

The LLB share

The performance of the LLB share in 2018 shows: investors appreciate the clear strategy of the SIX Swiss Exchange listed company. With a total return of over 33 per cent, the LLB share was the top performer among the bank stocks listed in Switzerland. LLB investors profit once again from an increased dividend and an attractive dividend yield.

Market capitalisation

The LLB share has been listed on the SIX Swiss Exchange since 1993 and assigned to the "International Reporting Standard" segment. Since the conversion of the bearer shares into registered shares at a ratio of 1:1 was completed in May 2017, the share has been listed under the symbol LLBN (security number: 35514757). In 2018, a total of 3'798'819 LLB shares (2017: 2'306'474) were traded on the SIX Swiss Exchange, corresponding to 12.3 per cent (2017: 7.5 %) of total shares issued. With 30.8 million registered shares issued, the market capitalisation of Liechtensteinische Landesbank AG stood at CHF 1'977.36 million (2017: CHF 1'529.2 million) as at 31 December 2018. The increase in market capitalisation led in November 2018 to the inclusion of the LLB share within the MSCI World Small Cap Index.

Shareholder structure

The Principality of Liechtenstein's holding of 17.7 million LLB shares (57.5 % of the share capital) remained unchanged in 2018 compared to the previous year. In 2011, the Liechtenstein Government, as the representative of the majority shareholder, adopted the ownership strategy it has been pursuing in regards to the Principality's equity stake in Liechtensteinische Landesbank AG (www.llb.li/en/investors/llb-share). It thereby explicitly supports the stock exchange listing of LLB and retains a majority stake of at least 51 per cent.

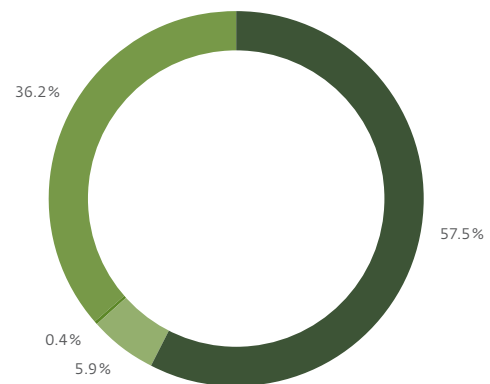
5.9 per cent of the shares were owned by the Haselsteiner Familien-Privatstiftung and the grosso Holding Gesellschaft mbH, both of which are domiciled in Austria, as at 31 December 2018 (see chapter "Corporate Center", page 77).

LLB held 0.4 per cent (2017: 6.2 %) of its own shares as at the end of the reporting year. On 24 August 2018, LLB launched a public share buy-back programme for the purpose of acquiring a maximum of 400'000 of its own registered shares via the ordinary trading line on the SWX Swiss Exchange. As at 31 December 2018, it had repurchased 116'500 shares. The programme will run up to 31 December 2020.

The remaining registered shares were in free float, whereby none of the other shareholders held more than 3 per cent of the share capital.

Overall 89.5 per cent of the 30.8 million total registered shares were entered in the share register as at the end of the reporting year. 10.5 per cent, or 3'230'017 shares, were not registered.

Shareholder structure in per cent



- Principality of Liechtenstein
- The shareholders group consisting of the Haselsteiner Familien-Privatstiftung (private family foundation) and grosso Holding Gesellschaft mbH (holding company).
- LLB
- Free float

Share price performance

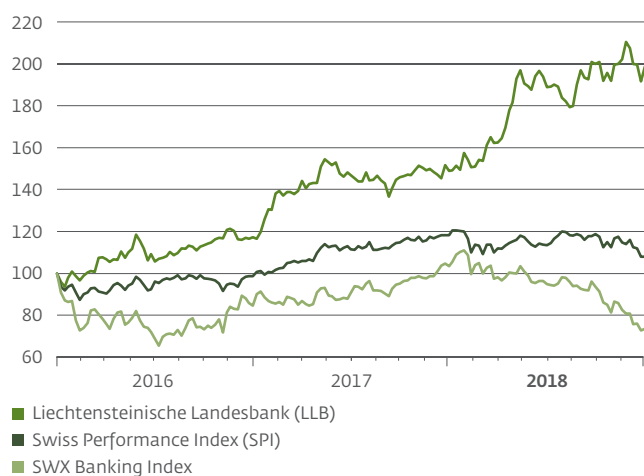
The LLB share held up very well despite persistently low interest rates and global market uncertainties. Its price increased by 29.3 per cent to CHF 64.20 as at 31 December 2018. The total return on the LLB share stood at 33.4 per cent (including re-invested dividends). This is its highest level in five years. The LLB share thus outperformed all of the banks listed in the SWX Banks Index. The Swiss SWX Banks Index lost 28.8 per cent in the reporting year.

With its above-average performance, the LLB share also ranked among the top performers in the Swiss Performance Index.

The Swiss Performance Index (SPI), which includes almost all Swiss listed stock corporations, lost 8.6 per cent in 2018 compared to the previous year.

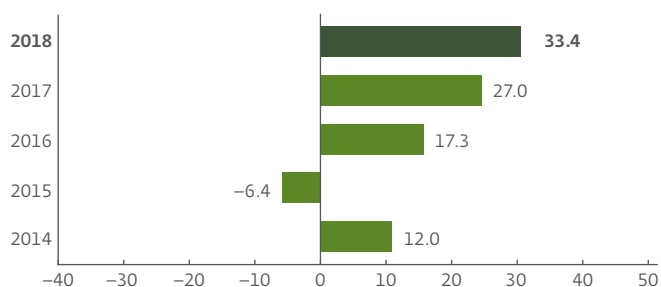
Comparison of LLB share

Indexed from 1 January 2016



Total return on the LLB share

2014 – 2018, in per cent



Dividend policy

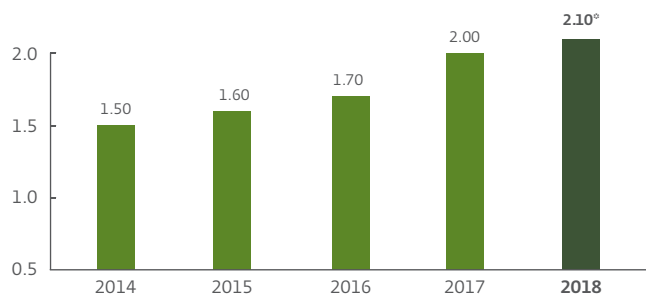
Liechtensteinische Landesbank pursues an attractive, long-term-oriented dividend policy for the benefit of its shareholders. Furthermore, under the StepUp2020 strategy, the LLB Group is committed to safeguarding its financial security and stability. It intends to keep risk-bearing capital at a Tier 1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

The Board of Directors will propose a 5 per cent higher dividend of CHF 2.10 per share (2017: CHF 2.00) at the 27th Ordinary General Meeting of Shareholders on 3 May 2019. Based on the share price as at

the end of 2018, this corresponds to a dividend yield of 3.3 per cent. Total dividends to be paid out amount to CHF 64.4 million (2017: CHF 57.8 million). This represents a payout ratio of 75.5 per cent for 2018 (2017: 51.9%).

Dividend per share

2014 – 2018, in CHF



* Proposal of the Board of Directors to the General Meeting of Shareholders on 3 May 2019

Analysts' recommendations

Early in 2018, the analysts determined that the LLB share had upside potential. Javier Lodeiro, the Zürcher Kantonalbank analyst responsible for monitoring the LLB share, upgraded the stock to "overweight". He judged the acquisition of Semper Constantia Privatbank AG to be a "sensible step in the right direction". In September, the analyst attested that LLB had "fundamentally taken several steps forward" and left his rating unchanged at "overweight". At the end of December, the research team at Zürcher Kantonalbank included the share of Liechtensteinische Landesbank in its list of the top five favourites for 2019 in the small and mid-cap category, citing LLB's strong competitive position in Liechtenstein and eastern Switzerland. The Semper acquisition has strengthened its presence in the Austrian market. LLB's solid balance sheet, moreover, allows it to buy additional banks: it has some CHF 400 million in surplus capital available for such acquisitions. LLB is also performing very well operationally, though financial investments burdened the results somewhat in the first half of the year, client business is, however, likely to continue to develop positively, in the analysts' view.

Research Partners AG has been covering the LLB share since the middle of 2016. In a report that came out in April, analyst Rainer Skierka viewed the acquisitions made by LLB as "strategically sensible in what is a consolidating market" and confirmed his buy recommendation. He raised the twelve-month price target significantly from CHF 56.20 to CHF 63.00. In his report published in June, the analyst lifted the price target further to CHF 72.00, arguing that: "We believe that, under StepUp2020, LLB remains on course, strategically and financially, to achieve the price target." The equity research from Research Partners AG is not freely available and must be purchased.

Communication with the capital market

The LLB Group publishes annual and interim financial results (see chapter "Brand and communication", page 52). This includes the annual financial reporting and analyst conference in Zurich as well as the conference call for analysts, investors and the media on the interim financial results, with the LLB Group's annual and interim reports, which we produce to a very high standard, forming the basis. In autumn 2018, the LLB Group's annual report finished in an impressive second place in the overall rating out of 230 companies in the Swiss Annual Report Rating. Also 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, such as the Investora Zurich, during the course of the year. In 2018, LLB was covered by analysts from Zürcher Kantonalbank and from Research Partners AG (see section "Analysts' recommendations", page 44).

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 our social media channels (Facebook, Twitter). We publish the annual and interim financial reports both in printed form and in a comprehensive online version with numerous additional functions. The Annual Report 2018 in German can be accessed online at gb2018.llb.li and in English at ar2018.llb.li.

The LLB share: facts and figures

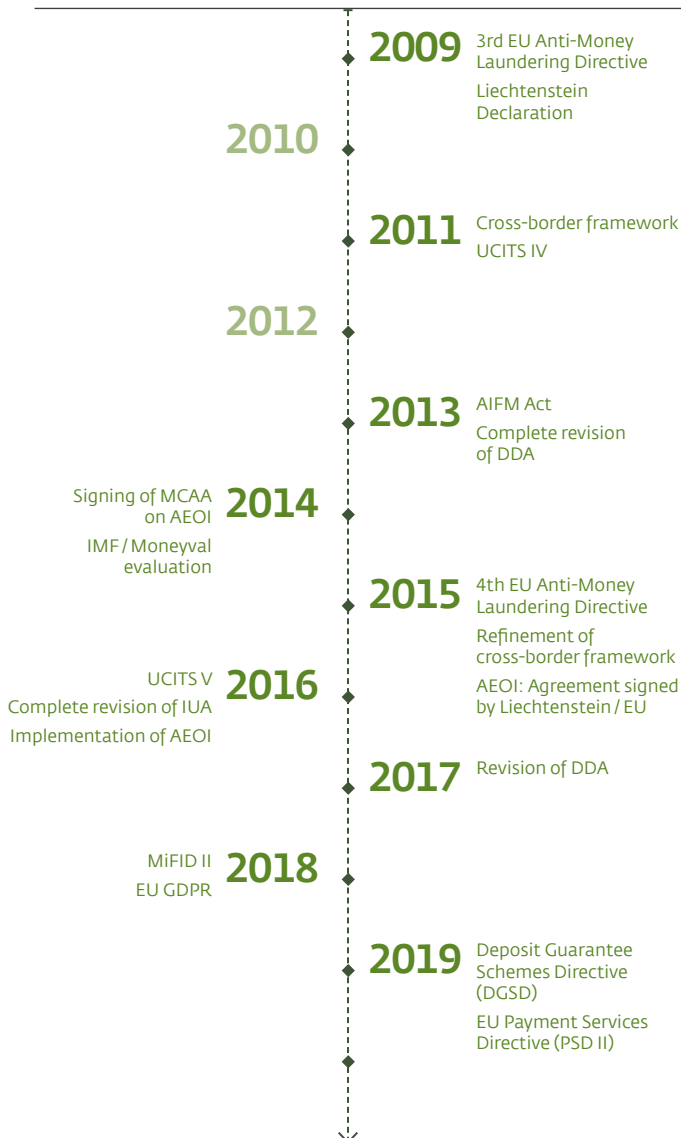
in CHF thousands	31.12.2018	31.12.2017
Total of registered shares issued (fully paid up)	30'800'000	30'800'000
Number of shares eligible for dividend	30'675'159	28'877'063
Free float (number of shares)	11'170'159	11'177'063
Free float (in per cent)	36.3	36.3
Year's high (3 December 2018 / 15 May 2017)	68.60	55.75
Year's low (5 January / 9 January 2017)	49.70	40.00
Year-end price	64.20	49.65
Total return LLB share (in per cent)	33.4	27.0
Performance SPI (in per cent)	-8.6	19.9
Performance SWX Banking Index (in per cent)	-28.8	22.1
Average trading volume (number of shares)	15'256	9'197
Market capitalization (in CHF billions)	1.98	1.53
Earnings per share attributable to the shareholders of LLB (in CHF)	2.62	3.66
Dividend per LLB share (in CHF)	* 2.10	2.00
Payout ratio (in per cent)	75.7	51.9
Dividend yield at year-end price (in per cent)	3.3	4.0
Return on equity attributable to the shareholders of LLB (in per cent)	4.3	6.1
Eligible capital per LLB share (in CHF)	50.8	54.5

* Proposal of the Board of Directors to the General Meeting of Shareholders on 3 May 2019.

