to clients climbed to CHF 11.5 billion (2015: CHF 11.0 billion) and assets under management to CHF 46.4 billion (2015: CHF 45.6 billion). Net new money outflows amounted to CHF 65 million (2015: minus CHF 206 million).

Financial stability

The LLB Group is superbly capitalised. Equity capital is composed solely of hard core capital and totalled CHF 1.8 billion at 31 December 2016, the Tier 1 ratio stood at 21.0 percent. This ratio substantially exceeded the legal requirements and represents a very sound capital base in international comparison. It is also a characteristic of our consistently high financial security and stability.

Moody's rating underlines financial power

In April 2016, the rating agency Moody's awarded Liechtensteinische Landesbank a deposits rating of Aa2, which underlines our stability and financial power. Accordingly, LLB is among the top range of Liechtenstein and Swiss banks and ranks well above the average of European financial institutions.

Moody's praised the solid fundamental financial data, especially the bank's equity capital base and its liquidity and refinancing situation. The Moody's rating creates additional transparency for clients and market operators.

LLB share – good performance and attractive dividend

The price of the LLB share rose encouragingly in 2016 and in cross comparison exceeded that of our competitors. On 31 December 2016, the share closed at CHF 40.35. Its total return stood at plus 17.3 percent. The SWX Banking Index at the end of December 2016 stood at minus 15.3 percent.

In accordance with our long-term-oriented dividend policy of paying out between 40 and 60 percent of net profit, the Board of Directors will propose a dividend per share of CHF 1.70 (2015: CHF 1.60) to the General Meeting of Shareholders on 12 May 2017. This represents an attractive dividend yield of 4.2 percent.

Personal advice and digital offers

For our customers, the digital offering is an important criteria in selecting a bank. However, when important issues such as retirement provisioning or property financing are concerned, many customers want to speak personally with a trusted adviser. The correct balance between personal advice and digitalisation is therefore crucial. In going forward successfully, we consider both requirements with our omni-channel strategy.

The digitalisation of banking business is one of the key points highlighted in the new StepUp2020 strategy. We have carried out a thorough analysis of this development and by 2020 we will invest a total of around CHF 30 million in high-quality, innovative digital applications. The goal is to combine the physical and digital customer contact points into a seamless customer experience.

As the first bank in Liechtenstein and one of the first in Switzerland, the LLB Group introduced video identification for opening accounts online in March 2016. This enables private individuals from Liechtenstein and Switzerland to open accounts with us from their own computer without having to visit the bank. Despite radical changes, strong client relationships are still the most important long-term success factor in banking. This is reflected in our ground-breaking concept for the bank branch of the future, which we know will offer clients a new advisory experience, as Bank Linth is already doing at its branch in Sargans.

Investment advice of the future

Under the designation "LLB Invest", in March 2016 LLB created a product for the investment advice of the future and new kinds of advisory experience. This investment advisory application combines our Asset Management's award-winning investment competence with the latest information technology and individual advisory models. This hybrid solution brings two worlds together: the speed, precision and reliability of technology with the background knowledge, wealth of experience and creativity of human beings in deploying technical solutions.

For our institutional clients, we have expanded our offering under the label "LLB Xpert Solutions" and increased pricing flexibility. One part of our new B2B product and service package "LLB Xpert Monitoring", is an individually coordinated, continual monitoring of portfolio risks for the end client. These clients also benefit from the innovative advisory solutions offered by the LLB Group.

Innovative combinations of traditional products

The market and client orientation of LLB and Bank Linth are reflected in their product offerings, which enable the LLB Group to stand out on the market. Clients want to decide themselves in what combination they want to use bank services. In summer 2016, traditional products were innovatively combined under the name "LLB Combi / Bank Linth Combi". Using an online configurator, private clients can select the services they want and then pay only for what they use. To date this is the only such service offer on the market to meet their wishes.

The LLB Group has set itself the goal of accompanying its clients at every stage of life or the business cycle, and offering solutions for all financial questions. Private financial planning is an area in which LLB holds a unique position in Liechtenstein. The demand for different expertise from one source continues to be strong. In 2016, we expanded 360-degree financial planning under the designation "LLB Compass" and released new advisory packages for private clients as well as entrepreneurs. Our all-round advisory services cover all the important themes such as wealth planning, retirement, real estate, taxation and estate planning.

