

The LLB share

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

Market capitalisation

The LLB share has been listed on the SIX Swiss Exchange under the symbol LLB (security number: 3019524) since 1993 and assigned to the "International Reporting Standard" segment. In 2016, a total of 2,141,897 LLB shares (2015: 1,733,842) were traded on the SIX Swiss Exchange, corresponding to 7.0 percent (2015: 5.6 %) of total shares issued. With 30.8 million bearer shares issued, the market capitalisation of Liechtensteinische Landesbank AG stood at CHF 1,242.8 million (2015: CHF 1,104 million) as at 31 December 2016. The Board of Directors will propose the conversion of the existing LLB bearer shares with a nominal value of CHF 5.00 each into registered shares with the same nominal value at the General Meeting of Shareholders on 12 May 2017. The execution of the conversion is planned for the end of May 2017.

Shareholder structure

The Principality of Liechtenstein's holding of 17.7 million LLB shares (57.5% of the share capital) remained unchanged in 2016 on the previous year. On 22 November 2011, the Liechtenstein Government, as the representative of the majority shareholder, adopted the ownership strategy it had 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 6.4 percent (2015: 6.4 %) of its own shares, while Thornburg Investment Management Inc. held 2.95 percent (2015: 3.7%) of total shares issued as at the end of the reporting year. No other shareholder held more than 3 percent of the share capital. A total of 10,232,642 shares, or 33.2 percent, were in free float as at 31 December 2016 (31.12.2015: 9,971,798, or 32.4 %).

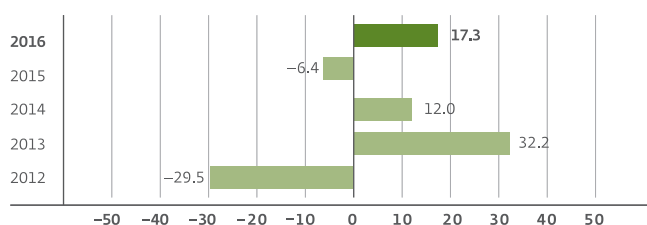
Share price performance

The Swiss Performance Index (SPI) lost minus 1.4 percent on the previous year. Over the same time period, the price of the LLB share increased by 12.6 percent to CHF 40.35 as at 31 December 2016. The LLB share also significantly outperformed the banking sector: the SWX Banks Index ended the year 15.3 percent lower.

The LLB share held up very well despite historically low interest rates and global market uncertainties. The slight rise in interest rates at the end of the year and also, in particular, the diversified business model bode well for sustainable positive development. With its StepUp2020 strategy, the LLB Group is targeting profitable growth. Its annual results for 2016 underline its ability to generate good results even in a difficult environment.

Total return on the LLB share

2012–2016, in percent



The total return on the LLB share stood at 17.3 percent (including re-invested dividends). The LLB share closed at CHF 40.35 on 31 December 2016.

Dividend policy

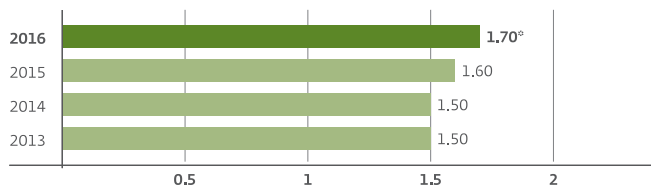
Liechtensteinische Landesbank pursues an attractive, long-term-oriented dividend policy for the benefit of its shareholders. Furthermore, under the StepUp2020 strategy, the LLB Group is committed to safeguarding its financial security and stability. It intends to keep risk-bearing capital at a Tier 1 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 1.70 per share (2015: CHF 1.60) at the 25th Ordinary General Meeting of Shareholders on 12 May 2017, representing an increase of 6.3 percent. Based on the share price as at the end of 2016, this corresponds to a dividend yield of 4.2 percent.

Total dividends to be paid out amount to CHF 49.0 million (2015: CHF 46.1 million). This represents a payout ratio of 47.2 percent for 2016 (2015: 53.4 %).

Dividend per share

2013 – 2016, in CHF



° Proposal of the Board of Directors to the General Meeting of Shareholders on 12 May 2017.

Analysts' recommendations

In 2016, the Zürcher Kantonalbank (ZKB) analyst monitored the LLB share and regularly published studies and assessments on the LLB Group. ZKB kept its rating at "market weight" throughout the reporting year and also after publication of the advance information on the 2016 annual financial statement. Analyst Javier Lodeiro entitled his update in January 2017, "LLB with positive 2016 advance financial statement". The ZKB analyst sees upside potential for the share price in an increase in interest rates, in strategically targeted acquisitive growth, which offers synergistic potential, and in the still relatively low valuation of the LLB share.

In July 2016, Research Partners AG with analyst Rainer Skierka took up coverage of the LLB Group. He issued a buy recommendation for the LLB share, setting a twelve-month price target of CHF 49.00. Subsequent to the publication of the advance information on the annual financial statement for LLB on 19 January 2017 and after an initial revision of the estimates for 2017 – 2018, Rainer Skierka reaffirmed the

buy recommendation and raised the twelve-month price target to CHF 53.50.

Prior to the publication of the advance information in January 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 and published a target price of CHF 46.20, which he raised to CHF 46.60 after publication of the advance information. His buy recommendation was based on a combination of the following factors: interest rate sensitivity to rising interest rates, attractive dividend payments, stability thanks to a broad diversification of business activities, solid capital ratios and a high return on required equity.

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.

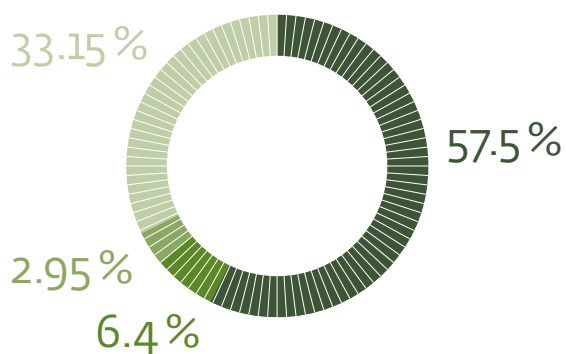
All publicly accessible information about the LLB Group can be accessed on our website at www.llb.li. The public is welcome to register for electronically provided share-price relevant information about the LLB Group at www.llb.li/registration. Additionally, we publish our information via social media 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 2016 can be accessed online at gb2016.llb.li (German); ar2016.llb.li (English).

The LLB share: facts and figures

in CHF thousands	31.12.2016	31.12.2015
Total bearer shares issued	30'800'000	30'800'000
Number of shares eligible for dividend	28'840'762	28'821'798
Free float (number of shares)	10'232'642	9'971'798
Free float (in percent)	33.2	32.4
Year's high (14 November 2016 / 9 January 2015)	43.65	41.55
Year's low (18 January 2016 / 18 September 2015)	33.35	34.00
Year-end price	40.35	35.85
Total return LLB share (in percent)	17.3	-6.8
Performance SPI (in percent)	-1.4	2.7
Performance SWX Banking Index (in percent)	-15.3	9.5
Average trading volume (number of shares)	8'433	6'908
Market capitalization (in CHF billions)	1.24	1.10
Earnings per share attributable to the shareholders of LLB (in CHF)	3.40	2.87
Dividend per LLB share (in CHF)	* 1.70	1.60
Payout ratio (in percent)	47.2	53.4
Dividend yield at year-end price (in percent)	4.2	4.5
Return on equity attributable to the shareholders of LLB (in percent)	5.9	5.0
Eligible capital per LLB share (in CHF)	51.7	50.8

* Proposal of the Board of Directors to the General Meeting of Shareholders on 12 May 2017.

Shareholder structure in percent



- Principality of Liechtenstein
- LLB
- Thornburg Investment Management
- Free float

Brand and sponsoring

The LLB Group is committed to a concept of banking that excels at managing material values in an innovative manner. This is based on a clear system of values. “Liechtensteinische Landesbank” and “Bank Linth” brands are prime value creators in the company.

Brand strategy

“Liechtensteinische Landesbank” and “Bank Linth” brands convey reliability and trust to the clients. They generate motivation and commitment among our employees. And the stakeholders value the stability and security for which we stand.

The brands connect us with our clients and within our Group of companies. As a universal bank, we are a partner of the Principality of Liechtenstein and its people. Through 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. 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. On the other hand, we are an international partner.

The brand strategy and brand management of the LLB Group is based on the corporate strategy, whereby the aim is to further strengthen brand recognition. 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 are based on 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 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” (see chapter “Strategy and organisation”, pages 8–10).

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”. Under these values we understand the following:

- **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.

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 brand 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. LLB's journey from tradition into the future is best expressed by the claim: "Tradition meets Innovation".



As the first financial institution in Switzerland, Bank Linth 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 what values our clients hold is the basis of our brand management. To establish which attributes and brand performances are relevant, the LLB Group had a brand study carried out between the middle of March and the beginning of April 2016. The aim was to determine where the brands stand compared to competing brands. It is planned that brand-tracking data will be collected on a continuous basis in the future.

According to the study, clients ascribe three main characteristics to LLB:

- LLB is very firmly anchored in Liechtenstein.
- LLB is perceived not only as a retail bank, but also 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 also receive information on the effectiveness of our client focus from regular analysis of the systematic feedback from all market divisions and customer journey analyses (see chapter "Corporate Center", page 31).

Implementation of brand content

We have been promoting the positioning of LLB since 2015 with the "We make traditional banking dynamic" image campaign. Five 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. Our figurative language corresponds with our values of "integrity" and "respectfulness".

Image campaigns

In 2016, the LLB Group focused on the further development of its strategic initiatives. Innovations such as "LLB Xpert Solutions", "LLB Kombi" and "LLB Compass" were paired with a high level of investment competence. LLB's strategy funds are among the European market leaders in a long-term comparison. In 2016, these were the topics of image campaigns with unconventional implementation in print and online media, above all in Liechtenstein, but also in selected Swiss and international press titles. In 2016, Bank Linth continued its image campaign under the heading of "Truly simple".

Profile as an employer

In 2016, the LLB Group also enhanced its profile as an employer. The differentiating and essential features of the LLB Group are the corporate culture, job diversity and scope for growth. In the middle of last year, LLB enhanced its employer branding for the purpose of its external image through the creation of new image worlds. The employer branding concept serves to underline and promote 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.

Social channels

LLB and Bank Linth pursue an omni-channel dialogue. This includes their presence in social media, which is where clients, potential applicants and employees exchange views and by doing so help shape the image of the company. In November 2016, the LLB Group strategically reoriented its social media activities in line with a sustainable overall concept.

Our image in social channels is consistent with the overall image of the LLB Group. With concrete and authentic content, we enter into dialogue with all stakeholders through Facebook and Twitter. We strengthen our profile as an employer 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. Strong client ties, therefore, already begin for LLB and Bank Linth in the classroom. The LLB Group has provided a platform aimed at young adults, called "youli", since 2014. 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 19).

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 reformulated its sponsoring strategy:

- We want our four values to be experienced emotionally 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.