Regulatory framework and developments

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

Implementation of regulatory frameworks 2009–2019



Financial centre strategy

Liechtenstein has decided to adopt a financial centre strategy that is based on client tax compliance. The Government Declaration of 14 November 2013 signalled the country's continued strong commitment towards its tax compliance strategy heralded by the Liechtenstein Declaration of 12 March 2009. Liechtenstein has also implemented 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). Furthermore, the banks and the Liechtenstein Bankers Association expressly and actively support the financial centre's tax compliance strategy.

In 2016, the Liechtenstein Bankers Association published its strategy for the Liechtenstein banking and financial centre entitled "Roadmap 2020" (<http://www.bankenverband.li>). The aim of the roadmap is to ensure the quality, stability and sustainability of the banking centre, to raise the profile of the financial centre through targeted public relations activities and to strengthen the reputation.

International tax topics

Disclosure of cross-border tax planning arrangements

According to the OECD, the lack of comprehensive and relevant disclosure about potentially aggressive or abusive tax planning strategies is one of the major challenges facing tax authorities. Hence, on 8 March 2018 the OECD published its Mandatory Disclosure Rules (MDR) for aggressive tax planning. They introduce, for instance, an obligation on fiduciaries, lawyers and banks to transparency about reporting avoidance arrangements.

In this context, the EU, with the amendment to the EU Mutual Assistance Directive (Directive 2011/16/EU – "DAC 6") which came into effect on 25 June 2018, has introduced a disclosure requirement for cross-border tax arrangements.

Automatic exchange of information (AEOI)

Liechtenstein was among the so-called early adopter countries that signed the multilateral agreement on the automatic exchange of information, the so-called Multilateral Competent Authority Agreement (MCAA), on 29 October 2014. To date, 108 countries and financial centres have signed up to the AEOI. On 22 August 2016, Liechtenstein took another important step towards the implementation of its financial centre and tax strategy. The Government deposited its instrument of ratification for the Council of Europe and OECD Convention on Mutual Administrative Assistance in Tax Matters (MAC) at the OECD in Paris.

FATCA

The Liechtenstein FATCA Law ensures that Liechtenstein's financial institutions can operate in the US capital market. On 16 May 2014, Liechtenstein and the USA hence concluded an agreement (Intergovernmental Agreement according to model 1) on the implementation of the Foreign Account Tax Compliance Act (FATCA). This US Act obliges financial institutions worldwide to identify their US clients and to disclose their assets and revenues to the Internal Revenue Service (IRS) of the United States. The information goes beyond the provisions of the Qualified Intermediary (QI) regime.

Access to the EU market

Thanks to its membership of the EEA, Liechtenstein has unrestricted access to the internal European market. The internationally oriented fund location benefits in particular from this. It has a legal basis that is focused on clients and investor protection. The 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 on 18 March 2016 of the EU's Directive on Undertakings for Collective Investment in Transferable Securities (UCITS V) into the Act on Certain Undertakings for Collective Investment in Transferable Securities (UCITS Act), traditional funds will be subject to uniform regulation Europe-wide. It places new requirements on custodian banks with regard to liability, control function, custody, independence and sanctions level.

AIFM

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

native investment fund managers and the alternative investment funds (AIFs) they manage vis-à-vis investors and the supervisory authorities.

IUA

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

Data protection

The ever more stringent legal requirements set clear guidelines for data protection. Data protection is central for the LLB Group. We are bound by the laws and the regulatory guidelines in Liechtenstein, Switzerland and Austria, as well as the specific requirements and circumstances in our target markets. In the reporting year, LLB registered no substantiated complaints regarding breaches of client privacy or losses of client data.

EU General Data Protection Regulation

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

The content of the regulation has brought about various significant changes: New is the "right to be forgotten", under which a person can have the data controller erase their data from the web. New is also the one-stop-shop mechanism, under which a person can notify directly the data protection authorities in their member state of any data breaches, regardless of where the breach occurred.

The regulation also provides in part for stricter regulations on key aspects of the data protection law: for instance, informing a person about the processing of their data, making contractual arrangements for the processing of data by third parties and transmitting personal data to third countries. LLB has established corresponding rules which are applicable throughout the Group and implemented the necessary organisational and technical adjustments in a timely manner.

Data Protection Act Liechtenstein/Switzerland

The complete revision of the Data Protection Act in Liechtenstein entered into force on 1 January 2019. The adaptation of the Swiss Data Protection Act to the new EU regulation is still in progress. Entry into force is not expected before 2020.

Protection against money laundering

The fight against money laundering and terrorist financing has been a top priority for years for Liechtenstein, which has a zero-tolerance policy towards such matters. As a member of the EEA, Liechtenstein implemented in 2017 the 4th EU Anti-Money Laundering Directive 2015 / 849 as well as Regulation 2015 / 847 on information accompanying transfers of funds. The relevant implementing provisions are found especially in the Law on Professional Due Diligence to Combat Money Laundering, Organised Crime, and Terrorist Financing (Due Diligence Act; DDA) of 1 September 2017 and in the corresponding Ordinance (Due Diligence Ordinance; DDO). With the entry into force of the act on the establishment of a register of beneficial owners of domestic legal entities in April 2019, Liechtenstein will have fully implemented the 4th EU Anti-Money Laundering Directive.

Compliance with international standards

The Financial Intelligence Unit (FIU) serves as the country's central authority for obtaining and analysing information that is necessary to recognise money laundering, predicate offences for money laundering, organised crime and terrorist financing. It represents Liechtenstein in the Committee of Experts on anti-money laundering and terrorist financing in the EU. The current version of the FIU Law of 1 September 2017 and the adaptations made to the Due Diligence Act ensure Liechtenstein is fully legally compliant with the international standard.

In 2002, 2007 and 2013/2014, the International Monetary Fund (IMF) and Moneyval (the Council of Europe's Committee of Experts) assessed to what extent the Liechtenstein provisions on anti-money laundering and combating the financing of terrorism meet the standards laid down by the Financial Action Task Force (FATF 40+9 Recommendations). In their last report, the IMF and Moneyval attested positively to Liechtenstein's standards in combating money laundering and financing of terrorism. The next country assessment for Liechtenstein started already in 2018 and is due to be completed in 2020. The measures will be assessed to check they are risk-based and effective.

Deposit guarantee schemes and investor compensation

Bank Recovery and Resolution Directive

With the entry into force of the Recovery and Resolution Act (RRA) at the beginning of 2017, Liechtenstein has significantly improved its financial stability, in that a statutory mechanism is now available to counteract the "too big to fail" risk of large, systemically important banks in a crisis. The EEA country has thus transposed the Directive 2014 / 59 / EU on the recovery and resolution of financial institutions (the Bank Recovery and Resolution Directive (BRRD)) into national law. The RRA designates the Liechtenstein Financial Market Authority (FMA) as the resolution authority. For this function the FMA created a separate organisational unit within its organisational structure on 1

January 2017. This authority's primary objectives are to avoid significant adverse effects on the stability of the Liechtenstein financial market and to protect client funds and client assets.

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

Deposit Guarantee Schemes Directive (DGSD)

The DGSD requires EEA member states to recognise at least one national guarantee scheme that is responsible for the implementation of the deposit guarantee scheme at banks. All banks must belong to a deposit guarantee scheme which is supervised by the competent national authorities; this function should remain with the FMA. The new Deposit Guarantee and Investor Compensation Act (DGICA) is expected to enter into force in the first half of 2019. It provides for broadened and clarified scope of coverage for deposits, faster repayment periods, improved information and more robust funding requirements. The aim is to strengthen depositor confidence in the financial system. Among other significant changes introduced by the DGICA are the gradual changeover from a pure ex-post funded deposit guarantee system to a system where the assets to finance compensation cases are accumulated ex-ante through the contributions of the banks, as well as much faster repayment periods in the event of a deposit compensation case.

In the event of a compensation case, the Deposit Guarantee and Investor Compensation Foundation PCC (EAS) that has been established would ensure that the financial consequences for depositors and investors are at least mitigated by covering depositor and investor claims by up to a maximum of CHF 100'000. Deposits are all kinds of account balances as well as call money and time deposits.

Consumer protection

MiFID II / Liechtenstein

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

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

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

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

FinSA / Switzerland

Switzerland intends to conceptually reshape the guiding principles of its financial centre in order to transpose investor protection issues arising from MiFID II, in particular, into national law. The ordinances from the Swiss Financial Market Supervisory Authority (FINMA) are expected for autumn 2019: the Financial Services Ordinance (FinSO) and the Financial Institutions Ordinance (FinIO). The acts and ordinances enter into force on 1 January 2020, whereby different transition periods apply.

The Financial Services Act (FinSA) and the Financial Institutions Act (FinIA) create a level playing field for financial intermediaries and improve client protection in Switzerland. The FinSA contains rules of conduct towards clients that Swiss financial service providers must comply with. It also provides for prospectus requirements and requires a basic information sheet for financial instruments that is easy to understand. The FinIA essentially standardises the authorisation rules for financial service providers in Switzerland.

New rules of the game in the EU payment systems market

For LLB, the harmonisation and the digitalisation of the European payment systems market are important topics. As an EEA country, Liechtenstein will adopt the second EU Payment Services Directive (PSD II) in 2019. The new regulations take into account the increased requirements for data protection and the security of electronic payments. In addition, the transparency for clients is to be increased, thereby strengthening consumer protection. The PSD II allows market access to new payment service providers such as fintechs, thereby increasing competition and innovation. The directive now requires banks to grant third parties access to a client's accounts if the client so wishes. There would be no need to have any direct interaction with the bank where the account is held. LLB plans to make the adjustments required to implement the PSD II in 2019.

EU Mortgage Credit Directive

The Directive 2014 / 17 / EU on credit agreements for consumers relating to residential immovable property has been in force in the EU member states since 20 March 2014. As a member of the EEA, Liechtenstein is obliged to transpose this directive into national law. With the corresponding legislative process underway, it is expected to come into force in January 2020. The directive serves to protect consumers taking out loans to buy residential property. Under the directive, the banks are subject to various obligations when granting a loan. These include, in particular, (pre-)contractual information requirements, creditworthiness assessment requirements and qualification requirements for bank employees involved in granting loans.

LLB will implement the law in a timely manner. In 2019, the specialist departments and marketing and distribution units will incorporate the new provisions into the relevant processes. The advisory process, in particular, will be adjusted due to legal requirements.

Capital adequacy requirements

Basel III

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

Liechtenstein, as a member of the EEA, implemented the Basel III standard with the enactment of the Capital Requirements Regulation (CRR) and the accompanying Capital Requirements Directive (CRD IV) on 1 February 2015. The CRD IV package ensures banks hold quantitatively and, in particular, qualitatively better capital. The primary goal of the measures is to foster the resilience of the EEA banking sector towards destabilising economic shocks.

Brand and communication

A company has to earn trust and a good reputation. Transparent communication and a clear brand image are central to this. To this end, LLB is in constant dialogue with its various stakeholder groups through different channels.

Brand strategy

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

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

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

Brand components

The brand components comprise two elements – 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. 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 partnership. The common vision and the binding guiding principles of the LLB Group are expressed in

the brand. The key elements of the StepUp2020 strategy incorporate the brand values.

Brand positioning

The "Liechtensteinische Landesbank" and "Bank Linth" brands have an identical system of values. At the centre are the four key elements of the StepUp2020 strategy: growth, profitability, innovation and excellence (see chapter "Strategy and organisation", page 11). The strategy is reflected in the vision and guiding principles of the Group and in the strategic positioning of the two brands. At the same time, they are clearly positioned with their own promise. For LLB, this is "Tradition meets innovation" and for Bank Linth, "Simply. More. Value."



Tradition trifft Innovation.

Liechtensteinische Landesbank is the oldest financial institution in Liechtenstein. The claim "Tradition meets innovation" encapsulates what distinguishes it: LLB is committed to a concept of banking that is based on security and stability, while still being target-oriented and dynamic. It 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.



Einfach. Mehr. Wert.

Bank Linth launched its new claim "Simply. More. Value." in September 2018. "Simply" stands for the promise to provide financial services that are easy to access and uncomplicated to use – and builds strongly on the previous claim, "Truly simple". "More" refers to the claim to exceed

the expectations of clients and partners at all times. And “Value” signifies Bank Linth’s mission to prudently increase the professional and individual scope of its clients.

Brand management

The brand management of the LLB Group is based on the corporate strategy and aims to further increase brand recognition and firmly anchor the brand values. Concrete communication measures are determined annually during the planning process.