Excellence in client advice

Our innovative, holistic client care approach enables us to stand out on the market, and our striving for excellence creates future opportunities for us. We therefore invest extensively in enhancing the knowledge of our staff. By the end of 2020, over 300 of our client advisers will have completed focused training programmes in accordance with the standards of the Swiss Association for Quality (SAQ). The first client advisers successfully completed their training in December 2016.

The new programme for SAQ client adviser certification ensures that we can safeguard the long-term advisory competence of the LLB Group according to uniform quality standards. In Liechtenstein and Switzerland, the LLB Group is one of the first banks to implement this leading, internationally recognised Swiss quality standard throughout the entire corporate group.

Targeted growth

To achieve organic growth on our own, we are giving priority to the strengthening of resources for client advisory services. In 2016, we recruited new client advisers in our growth markets. Maintaining excellent client relationships in all our local and international target markets is the key factor in assuring a successful future for our bank. By concentrating on trust and competence we can exploit the potential for sustained profitable growth that we strive for with our StepUp2020 strategy. In addition, we are also examining targeted acquisitions in our domestic markets of Liechtenstein, Switzerland and Austria.

Operational excellence thanks to lean management

The LLB Group believes that the key to success lies in both improvements through innovation and in the step-by-step optimisation of the company. In 2016, it pushed ahead with the establishment of a lean management culture and set up a competence centre for operational excellence. The focus lies on adding value and eliminating redundancies. By pursuing this approach, the LLB Group wants to implement the philosophy of an intelligent organisation capable of learning. The aim being that by striving for excellence, competitiveness can be further enhanced.

Corporate responsibility

The LLB Group regards corporate social responsibility as being an integral part of its business success. For us social responsibility means harmonising economic activities with our responsibility for society and the environment. This is reflected in the five key themes of market performance, compliance, society, environment and employees. The significance that we attach to these areas is also reflected in this 2016 annual report, in which for the second time we apply the guidelines of version G4 "Core Option" of the Global Reporting Initiative. In this way, we reveal how – as summarized on page 63 – we fulfil our corporate and social responsibilities.

Continuity and diversity in leadership

The LLB Group stands for continuity and diversity. This is reflected in the people who bear responsibility in our company. Changes occurred in the composition of the Group Executive Board and Management Board on 1 July 2016. Heinz Knecht, Head of the Retail & Corporate Banking Division, went into retirement. This means that a highly respected senior executive

with extensive banking experience, both at the strategic and highest operative levels, has left the LLB Group. With his profound professional expertise, his conceptual skills and his outstanding social competence he made a major contribution to the positive development of the LLB Group. The Board of Directors and the Group Executive Management would like to thank him for his valuable service.

Urs Müller, formerly Head of the Institutional Clients Division, has taken over Heinz Knecht's position. Natalie Epp, formerly Head of the Fund Services Business Area, was appointed a member of the Group Executive Management and Management Board and succeeded Urs Müller as the Head of the Institutional Clients Division. For the first time in the company's history therefore a woman has been appointed to the supreme operative management body. This internal succession regulation confirms that we can call on good senior management executives.

Georg Wohlwend nominated as Chairman of the Board

On account of the term of office limitation stipulated in the Landesbank law, the period of office of Dr. Hans-Werner Gassner as Chairman of the Board of Directors comes to an end on 12 May 2017. The Board of Directors proposes Georg Wohlwend as his successor to the General Meeting. Georg Wohlwend graduated with a degree in economic sciences from the University of Zurich. Thanks to his long service with a Liechtenstein bank, of which he spent 14 years as a member of the board of management, he possesses broadly based expertise in banking. As a member of the board of directors of a Liechtenstein SME he also has many years of valuable experience in strategic management, which he brings with him.

The Board of Directors proposes to the General Meeting that Prof. Dr. Gabriela Nagel-Jungo and Urs Leinhäuser be re-elected for a second term of office on the Board of Directors. Gabriela Nagel-Jungo is a member of the Strategy Committee, Urs Leinhäuser is a member of the Group Audit Committee and the Group Risk Committee.