The aim of our sponsoring strategy is to gain our target groups as brand ambassadors. Our sponsorships 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 remains politically neutral in all of its sponsoring activities and does not make financial or any other types of contributions to politicians or political 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 2016, our commitment was to supporting, above all, sports, culture and society. Here are three examples of sponsorships and events that have been running for over a decade:

- LLB is the main sponsor of FC Vaduz (FCV), which, following its promotion in 2014, has again had a successful season playing in the highest Swiss football league. The club will strive to retain its position in the league in the 2016 / 2017 season. We renewed our sponsorship for a further two years in 2016. We have been supporting FCV for twelve years now, not only because the team provides important impulses for professional sport in Liechtenstein, but because it does valuable work for amateur sport too.
- In July 2016, 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 twentieth year. What began in 1996 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 traditional and popular fun run, staged in May 2016 with participants divided into eighteen categories and covering a running distance of up to 10 kilometres (the main run). A large number of participants and spectators from Liechtenstein and the surrounding region made their way to the centre of Vaduz – referred to by the locals as the "Städtle" ("small town") – to mark the 32nd 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 2016, Liechtensteinische Landesbank invested CHF 545,000 (2015: CHF 618,000) in projects in Liechtenstein, and Bank Linth invested CHF 426,000 (2015: CHF 362,000) 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 30 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", page 58).

Employees

First-class and committed employees are guarantors for the success of the company. The LLB Group is determined to continue to develop as an attractive employer and high-performance bank.

Corporate culture and value basis

The implementation of the StepUp2020 strategy (see chapter "Strategy and organisation", pages 9–10) requires continuous improvement in performance. The LLB Group is adapting to fundamental change in the banking sector, but at the same time retains its strong sense of 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 2016, the LLB Group had 858 full-time equivalents (2015: 816). With 587 full-time equivalents (2015: 553) in Liechtenstein, LLB is one of the largest employers in the Principality.

Employee satisfaction

Our employees are the key to fulfilling our performance mandate (see chapter "Responsibilities for society and the environment", page 56). Their opinion is important to us. The in-depth employee survey, which we conduct every two years, belongs to the dialogue. In the 2015 survey, the LLB Group scored above the average for the sector or achieved the "Swiss Employer Award" (SEA) average in all relevant points. In 2015, the commitment of the LLB Group's employees, in other words the sense of identity with and being part of the company, increased to 85 points out of a possible 100 points. More information on the results can be found in the Annual Report 2015.

In September 2016, the LLB Group received a Swiss Employer Award in the category of 250 to 999 employees. The 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 whether the organisational framework is optimal and promotes and supports the client and performance orientation of the employees. The next employee survey is planned for May 2017.

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 (2016: 206; 2015: 180) and the Austrian state of Vorarlberg (2016: 74; 2015: 69) to their place of work at LLB in Liechtenstein. LLB is a major regional employer in 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

At a time of fundamental change in the banking sector, the LLB Group has developed a focused business model and entered a new growth phase in 2016. Clear and consistent communication increases acceptance among the employees.

The Group Executive Board communicated the objectives and the approach of the new StepUp2020 strategy already in September 2015. In the communication concept of October 2015, the business area Group Corporate Communications & General Secretary together with Group Human Resources formulated internal communication measures that help to foster corporate culture and staff motivation.

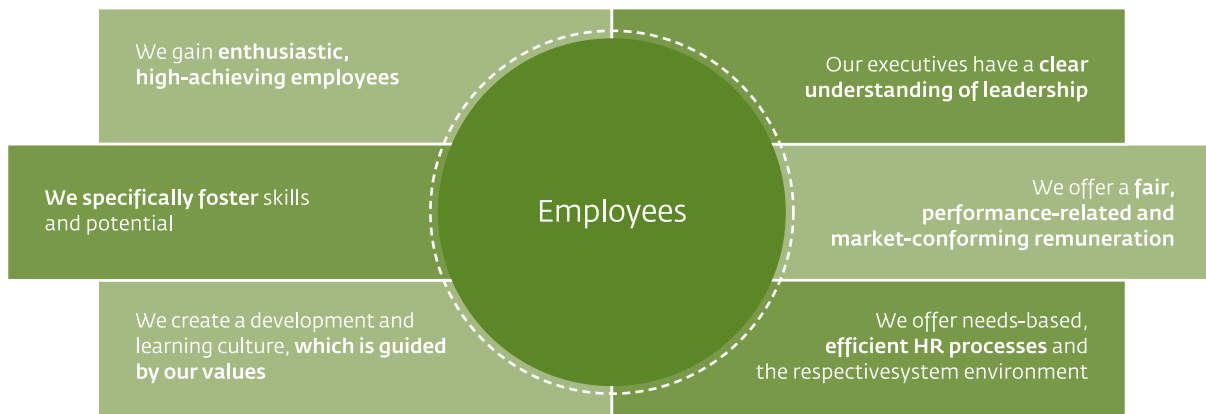
The Group CEO informs through a quarterly group-wide newsletter distributed via the intranet. He holds an information meeting for all LLB Group employees at least once a year. There is also an annual Group Night, plus events held by our six divisions. Contributions from the CEO and Group Human Resources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

Promise of performance 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 tasks and plenty of scope for growth. High-achieving employees have excellent development opportunities and perspectives.

In 2016, Group Human Resources in its strategic concept made a promise of performance to give enthusiastic individuals the chance to advance themselves and the LLB Group so that both achieve a top-class performance.

Strategic target vision



Working environment in focus

The LLB Group wants to enhance its profile as the employer of choice. It implemented a range of measures to this end in 2016, including the promotion of health in the workplace, the improvement of the physical working environment and the flexibility of working hours and location.

Workplace of the future

The headquarters of Bank Linth LLB AG in Uznach and the branch offices in Rapperswil (SG) and Siebnen (SZ) will be converted to create the workplace of the future (see chapter "Retail & Corporate Banking", pages 19–20). The "bank of the future" is designed for clients and employees along the same principle: open, transparent, accessible and with short paths to promote communication and cooperation. The bank employee of the future will move between thinking cabins, stand-up desks and a workshop area. The reopening of the two branch offices and the headquarters is planned for June 2017.

Quality of life in the workplace

In 2016, the LLB Group developed measures to create 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 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 58). To support sporting activities, showers and changing facilities were installed at our business location in Vaduz at the end of 2016. All desks are also being replaced by height-adjustable stand-up desks.

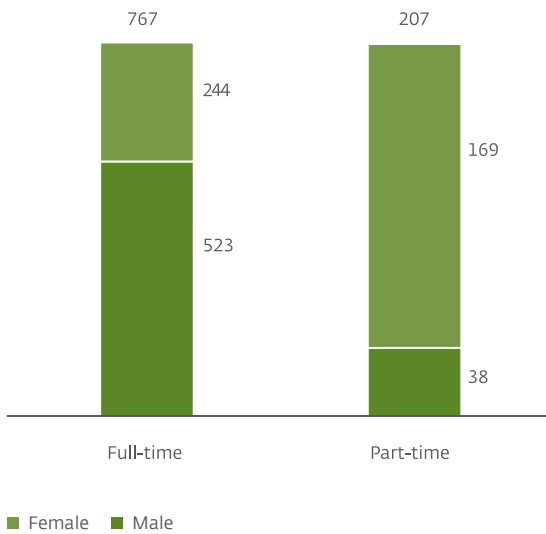
Information events on health topics and sport activities are planned for 2017. In 2016, the Working Atmosphere and Health Steering Committee was set up. Its aim is, on the one hand, to increase job satisfaction and boost staff motivation and, on the other, to reduce work-related absence, which will save costs.

Health and safety

The absenteeism rate gives an indication of the incidence of accidents and illnesses: in 2016, there were 130 (2015: 142). Our target rate is between 2 and 2.5 percent. In 2016, the absenteeism rate was 1.97 percent (2015: 2.49%). 80 percent of absenteeism costs were due to illness. In 2016, 47 employees with long-service anniversaries went on a sabbatical for up to four weeks (2015: 29). Most utilised the maximum number of days possible for rest and recuperation and for broadening their horizon. Taking such time out 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 unit Facility & Security Management are responsible for carrying out routine building and equipment checks.

Permanent employees by employment type



Return to work

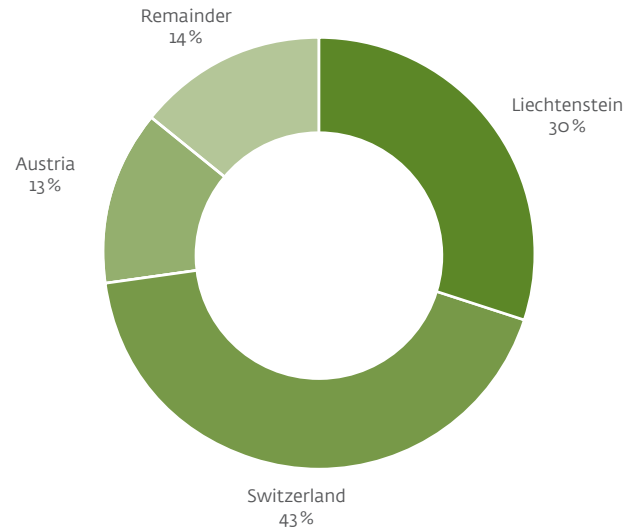
Surveys conducted by the European Agency for Safety and Health at Work (www.osha.europa.eu) show that in Europe around 50 percent of sickness leave is due to stress in some form or other. What is more, mental stress can also often result in physical stress and vice versa. The LLB Group takes this issue seriously and invests in the provision of practical assistance for the occupational integration, internally or externally, of employees.

Our aim is to reduce short- and long-term absences and to assist the return to work. We offer support to employees returning to work after a long absence and to those with serious health problems. Employees in difficult work or life situations are able to gain free and anonymous access to psychological support. This service 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 2016, we explored the possibilities for greater flexibility of working hours and location, which we will implement in 2017. At the same time, we support 80 percent part-time working, in leadership positions too, and paternity leave. We also plan to develop the modern eWorkplace further so as to improve the compatibility of work and life situation.

Employees by nationality



And in the summer of 2017, a day nursery for the children of Liechtenstein bank employees will be opened in Vaduz. 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 39 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.

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 2016, 30 percent of our employees were Liechtenstein nationals, 43 percent Swiss and 13 percent were Austrian nationals. We are committed to ensuring that our client base is reflected in our employee mix (see "LLB as regional employer", page 42). 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 42 percent, though they are still under-represented in leadership positions. However, the growing number of well-educated

Number of employees by gender



women is bound to effect change in this area in the next few years thanks to more flexible working models. The Board of Directors and management support the culture of diversity and in July 2016 recruited the first woman to the ranks of senior management at LLB and appointed her to the Group Executive Board (see chapter "Corporate governance", pages 86–88).

Women in management positions:

- Executive management: 5 men, 1 woman
- Senior management: 23 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 per cent 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 2016, we invested CHF 1.6 million (2015: CHF 1.2 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 2016.