Image campaigns

Following the merger with Semper Constantia Privatbank AG, a new image campaign for LLB Österreich was launched on 1 October 2018 with the claim “Tradition meets innovation”. Four subjects reflect the key messages: “security and stability”, “innovation and flexibility”, “competence and vision” as well as “education and values”. The campaign is designed to serve as the basis for the positioning of the entire LLB Group and will be rolled out in the markets of Liechtenstein and Switzerland, too, in the first half of 2019.

In addition, in Liechtenstein with the “From Liechtenstein, for Liechtenstein” campaign we highlight our heritage, our connection to the country and our proximity to its people. We underline that Liechtensteinische Landesbank has served as the bank for the country, the people and the economy of Liechtenstein for more than 150 years and that its deep roots can be seen, among other things, in its broad commitment to culture, sport and society (see chapter “Responsibilities for society and the environment”, pages 59 and 60).

The brand image measures that Bank Linth also initiated in autumn 2018 are intended to translate the new claim in a way that is memorable and appropriate to the target group and thus strengthens spontaneous brand recognition. Using simple subjects and compelling slogans, they communicate what clients and employees can expect from the bank and convey the brand values in an appealing and authentic way.

Brand experience

A brand is successful when it stirs emotions. For implementing the brand experience, it is very important to us, therefore, to understand and meet the expectations of our clients. And this we can do by systematically surveying our clients and obtaining feedback from them. In the first quarter of 2019, we will further sharpen our brand profile. We are refurbishing the branch office in Balzers, which is due to open in spring 2019, with these aspects in mind. The client’s experience is placed centre stage and an emotional value proposition that creates proximity to the client is defined. Clients are appealed to through all of their senses. We create an experience with our bank products. The guiding principle behind the LLB Group brand experience is: “One idea closer”.

Brand study

Knowing the values our clients hold is the basis of our brand management. We conduct a client survey every two years. Our brand study from 2018 shows the three main characteristics ascribed to LLB:

- LLB stands for proximity to the people, security and trust.
- LLB is perceived as a leading asset management partner.
- LLB is seen as a traditional, competent and stable bank.

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

Employer branding

As a universal bank, we stand for a greater level of job diversity and a wider range of subject areas. As an employer, we are committed to a human and value-oriented corporate culture that is characterised by partnership-based cooperation. Our employer branding concept underlines the attractive working conditions. We position ourselves in job advertisements in print and online as well as in HR image ads with the claim “Banking as it is meant to be: friendly and professional” (see chapter “Employees”, pages 64 – 69).

“youli”: Brand for the young generation

LLB and Bank Linth address 15 to 30 year olds directly with the “youli” label. We engage them with an internet site and an own social media presence tailored to the target group. We have attractive offers, create experiences with join-in activities and also offer tips and advice. With the “youli” youth range and the corresponding member card, young people benefit from various special conditions.

Public relations work

For the LLB Group, communication is a central management function that contributes significantly to the realisation of the corporate strategy and the attainment of corporate objectives. It is integrated in the strategic processes and operational management as well as in the decision-making processes. The LLB Group can use communicative means to systematically manage the reputation of the company, services/products and also the management as well as to meet the expectations of the various stakeholder groups. The stakeholder groups are in particular:

- **Clients:** Their needs are uppermost at every point of contact. Our client advisers record the needs and the satisfaction of private and corporate clients. We address them in a targeted way through our client service as well as more broadly through our marketing communication and our websites.
- **Principality of Liechtenstein:** The Principality of Liechtenstein is our majority shareholder. We are therefore obliged to inform the Government regularly about our business performance, (see

section "Public affairs", page 52, and chapter "Corporate governance", page 99).

- **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 section "Investor relations" and chapter "Corporate governance", page 52).
- **The public:** All our branding and communication measures are high-profile. A key trust-building element in this regard is an intensive exchange with media representatives (see sections "Public relations" and "Media relations").
- **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 46, "Institutional Clients", page 35, and "Responsibilities for society and the environment", page 56).
- **Employees:** We reach our employees over our intranet, which is continuously updated with the latest information and offers, and through our staff magazine. There are also various events for employees where they have the opportunity to personally meet and discuss with members of the Group Executive Board (see chapter "Employees", page 64).

Public relations

We come into contact with the wider public through various channels. With regular market commentaries and reports in local print media, we prove our expertise in financial matters. As the organiser or sponsor of various events, we strengthen contacts with the local people. At the LIHGA, Liechtenstein's regional trade fair, we offer join-in activities and giveaways to existing and potential new clients (see chapter "Responsibilities for society and the environment", pages 60–63). In 2018, we launched the prestigious LLB SME Award.

We also reach a wider section of the population through our social media channels: via Facebook and Twitter, we engage with all stakeholder groups. We strengthen our employer profile using the XING and LinkedIn networks.

Investor relations

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 the implementation of our 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 represents the fair value of the company (see chapter "The LLB share", page 45).

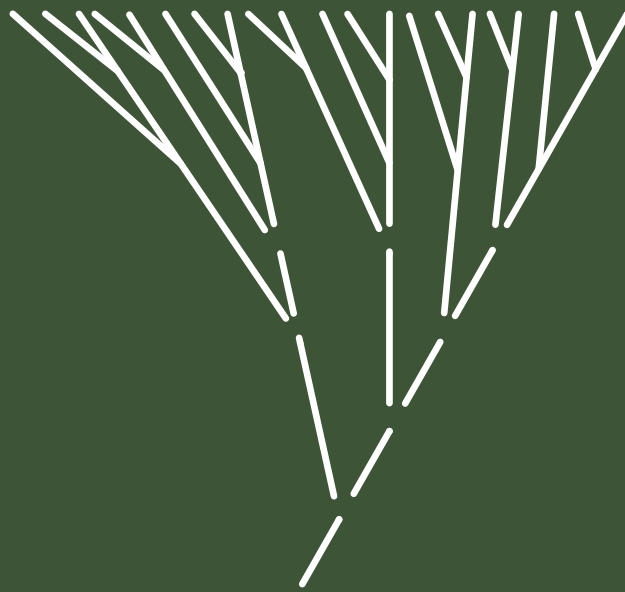
Media relations

Irrespective of the ad hoc information and the annual media and analyst conference, we maintain a dialogue with the regional media and business journalists in our market regions. We make every effort to answer their questions in a transparent and timely manner. Once a year, we invite regional media representatives to lunch in Liechtenstein where we inform them about ongoing projects and new developments. In 2018, exponents of LLB gave numerous interviews and answered various enquiries. LLB was the subject of almost 1'000 media articles. The focus was on the acquisitions and integration steps of LLB Swiss Investment in Zurich and LLB Österreich in Vienna, as well as various awards received by LLB. Media relations for LLB Österreich were strengthened as part of the integration. For Bank Linth, which is also listed on the SIX Swiss Exchange, besides ad hoc communication, the main focus was on the ongoing refurbishments, the opening of branch offices as well as the positioning of the brand.

Public affairs

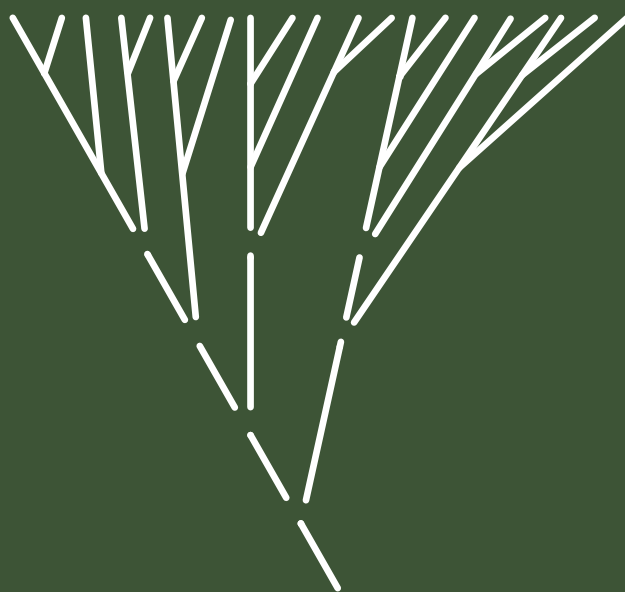
LLB is in regular contact with opinion leaders and selected representatives from the world of politics and economics. Because only by constantly seeking dialogue with different decision makers, are we able to voice our opinion and be heard. We are a member, too, of the key industry associations and organisations such as the Liechtenstein Chamber of Commerce and Industry and the Bankers Association (see chapter "Institutional Clients", page 35). We also exchange views with the Liechtenstein Financial Market Authority (FMA) on a regular basis.

LLB is obliged to report to its majority shareholder, the Principality of Liechtenstein. The Chairman of the Board of Directors of the LLB Group and the Group CEO meet the Head of the Government of Liechtenstein twice a year to report on the course of business. Once a year, the Board of Directors and the Group Executive Board exchange views with the entire Government (see chapter "Corporate governance", page 99).



What makes banking
contemporary?

In communicating at all levels
lies the power.



In Dialogue: online as well as offline



Tobias
Schlömer
Head of Group Multi
Channel Management

In the banking of the future, the intelligent combination of technology, empathy and knowledge will make the difference. Clients will decide themselves when, how and where they contact their bank. The

LLB Group is responding to this with a coordinated interplay of the various communication channels. The bank branches represent the bridge between online and offline services. Multi-media self-service will be the standard, but with key questions, people will want answers from other people.

Video statement at:
ar2018.llb.li/online-offline



"The structural design of the cow parsley plant repeats itself in the smallest and largest details. The self-similarity of the branches corresponds to the golden ratio. If one focuses on the cluster of flowers, one sees the overall shape of the plant."

Responsibilities for society and the environment

Awareness of the need to act responsibly is deeply rooted in the LLB Group. We recognise our social responsibility towards employees, business partners, our clients and society, and are committed to protecting the environment.

Performance mandate and sustainability

The Principality of Liechtenstein is the majority shareholder in LLB with 57.5 per cent of the share capital. Sustainable business management is part of the performance mandate and the principles governing the corporate strategy of Liechtensteinische Landesbank. LLB carries out this mandate first and foremost by offering a broad portfolio of products and services. 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 Article 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.

In dialogue with stakeholder groups

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

We are in regular dialogue – personally, by electronic media, or at information meetings, working sessions, roadshows or conferences – with the different stakeholders who affect the course of our business and over whom we have influence (see chapters “Brand and communication”, page 52, and “Employees”, page 65).

The stakeholder groups are in particular:

- Clients
- Principality of Liechtenstein
- Shareholders
- The public
- Partners and non-governmental organisations (NGOs)
- Employees

Non-financial reporting

The annual report of the LLB Group has contained an integrated stakeholders report since 2015. This report has been prepared in accordance with the GRI Standards: “Core” option. By doing this, we are highlighting our proactive focus on sustainability.

Since 2017, capital market-oriented corporations as well as large credit institutions and insurance companies that have more than 500 employees have been required by an EU directive to disclose information about their Corporate Social Responsibility (CSR) performance in their annual report. With the resulting amendment of the Persons and Companies Act (PGR), Liechtenstein, as an EEA country, has thus introduced for the first time reporting regulations on certain sustainability topics such as environmental, employee and social matters, as well as respect for human rights, anti-corruption and bribery matters.