Conversion of bearer shares into registered shares

The Board of Directors proposes to the General Meeting that the present bearer shares with a nominal value of CHF 5.00 each be converted into registered shares with the same nominal value. The conversion of the shares is planned for the end of May 2017. By converting the bearer shares into registered shares, the Board of Directors wants to comply with developments at the international level calling for more transparency regarding the share ownership situation with legal entities.

Board of Directors with "Best Board Practice" label

Since 2010, LLB has been certified according to the best board practice model of the two organisations LQS and SQS. The continuity reviews and reassessments subsequently carried out in the years 2011 to 2015 revealed that the organisation and activity of LLB's Board of Directors were consistently of a high standard and fulfilled the requirements of best board practice. The 2016 reassessment confirmed the good governance of the management system of the Board of Directors of Liechtensteinische Landesbank AG.

On course with the StepUp2020 strategy

In 2016, we continued to make consistent advances with the StepUp2020 strategy. We have the right goals, our path is clearly defined and we shall maintain the dynamic momentum of our corporate development in 2017. We shall continue to concentrate on sustainable, profitable growth. By maintaining our client focus, deploying our resources efficiently, keeping costs firmly under control and our strategic objectives clearly in sight, we shall keep the LLB Group on course for success.

Following the launch of various new client services in 2016, our key priority in 2017 will be the expansion of our digital offering with new mobile banking, new websites and new online banking. A further key point in 2017 is our strategic core element of excellence. By the first quarter of 2018, almost half of our employees having client contact will already have

completed the training programme for client adviser certification. Our lean management group programme will also make a major contribution to aligning our company even more intensively with client requirements. Lean management will additionally create capacity for new developments and growth.

We are currently taking great steps to optimise our offerings and our profile as an attractive employer. Various projects are also being implemented to care for the health of our employees and enhance the working atmosphere. At the same time, we are paying close attention to changes in society and ensuring a good work/life balance.

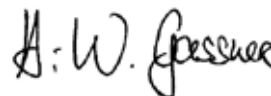
We are confident that, thanks to our stable foundation, focused business model, diversified earnings structure and clear strategy, we can achieve further operative progress and attain a solid business result in the 2017 business year.

We would like to thank our clients for their loyalty. Whatever the LLB Group achieves is predominantly thanks to the efforts of our employees, who are always ready to accept the challenge of change and give their best every day. We want to express our thanks to you, our esteemed shareholders, for the trust you place in us.

Yours sincerely



Roland Matt
Group CEO



Hans-Werner Gassner
Chairman of the Board of Directors

An expression of thanks to Hans-Werner Gassner

When Hans-Werner Gassner steps down at the 25th General Meeting an important decade for the LLB Group comes to an end. As the Chairman of the Board of Directors, he has made an enormous contribution to the development of the bank over the last eleven years. At a time of fundamental change in the banking industry, he has consistently and purposefully guided our corporate Group with his vast knowledge, conceptual competence and great people skills.

Many milestones distinguish his term of office including LLB's 150th anniversary. Ten years ago, LLB took over Bank Linth, which today is a strategic pillar of the LLB Group. In 2009, LLB Österreich (Austria) was founded, a bank that attained the breakeven point after only five years. Under Hans-Werner Gassner's leadership, the LLB Group pursued a new strategic course and achieved a position of strength with its Focus2015 strategy. In the meantime it continues its dynamic path into a sustained profitable future guided by the StepUp2020 strategy.

On behalf of my colleagues on the Board of Directors and the Group Executive Board, I would like to thank him sincerely for the rewarding collaboration, enthusiasm and sound judgement in successfully guiding our company.