Number of employees by age group



The culture of "challenging and promoting" has proved successful. In 2016, 48 percent of the 23 newly vacant leadership positions could be filled internally by an existing employee. At the same time, new entrant managers and employees have a high level of qualifications: 74 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 model can be applied flexibly to different situations and different development levels of employees. Managers adapt their behaviour as the particular situation requires.

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 client advisers will have completed training programmes in accordance with the standards of the Swiss Association for Quality (SAQ). A pilot group started the certification training in March 2016 and finished it at the end of 2016, achieving a 100 percent pass rate.

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. Client adviser certification also complies with the regulatory requirements that arise from the European Markets in Financial Instruments Directive (MiFID) 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 function.
- 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”, the goal of which is to systematically develop identified talent with good performance and excellent conduct. In 2016, 7 percent (64) 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 2016, 38 apprentices (2015: 42) 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 seven candidates: practical-based direct entry for graduates (2016: 3), a work and study programme for postgraduates in the final phase of their studies (2016: 2) and a trainee programme for postgraduates (2016: 4). 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 2016, we took on three 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 (ZH).

Fair compensation

The LLB Group offers attractive employment conditions. It spent CHF 141 million (2015: CHF 124 million) on salaries and social contributions in 2016 (see Notes to the consolidated income statement, page 132). We have a modern compensation system that is considered exemplary in the banking sector (see chapter “Compensation report”, pages 93–101). 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. It is nevertheless omitted from this report, 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.

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 2016, all 607 employees of our corporate Group who work in Liechtenstein were covered by the retirement, life and disability insurance plans of the independent 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 2016, the liquidity ratio of the LLB pension fund stood at 109.3 percent (as at the end of December 2015: 107.8%) and had thus increased by 1.5 percent on the previous year. The return on investment was 3 percent (2015: minus 0.5%). The accumulated capital bore interest of 2 percent in 2016. The pension plan assets amounted to CHF 290.5 million (2015: CHF 277.4 million).

The low interest rate environment and the steady increase in life expectancy have induced the Board of Trustees to gradually reduce the pension conversion rate from 1 January 2018 for the retirement age of 64 by 0.1 percent per year to 5.1 percent (currently 5.6%). As of 1 January 2023, the normal retirement age of the Liechtenstein AHV (state pension) will be raised to 65. At that time, the pension conversion rate will amount to 5.22 percent (currently 5.72%).

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.

The LLB Group headcount statistics

	2016	2015	2014	2013	2012
Employees					
Number of employees (full-time equivalents)	858	816	893	925	1'090
Full-time employees	718	674	789	784	909
Part-time employees	207	202	244	279	336
Apprentices	38	42	47	50	52
Trainees incl. BEM interns	11	7	6	4	4
Key figures					
Staff turnover rate in percent	10.4	12.6	11.5	21.8	15.4
Average length of service in years	9.6	10.7	9.7	8.2	7.6
Average age in years	40.2	39.9	40.2	39.8	39.4
Diversity and equal opportunities					
Number of nations	39	31	34	29	30
Share of women in percent	42	44	45	45	47
Training and professional education					
Training costs in CHF thousands	1'570	1'195	1'191	1'291	1'452

360° financial planning

Everyone has their own individual goals, aspirations and questions when it comes to their financial future. In Liechtenstein, we are the only bank offering comprehensive 360° degree financial planning.

With LLB Compass, we have further developed our offering with solutions for all phases of life and stages of the corporate life cycle; and we will launch this service in Switzerland with Bank Linth Compass in 2017.

Holistic financial planning covers all the important issues such as assets, financing, retirement planning, real estate, taxes and estate planning.

llb.li/kompass

Monika Jöhri, an adviser to individual clients, knows what life revolves around: "360° degree financial planning helps both private and corporate clients to achieve their future financial goals."

Meet Monika Jöhri
at ar2016.llb.li/turn

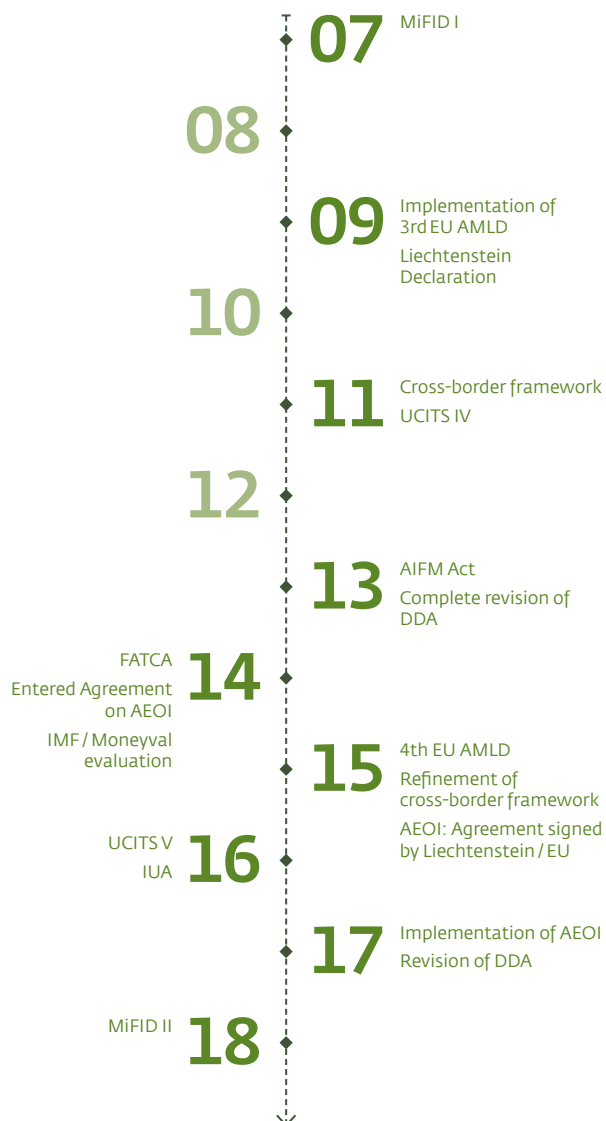


turn

Regulatory framework and developments

Liechtenstein stands for access to markets and for legal certainty. With the implementation of the Automatic Exchange of Information (AEOI), it is one of the so-called Early Adopters of a comprehensive cooperation in international tax matters.

Implementation of regulatory frameworks 2007 – 2018



International tax topics

Liechtenstein has decided to adopt a financial centre strategy that is based on client tax compliance. The Government Declaration of 14 November 2013 signalled Liechtenstein'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). The Liechtenstein banks and Bankers Association expressly and actively support the financial centre's tax compliance strategy.

Automatic Exchange of Information (AEOI)

Liechtenstein was among the so-called Early Adopter Countries that entered the Agreement on the Automatic Exchange of Information (AEOI) on 29 October 2014. To date, 101 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 OECD in Paris.

Exchange of data in 2017 and 2018

The first exchange of bank data with EU countries (excluding Austria) will occur in 2017 for the 2016 fiscal year. On 1 December 2016, a Mutual Assistance Convention, which is a comprehensive multilateral instrument for tax matters, came into force. On the basis of this agreement, the Automatic Exchange of Information (AEOI) will be implemented with 32 other states from 2018.

AEOI Liechtenstein / Switzerland

Switzerland and the EU ratified the AEOI agreement on 26 September 2016. Swiss banks will collect data from 2017, which will be exchanged with the EU member states and ten other states as of 2018.

On 1 February 2017, the Swiss Federal Council decided to implement the Automatic Exchange of Information (AEOI) in tax matters with other partner countries. Liechtenstein is one of these planned partner countries.

In the coming months, Liechtenstein will determine its next AEOI partner states. To date, the Landtag (Parliament) has approved the adoption of the AEOI with 60 jurisdictions in all. The first automatic exchange of data with the EU states (excluding Austria) will occur in 2017. The AEOI shall come into force for the other countries on 1 January 2018, with the first exchange of data occurring in 2019. The implementation of the AEOI with Switzerland, as well as the activation of the AEOI with other partner states, are subject to the approval of the Landtag (Parliament).

BEPS Project

Liechtenstein is implementing the new international standards arising from the BEPS Project and has amended the tax law accordingly. BEPS stands for "Base Erosion and Profit Shifting". In an effort to take action against tax avoidance in multinational enterprises, the OECD and the Group of Twenty (G20) countries have drawn up 15 recommendations.

The goal of the BEPS Project is to support countries in protecting their tax base and at the same time to ensure that legal certainty for taxpayers is guaranteed by internationally recognised rules. Liechtenstein emphasises here the importance of ensuring a level playing field among countries.

Double taxation agreements and tax information exchange agreements

Bilateral, long-term cooperation agreements form the basis of Liechtenstein's financial policy. By the end of 2016, tax information exchange agreements (TIEAs) were concluded with 27 countries, and double taxation agreements (DTAs) for cross-border administrative assistance in accordance with OECD regulations were concluded with 17 countries.

• Liechtenstein / Switzerland

On 10 July 2015, Liechtenstein and Switzerland signed a new double taxation agreement (DTA). It came into force on 22 December 2016 and has been applied since 2017. The DTA 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 DTA now 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

Due to the derogation granted to Austria applicable within the EU, the AEOI agreement will not be applied until 1 January 2017. Austria will exchange information on new clients from September 2017. 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. They thereby agreed upon the partial continuation of the withholding tax agreement which includes provisions on existing transparent and non-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

On 16 May 2014, Liechtenstein and the USA 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. The Liechtenstein FATCA Law ensures that Liechtenstein's financial institutions can continue to operate in the US capital market.

Cross-border banking

The international orientation of the Liechtenstein financial centre entails a complexity of cross-border banking regulations. Institutes providing cross-border financial services that are supervised by the Liechtenstein Financial Market Authority (FMA) are obliged to meet the FMA's requirements and to act in accordance with the regulatory provisions of the country in which the client is domiciled. In August 2015, the FMA formulated a uniform approach to dealing with cross-border risks, with the aim of reducing legal and reputational risks.

In 2016, the LLB Group further refined its cross-border framework, which had been completely revised in 2015, to mitigate the legal risks arising from cross-border activity. During the reporting year, Group Legal & Compliance conducted numerous training courses for client advisers in the particular markets relevant to them. The LLB Group's internal rulings ensure that employees comply with the regulations of the respective target country when engaging in cross-border activities.

Since 2015, the LLB Group has directed the focus of its international activities more towards strategically and economically important countries. It is concentrating its efforts in the home markets of Liechtenstein, Switzerland and Austria, in Germany and selected markets in Western Europe, as well as in the growth markets of Central Europe,

Eastern Europe and the Middle East. We are simplifying our client service in international business by focusing on certain strategically and economically important countries.

Regulatory environment

Protection against money laundering

The fight against money laundering and terrorist financing has been a top priority for Liechtenstein for years, which has a zero-tolerance policy towards such matters. As a member of the EEA, Liechtenstein has fully implemented the EU's third Anti-Money Laundering Directive (2005/60/EC) as well as the Commission Directive (2006/70/EC) concerning both the definition of the term "politically exposed person" and the determination of the technical criteria for simplified due diligence obligations.