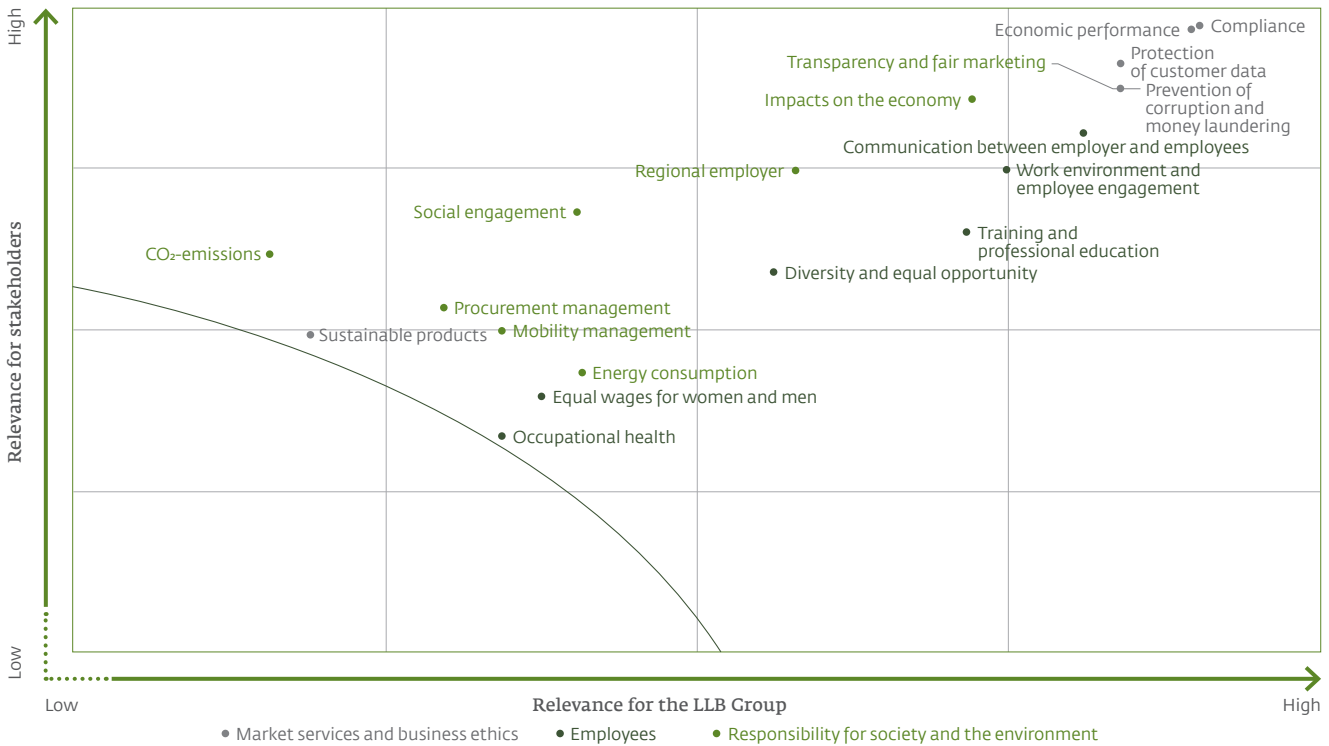
LLB met these EEA requirements a year before the law actually came into force in Liechtenstein. At the end of 2014, we compiled a set of about 25 sustainability topics. In 2015, in accordance with the requirements of the Global Reporting Initiative (GRI G4), we established, reviewed and evaluated a list of material aspects and indicators. LLB developed this further by defining strategic priorities, as shown in the materiality matrix (see matrix on page 57). In 2018, we refined the process of identifying and managing sustainability topics and updated the management approaches that form the basis of the materiality matrix.

Value-based action

The values of “integrity”, “respectfulness”, “excellence” and “pioneering” (see chapter “Strategy and organisation”, page 12) underpin the LLB Group's actions. Our internal Code of Conduct provides a guiding framework for the value-based and responsible actions of all employees (see chapter “Employees”, page 64). 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 25; “Corporate Center”, pages 40 and 41). 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.

This page contains, inter alia, the following GRI disclosures (2016 version): 102-40, 102-42, and 102-43. A list of all disclosures shown in the report can be found in the GRI Content Index on page 111.

Materiality matrix for sustainability topics



Risk management

Effective risk management, that means permanent and systematic monitoring to minimise risk, contributes decisively to responsible and transparent corporate governance (see chapter "Finance and risk management", page 15 – 17). By specifying a future-oriented risk strategy, the Board of Directors establishes the guidelines for dealing with risks. In addition, it continues to develop corporate governance on an ongoing basis (see chapter "Corporate governance", page 76).

The applicable laws, directives, guidelines and market standards as well as supervisory and internal regulations form an essential base. Group Legal & Compliance advises the business areas, identifies and analyses compliance risks, and ensures that all staff comply with the rules of conduct (see chapter "Finance and risk management", page 17).

Contribution to the sustainable development of Liechtenstein

The LLB Group is involved in different cultural, environmental and social areas (see section "Sponsoring", page 59) and thus in the sustainable development of a prosperous Liechtenstein. This forms the basis for the fulfilment of our performance mandate. Our core task is to promote Liechtenstein as a workplace. In doing so, we contribute to the prosperity of people (see chapter "Retail & Corporate Banking", page 24).

Economic performance

Financial stability

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

The financial services sector, accounting for around 25 per cent of GDP, is the most important sector in the Liechtenstein economy after industry. The banks are characterised by a high level of financial stability. Having a sufficiently high-quality equity base at its disposal is part of the LLB Group's identity. We meet the core capital ratio of 13 per cent required under Basel III regulations at the latest from 2019 onwards and have done so for many years (see chapter "Finance and risk management", page 16).

Economic contribution

The LLB Group bases its business policy on market principles and strives to generate a reasonable profit. The Principality of Liechtenstein and its population participate in profits through regular

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distributions. The economic contribution of the LLB Group – dividends, direct taxes and the compensation payment for the state guarantee – amounted to CHF 45.5 million in 2018 (2017: CHF 46.4 million). LLB receives no financial support for its banks or Group companies in Liechtenstein, Switzerland and Austria from any government.

LLB is the only bank in Liechtenstein which carries a state guarantee for savings account deposits and medium-term notes (cash bonds). This is regulated in the Law on the Liechtensteinische Landesbank of 21 October 1992. According to Article 5, the Principality of Liechtenstein is liable for savings account deposits at the Landesbank and for medium-term notes (cash bonds) of the Landesbank, insofar as the bank's own resources are not sufficient. For this additional security, from which our clients benefit, LLB makes a yearly compensation payment to the Principality. In 2018, this amounted to CHF 0.9 million (2017: CHF 1.1 million). The corresponding agreement on the state guarantee expires at the end of July 2020. The Landtag, Liechtenstein's Parliament, has decided, in agreement with the LLB management, not to renew it. The state guarantee is considered to be outdated and no longer corresponds to EEA requirements. As a bank of systemic importance, LLB is subject to particularly strict financial market regulation and high capital adequacy requirements. With the implementation of the Capital Requirements Directive (CRD IV) and the establishment of the Deposit Guarantee and Investor Compensation Foundation (EAS), Liechtenstein has a modern guarantee system, which guarantees an adequate equity base and protection of client deposits (see chapter "Regulatory framework and developments", page 48).

Sustainable products and services

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

Risk-conscious growth in the mortgage lending business

The development of the real estate and mortgage market plays a key role in the economy. In Liechtenstein, LLB has a leadership position in the mortgage lending business with a market share of around 50 per cent. Bank Linth is an important partner for the people and economy of eastern Switzerland. To achieve sustained, profitable growth, the LLB Group focuses in Liechtenstein and Switzerland on the quality of the mortgage portfolio and risk-conscious growth carefully tuned to suit the region and the type of property. In 2018, mortgages accounted for 86.5 per cent (2017: 87.4 %) of loans granted by the LLB Group, corresponding to CHF 11.1 billion (2017: CHF 10.6 billion).

Financial planning for private clients and businesses

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

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

LLB Pension Fund Foundation for Liechtenstein

An important element in integrated advisory and financial planning services for SMEs is occupational pension provision. With the LLB Pension Fund Foundation, we are the only bank in Liechtenstein able to offer clients an attractive pension fund solution and that since 2005. It has proved very popular: with a market share of around 40 per cent, the youngest pension fund in the Principality ranks as the number two among the collective foundations. It is therefore an essential pillar of the pension fund market in Liechtenstein. At the end of 2018, it had significantly increased pension fund assets under management to CHF 756 million (2017: CHF 732 million). It provided services to 450 (2017: 423) companies with 5'300 (2017: 5'360) active insured persons and had a liquidity ratio of 101 per cent (2017: 107 %). The LLB Pension Fund Foundation has a very good structural ratio: for each pensioner there are 15 active insured contributors (2017: 19 active insured contributors).

In order to be able to actively participate in shaping the legal framework, the LLB Pension Fund Foundation is represented on the Executive Board of the Liechtenstein Pension Scheme Association (LPKV) and is helping to develop the Liechtenstein pension fund market.

Sustainable investment

According to Liechtenstein's Environmental, Social and Governance (ESG) Market Report of November 2016, LLB is the market leader in the Principality based on the number of its funds. The funds are managed by LLB Asset Management AG, the LLB Group's investment competence centre. And this is done on the basis of the ESG rating of the individual investments in the funds; we obtain these ratings from MSCI ESG. ESG criteria are increasingly impacting the investment behaviour of both private and institutional investors.

Sustainable asset management

Our product range also includes "Sustainable asset management", developed by the Asset Management Business Area of the LLB Group. When constructing a portfolio, we only consider securities with a favourable ESG rating based on MSCI. Sectors such as tobacco, alcohol, nuclear energy and armaments can be excluded from the portfolio if a client so wishes.

Sponsoring

The importance of sponsorships and events within the LLB Group is steadily growing. The instrument enjoys a high level of acceptance among all the stakeholders and conveys credibility and affinity. The LLB Group always remains politically neutral in this regard and does not make financial or any other types of contributions to politicians or parties. With our sponsoring policy, we want to gain our stakeholders as brand ambassadors. Our involvement must suit, complement or strengthen the character of our brands and our values. We focus, therefore, on only a few effective long-term sponsorships that have a clear connection to the respective market region. In 2016, the LLB Group clearly reformulated its sponsoring strategy and defined the following principles:

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

LLB's commitments

The focus of our sponsoring commitments is on sports, culture and competence. In all these areas, we support various projects and organisations such as, for example, Stein-Egerta, which provides adult education, the Vaduz Film Festival and sporting events like the Städtlelauf (the Vaduz Town Run). Our long-term commitments include FC Vaduz, which we have been supporting as the main sponsor for fourteen years now. As such, this not only provides important impulses for top-level sport in Liechtenstein, but also does valuable work for grassroots and junior sport too. Bank Linth supports, among others, the Flumserberg mountain lifts, the Walensee Musical, Knie's Kinderzoo in Rapperswil, the Pfadi Winterthur (handball club) and the Win4 Ballsportarena in Winterthur.

To emphasise our strong links to the local economy, we launched the SME Award in 2018, which was presented at the LIHGA, Liechtenstein's regional trade fair. The "SME of the Year" received CHF 15'000 in prize money and the "Newcomer of the Year" benefited from coaching tailored to its needs. We managed to win over well-known regional

personalities from the world of economics and politics for the jury. The SME Award has been created in conjunction with the Liechtenstein Chamber of Commerce and will be presented every two years at the LIHGA.

LLB also organises events itself: In 2018, we 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 22nd year. What began in 1997 with a concert by the Big Band Liechtenstein has developed into a distinctive feature of the musical summer programme in Liechtenstein, and is a 'thank you' to the people.

Funding

By foregrounding project sponsorship as support, the LLB Group underscores the principle that each project retains its content and organisational independence. In 2018, Liechtensteinische Landesbank invested CHF 545'000 (2017: CHF 575'000) in projects in Liechtenstein, and Bank Linth invested CHF 398'000 (2017: CHF 398'000) in projects in Switzerland. This is quite apart from our Group's long tradition of making donations. In this way, LLB has supported non-profit and social organisations for more than thirty years; since 2011 it has done this through the "Zukunftsstiftung der Liechtensteinischen Landesbank AG" (the Future Foundation of Liechtensteinische Landesbank AG).

The non-profit Future Foundation

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

Trust, responsibility and reliability are important to the LLB Group. The company is closely connected to the people and the economy of Liechtenstein and the other home markets of the LLB Group. In addition to project-specific contributions amounting to CHF 69'000, the Future Foundation contributed to society by donating a total of CHF 79'500 to social organisations in 2018. 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 2018

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

Over the past seven years, the Future Foundation has made over 140 donations and contributions to around 50 projects, in all totalling over CHF 1'000'000.

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. In 2018, the Future Foundation supported the following projects:

- **pepperMINT:** The MINT Initiative Liechtenstein is a social foundation that offers children and young people the chance to experience and learn mathematics, computer science, natural science and technology in a fun way.
- **Trash Hero World:** The volunteer organisation is committed to a waste-free world and working specifically towards reducing plastic waste.
- **Plan International:** The children's fund is committed to the participation and co-determination of children and young people in Swiss and Liechtenstein organisations. First and foremost, young people with special needs are supported.
- **Stiftung Feriengestaltung für Kinder Schweiz:** The foundation organises holiday camps for children in Switzerland who otherwise would not be able to go on holiday. With the aim of equal participation in society, the camps are also open to children with attention deficit hyperactivity disorder (ADHD).
- **Kinderschutz.li:** With its prevention programme, this child protection organisation is working to combat violence, mobbing and the sexual abuse of children and young people. Children, parents, schools and organisations are given active support.
- **ratatätsch Guggamusig:** The organisation supports the social integration of people with disabilities and enables them to play an active part during Fasnacht (carnival) through playing music together.
- **myclimate:** This year, as part of its anniversary celebrations, the non-profit foundation is going to be giving interactive and action-oriented courses on the topics of climate protection and sustainability to all school pupils and apprentices in Liechtenstein.
- **Pfadfinder und Pfadfinderinnen Liechtensteins (Scouts and Guides of Liechtenstein):** At the world scout jamboree camp, young people have the opportunity to get to know people and cultures from all over the world and to internalise values such as sustainability and respect.
- **Stiftung Zukunft Liechtenstein:** LLB has been promoting this think tank, which addresses economic and socio-political topics relevant to the sustainable development of Liechtenstein and the securing of its future, for the past five years.