Markus Foser

Vice Chairman of the Board of Directors

Strategy and organisation

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

Group structure and organisation

Three market divisions

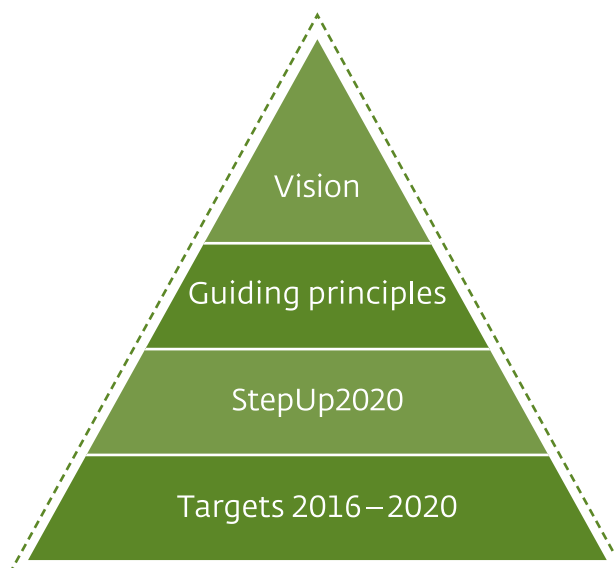
The LLB Group's business model is based on three profitable market divisions:

- **Retail & Corporate Banking** comprises the universal banking business in the home markets of Liechtenstein and Switzerland (see chapter "Retail & Corporate Banking", pages 18–21). It provides the full range of universal bank services to private and corporate clients. As the market leader in Liechtenstein, LLB has a strong competitive position.
- **Private Banking** encompasses all the LLB Group's private banking activities: investment advice, asset management, asset structuring as well as financial and retirement planning (see chapter "Private Banking", pages 22–25). Its focus is on the onshore markets of Liechtenstein, Switzerland and Austria, on the traditional cross-border markets in Germany and the rest of Western Europe, and on the growth markets of Central and Eastern Europe as well as on the Middle East.
- **Institutional Clients** encompasses the intermediary and investment fund business as well as the LLB Group's Asset Management Business Area (see chapter "Institutional Clients", pages 26–29). Clients include fiduciaries, lawyers, asset managers, fund promoters, insurance companies, pension funds and public institutions. The target markets are Liechtenstein and Switzerland. With our Asset Management unit, the largest investment team in Liechtenstein, we have multiple award-winning investment expertise.

Governance and management structure

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

- The Board of Directors is responsible for overall management, supervision and control; it sets the basis for the Group's strategy, organisation and finances (see chapter "Corporate governance", pages 70–84).
- The Group Executive Board comprises the heads of the six divisions: the three market divisions and the Group CEO, Group CFO and Group COO divisions (see organisational structure, pages 66–67).
- The LLB Group includes the three banks Liechtensteinische Landesbank AG, Bank Linth LLB AG and LLB (Österreich) AG as well as the two competence centres LLB Asset Management AG and LLB Fund Services AG.



Corporate culture, strategy and objectives

Vision and guiding principles

The LLB Group has a unique corporate culture. It is committed to a concept of banking with a binding system of values. We have enhanced our profile by redefining our vision and guiding principles in 2014 and firmly establishing them in the minds of the employees and managers in 2015/2016 (see chapter "Employees", pages 42–43).

Our **vision** is encapsulated in the sentence: "We set standards for banking with values". Our vision of banking is based on the idea that we can excel at managing material values if we have a clearly defined system of values. The resulting **guiding principles** refer to a binding system of values, which mean the following to us:

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

Rules of conduct

We are convinced that responsible and forward-looking management is decisive when it comes to sustaining business success. The LLB

Group wants to be measured by its vision and its guiding principles. Its objective is to be a trusted and respectful partner to its clients.

Our values convey orientation, project reliability and promote trustworthiness. We expect the LLB Group's corporate bodies and employees to comply with the applicable laws, regulations, directives, guidelines and professional standards as well as our rules of conduct, which we constantly adapt to the prevailing circumstances and to act with integrity.

StepUp2020 strategy

Strengthened after successfully refocusing, the LLB Group entered a new phase of strategic repositioning in 2016. It is actively addressing the challenges of the future world of banking. The geopolitical and economic environment remains difficult: the strength of the Swiss franc, negative interest rates, volatile financial markets and stricter regulation are challenging the financial sector's resilience. At the same time, digitalisation is on the rise. We are convinced that the combination of man and machine will determine success in a world in which digitalisation and innovation are the motors of growth and prosperity.