The European Parliament adopted the fourth EU Anti-Money Laundering Directive on 20 June 2015, it came into force on 25 June 2015 and also applies to Liechtenstein as an EEA member. Liechtenstein is currently in the process of transposing the new directive into national law. The revised Due Diligence Act (DDA) ("Sorgfaltspflichtgesetz (SPG)") is expected to enter into force on 1 September 2017.

Liechtenstein's Criminal Law on Corruption was revised in March 2016 and is the basis for the ratification of the Council of Europe's Criminal Law Convention on Corruption. With the revision, Liechtenstein makes bribery in the private sector a predicate offence for money laundering and implements the international standards of the Council of Europe and the United Nations Organisation (UNO) on the fight against corruption.

The Financial Intelligence Unit (FIU) serves as the central authority for obtaining and analysing information that is necessary to recognise money laundering, predicate offences for money laundering, organised crime and terrorist financing. 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. The FIU represents Liechtenstein in expert committees on anti-money laundering and terrorist financing in the EU.

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.

MiFID II/Liechtenstein

The Liechtenstein financial centre implemented the Markets in Financial Instruments Directive (MiFID) on 1 November 2007. The MiFID simplifies cross-border financial services and allows securities 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) will come 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. Furthermore, MiFIR regulates trading transparency, an area that was not at the focus of MiFID. 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, the appropriateness and suitability of advice given to individual clients at bank branches must be checked and a more comprehensive recording made of telephone consultations. The appropriateness and suitability checks and the recordings must document why a financial product was recommended and how it matches the client's risk profile.

FinSA / Switzerland

Switzerland intends to conceptually reshape the guiding principles of its financial centre in order to transpose the 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 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 2018.

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 in this area 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 re-regulation. Its implementation essentially imposes extensive obligations on the depositories of UCITS funds as well as increased liability.

AIFM

Access to the EU market is central to the competitiveness of both the Liechtenstein financial and investment fund centre. Liechtenstein investment companies have been legally entitled to administer and sell UCITS funds across national borders for several years as a result of the adoption of EU law in the EEA Agreement. Since October 2016, Liechtenstein investment fund providers have also been able 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. A number of alternative investment fund managers have already been issued with a relevant licence by the Liechtenstein Financial Market Authority (FMA).

IUA

The latter replaces the IUA from 2005 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.

Legal & Compliance interface

The continually changing regulatory environment, the diversity of regulations and their increasing complexity require constant further development. To this end, LLB has increased its personnel resources and made organisational changes to the Group Legal & Compliance Business Area. Since 1 January 2016, the "Regulatory Tax Matters" area of the Tax department has been integrated into the Group Legal & Compliance Business Area and renamed "Group Tax Compliance".

LLB thus 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. A compliance risk involves the risk of violations against legal and regulatory regulations as well as against 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. Group Legal & Compliance has been under the Group CFO Division since 2016.

Responsibilities for society and the environment

The LLB Group aims to act responsibly. 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 action with social and environmental responsibility. The Annual Report 2016 contains an integrated "Stakeholders report", which was prepared in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines – "Core Option" for the second time, the first time being in 2015. By doing this, we are highlighting our proactive focus on sustainability.

At the end of 2014, we compiled a set of about 21 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. We reviewed and slightly supplemented the material aspects in 2016.

Client-oriented

The values of "integrity", "respectfulness", "excellence" and "pioneering" (see chapter "Strategy and organisation", page 9) 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 19; "Corporate Center", page 30). 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.

Contribution to the sustainable development of Liechtenstein

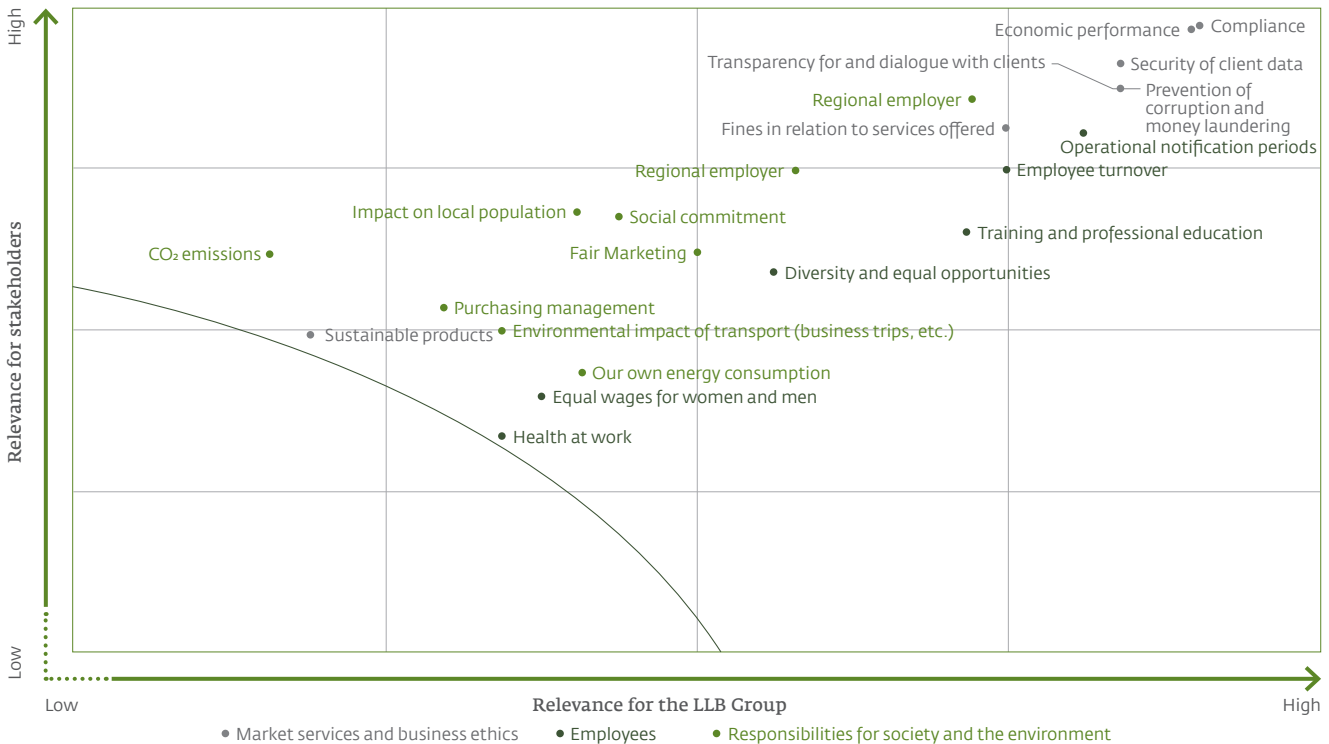
The LLB Group, as a part of the community, is active in different areas of culture, ecology and society (see chapter "Brand and sponsoring", page 41). Our contribution to the sustainable development of a prosperous Liechtenstein forms the basis for the fulfilment of our performance mandate. We indirectly promote Liechtenstein as a workplace and contribute to the prosperity of the people (see chapter "Retail & Corporate Banking", page 19).

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. In 2016, the Group Corporate Communications & General Secretary Business Area worked together with the line and support units of the core team 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. 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").
- **The 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 Finance Commission of the Landtag (Parliament) on the implementation of the investment strategy of Liechtensteinische Landesbank AG (see chapter "Corporate governance", page 68).

Materiality matrix for sustainability aspects



- **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 91).
- **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 37).
- **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 50, “Institutional Clients”, pages 26–27, and “Responsibilities for society and the environment”, pages 57–58).
- **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 42–43).

Key sustainability topics

Sustainable business management and long-term responsibility are core values to us. The key factors in selecting and prioritising topics 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 above) and addresses them individually. The topics positioned in the top right of the matrix are of particular significance. In 2016, we further developed the process of identifying and managing sustainability topics.

This page includes, inter alia, disclosures on Global Reporting Initiative (GRI) indicator G4-18, G4-19 and G4-23. A complete list of all GRI indicators shown in the report can be found in the GRI Content Index on page 63.

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 twelve countries worldwide with an AAA rating. On 27 January 2017, 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 the state's 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 from 2019 at the latest under Basel III regulations (see chapter "Finance and risk management", page 13).

Economic contribution

The LLB Group bases its business policy on market principles and pursues the objective of generating 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 38.4 million in 2016 (2015: CHF 31.7 million). LLB receives no financial support for its banks or Group companies in Liechtenstein, Switzerland and Austria from any government.

LLB's clients benefit from additional security, for which LLB makes a yearly compensation payment to the Principality. In 2016, this amounted to CHF 1.2 million (2015: CHF 1.3 million). LLB is the only bank in Liechtenstein which carries a state guarantee for savings account deposits and medium-term notes (cash bonds). This is governed by the Law of 21 October 1992 on Liechtensteinische Landesbank (LLBG). According to Art. 5 of the LLBG, 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.

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 is the market leader in the mortgage lending business with a market share of around 50 percent. To achieve sustained, profitable growth, it 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 (see chapter "Finance and risk management", page 12). In 2016, mortgages accounted for 86.5 percent (2015: 87.2%) of loans granted by the LLB Group, corresponding to CHF 10.0 billion (2015: CHF 9.6 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 2016, LLB refined its service offering for all stages of life and business under the name "LLB Compass". Bank Linth is launching 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. LLB's 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 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 2016, it had significantly increased pension fund capital under management to CHF 620 million (2015: CHF 501.9 million). It provided services to 420 (2015: 356) companies with 4,970 (2015: 4,510) active insured persons and had a liquidity ratio of 106 percent (2015: 105.5%). The foundation has a very good structural ratio: for each pensioner there are 21 active insured contributors (2015: 27 active insured contributors).

Sustainable investment

According to Liechtenstein's first 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. We concentrate on the shares of companies that are audited on their ESG criteria and have a good sustainability rating. The focus is increasingly on the effect of ESG criteria on the risk and return profile of a company and hence on the investment portfolio of an investor.

Sustainable asset management

The Asset Management Business Area of the LLB Group has developed the "Sustainable asset management" service offering. 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. We focus on traditional investment categories in order to ensure socially responsible investments.

Basically, the LLB Group's investment policy excludes ethically unsuitable products or behaviour. Liechtensteinische Landesbank has no financial products itself which contain soft commodities. 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 11). By specifying a future-oriented risk strategy, the Board of Directors establishes the guidelines for dealing with risks. Moreover, the Board continues to develop the already high standards of corporate governance (see chapter "Corporate governance", page 68). The applicable laws, directives, guidelines and market norms 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 53).

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 social organisations and non-profit projects that improve living and working conditions and promote self-responsibility. We also support environmental projects. 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 with the people and the economy of Liechtenstein and the adjacent regions. In addition to project-specific contributions, the Future Foundation contributed to society by donating a total of CHF 76,500 to social organisations in 2016. 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 2016

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 contributes to the maintenance of healthy social structures in the country. The funding of individual projects should enable innovative ideas for social and ecological development in the LLB Group's market regions to be realised.