- **Alte Metzg Schaan:** The organisation functions as a soup kitchen and an outlet for "Tischlein deck dich" (an organisation that provides food aid for people in need), and is a workplace for the long-term unemployed to facilitate their reintegration into the working world.

Sustainability in the workplace

Mobility management

The LLB Group is committed to actively managing the environmental impact of the business and commuter traffic caused by its employees. According to the Government's 2019 transport infrastructure report, road traffic increased by 5 per cent between 2009 and 2017. To keep the increase in road traffic as low as possible, we encourage our staff to use public transport and to not drive to work, but to form car pools or switch to more environmentally friendly alternatives.

In 2013, LLB's Mobility Commission added new elements to its comprehensive mobility management, which was introduced in 1996 and overhauled 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.

These measures are having an effect: out of all LLB employees in Liechtenstein, some 277 (2017: 248) now come to work by bus, bike or on foot. Going forward, it will be a challenge to improve on this number since the route to work for many of our employees has, on average, become longer.

Promoting the use of public transport

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

Promoting the use of non-motorised transport

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

LLB employees have been taking part in the competition run by the Verkehrs-Club Liechtenstein (VCL) "Radfahren für Ihre Gesundheit" (Cycling for your health) and the one by the Liechtenstein Chamber of Commerce and Industry "Mit dem Rad zur Arbeit" (Cycling to work) for years. We make a contribution of CHF 50 towards the cost of buying a bicycle helmet. Since 2016, this rule has also applied to ski and

motorcycle helmets and runs under the motto "Kluge Köpfe schützen sich" (Clever heads protect themselves).

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

Reducing business kilometres travelled with 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 reduce this number further as a result of having installed over 29 video-conferencing systems Group-wide since 2015. We use state-of-the-art, high-end video technology with the best picture and sound quality

so that decision-making processes and optimum knowledge transfer can be accelerated at executive and project team meetings. At the same time, this means travel cost savings and, hence, an improvement in the CO₂ footprint.

Drink tap water – donate drinking water

LLB joined "Drink & Donate" – a drinking water project. Since February 2017, hydration stations that use fresh tap water have been provided in all buildings in Liechtenstein. Laboratory tests attest to its excellent quality. LLB donates CHF 60 per employee per year to "Drink & Donate", a Zurich-based non-profit organisation. We again donated a total of CHF 39'000 in 2018.

By consuming tap water instead of transporting branded bottled water over long distances, we want to reduce our CO₂ footprint, produce less waste, save energy and protect our environment. In this way, the more than 1'000 LLB employees in Liechtenstein and our clients make a sustainable contribution to supporting people in developing countries who do not have access to clean drinking water.

Sustainable procurement

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 with

an eye to integrating the factor sustainability, making potential savings and reducing costs.

Well over 50 per cent 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 both ecological and economic reasons, energy sources should be used responsibly. This applies particularly to climate-damaging fossil fuels. We have made progress in this regard over the past few years thanks to our sustainable mobility concept and the improved energy efficiency of our IT infrastructure and buildings. Through our actions, we have made a contribution to climate protection and, at the same time, reduced our operating costs. Group-wide CO₂ emissions fell from 904 tonnes in 2015 to 885 tonnes in 2016. The figure for 2017 was 951 tonnes, whereby LLB Österreich was also included in the data collection for the first time. The figure for 2018 was 1'025 tonnes, whereby the system boundaries were extended again through the acquisition of the former Semper Constantia in Austria.

The organisational unit Facility Management identifies potential energy savings and evaluates the effect of efficiency measures. An example of this is the "Green Datacenter".

"Green IT" data processing centre

Infrastructure and energy costs for data processing centres are a key factor in facility and IT management. Potential energy savings are high. The bank branch 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 extremely secure. 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. By 2013, we had already achieved a PUE value of 1.54. In 2018, we achieved a PUE of 1.52 (2017: 1.48).

Energy-efficient buildings

We continue to improve the energy efficiency of our properties through renovating and refurbishing. Our main buildings are responsible for the bulk of energy consumption. Since two of our business premises in Vaduz (our headquarters and Haus Wuhr Ost) are equipped with photovoltaic systems, we generate a small part of our electric power in an environmentally friendly manner. In 2018, the PV systems produced 9'380 kilowatt-hours (2017: 8'930 kWh).

In order to identify further potential for optimisation, we measure the thermal insulation values of our buildings. In 2018, we changed the glass in the windows and the rubber seals and replaced the blinds in Haus Äule. As part of the refurbishment of the bank branch in Balzers, the gas heating was replaced and the air conditioning in the open consultation zone (the former counter hall) optimised. The bank branch in Eschen, which is linked to our energy-efficient data processing centre, complies with the Minergie standard.

Bank Linth has set itself the goal of adapting all nineteen of its bank branches to its "bank of the future" concept by the year 2020. The redesign also pays particular attention to climate efficiency. With the new designs that have already been implemented, we have achieved a considerable improvement in energy efficiency and a reduction in power consumption.

Promotion of sustainable construction

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

Installation of electric charging points

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

Partner to climate foundations

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

LLB thus belongs to a group of 27 partner firms that pool their resources to support 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 promote new products and technological developments that contribute to climate protection as well as energy-saving projects.

Responsibilities for society and the environment

Φ 277

employees have decided to go without a car parking space in Liechtenstein. They come to work largely by public transport, bicycle or on foot. This represents almost 40 per cent of total staff.

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

	2018	2017
Energy consumption (in MWh)	6'974	6'792
Electricity	5'236	5'087
District heating	445	382
Total heating fuels	926	1'156
Heating oil	189	233
Natural gas	736	923
Total motor fuels ³	367	167
Diesel (vehicles and emergency power generator testing)	268	131
Petrol (vehicles)	99	36
CO₂ emissions (in tCO₂e)⁴	1'025	960
Scope 1 total ⁵	300	300
Heating fuels	202	252
Motor fuels	97	44
Volatile gases (refrigerants)	2	4
Scope 2 total ⁶	724	660
Electricity ⁷	626	576
District heating	99	85

¹⁾ Business locations in Liechtenstein, Vienna and Bank Linth. At our business location in Vienna, two new former Semper Constantia Privatbank buildings were taken into account in 2018. They were included in the calculation, similar to financial reporting, on a semi-annual basis only. Certain consumption data at our business location in Vienna was estimated on the basis of consumption in the previous year. The key figures for 2017 were recalculated retrospectively because the exact consumption data for a building at our business location in Vienna could only be collected during the course of the year.

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

³⁾ The increase in fuel consumption is attributable to the acquisition of Semper Constantia Privatbank AG in Vienna. Without this extension in the scope of measurement, fuel consumption, and therefore the associated greenhouse gas emissions, would have fallen slightly in comparison with 2017.

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

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

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

⁷⁾ Reported using location-based approach following Greenhouse Gas Protocol Scope 2 Guidance.

Employees

We are in no doubt that one of the greatest challenges for any company is being able to recruit and develop excellent and committed employees. We are therefore constantly striving to raise our profile as an attractive employer. We offer attractive conditions and are ahead of the competition when it comes to winning talented employees.

Corporate culture and value basis

The LLB Group's vision is encapsulated in the motto: "We set standards for banking with values." Our managers and employees are motivated to act in line with our values: integrity, respectfulness, excellence and pioneering. By living these values, our managers spread the culture throughout the organisation. This is all the more important at a time when LLB has to adapt to constantly changing markets and client needs. For this to succeed, we need employees who are willing to engage and have the courage to initiate improvement processes. With the cultural journey launched in 2018, we encourage the employees to get involved, to question themselves and to exchange views.

Performance pledge and employee development

It is important to us that the LLB Group is perceived as an attractive employer that differentiates itself from its competitors through three key strengths: We offer a corporate culture based on partnership, interesting work content and plenty of scope for growth. High-achieving employees have excellent development opportunities and prospects.

The performance pledge made by Group Human Resources is being lived out: Enthusiastic individuals should be able to advance themselves and the LLB Group. We want to achieve a top-class performance together. The performance pledge was set out in an HR strategic

vision (see illustration below). This is an important instrument to raise awareness of the supportive yet demanding work environment.

LLB as employer

As at the end of December 2018, the LLB Group had 1'086 full-time equivalents (2017: 867). The strong growth is due on the one hand to organic factors – LLB increased the size of its team of client advisers by 20 to 225 employees in line with its strategy – and on the other to the acquisition of both Semper Constantia Privatbank AG (182 full-time equivalents) and LB(Swiss) Investment AG (12 full-time equivalents). With 628 full-time equivalents (2017: 598) in Liechtenstein, LLB ranks among the largest employers in the Principality.

Value-oriented compensation

The LLB Group offers attractive employment conditions. It spent CHF 182.4 million (2017: CHF 155.4 million) on salaries and social contributions in 2018 (see Notes to the consolidated income statement, page 152).

We have a modern compensation system that is considered exemplary in the banking sector. The LLB Group takes aspects of value orientation into consideration in all areas of the company. For example, the compensation model for the majority of employees includes a

Strategic vision



component of pay that depends on the company's performance. In 2013, we decided to introduce the Market-Adjusted Performance Indicator (MAPI) so as to be able to make a careful and objective evaluation of the management's performance (see chapter "Compensation report", pages 101–108).

The MAPI enables us to carry out a neutral and holistic evaluation of the management's performance. This is done by comparing the long-term stock return of the LLB Group (total shareholder return, TSR) with the corresponding value of a comparable group. The difference between the TSR of the LLB Group and that of the comparable group gives an indication of the actual performance of the company's management. The model was developed in conjunction with FehrAdvice & Partners AG, Zurich, and is based on the results of behavioural economics research carried out by Professor Ernst Fehr from the University of Zurich.

The LLB Group's compensation model is considered exemplary in Switzerland. The Swiss Institute of Directors voted it the best salary model in 2016 of all companies listed on the Swiss stock exchange.

Equal pay for equal work

We set great store by fair compensation that explicitly recognises 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.

LLB as a regional employer

It is important to us that our managers understand the mindset and concerns of our clients. And for this reason, almost 100 per cent of the managers and the majority of employees in the main business locations have their roots in their respective region. As a result, they are highly dedicated to the company and have a high level of integrity. And they also take a long-term view, which is very much appreciated by the clients.

To meet the demand for skilled employees, we rely on commuters who travel every day from eastern Switzerland (2018: 243; 2017: 226) and the Austrian state of Vorarlberg (2018: 83; 2017: 73) to Liechtenstein. This makes LLB a major regional employer in the Rhine Valley. Bank Linth recruits almost all of its professionals from the Swiss regions of Lake Zurich, Sarganserland and Winterthur.

Internal communication channels

"Integrity – we create clarity and stand by our word" is a value our company embodies. It is also the basis for internal communication as a clear and consistent approach increases acceptance among employees. Through the StepUp2020 strategy and the associated corporate targets, the employees understand where we stand and where we are going.

The intranet is the most important channel for us for communicating internally. The Group CEO also uses this channel to publish a quarterly newsletter in which he informs staff about ongoing projects and new developments. At least once a year, the Group CEO invites all the

employees to a Group Forum, which is broadcast by livestream to our representative offices and subsidiaries abroad. Other channels include the annual Group Night and biennial events held by our six divisions. And "InSight", the staff magazine, is published four times a year.

Attractive work environment

The LLB Group actively positions itself in what is a competitive market for the best talent. We continually implement new measures so as to be able to offer employees a modern and attractive work environment. We focus here in particular on digitalisation, health promotion in the workplace, improvement in job quality and flexibility of working hours and location.

Flexible work environment

We started to upgrade all the hardware in the offices at the end of 2017. At around 97 per cent, almost all of the 1'500 workstations had been equipped with new PCs and notebooks by the end of December 2018. Since the introduction of the internal Mobile Client (iMC) at the beginning of 2018, it is possible to work on company laptops at all our business premises via the WLAN network connection. So far only a small number of employees have external mobile access (eMC) that allows remote working from home. The opportunity to work remotely is to be extended to significantly more employees in the first half of 2019. By doing this, we are addressing one of the key issues for employees: in the latest employee survey, flexibility in the workplace was stated as a key issue.

Digitalisation of personnel management

At the end of 2018, the LLB Group introduced an electronic employee portal (eMap). It offers employees and managers a uniform platform for a variety of different HR applications, ranging from tools for learning management and onboarding new employees to exchanging views on HR issues in communities. At the same time, two management-intensive processes (performance management and people development) were also system supported and automated, improving and facilitating performance measurement and employee development. We have replaced the working hours and absence management system with a state-of-the-art solution. The learning management system was replaced with a new "learning" module, which allows the integration of virtual forms of learning and gives employees and their supervisors a complete overview of completed and planned training courses.

The new HR portal also enables employees to network better internally over a collaboration platform. It allows them to exchange views with others about new topics they are learning about, to search for information and to hold discussions. Creating your own profile is another state-of-the-art function of the new portal. Through it, employees can give their supervisors and selected HR managers access to details about, for example, emergency contacts, language skills,

training, management experience as well as their own expectations with regard to their professional development within the LLB Group, and update this information on an ongoing basis.