	Retail & Corporate Banking	Private Banking	Institutional Clients
Objectives and markets	<ul style="list-style-type: none"> • Market leader in Liechtenstein and leading provider in eastern Switzerland 	<ul style="list-style-type: none"> • Leading provider in Liechtenstein as well as expansion in Switzerland and Austria • Stable position in the traditional offshore markets of Germany and the rest of Western Europe • Expansion and recognised market position in the growth markets of Central and Eastern Europe (CEE) as well as in the Middle East (ME) 	<ul style="list-style-type: none"> • Preferential partner for fiduciaries and lawyers, asset managers, fund promoters, insurance companies, pension funds and public institutions in Liechtenstein and Switzerland
Strategic initiatives in 2016	<ul style="list-style-type: none"> • LLB Combi: Individual product packages • LLB Compass: 360-degree financial planning • SME Box: Perfecting the SME offerings • Efficient credit processes • Bank branches of the future 	<ul style="list-style-type: none"> • LLB Invest: Asset management / investment advisory services of the future • Transparent pricing model • Strengthen Group Product Management • Increase client advisers in the CEE and ME growth markets 	<ul style="list-style-type: none"> • LLB Xpert Solutions: Innovative B2B solutions • Dialogue / knowledge transfer using LLB Xpert Views • New organisation
Corporate initiatives	<ul style="list-style-type: none"> • Innovative services and products • Digital solutions • Lean management • Certification for all client advisers • Further excellence in distribution 		

With the StepUp2020 strategy, we are targeting sustainable, profitable growth. Up to 2020, the main focus will be on four core elements:

- **Growth:** We want to achieve this in two ways. Firstly, we want to grow organically by building on our own strengths. We will give high priority to dedicating additional resources to our client advisory services. The LLB Group will recruit more client advisers. Secondly, we will target acquisitions in our home markets of Liechtenstein, Switzerland and Austria.
- **Profitability:** We intend to increase our margins by offering outstanding products and services. Efficient market penetration will, in turn, help to generate profitable income. Maintaining strict cost management is also central to StepUp2020.
- **Innovation:** We will invest in the future in a targeted manner, on the one hand, to develop pioneering digital solutions and, on the other, to provide our clients with an optimised and personalised service. We will automate our standard business and take a personalised approach to our business based on trust.
- **Excellence:** We will optimise processes throughout the organisation using lean management principles. Our aim is to increase the benefit to clients, boost added value and omit the unnecessary. Growing regulation is a big challenge for all financial market participants. We make it a point to set and live up to high compliance standards. We believe that an outstanding level of expertise is a key success factor and therefore promote focused certified training programmes for our client advisers.

Four financial targets

Under the StepUp2020 strategy, the LLB Group will pursue four financial targets until the end of 2020:

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

Finance and risk management

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

Risk management

We are convinced that sustainable, profitable growth is only possible with a prudent risk culture. Consciously accepting and profitably managing risks is one of the LLB Group's core competences. We attach great importance to a prudent approach to dealing with risk at all levels of the organisation. To avoid conflicts of interest, we have established effective and organisationally independent controlling bodies and processes. We address the issue of risk in a constructive and solution-oriented dialogue and manage it appropriately. At the LLB Group, we balance opportunities and risks.

It is essential for the protection of the reputation, the maintenance of the excellent financial strength and the securing of the sustainable profitability of the LLB Group that risks are dealt with prudently (see chapter "Risk management", pages 164–185). It applies a suitable organisational and methodological framework for risk assessment and risk management. We ensure that we can always provide adequate liquidity and capital to cover all material risks with the "Internal Capital Adequacy Assessment Process" (ICAAP).