Since 2011, the Future Foundation has made over 100 donations as well as contributions to 30 projects in all totalling over CHF 750,000. 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, the funding is often critical to the beneficiary organisations' ability to realise them. In 2016, the Future Foundation funded four projects:

- **mychoice.info:** The online platform has short films showing the different apprenticeships available in Liechtenstein and Switzerland, which companies offer them and what the particular challenges and development opportunities are. Using this sound information, young people, their parents and teachers can get an idea about apprenticeships.
- **Association NetzWerk – "Freiwilliges Soziales Jahr Liechtenstein" (voluntary year of community service):** This project offers young people the opportunity to complete a supervised and professionally organised voluntary social service year at a social institution. Five people were able to successfully complete the social year and, as a result, further develop their future perspectives.

- **"Stiftung Zukunft Liechtenstein" foundation:** The foundation sees itself as a think tank for addressing economic and socio-political topics relevant to the sustainable development of Liechtenstein and to securing its future. To this end, it fosters the interaction between science, economics and politics.
- **Alte Metzg Schaan:** LLB funded the Christmas campaign to distribute food aid to people in need.

Drink tap water – donate drinking water

In 2016, 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. By consuming tap water instead of transporting branded bottled water, we want to reduce our ecological footprint and protect the environment.

The around 650 LLB employees in Vaduz use the tap water, which according to laboratory tests is of excellent quality, more conscientiously. And they can make a sustainable contribution on fair-terms to supporting people in developing countries who do not have access to clean drinking water. LLB donates CHF 60 per employee per year to "Drink & Donate", a Zurich-based non-profit organisation.

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. Road traffic in Liechtenstein is increasing at an annual rate of more than 3 percent. Densely built-up areas mean that carriageways and parking spaces cannot be expanded in many cases. We introduced car park management at the headquarters in Vaduz as far back as 1997.

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 half of the cost of an annual travel pass with LIECHTENSTEINmobil (LIEmobil), the Liechtenstein bus company, as an incentive to switch to public transport. Employees commuting to their workplace from outside the area served by LIEmobil buses receive an allowance for using regional public transport. Staff are also

encouraged to take the bus or ride our company bicycles to meetings and events in Liechtenstein. 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 for more than ten years; 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, the campaign has been extended to include the purchase of a ski or motorcycle helmet and runs under the motto "Kluge Köpfe schützen sich" (Clever heads protect themselves).

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 ten video-conferencing systems group-wide in 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 ecological footprint.

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, these scarce resources must be used responsibly.

The recording of energy consumption and greenhouse gas emissions is being continuously optimised. For the first time, we also collected data for Bank Linth for 2016 and retrospectively for 2015. At our Liechtenstein location, the data basis was enlarged in 2016 to include the newly acquired Aeule Nord and Marxer buildings. This necessitated a revised presentation of the environmental indicators.

Energy use causes greenhouse gas emissions. The LLB Group wants to contribute to climate protection by increasing energy efficiency and to save costs at the same time. The organisational unit Facility & Security Management identifies potential energy savings and evaluates the effect of efficiency measures such as the selection of technical equipment, the "Green Datacenter" being a typical example.

"Green IT" data processing centre

The infrastructure and energy costs for data processing centres are a major 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

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. In 2013, we had already achieved a PUE value of 1.54; in 2014, we achieved a PUE of 1.46; in 2015, despite the hot summer, we managed to reduce it further to 1.41. In the reporting year, the PUE value was 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 three of our business premises in Vaduz (headquarters, Haus Wuhr Ost, Haus Engel¹) are equipped with photovoltaic systems, we generate a small part of our electric power in an environmentally friendly manner. In 2016, the PV systems produced 10,170 kilowatt-hours (2015: 13,017 kWh).

Energetic renovation of buildings

The Bank Linth branch offices in Pfäffikon (SZ), Kaltbrunn (SG) and Schmerikon (SG) were built in accordance with the Minergie standard. The headquarters in Uznach (SG) is currently being renovated. 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.

Bank Linth is refurbishing various branch offices according to its "bank of the future" concept (see chapters "Retail & Corporate Banking", page 20, and "Employees", page 43). This also includes updating the air-conditioning system of the Bank Linth building in Rapperswil. Detailed assessments have shown that when the building was constructed in 1969, materials containing asbestos were used. Starting summer 2017, the building will be completely renovated, inside and out, and the hazardous waste will be disposed of properly. There is no risk to health.

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. Public debate on environmental policies is growing, 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 sustainable 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.

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 246 coming to work in Vaduz by bus, bike or on foot in 2016 (2015: 248). Efficiency measures at our data processing centre, implemented since 2013, have enabled us to reduce our CO₂ emissions. group-wide CO₂ emissions fell by 10 percent from 904 tonnes in 2015 to 812 tonnes in 2016.

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 Swiss Climate Foundation (since 2008) and the LIFE Climate Foundation Liechtenstein (since 2009). The Swiss Climate Foundation has awarded CHF 477,300 to 24 SMEs in Liechtenstein since the start of the cooperation.

That is why LLB belongs to a group of 28 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 as well as energy-saving projects.

¹ Haus Engel was sold on 1 June.

Energy consumption and greenhouse gas emissions¹

	2016	2015
Energy consumption (in MWh)	6,069	6,471
Electricity	4,870	4,934
District heating	240	348
Total heating fuels	875	1,152
Heating oil	233	388
Natural gas	642	764
Total motor fuels	84	37
Diesel (vehicles and emergency power generator testing)	42	21
Petrol (vehicles)	42	16
CO₂ emissions (in tCO₂e)²	812	904
Scope 1 total ³	220	280
Heating fuels	194	260
Motor fuels	22	10
Volatile gases (refrigerants)	4	10
Scope 2 total ⁴	593	624
Electricity ⁵	539	546
District heating	53	77

1) Liechtenstein as location and Bank Linth. The recording of data on heat consumption is partly incomplete and is being optimised.

2) Greenhouse gas emissions calculated using Greenhouse Gas Protocol Guidelines

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

4) Greenhouse gas emissions produced from production of consumed electricity and district heating

5) Reported using location-based approach following Greenhouse Gas Protocol Scope 2 Guidance, approximates 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 2016 report year again according to the guidelines 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 G4 Sustainability Guidelines provide for a focus on topics material to business activity.

We applied the GRI G4 Sustainability Reporting Guidelines – "Core Option" for the second time in the Annual Report 2016 of the LLB Group. The report was submitted to the GRI Materiality Disclosure Service and confirmation of its successful alignment with GRI guidelines was issued on 9 March 2017. By submitting its CSR reporting in accordance with GRI guidelines, the LLB is also prepared for the forthcoming requirements in connection with the amendment of the Person and Company Law in Liechtenstein. Within the context of the EU's CSR directive, certain larger companies will be required in future to provide a statement regarding the non-financial aspects of their business activity.

The Annual Report 2016 includes all companies with a 100 percent equity interest (see "Scope of consolidation", page 163) 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 63. The key topics are structured according to the topic groups: market performance, compliance, employees as well as responsibilities for society and the environment. 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 regarding the management approach to sustainability ("Managementansätze zur Nachhaltigkeit") can be found at ar2016.llb.li/gri-content-index.

GRI Content Index

General standard disclosures

Reference	Location
Strategy and Analysis	
G4-1	p. 3
Organizational Profile	
	Liechtensteinische Landesbank AG
G4-3	
G4-4	p. 9, 39
G4-5	Vaduz, Liechtenstein
G4-6	p. 14
G4-7	p. 36
G4-8	p. 14
G4-9	Cover, p. 42
G4-10	p. 42, 44, 45, 47
G4-11	none
G4-12	p. 59
G4-13	none
G4-14	DMA p. 2
G4-15	p. 50
G4-16	p. 26, 27, 50, 60
Identified Material Aspects and Boundaries	
G4-17	p. 62
G4-18	p. 55
G4-19	p. 55, 63
G4-20	p. 62
G4-21	S. 62
G4-22	S. 59
G4-23	p. 55, 62
Stakeholder Engagement	
G4-24	p. 54
G4-25	p. 54
G4-26	p. 54
G4-27	p. 54
Report Profile	
G4-28	Calendar year 2016
G4-29	March 2016
G4-30	annually
G4-31	kornelia.pfeiffer@llb.li
G4-32	p. 62
G4-33	none
Governance	
G4-34	p. 68 ff.
Ethics and Integrity	
G4-56	p. 9

Specific standard disclosures

Reference	Location	Reasons for omission
Economic Performance		
G4-DMA	DMA p.3	
G4-EC1	p. 56	
G4-EC3	p. 57	
G4-EC4	p. 56	
Market Presence		
G4-DMA	DMA p. 3	
G4-EC6	p. 42	
Indirect Economic Impacts		
G4-DMA	DMA p. 4	
G4-EC7	p. 39, 56	
G4-EC8	S. 56	
Procurement Practices		
G4-DMA	DMA p. 4	
G4-EC9	p. 59	
Energy		
G4-DMA	DMA p. 6	
G4-EN3	p. 61	
Emissions		
G4-DMA	DMA p. 6	
G4-EN15	p. 61	
G4-EN16	p. 61	
Transport		
G4-DMA	DMA p. 7	
G4-EN30	p. 61	
Employment		
G4-DMA	DMA p. 8	
G4-LA1	p. 47	
Labor / Management Relations		
G4-DMA	DMA p. 8	
G4-LA4	p. 42	DMA p. 19
Occupational Health and Safety		
G4-DMA	DMA p. 9	
G4-LA5	p. 46	DMA p. 19
G4-LA6	p. 43	
Training and Education		
G4-DMA	DMA p. 10	
G4-LA9	p. 45	DMA p. 19
G4-LA10	p. 45	
G4-LA11	p. 46	DMA p. 19
Diversity and Equal Opportunity		
G4-DMA	DMA p. 11	
G4-LA12	p. 44	
Equal Remuneration for Women and Men		
G4-DMA	DMA p. 11	
G4-LA13	p. 46	DMA p. 19
Local Communities		
G4-DMA	DMA p. 12	
G4-SO1	p. 18, 58	
G4-FS13	p. 18	
Anti-Corruption		
G4-DMA	DMA p. 13	
G4-SO3	p. 52	
G4-SO4	p. 32, 52	
G4-SO5	No incidents	
Compliance		
G4-DMA	DMA p. 14	
G4-SO8	No penalties	
Product and Service Labeling		
G4-DMA	DMA p. 15	
G4-PR3	p. 23, 26	
G4-PR5	p. 20	
G4-FS16	p. 20	
Marketing Communications		
G4-DMA	DMA p. 15	
G4-PR6	No products	
G4-PR7	No infringements	
Customer Privacy		
G4-DMA	DMA p. 16	
G4-PR8	p. 31	
Product Compliance		
G4-DMA	DMA p. 17	
G4-PR9	No penalties	
Product Portfolio		
G4-DMA	DMA p. 17	
G4-FS7	p. 18, 57	
G4-FS8	p. 60	



Unless otherwise stated, the page numbers in the index are based on this report. In some cases, disclosures are in our online document on management approaches to sustainability (Disclosures on Management Approach – DMA), which is published in our online Annual Report at ar2016.llb.li/gri-content-index. In this case, the relevant page numbers are marked with DMA.