Compatibility of work and life situation

A high degree of compatibility of work and private life in different life situations makes for an attractive employer. In recent years, therefore, we have pushed ahead with projects offering greater flexibility of working hours and location. Most employees work under the trust-based working time model. Under this model, they determine, in consultation with their manager, exactly how their working time is to be structured and different workloads managed. A reduction of working hours from full-time to 80 or 90 per cent is, in consultation with their manager, possible as well – also in management positions.

Under the “FreiZeit-Kauf” (purchase leisure time) project, launched in 2017, employees can increase their holiday entitlement by five or ten days and forego a corresponding amount of pay in return. This option is highly appreciated and finding ever greater resonance: 128 employees (2017: 86) purchased a total of 910 additional leave days (2017: 645). We also support paternity leave and permit our employees care leave in the case of a family emergency. In September 2017, the “Villa Wirbelwind” in Vaduz opened its doors for the first time. The crèche is open to the children of all Liechtenstein bank employees.

Health and safety

Our “Working Atmosphere and Health Steering Committee” was set up in 2016 with the purpose of increasing job satisfaction and boosting staff motivation. We also want to reduce the absenteeism rate, which indicates the incidence of accidents and long-term illnesses, through

targeted measures. Here, we managed to keep within our target rate of between 2 and 2.5 per cent. In 2018, we registered 138 absences (2017: 146), corresponding to a rate of 2.2 per cent (2017: 2.3 %). 80 per cent of the costs incurred were due to illness.

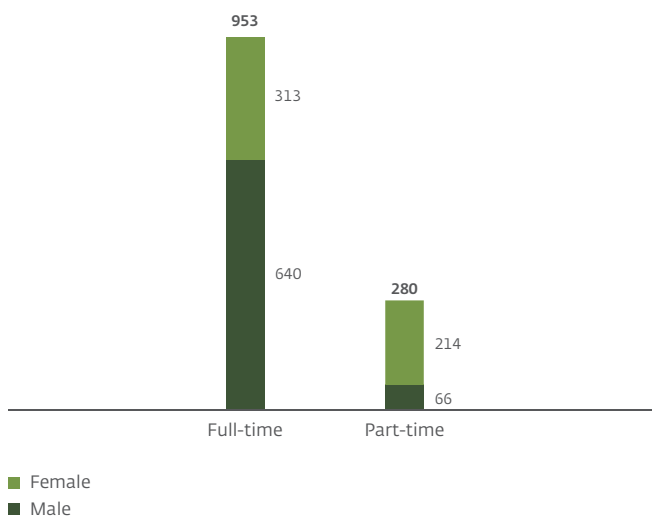
We have taken various measures aimed at helping employees to stay healthy. Among these initiatives are seasonal fruit, which have been provided free of charge since the beginning of 2017, as are the water stations with integrated filter system (see chapter “Responsibilities for society and the environment”, page 61). The incentive to work out during the lunch break or to cycle to work has increased significantly since showers and changing facilities were installed at our business location in Vaduz. To prevent postural damage, a majority of our employees now have height-adjustable desks that convert to stand-up desks at the touch of a button. Long-service employees are rewarded with a sabbatical. 42 employees (2017: 43) with long-service anniversaries of ten to forty years went on a sabbatical for up to four weeks in 2018.

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

Support at difficult times

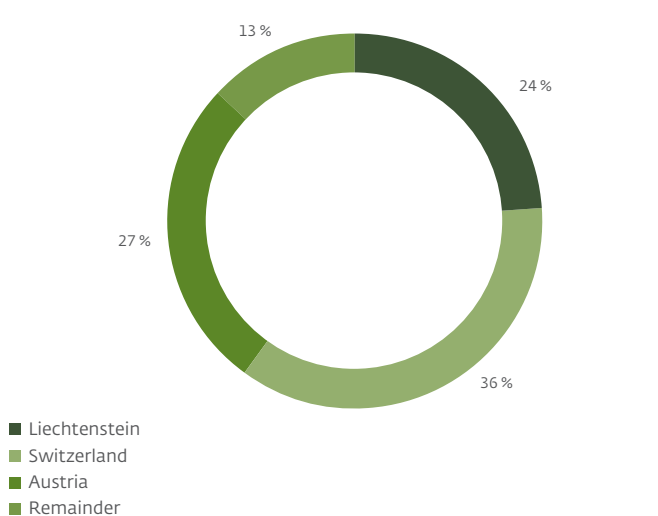
Surveys conducted by the European Agency for Safety and Health at Work (www.osha.europa.eu) show that in Europe around 50 per cent of sickness leave is due to stress in some form or other. What is more,

Permanent employees by employment type*



* Including permanent and temporary employees (apprentices and trainees)

Employees by nationality



mental stress can also often result in physical stress and vice versa. LLB Group employees in difficult work or life situations are able to gain free and anonymous access to psychological support.

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

High employee satisfaction

Employee satisfaction is an indicator of whether it is possible to retain motivated, high-achieving employees in the company. To understand where we stand in this respect, we regularly conduct an in-depth employee survey. In the 2017 survey, the LLB Group achieved very good results in all relevant points. The commitment of the employees, in other words the sense of identity with and being part of the company, remained high with 85 points (2015: 85) out of a possible 100 points. On the basis of these sound survey results, LLB received a Swiss Employer Award in September 2017 for the second time, the first time being in 2016, in the category of 250 to 999 employees. This benchmarking initiative based on the largest employee survey in Switzerland is regarded as a pioneering instrument. Our next employee survey is planned for May 2020.

Diversity of employees and managers

Studies show: diverse teams open up interesting new prospects, offer innovative approaches to problem solving and increase productivity

as well as the attractiveness for new employees. Although we do not have any specific programme to promote diversity, people of different nationalities working together has been commonplace at our Group for many years. In 2018, 24 per cent of our employees were Liechtenstein nationals, 36 per cent Swiss nationals and 27 per cent were Austrian nationals. The proportion of Austrian nationals employed increased sharply compared to previous years due to the acquisition of Semper Constantia AG. All in all, people from 38 nations work at the LLB Group.

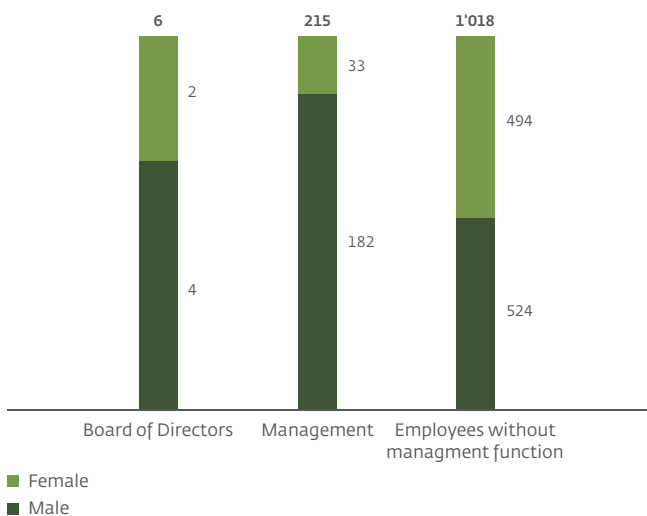
We are committed to ensuring that our client base is reflected in our employee mix (see "Regional employer", page 65). This also applies to our traditional cross-border markets in Germany and the rest of Western Europe as well as to the growth markets of Central and Eastern Europe and the Middle East. The proportion of women working for the LLB Group is relatively high at 43 per cent, though they are still under-represented in leadership positions. In July 2016, the first woman was appointed to the Group Executive Board (see chapter "Corporate governance", pages 95).

Women in management positions:

- Executive management: 5 men, 1 woman
- Senior management: 27 men, 1 woman

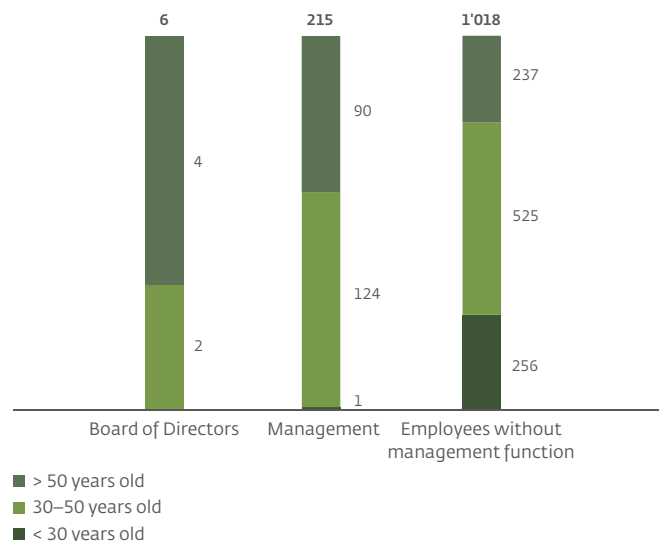
The Board of Directors of LLB, which is publicly listed, has been characterised by an above-average proportion of women since 2014. With two out of the six members women, they represent around 30 per cent of the board members. 78 employees were assigned to the "Potential Pools", from which, among other things, future managers are recruited internally; of these, 21 (around 27 %) were female.

Number of employees by gender*



* Board of Directors without Bank Linth and LLB Swiss Investment AG

Number of employees by age group*



* Board of Directors without Bank Linth and LLB Swiss Investment AG

Training and professional education

For the LLB Group, training and professional education is an important instrument for increasing its competitiveness. In 2018, 50 per cent (2017: 71 %) of management positions that became vacant were filled internally. In 2018, we invested CHF 1.5 million (2017: CHF 1.4 million) in the targeted development of managers, talent and competences. New entrant employees and managers also have a significantly higher level of qualifications: 66 per cent have graduated from a university or a university of applied sciences or have completed higher professional training.

Client adviser certification

We invested another CHF 410'000 (2017: CHF 244'000) in training programmes in accordance with the standards of the Swiss Association for Quality (SAQ). By the end of 2020, all employees who have contact with clients will have completed such training programmes. 123 employees, or 40 per cent, were certified by the end of 2018.

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

Measuring the success of staff development

The LLB Group has established 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 targets with individual staff objectives. The process has been institutionalised across the company and it works for employees and managers alike, irrespective of their position. The PMP is a systematic assessment of the performance and the conduct of an employee.
- The PDP is the development tool used by the LLB Group. More specifically, it is a process that allows an employee to discuss their own development with their manager. The first part of the PDP takes place at management level and comprises an annual assessment of the LLB Group's entire people portfolio. Based on this and future requirements, strategic personnel planning for the business areas and teams can then be carried out. The second part of the PDP describes the individual employee's path from formulating development intentions to devising a concrete action plan.
- Employees with potential are assigned to so-called "Potential Pools". There are five categories, representing different levels of management or specialist careers. The aim is to systematically develop identified talent who exhibit good performance and excellent conduct. Using careful evaluation processes, 78 individuals, or 8.91 per cent of employees (2017: 8.25 %, 71 individuals), were assigned to appropriate "Potential Pools" in 2018.

Professional training

When it comes to the training of the junior employees, Liechtensteinische Landesbank lives up to its responsibility as one of the largest providers of training in Liechtenstein. In 2018, 33 apprentices (2017: 36) 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. There are three different programmes available for candidates: practical-based direct entry for graduates (2018: 4 participants); a work and study programme for postgraduates in the final phase of their studies (2018: 6 participants); and a trainee programme for postgraduates (2018: 4 participants). 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.

The participants of these three programmes 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. Those whose demonstrate performance and commitment are recommended for a permanent position. In order to enhance its profile as an attractive employer, the LLB Group strengthened its presence at the Universities of Liechtenstein and St. Gallen, FHS St. Gallen University of Applied Sciences and Zurich University of Applied Sciences (ZHAW) in Winterthur.

Representation of employees

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

Personnel Pension Fund Foundation

In 2018, 663 employees of our corporate Group who work in Liechtenstein were covered by the retirement, life and disability insurance plans of the autonomous Personnel Pension Fund Foundation of Liechtensteinische Landesbank. The pension fund and its defined contribution scheme offer three attractive savings plans that go beyond the requirements of the law (Occupational Pension Act (OPA)). In addition, LLB's contributions as an employer amount to two-thirds of the financing of the fund.

As at the end of December 2018, the liquidity ratio of the LLB pension fund stood at 106.4 per cent (as at the end of December 2017: 112.1 %) and had thus decreased by 5.7 percentage points on the previous year. The return on investment was minus 4.16 per cent (2017: 5.78 %). The accumulated capital bore no interest in 2018. The fluctuation reserve amounts to CHF 18.3 million (2017: CHF 33.5 million). The pension fund capital totalled CHF 287.9 million (2017: CHF 277.4 million).