Integrated organisational approach

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

- **Overall bank management:** It ensures transparency at all management levels in order that costs and income can be managed in line with corporate strategy and in an efficient and timely manner. This includes medium-term planning, the annual budgeting process, the Group Management Information System (MIS) and capital management.
- **Financial management:** It encompasses the preparation of the financial statements in accordance with both local laws and International Financial Reporting Standards (IFRS) as well as reporting and group-wide treasury management.
- **Risk management:** It is based on risk policy and encompasses the systematic identification, assessment, reporting, management and monitoring of credit risks, market risks, liquidity risks and operational risks as well as asset liability management (ALM).
- **Credit management:** It implements efficient and effective credit processes as well as timely credit decisions according to valid directives and instructions in a risk-oriented and profit-oriented manner.
- **Legal & Compliance:** It avoids operational, financial and reputational risk. This requires the systematic monitoring of legal and regulatory changes, providing support for their implementation and carrying out subsequent controls. It deals not only with legal risk, but also compliance risk, such as money laundering and market abuse, and risk related to tax issues (see chapter "Regulatory framework and developments", pages 50–53).

Conservative credit risk policy

The LLB Group accompanies private persons, companies, small businesses and public institutions to finance their plans for the future. The majority of the loans in 2016, i.e. 86.4 percent (2015: 87.0%), comprised credits secured by mortgages.

The LLB Group pursues a conservative credit risk policy in all divisions and penetrated markets. Integral parts of the credit risk policy include the individual and differentiated evaluation of loan applications, the conservative assessment of collateral values, the individual calculation of affordability as well as compliance with standard equity requirements. The differentiated control processes help us to reliably fulfil our performance mandate (see chapter "Responsibilities for society and the environment", page 56) and to keep risks under control.

The LLB Group primarily extends mortgages with a focus on Liechtenstein and north-eastern Switzerland. Outside of these target markets, it provides mortgages in cases that involve an important client relationship or in cases in which such a relationship can be verifiably established within a reasonable period of time. For real estate financing, we observe the "Ordinance on Banks and Securities Firms" (FL-BankV), which governs the implementation of Art. 7a and Art. 21c. ff of the Liechtenstein Banking Act. For financing in Switzerland, we observe the minimum requirements for mortgage financing drawn up by the Swiss Bankers Association (SBA) and approved by the Swiss Financial Market Supervisory Authority (FINMA). We also apply the EU guidelines on assessing, evaluating and processing mortgage secured loans.

We developed a group-wide uniform methodology for determining the collateral value of our Lombard loans. Credits against non-diversified securities or single asset lending may only form an insignificant portion of a Lombard loan portfolio.

Independent Credit & Risk Management

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

Internal control system (ICS)

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

Equity strategy

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

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

Solid equity base

The LLB Group continues to enjoy a high level of financial stability and security on account of its solid equity base, which consists entirely of hard core capital. As at the end of 2016, the LLB Group had CHF 1.8 billion in equity capital (31.12.2015: CHF 1.8 billion). The Tier 1 ratio stood at 21.0 percent (31.12.2015: 20.6%). Under the StepUp2020 strategy, we are targeting a Tier 1 ratio of over 14 percent. This gives the LLB Group room to manoeuvre to make acquisitions (see chapter "Strategy and organisation", page 10). LLB is considered to be of systemic importance to the Liechtenstein economy. At 21.0 percent, our Tier 1 ratio is well above the regulatory minimum capital adequacy ratio for systemically important banks in Liechtenstein of 13 percent.

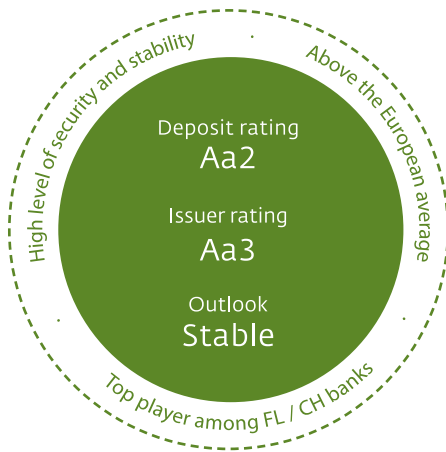
Basel III standard

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

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

Rating affirms financial strength

Moody's, the rating agency, assigned a deposit rating of Aa2 to Liechtensteinische Landesbank in April 2016, affirming its stability and financial strength. This means we rank among the best banks in Liechtenstein and Switzerland and are well above average for European financial houses.



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