Among other information, this page contains disclosures on the Global Reporting Initiative (GRI) indicator G4-19 (material aspects).

Clients only pay for what they need

Clients like to have a greater say about how, when and which combination of banking services they use and how much they pay for them. Our private clients shape their own individual banking relationship. With LLB Combi and Bank Linth Combi, we have combined traditional products in an innovative way.

Using a mobile phone, laptop or PC, our clients put together the product packages they need using the online configurator. This is a unique model of à la carte banking.

lb.li/combi

What this means for the client, according to Michael Vogt, a member of the Individual Client Team in Vaduz, is: "Clients can find out what the service they need costs at the click of a button, and they only pay for what they need."

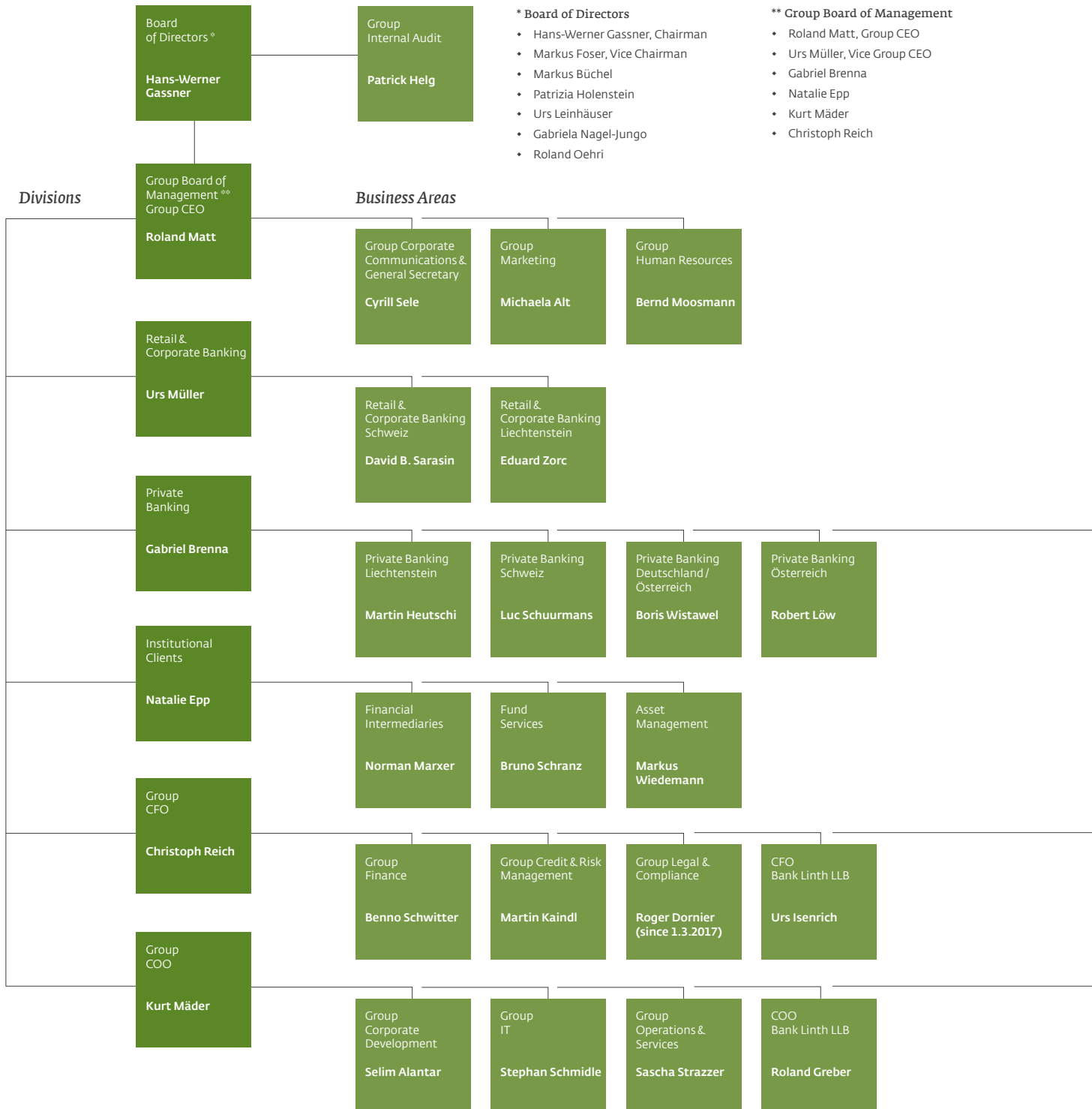
Meet Michael Vogt
at ar2016.lb.li/scroll

scroll



Organisational structure of the LLB Group

on 1 January 2017



Group companies

on 1 January 2017

**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
- Heinz Knecht, Vice Chairman
- Gabriel Brenna
- Beatrix Frey-Eigenmann
- Karin Lenzlinger Diedenhofen
- Kurt Mäder
- Christoph Reich

Board of Management

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

LLB Fund Services AG (100 %)

Board of Directors

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

Board of Management

- Bruno Schranz,
Managing Director
- Michael Aebli
- Roland Bargetze

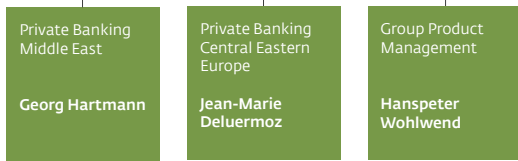
LLB Verwaltung (Schweiz) AG (100 %)

Board of Directors

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

Board of Management

- José Luis Calvo



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 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). The General Meeting of Shareholders on 8 May 2015 approved several general amendments to the Statutes, which contribute to a substantial strengthening of shareholder rights, 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 new 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.

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 also provides minority shareholders with certainty in planning by defining how the Principality intends to use its majority equity stake in the medium and long-term.

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. The Government observes corporate autonomy as well as the rights and obligations resulting from the stock exchange listing. At the same time, the Government as a shareholder

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 LLB's Board of Directors. Further information can be found at www.llb.li/participation-strategy.

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, 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 following corporate governance report complies with the requirements of the Directive Corporate Governance, valid since 1 December 2014, of the SIX Swiss Exchange, as well as its updated commentary of 20 September 2007. If information required by the directive is disclosed in the Notes to the financial statement, a corresponding reference is shown.

The ordinance against excessive compensation by listed companies (OaEC) has been in force in Switzerland since 1 January 2014. It applies to Swiss public companies whose shares are listed on an exchange in Switzerland or abroad. Liechtensteinische Landesbank AG is accordingly not affected by the ordinance. In the Regulatory Board Communiqué no. 2 / 2014 of 1 September 2014 concerning the revision of the directive on information relating to corporate governance (RDCG), the Regulatory Board notes that all companies listed on the SIX Swiss Exchange AG should in principle have to disclose the same information on corporate governance. This is to avoid the situation that issuers who are required to make certain disclosures under the current Directive Corporate Governance (DCG) will no longer have to make them in the future because they are not subject to the scope of the OaEC. As a result, the DCG now contains, in some areas, special provisions for issuers subject to the OaEC and provisions for those that are not subject to the OaEC.

1 Group structure and shareholders

1.1 Group structure

1.1.1 Description of the operative structure

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 – while 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 2017 is shown on pages 66 to 67. The detailed segment reports are shown on pages 18 to 33 and 127 to 129.

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 2016, its market capitalisation stood at CHF 1'242.8 million (30'800'000 bearer shares at a nominal value of CHF 5.00 at a year-end price of CHF 40.35).

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 2016, its market capitalisation stood at CHF 432.5 million (805'403 registered shares with a nominal value of CHF 20.00 at a year-end price of CHF 537.00).

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 163.

1.2 Major shareholders

The Principality of Liechtenstein is the major shareholder of 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 2016, the Principality's equity stake in the shares of 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. As at 31 December 2016, Thornburg Investment Management Inc. held a total of 908'120 LLB shares, which corresponded to an equity stake of 2.95 percent. 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 6.4 percent of its own shares.

The remaining bearer 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.

Company	Reg. office	Listed on	Market capitalisation (in CHF thousands)	Stake (in %)	Segment	Security number	ISIN number
Liechtensteinische Landesbank AG	Vaduz	SIX Swiss Exchange	1'242'780		International Reporting Standard	3019524	LI0030195247
Bank Linth LLB AG	Uznach	SIX Swiss Exchange	432'501	74.2	Swiss Reporting Standard	130775	CH0001307757

1.3 Cross participations

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

2 Capital structure

2.1 Capital

As at 31 December 2016, the share capital of Liechtensteinische Landesbank stood at CHF 154.0 million (30'800'000 fully paid bearer shares with a nominal value of CHF 5.00).

2.2 Conditional and approved capital

On the balance sheet date, 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 115.

2.4 Shares and participation certificates

As at 31 December 2016, the share capital amounted to 30'800'000 fully paid bearer shares with a nominal value of CHF 5.00. With the exception of LLB shares held by Liechtensteinische Landesbank and its

subsidiaries (1'959'238 shares), all the shares are eligible for dividend. As at 31 December 2016, share capital eligible for dividend therefore amounted to CHF 144.2 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 AG 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

Liechtensteinische Landesbank exclusively issued bearer shares, these are fully transferable.

2.7 Convertible bonds and options

As at 31 December 2016, 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
Hans-Werner Gassner [°]	1958	Business consultant and certified public accountant	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

The General Meeting of Shareholders on 4 May 2016 re-elected the Patrizia Holenstein as Member of the Board of Directors for a further three-year term of office.

Board of Directors



From left to right:

**Roland Oehri, Gabriela Nagel-Jungo, Markus Büchel, Hans-Werner Gassner,
Urs Leinhäuser, Markus Foser, Patrizia Holenstein**

Hans-Werner Gassner

Education:

- Licentiate in economics, University of St. Gallen, 1983
- Swiss federal diploma in accountancy, 1988
- Dr. oec., University of St. Gallen, 1989
- Swiss Banking School, 1996

Professional career:

- Accountant, Neutra Treuhand Group, 1984–1989
- Head of Internal Audit, Liechtensteinische Landesbank, 1990–1998
- Head of Finances, Liechtensteinische Landesbank, 1998–2000
- Proprietor, Adcom Treuunternehmen reg., Balzers, since April 2000
- Member of the Board and Member of Management of MAS Multi Asset Strategy Management Trust reg., Balzers, since 2005

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
- Adviser 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

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)

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

Urs Leinhäuser

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
- 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

Roland Oehri

Education:

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

Professional career:

- Investment adviser, Foreign Private Clients Department, VP Bank AG, Vaduz, 1993–1999
- Head of Foreign Private Clients Department, VP Bank AG, Vaduz, 1999
- Client adviser, Private Trust Banking, VP Bank AG, Vaduz, 2000
- Client adviser 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

b) Executive / non-executive members

All members of the Board of Directors of Liechtensteinische Landesbank AG are non-executive members. 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 SIX Swiss Exchange "Directive Corporate Governance" concerning corporate governance information. In 2016, 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

Hans-Werner Gassner is the Managing Director of the Liechtenstein Association of Independent Asset Managers.