From 1 January 2018 onwards, the pension conversion rate at the retirement age of 64 is being gradually reduced by 0.1 per cent per year to 5.1 per cent. From 1 January 2023, the normal retirement age for drawing the Liechtenstein AHV (state pension) will be raised to 65 and the conversion rate to 5.22 per cent.

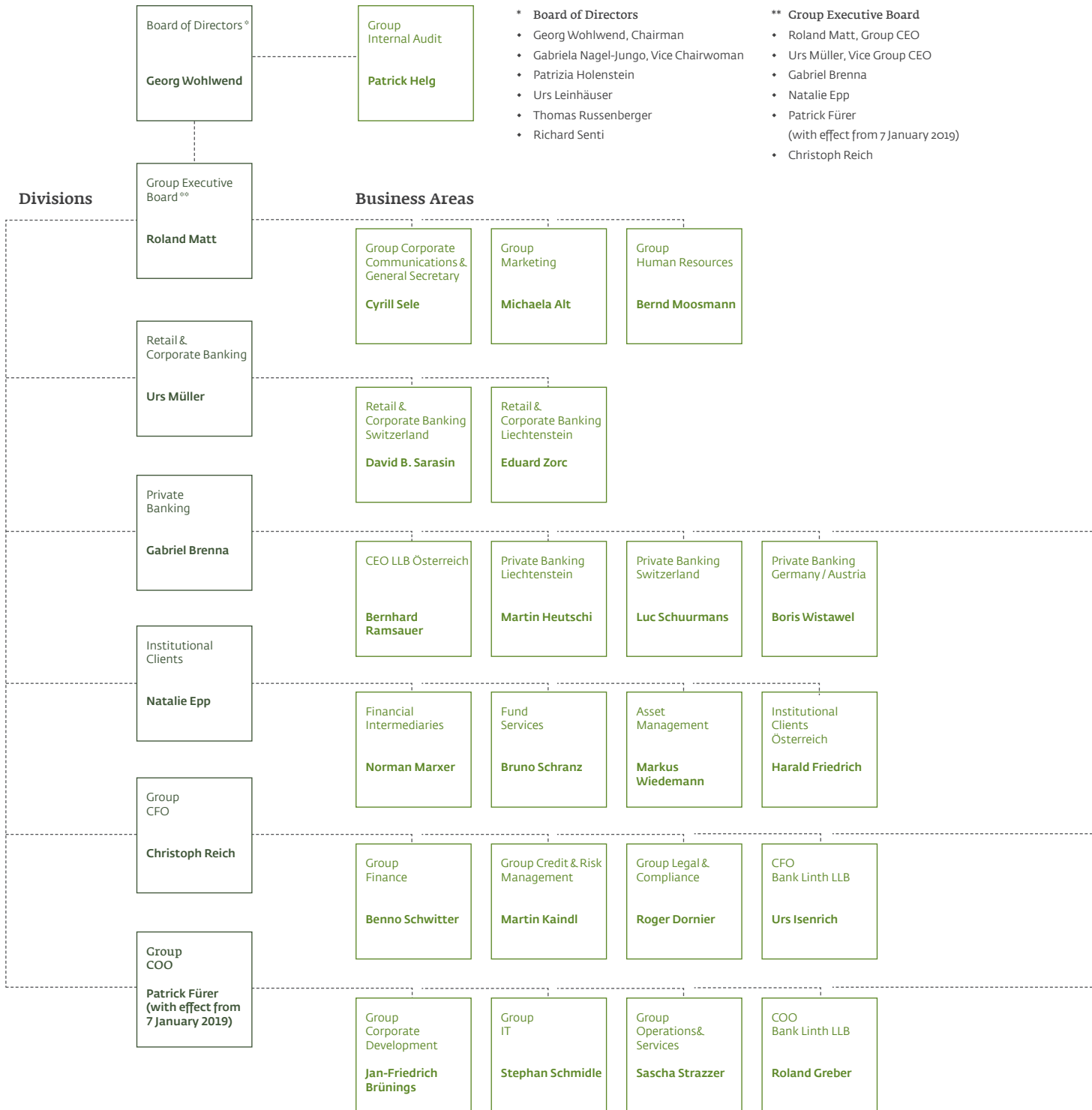
LLB Group headcount statistics

	2018	2017	2016	2015	2014
Employees					
Number of employees (full-time equivalents)	1'086	867	858	816	893
Full-time employees	953	769	767	674	789
Part-time employees	280	218	207	202	244
Apprentices	33	36	38	42	47
Young talents ^o	13	4	11	7	6
Employee retention					
Staff turnover rate in per cent	11	11	10	13	12
Average length of service in years	9	10	10	11	10
Average age in years	41	40	40	40	40
Diversity and equal opportunities					
Number of nations	38	36	39	31	34
Share of women in per cent	43	43	42	44	45
Training and professional education					
Training costs in CHF thousands	1'802	1'384	1'570	1'195	1'191
of which SAQ certification costs in CHF thousands	410	244	239	130	

^o Includes all working students in master's studies, trainees with master's degree and direct entrants with bachelor's degree. All young talents have temporary employment contracts.

Organisational structure of the LLB Group

on 1 January 2019



Group companies

on 1 January 2019

Liechtensteinische Landesbank (Österreich) AG (100 %)

Board of Directors

- Gabriel Brenna, Chairman
- Christoph Reich, Vice Chairman
- Natalie Epp
- Roland Matt
- Bernd Moosmann
- Ewald Nageler
- Aleksandar Lacarak
- Franz-Erwein Nostitz-Rieneck
- Alice Hritcu

Board of Management

- Bernhard Ramsauer, Chairman
- Robert Löw, Vice Chairman
- Harald Friedrich
- Gerd Scheider
- Selim Alantar

LLB Asset Management AG (100 %)

Board of Directors

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

Board of Management

- Markus Wiedemann, Managing Director
- Christian Zogg

Bank Linth LLB AG (74.8 %)

Board of Directors

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

Board of Management

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

LLB Fund Services AG (100 %)

Board of Directors

- Natalie Epp, Chairwoman
- Stefan Rein, Vice Chairman
- Peter Meier

Board of Management

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

LLB Swiss Investment AG (100 %)

Board of Directors

- Natalie Epp, Chairwoman
- Bruno Schranz, Vice Chairman
- Hans Stamm

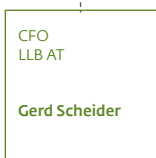
Board of Management

- Dominik Rutishauser, CEO
- Ferdinand Buholzer

LLB Verwaltung (Schweiz) AG (100 %)

Board of Directors

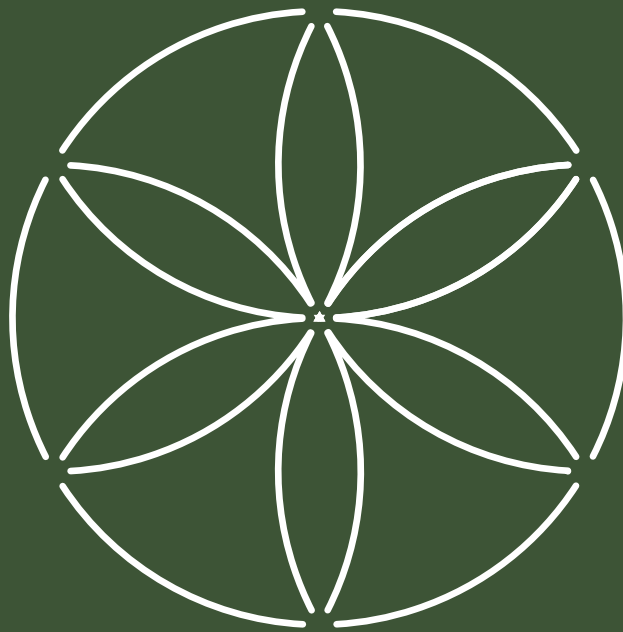
- Christoph Reich, Chairman
- Roger Dornier, Vice Chairman





What makes a good partner?

Unique experiences
connect.



Growing partnership in the Middle East



Daniela
Leithe

Head of Legal &
Compliance Middle East

Al Wasl is the Arabic word for “connection/link” – the LLB Group's solution in the Middle East. The LLB Group has been committed to Dubai and Abu Dhabi as business locations for over

10 years, here connectedness is reflected in the close partnership with clients. Proximity, stability and a long tradition of private banking allow trust to grow. The same language and unique experiences connect, innovative investment solutions make sense – this creates valuable partnerships.

Video statement at:
ar2018.llb.li/middle-east



Half a millennium ago, Arab builders were already creating patterns utilising the golden ratio that never ends. The flower of life decorates the floors, ceilings and windows of the Sheikh Zayed Grand Mosque, which opened in Abu Dhabi in 2007.

Corporate governance

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

Basis

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

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

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

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

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

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

The Board of Directors of the LLB Group has held the "Best Board Practice" label of the Swiss Association for Quality and Management Systems (SQS) and the Liechtenstein Association for Quality Assurance Certificates (LQS) since December 2010. The business activities and organisation of the Board of Directors exhibit a high level of quality. In December 2016, within the scope of their reassessment, both SQS and LQS reconfirmed the evaluation of the good quality and transparency of the bank's corporate governance. The Board of Directors was once again awarded the "Best Board Practice" label for a further three years. The continuity reassessments in 2017 and 2018 reconfirmed yet again that activities and organisation of the LLB Board of Directors continue to exhibit a constantly high level of quality and consistently fulfil the Best Board Practice criteria.

The following corporate governance report complies with the requirements of the Corporate Governance Directive (RLCG) of the SIX Swiss Exchange Regulation, status 1 May 2018, as well as the fully revised guidelines of the Six Exchange Regulation regarding the RLCG of 10 April 2017. If information required by the RLCG is disclosed in the Notes to the financial statement, a corresponding reference is shown.

1 Group structure and shareholders

1.1 Group structure

1.1.1 Description of the operative structure

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

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

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

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

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

The organisational structure of the LLB Group as at 1 January 2018 is shown on pages 70 to 71. The detailed segment reports are shown on pages 24 to 36, 40 to 42 and 148 to 149.

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 2018, its market capitalisation stood at CHF 1'977.4 million (30'800'000 registered shares at a nominal value of CHF 5.00 at a year-end price of CHF 64.20).

Bank Linth LLB AG, with its headquarters in Uznach, in which the Liechtensteinische Landesbank holds a majority equity stake of 74.8 per cent, is also listed on the SIX Swiss Exchange. As at 31 December 2018, its market capitalisation stood at CHF 364.0 million (805'403 registered shares with a nominal value of CHF 20.00 at a year-end price of CHF 452.00).

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 190.

1.2 Major shareholders

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

At the end of 2018, the Principality's equity stake in the shares of the Liechtensteinische Landesbank remained unchanged at 57.5 per cent. Detailed information about the development of this equity stake can be found at www.llb.li/capital+structure.

On 22 December 2017, Liechtensteinische Landesbank announced that it had signed a purchase agreement for the acquisition of 100 per cent of the shares of Semper Constantia Privatbank AG (Semper Constantia) with registered office in Vienna, and that it would pay the purchase price partly in cash and partly in shares of LLB AG. On 4 July 2018, LLB took over Semper Constantia completely. Conversely, the two former major shareholders of Semper Constantia, the Haselsteiner Familien-Privatstiftung, Ortenburger Strasse 27, 9800 Spittal / Drau, Austria, and grosso Holding Gesellschaft mbH, Walfischgasse 5, 1015 Vienna, Austria, participated with 1.85 million shares (6.0%) in LLB. At 31 December 2018, they held together 1'805'000 shares or a 5.9 per cent of the capital and voting rights of LLB (<https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html#notificationId=TB16P00024>). The Haselsteiner Familien-Privatstiftung and grosso Holding Gesellschaft mbH constitute a shareholder group, since the purchase agreement was concluded with the Haselsteiner Familien-Privatstiftung and grosso Holding Gesellschaft mbH as the acquisition group. The voting rights will be exercised in mutual agreement between the parties.

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

On 24 August 2018, LLB launched a public share repurchase programme. This will last until 31 December 2020 at the latest. LLB will repurchase up to 400'000 of its own registered shares via the regular trading line of SIX Swiss Exchange. This corresponds to 1.3 per cent of the share capital. The repurchase of the shares is to be made within the framework of the authorisation issued by the General Meeting of Shareholders of 12 May 2017, authorising own shares of a maximum of 10 per cent of the share capital to be acquired. The repurchased shares are to be used for the purpose of future acquisitions or for Treasury management purposes. No shares are to be cancelled. At 31 December 2018, within the scope of the repurchase programme, LLB had bought

back 116'500 own shares, representing a proportion of 0.4 per cent. At the end of 2018, the LLB Group held, including the shares acquired within the scope of the repurchase programme, 124'841 shares or 0.4 per cent. The decrease in comparison with the previous year (31.12.2017: 1'922'937 own shares) is attributable to the payment of a portion of the purchase price for the takeover of Semper Constantia Privatbank AG in the form of 1.85 million LLB shares.

Less than 0.1 per cent of the shares were held by members of the Board of Directors and the Group Executive Board. There are no binding shareholder agreements.