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, State Street Global Advisors, Zurich, and EPIC Property Investment AG, Zurich, as well as of Oase Holding AG, Baar.

Urs Leinhäuser is a Member of the Board of Directors of Burckhardt Compression Holding AG, Winterthur, of Ammann Group Holding, Berne, of Ascom Holding AG, Baar, of VAT Group, Haag, as well as 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 Liechtensteinische Landesbank is composed of five to seven members, who are elected individually by the General Meeting of Shareholders for a three-year term of office; 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 three-year term of office. 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.

Hans-Werner Gassner has been Chairman of the Board of Directors since 2006. 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
Hans-Werner Gassner	2006	2017
Markus Foser	2009	2018
Markus Büchel	2009	2018
Patrizia Holenstein	2013	2019
Urs Leinhäuser	2014	2017
Gabriela Nagel-Jungo	2014	2017
Roland Oehri	2009	2018

3.5 Internal organisation

3.5.1 Separation of tasks of the Board of Directors

Name	Function	Committee memberships
Hans-Werner Gassner	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	Strategy Committee
Roland Oehri	Member	Group Audit Committee * 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 has 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 scope of activity, methodology and quality of Group Internal Audit;
- the methodology and quality of external auditors;
- the quality and integrity of financial reporting including the structure of the financial accounting function, financial controlling and financial planning
- the collaboration between the internal and external auditors and their independence.

The regulation concerning the Group Audit Committee lays down the organisation 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
Roland Oehri	Chairman
Patrizia Holenstein	Member
Urs Leinhäuser	Member

The Group Audit Committee has the following tasks:

- critically 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 financial reporting has been prepared in compliance with applicable accounting standards as well as with 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;
- critically 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);
- critically 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 investments and liabilities takes the business model and the risk strategy of the LLB Group into reasonable consideration 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 organisation 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 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, assessment of the precautions that are to ensure the observance of 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 (overall 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 group-wide 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 considered. A proposal shall then 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 will 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 investments and liabilities takes the business model and the risk strategy of the LLB Group into reasonable consideration 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 relation to:

- formulating 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 recommending any 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 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 guidelines for 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
Hans-Werner Gassner	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 to 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 members 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 and application of criteria for the performance appraisal of the Board of Directors as well as the candidates up for re-election;
- the development of succession plans and their periodic review, both in the case of the end of a term of office and in the case of any member stepping down early;
- ensuring the further training of individual members;
- 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 their periodic review, both in the case members stepping down for age-related or contingency reasons, 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 the stipulation of regulations, regarding the compensation policy of the members of the Board of Directors, the Group Executive Board and 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, the Group Executive Board and 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;
- to take note annually of the compensation of all other employees who are covered by the Group regulation "Compensation standards" and the parent bank regulation of the same name.

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
Hans-Werner Gassner	Chairman
Markus Foser	Member
Gabriela Nagel-Jungo	Member

Representation in foundations

Hans-Werner Gassner 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

As a rule, the Board of Directors of Liechtensteinische Landesbank AG holds an ordinary meeting once a month. During the 2016 business year, the Board held a total of ten ordinary meetings. The meetings lasted between 1.75 and 12.75 hours; the closed meeting lasted two days. The closed meeting was conducted by the Board of Directors in cooperation with the Group Executive Board following the ordinary meeting in June 2016. The discussion points at this meeting were the StepUp2020 strategy and selected business area strategies.

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.

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 external auditors, the Head of Group Internal Audit and the Chairman of the Group Risk Committee 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.

Date	Meeting	Attendance	Duration in h
26 February 2016	ordinary	all	12.75
22 March 2016	ordinary	all	4.25
26 April 2016	ordinary	all	8.50
24 May 2016	ordinary	all	1.75
21 / 22 June 2016	closed meeting	all	12.25
19 August 2016	ordinary	all	4.00
27 September 2016	ordinary	all	5.25
25 October 2016	ordinary	all	6.00
22 November 2016	ordinary	all	8.75
15 / 16 December 2016	ordinary	all	5.75

During the 2016 business year, the members of the Group Audit Committee met for four ordinary and two extraordinary meetings. No external experts were called in during the business year. No external experts are called in on a regular basis to deal with specific subjects.

Date	Attendance	Duration in h
14 January 2016	all	1.50
25 February 2016	all	4.25
22 March 2016	all	4.25
20 June 2016	all	2.00
18 August 2016	all	4.50
15 December 2016	all	4.25

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 external auditors, the Head of Group Internal Audit and the Chairman of the Group Audit Committee can request the Chairman of the Group Risk Committee 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 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 Risk Committee, are entitled to participate in the meetings.

During the 2016 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
25 February 2016	all	1.00
20 June 2016	all	4.00
18 August 2016	all	2.00
15 December 2016	all	2.75

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 to the meeting's participants as early as possible. In 2016, 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 of the Group Nomination & Compensation Committee 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 2016 business year, the Group CEO and the Head Group Human Resources partially attended all the meetings.

Date	Attendance	Duration in h
18 January 2016	all	0.50
4 February 2016	all	2.25
12 May 2016	all	0.75
30 August 2016	all	2.75
14 October 2016	all	1.00
29 November 2016	all	1.25

The Strategy Committee

The Strategy Committee did not hold an independent meeting in 2016. The status of the StepUp2020 strategy implementation and individual business area strategies were discussed with the full Board of Directors and the Group Executive Board at the closed meeting on 21 and 22 June 2016 (see chapter "Strategy and organisation", page 9).

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 any pending matters.

Self-evaluation

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. Within the scope of re-assessing of the "Best Board Practice" label (30 August to 15 December 2016), accompanied by an assessor, the Board of Directors evaluated its own performance as part of a self-assessment process, and discussed the core issue of the current and future composition of the Board as well as that of the committees.

For this reason, the Group Audit Committee and the Group Risk Committee did not carry out a separate self-evaluation. The results of the self-evaluation demonstrated the high quality of work done by the Board of Directors and its committees. The self-evaluation performed by the Group Nomination & Compensation Committee at its meeting on 30 August 2016 revealed an unchanged, very positive picture compared with the previous year.

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 organisation 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 regularisation 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, rulings and directives as well as the LLB Group's economic development;
- the appointment of the committee members from among its members;
- the regularisation of the compensation principles within the LLB Group.

Concerning the ultimate liability for the organisation 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;
- ensuring 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;
- stipulating of the competence to authorise 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 their annual review;

- 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 internal control system's effectiveness;
- the stipulation of overall and individual limits at least once a year;
- the approval of quarterly reports, including comments on the risk situation;
- ensuring prompt information in the event of imminent risk threats and losses of considerable importance.
- issuing a code of conduct for employees and corporate bodies of the LLB Group in relation to dealing with conflicts of interest and issuing instructions to prevent 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 the 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 its compliance;
- 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 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 on 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. He is, in particular, entirely responsible for developing 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 standardised bank management systems that generate quantitative and qualitative data for the Group Executive Board and in a summarised 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 directly subordinate 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 an effective internal control system exists 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 general compliance with the approved strategy;
- the effectiveness of governance processes;
- the effectiveness of 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 minimising 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 optimise controls, 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 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 as 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. The "Internal Capital Adequacy Assessment Process" (ICAAP) ensures that adequate capital to cover all essential risks is 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 person responsible for risk management to a quarterly discussion of the risk status. Their reports are summarised 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 11 to 13) as well as in the Notes to the consolidated financial statement of the LLB Group on pages 164 to 185.

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 chapter "Regulatory framework and developments", page 53).

Group Board of Management



From left to right:
**Christoph Reich, Gabriel Brenna, Roland Matt, Natalie Epp,
Urs Müller, Kurt Mäder**

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 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 Group Executive Management. The Group Executive Board consists of six members including the Group Chief Executive Officer (Roland Matt).

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"

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:

- 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"

Gabriel Brenna

Education:

- M.Sc., Electrical Engineering, École polytechnique fédérale de Lausanne (EPFL), 1993–1998
- Ph.D., Electrical Engineering, Semiconductors, Swiss Federal Institute of Technology (ETH) Zurich, 2000–2004

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"

Natalie Epp

Education:

- Mag. Jur., 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, 2008–2010

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)

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 (Schweiz) AG (Vice Chairman)
- Data Info Services AG (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 adviser 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)

Other functions:

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

4.2 Other activities and commitments

Apart from the mandates specified in No. 4.1, 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

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 93 to 101).

6 Shareholders' participation rights

6.1 Voting right limitation and representation

Liechtensteinische Landesbank has issued bearer shares. 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, LLB shares held by Liechtensteinische Landesbank itself and its subsidiaries (1'959'238 shares as at 31 December 2016) are not eligible to vote.

Each shareholder has various possibilities of participating in the General Meeting of Shareholders. At the General Meeting of Shareholders, he can vote his own shares or authorise a third party in writing to vote them, or have them voted by Liechtensteinische Landesbank or his custodian bank. 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, Liechtensteinische Landesbank has decided not to designate an independent proxy. LLB is not subject to the pertaining provision of the ordinance against excessive

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 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 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

Liechtensteinische Landesbank has exclusively issued bearer shares.

7 Change of control and defensive measures

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 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 LLB.

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 independent auditors in accordance with the legal provisions. The independent auditors examine the company's adherence to the legal provisions, statutes and other regulations.

PricewaterhouseCoopers AG, St. Gallen, has served as the independent auditors of 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 the law of persons, company and banking law, the independent auditors were elected by the General Meeting of Shareholders on 4 May 2016 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 2016 business year, PricewaterhouseCoopers AG invoiced the companies of the LLB Group for CHF thousands CHF 1'272 (2015: CHF thousands 1'154) in respect of audit fees. These fees include the work carried out by the auditors as required by the respective regulatory authorities. The increase is attributable in particular to a first time review by the auditors of the interim financial reporting. In addition, in the 2016 business year, PricewaterhouseCoopers AG received CHF thousands 242 (2015: CHF thousands 256) 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 for CHF thousands 449 (2015: CHF thousands 317) in 2016.

Audit fees and additional fees

in CHF thousands	2016	2015
Audit fees	1'272	1'154
Additional fees	449	317
Corporate finance	125	0
International accounting	45	0
Taxation advice	270	205
Legal and other advice	9	112

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;
- monitoring the implementation of recommendations put forward by the external auditors and Group Internal Audit to eliminate weak points and deficiencies;
- the critical 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 a risk analysis of the Group Internal Audit, with an 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 and corporate law and the law on persons). 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 five 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 all of the 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

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 institutionalising 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 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, Liechtensteinische Landesbank is obliged to publish share price-relevant information (ad hoc publicity, Art. 72 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:

Dr. Cyrill Sele
Head Group Corporate Communications & General Secretary
Phone +423 236 82 09
Fax +423 236 87 71
E-mail cyrill.sele@llb.li

Agenda

Date	Time	Event
14 March 2017	7.00 a.m.	Publishing of 2016 business result at www.llb.li ; release of online Annual Report 2016 at ar2016.llb.li
	10.30 a.m.	Financial reporting and analyst conference
15 March 2017		2016 business result advertisement in the "Liechtensteiner Vaterland" and the "Liechtensteiner Volksblatt"
11 April 2017		Publication of printed Annual Report 2016
12 May 2017	6.00 p.m.	General Meeting of Shareholders
16 May 2017		Ex-dividend date
17 May 2017		Dividend record date
18 May 2017		Dividend payment date
24 August 2017	7.00 a.m.	Publishing of interim financial statement 2017; publication of printed interim financial statement 2017 and release of online interim financial statement 2017 at www.llb.li
	10.30 a.m.	Conference Call
25 August 2017		2017 interim financial result advertisement in the "Liechtensteiner Vaterland" and the "Liechtensteiner Volksblatt"

10 Important changes since the balance sheet date

- At the 25th General Meeting of Shareholders on 12 May 2017, Hans-Werner Gassner will step down from the Board of Directors due to the legal limitation on terms of office. It is proposed to the General Meeting that Georg Wohlwend be elected as his successor for three-year term of office. In addition, the Board of Directors proposes that the Board members Gabriela Nagel-Jungo and Urs Leinhäuser be re-elected for a further three-year term of office. Gabriela Nagel-Jungo and Urs Leinhäuser have been members of the Board of Directors since 2014.
- The Board of Directors proposes to the 25th General Meeting of Shareholders on 12 May 2017 that the bearer shares be converted into registered 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 its 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 elements of the compensation, the responsibilities and methods of determining compensation. The compensation paid during the 2016 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 2016). The Group regulation is based on: the current version of the Ordinance on Banks and Securities Firms (Banking Ordinance) of 22 February 1994, in particular Appendix 4.4; EU Directive 2013 / 36 / EU (CRD IV) of 26 June 2013; Ordinance No. 575 / 2013 (CRR) of 26 June 2013; Delegated Ordinance No. 527 / 2014 of 12 March 2014; and Delegated Ordinance 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 2016). 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 always 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 business 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 also 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. 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. The exact alignment of the comparable group according to the course of the TSR allows external market shocks to be calculated 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.

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, we also stand by our employees in difficult times.

These approaches should ensure an 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 66 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 financial 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

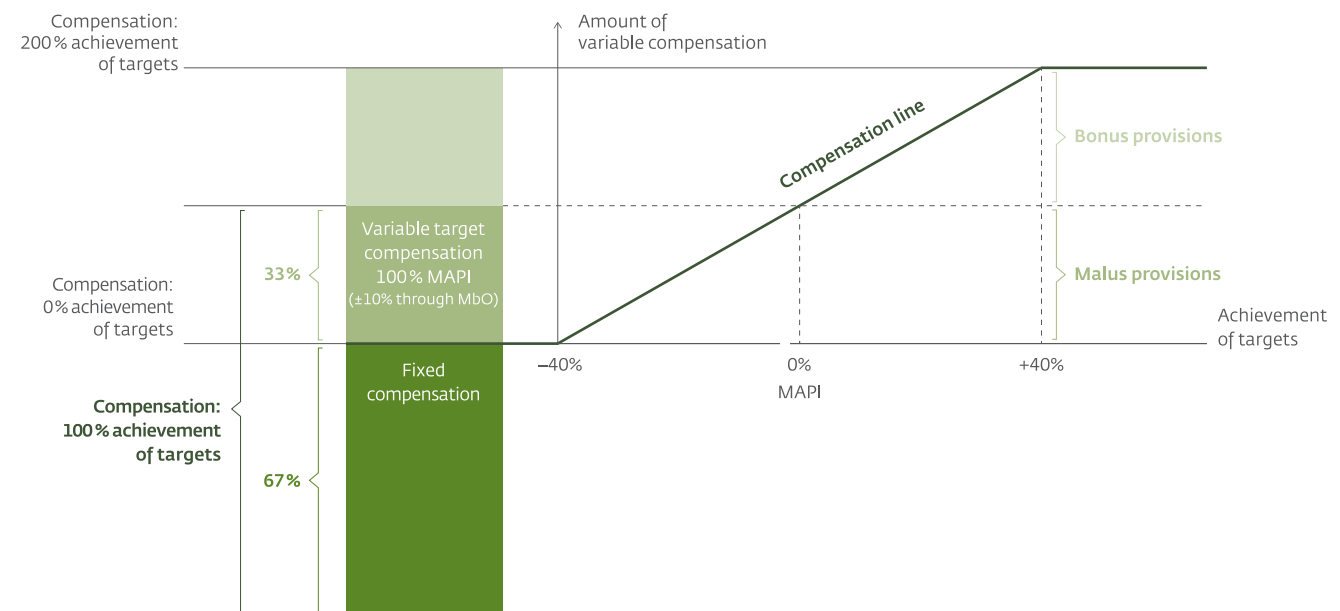
target compensation (33%). The target compensation corresponds to the compensation attributable to the member of the Group Executive Board if the targets are 100 percent attained.

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 was determined on the basis of a compensation comparison carried out by the Towers Watson company in 2016. This comparison comprises between 5 and 13 comparable banks and between 7 and 23 comparable positions per function represented in 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 28 banks. Its composition is discussed and evaluated annually by the Group Nomination & Compensation Committee. The Board of Directors can adjust the variable compensation, based on the individual performance within the framework of the

Compensation model: Group Executive Board



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 28 banks in the peer group:

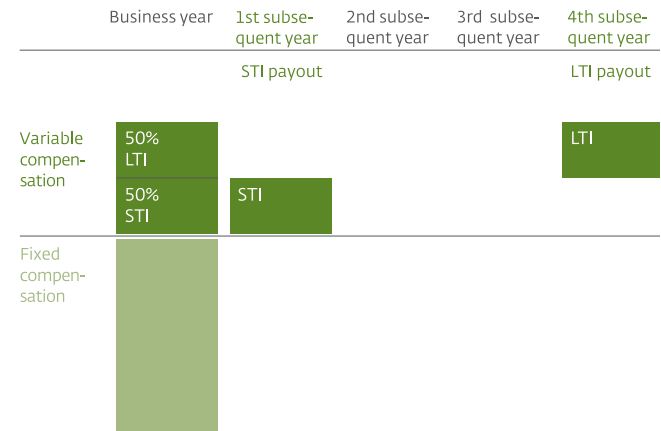
Liechtenstein	1
Switzerland	12
Austria	2
Germany	1
France	4
Italy	4
United Kingdom	1
UAE	3

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 zero 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 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 financial 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 Board of Management 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 75 – 79) 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 as a whole approves the principles and regulations governing compensation and specifies 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 2016

For the 2016 business year, the members of the Board of Directors received a fixed compensation of CHF thousands 934. Contributions to benefit plans and other social contributions amounted to CHF thousands 107. The fixed compensation was paid in cash (CHF thousands 764) 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 decreased by CHF thousands 3 or 0.3 percent. The reduction in the compensation of the members of the Board of Directors was due to lower contributions to benefit plans and other social contributions.

For the 2016 business year, the members of the Group Executive Board received a fixed compensation of CHF thousands 3,120 and a variable compensation of CHF thousands 2,262. Contributions to benefit plans and other social contributions amounted to CHF thousands 1,020. 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 2016 (CHF 40.26). The variable compensation for the members of the Group Executive Board was, on average, approximately 72.5 percent of the fixed compensation or 35.3 percent of total compensation.

The total compensation of the members of the Group Executive Board in 2016 increased by CHF thousands 1,284 or 25.1 percent. This increase was the result of the higher variable compensation. The MAPI was plus 22.5 percent, which corresponds to an attainment of targets of 156.2 percent.

The total compensation of the members of the Board of Directors and the members of the Group Executive Board for the 2016 business year is reported on an accrual basis. The variable compensation was charged to the 2016 income statement. Payment of the STI to the members of the Group Executive Board will be made in the first quarter of 2017. 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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Members of the Board of Directors												
Hans-Werner Gassner, Chairman **	300	300	0	0	73	74	0	0	40	40	413	414
Markus Foser, Vice Chairman	119	119	0	0	9	9	0	0	30	30	158	158
Markus Büchel, Member	64	64	0	0	5	5	0	0	20	20	89	89
Patrizia Holenstein, Member	74	74	0	0	6	6	0	0	20	20	100	100
Urs Leinhäuser, Member	74	74	0	0	4	6	0	0	20	20	98	100
Gabriela Nagel-Jungo, Member	63	63	0	0	5	5	0	0	20	20	88	88
Roland Oehri, Member	70	70	0	0	5	5	0	0	20	20	95	95
Total	764	764	0	0	107	110	0	0	170	170	1'041	1'044
Members of the Board of Management ***												
Roland Matt, Group CEO	637	637	182	87	189	183			182	87	1'190	994
Other members of the Board of Management ****	2'483	2'497	949	394	831	839			949	394	5'212	4'124
Total	3'120	3'134	1'131	481	1'020	1'022	0	0	1'131	481	6'402	5'118

° Fixed compensation fee, meeting allowances.

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

*** 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	
	31.12.2016	31.12.2015
Members of the Board of Directors		
Hans-Werner Gassner, Chairman	2'729	2'729
Markus Foser, Vice Chairman	160	160
Markus Büchel, Member	0	0
Patrizia Hostenstein, Member	0	0
Urs Leinhäuser, Member	250	250
Gabriela Nagel-Jungo, Member	235	235
Roland Oehri, Member	400	400
Total	3'774	3'774
Members of the Board of Management		
Roland Matt, Group CEO	10'707	8'013
Urs Müller, Vice Group CEO	11'370	9'151
Gabriel Brenna	4'079	3'157
Heinz Knecht (until 30 June 2016)	0	2'347
Natalie Epp (since 1 July 2016)	50	0
Kurt Mäder	5'041	2'894
Christoph Reich	3'228	1'499
Total	34'475	27'061
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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Members of the Board of Directors						
Hans-Werner Gassner, Chairman	0	0	0	0	0	0
Markus Foser, Vice Chairman	1'000	300	0	0	1'000	300
Markus Büchel, Member	1'291	1'294	0	0	1'291	1'294
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	1'425	1'580	0	0	1'425	1'580
Total	4'116	3'574	0	0	4'116	3'574
Members of the Board of Management						
Roland Matt, Group CEO	1'005	1'255	0	0	1'005	1'255
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	4'065	0	0	3'815	4'065

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

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

At 31 December 2016, the maturities of the fixed mortgages for the members of the Board of Directors and related parties ranged between 13 and 107 months (previous year: between 11 and 119 months) at standard market client interest rates of 0.95 to 1.65 percent p.a. (previous year: 1.10 to 1.60%). At 31 December 2016, the maturities of the fixed mortgages for the members of the Board of Management ranged between 22 and 102 months (previous year: between 1 and 114 months) at interest rates of 0.4 to 1.88 percent p.a. (previous year: 1.05 to 2.88%).

Of the total amount for mortgages for the members of the Board of Management, CHF thousands 1,000 (previous year: CHF thousands 750) was granted at the preferential interest rate for staff, the remainder was subject to the standard market client interest rate.

The fair value of cover of new loans granted amounted to CHF thousands 1,577 (previous year: CHF thousands 1,577).

No allowances for loans 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 0).

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.