1.3 Cross participations

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

Company	Reg. office	Listed on	Market capitalisation (in CHF thousands)	Stake (in %)	Segment	Security number	ISIN number
Liechtensteinische Landesbank AG	Vaduz	SIX Swiss Exchange	1'977'360		International Reporting Standard	35514757	LI0355147575
Bank Linth LLB AG	Uznach	SIX Swiss Exchange	364'042	74.8	Swiss Reporting Standard	130775	CH0001307757

2 Capital structure

2.1 Capital

The share capital of the Liechtensteinische Landesbank comprised 30'800'000 registered, fully paid shares with a nominal value of CHF 5.00 each and therefore amounted to CHF 154.0 million.

2.2 Conditional and approved capital

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

2.3 Changes to capital

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

2.4 Shares and participation certificates

As at 31 December 2018, the share capital amounted to 30'800'000 fully paid registered shares with a nominal value of CHF 5.00. With the exception of the LLB shares held by the Liechtensteinische Landesbank and its subsidiaries (124'841 shares), all the shares are eligible for dividend. As at 31 December 2018, share capital eligible for dividend therefore amounted to CHF 154.4 million. In principle, all LLB shares are eligible for voting according to the principle of "one share, one vote". However, on account of the regulations concerning the purchase of own shares (Art. 306a ff. PGR / Liechtenstein Person and Company Law), the shares held by Liechtensteinische Landesbank and its subsidiaries are not eligible for voting. There are no priority rights or similar entitlements. Shareholders have a subscription right with the issue of new shares, which entitles them to subscribe to new shares in proportion to the number of shares they already hold.

Liechtensteinische Landesbank AG has not issued participation certificates.

2.5 Profit-sharing certificates

Liechtensteinische Landesbank AG has no outstanding profit-sharing certificates.

2.6 Transfer limitations and nominee registrations

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

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

2.7 Convertible bonds and options

As at 31 December 2018, the Liechtensteinische Landesbank had no bonds or convertible bonds or options on its own shares outstanding

3 Board of Directors

3.1 Members

a) Name, nationality, education and professional career

Name	Year of birth	Profession	Nationality
Georg Wohlwend*	1963	Business economist	FL
Gabriela Nagel-Jungo**	1969	Professor of financial management	CH
Patrizia Holenstein	1957	Lawyer	CH
Urs Leinhäuser	1959	Business economist	CH
Thomas Russenberger	1975	Head of Group Human Resources	FL
Richard Senti	1964	Business economist	FL

* Chairman

** Vice Chairwoman

Pursuant to the limitation of the term of office stipulated in the Landesbank Law, the nine-year term of office of Markus Büchel, Markus Foser and Roland Oehri ended at the General Meeting of Shareholders on 9 May 2018. The General Meeting of Shareholders elected Thomas Russenberger and Richard Senti as new members of the Board of Directors for a term of office of three years. At the constituent meeting after the General Meeting, the Board of Directors elected Gabriela Nagel-Jungo as Vice Chairwoman of the Board of Directors.

b) Executive / non-executive members

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

c) Independence

All members of the Board of Directors are independent within the context of the Swiss Exchange "Directive Corporate Governance" concerning corporate governance information. In 2018, as well as in the three previous years, no member of the Board of Directors was a member of the Group Executive Board or the Board of Management of the Liechtensteinische Landesbank or a Group company. No member of the Board of Directors had significant business relationships with the Liechtensteinische Landesbank or a Group company. In accordance with Art. 12 of the Liechtenstein law concerning the control and supervision of public companies, all contracts with the members of the Board of Directors must be in writing and they must be approved by the Board of Directors. The same conditions apply to contracts concluded with third parties.

3.2 Other activities and commitments

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

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

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

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

Thomas Russenberger is Chairman of the Foundation Board the "Presta Stiftung" pension fund, a Member of the Executive Board of Concordia Krankenversicherung, Representation Liechtenstein.

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.



Georg Wohlwend

Gabriela Nagel-Jungo

Education:

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

Professional career:

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

Education:

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



Richard Senti

Education:

Degree in economics, University of St. Gallen, 1989; Dr.oec. HSG, University of St. Gallen, 1994

Professional career:

Assistant at the University of St. Gallen, 1988–1990; Controller in the Drilling Systems Division, Hilti AG, Schaan 1991–1994; Head of Controlling of the Direct Fastening Business Unit, Hilti AG, Schaan 1994–1998; Head of Finances, Logistics and Human Resources of Hilti CR s.r.o., Prague 1998 to 2000; Head of Finance and Accounting (CFO) of the Infratec Division, Von Roll Infratec Holding AG, Zurich 2000–2003; CFO of the Hoval Group, Vaduz since 2003

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

Thomas Russenberger

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, 2011–2014; Businessman, since 2014; Managing Partner of ADULCO GmbH, Winterthur, since 2016

Education:

Bachelor of Science, Business Information Systems, University of Liechtenstein, 2004; Master of Business Administration (MBA) in Entrepreneurship, University of Liechtenstein, 2007

Professional career:

thyssenkrupp Presta AG, Eschen, Project Head Organisational Development, 2000–2005; thyssenkrupp Presta AG, Eschen, Head HR Services for the Technical and Commercial Divisions, 2005–2010; thyssenkrupp Presta AG, Eschen, Head HR Services, 2010–2013; thyssenkrupp Presta AG, Eschen, Global Head of Human Resources tk Steering Group, since 2013

3.3 The number of permitted activities

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

3.4 Election and term of office

3.4.1 Principles governing the election procedure

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

The 12th ordinary General Meeting of Shareholders on 7 May 2004 passed an amendment to the statutes that allowed for the staggered renewal of the Board of Directors in order to preclude a complete renewal of the Board. Furthermore, the “Group regulation concerning the Group Nomination & Compensation Committee” (see point 3.5.2 “Composition of all Board of Directors’ committees, their duties and individual competences”) stipulates that the Board of Directors aims at continuity through the orderly renewal of the Board, succession planning, as well as through the appropriate

staggering of the terms of office (no complete renewal) pursuant to current corporate governance provisions.

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

Georg Wohlwend has been Chairman of the Board of Directors since 2017. Gabriela Nagel-Jungo Vice Chairwoman since 2018. Cyrill Sele has been Secretary (recorder of the minutes) since April 2013.

3.4.2 First-time election and remaining term of officer

Name	First-time appointment	Elected until
Georg Wohlwend	2017	2020
Gabriela Nagel-Jungo	2014	2020
Patrizia Holenstein	2013	2019
Urs Leinhäuser	2014	2020
Thomas Russenberger	2018	2021
Richard Senti	2018	2021

3.5 Internal organisation

3.5.1 Separation of tasks of the Board of Directors

Name	Function	Committee memberships
Georg Wohlwend	Chairman	Group Nomination & Compensation Committee* Strategy Committee*
Gabriela Nagel-Jungo	Vice Chairwoman	Group Audit Committee* Strategy Committee
Patrizia Holenstein	Member	Group Audit Committee Group Risk Committee
Urs Leinhäuser	Member	Group Audit Committee Group Risk Committee Group Strategy Committee
Thomas Russenberger	Member	Group Nomination & Compensation Committee
Richard Senti	Member	Group Risk Committee* Group Nomination & Compensation Committee

* Chairman

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

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

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

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

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

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

Group Audit Committee

The Group Audit Committee supports the Board of Directors in fulfilling the duties and responsibilities vested in it by banking law with respect to its duty of overall direction of the company, as well as the supervision and control of the following activities:

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

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

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

The Group Audit Committee has the following tasks:

- analysing the LLB Group's Consolidated Interim Report and the Annual Report as well as the financial statement of the parent bank. This encompasses the discussion of the following subject areas with the Group CFO, the Head Group Finance, the auditor in charge of the external auditors and the Head of Group Internal Audit:
 - examining whether the financial reporting has been prepared in compliance with applicable accounting standards as well as the legal and regulatory provisions;
 - evaluating the quality of applicable accounting principles and processes;
 - examining and assessing how the Group Executive Board as well as the internal auditors and Group Internal Audit estimate the risk of significant misrepresentation, which are the largest risk areas and how these are monitored and what measures are taken to counter them;
- reporting to the Directors about the work undertaken in connection with the above-mentioned points;
- petitioning the Board of Directors about whether the LLB Group's Consolidated Annual Report and the financial statement of the parent bank can be presented to the General Meeting of Shareholders and published. And as regards the Consolidated Interim Financial Report only as to whether it can be published;
- monitoring and assessing the suitability and effectiveness of the internal control system in the area of financial reporting;
- assessing the documentation regarding forthcoming amendments of the accounting principles;
- evaluating the budgeting process as well as the budget proposal for the following year;
- taking note and discussion of the risk analysis made by the external auditors, the auditing strategy derived from it and the respective risk-oriented auditing plan (including the budget for the forthcoming audit year);
- analysing the audit reports submitted by the external audit and Group Internal Audit to the Board of Directors;
- discussion of the major problems identified during the auditing process with the external auditors;
- monitoring the implementation of recommendations put forward by the external auditors and Group Internal Audit and eliminate weak points and deficiencies identified by them;

- assessing the of the methodology, 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, in particular in relation to the following activities:
- the assessment of the implementation of the risk strategy by the Group Executive Board;
- the examination of whether pricing of the investments and liabilities takes into reasonable consideration the business model and the risk strategy of the LLB Group and, if this is not the case, the submission of a plan of appropriate measures;
- the examination of whether the incentives offered in the compensation system take into consideration risk, capital, liquidity and the probability and timing of earnings.

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

Name	Function
Richard Senti	Chairman
Patrizia Holenstein	Member
Urs Leinhäuser	Member

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

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

Group Nomination & Compensation Committee

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

- formulating the guidelines for succession planning;
- the selection and nomination of members of the Board of Directors and members of the Group Executive Board;
- the annual evaluation of the structure, size, composition and performance of the Board of Directors and the Group Executive Board, as well as the recommending of changes if necessary;
- the annual evaluation of the knowledge, abilities and experience of the individual members of the Board of Directors and the Group Executive Board, as well as its bodies. The submission of the evaluation to the Board of Directors and the Group Executive Board;
- ensuring that the decision-making process of the Group Executive Board and the Group Board of Directors cannot be influenced by an individual person or a group of persons in a manner detrimental of the LLB Group's interests;
- reviewing of the procedure adopted by the Board of Directors in selecting and appointing the Group Executive Board, as well as submission of recommendations to the Board of Directors;
- formulating compensation regulations for the parent bank and the LLB Group;
- establishing the compensation of the members of the Board of Directors and the Group Executive Board, as well as of other employees, in so far as their compensation is to be determined by the Board of Directors in accordance with the compensation regulations;
- establishing the guidelines for the human resources policy.

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

Name	Function
Georg Wohlwend	Chairman
Thomas Russenberger	Member
Richard Senti	Member

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

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

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

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

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

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

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.

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

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

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

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

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

Strategy Committee

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

Name	Function
Georg Wohlwend	Chairman
Gabriela Nagel-Jungo	Member
Urs Leinhäuser	Member

Representation in foundations

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

Thomas Russenberger and Richard Senti have seats on the Board of Trustees of the Personnel Pension Fund Foundation of Liechtensteinische Landesbank AG as employer representatives. Thomas Russenberger has been Chairman of the Board of Trustees since December 2018.

3.5.3 Working methods of the Board of Directors and its committees

Board of Directors

A meeting of the Board of Directors is convened by invitation of its Chairman as often as business requires, but at least four times a year. If a member of the Board of Directors, the Group CEO or at least two members of the Group Executive Board submit a written request to the Chairman, he will promptly convene a meeting of the Board of Directors. Together with the written invitation, the members of the Board of Directors also receive the agenda for the meeting, the minutes of the last meeting and other important documentation required for the meeting at least five business days prior to the date set for the meeting. Meetings of the Board of Directors can also be called with a shorter period of notice if there is a pressing matter. It is within the discretion of the Chairman to determine the urgency of that matter. Board meetings are chaired by the Chairman. A quorum of the Board of Directors is constituted when a majority of the members is present. In urgent cases, resolutions may be passed by circular. Unanimity is required for resolutions to be dealt with by circular. Resolutions shall be passed by a simple majority of votes. In the case of a tie, the Chairman shall have the casting vote.

Date	Meeting	Attendance	Duration in h
8 February 2018	extraordinary	all, excepting Roland Oehri	0.50
14 February 2018	extraordinary	all	2.00
22 February 2018	extraordinary	all	0.25
23 February 2018	ordinary	all	5.25
7 March 2018	extraordinary	all	0.25
27 March 2018	ordinary	all	5.45
26 April 2018	ordinary	all	5.00
5 May 2018	extraordinary	all	0.50
25 May 2018	ordinary	all	4.50
25 / 26 June 2018	closed meeting	all	14.50
11 July 2018	extraordinary	all	0.25
20 August 2018	ordinary	all	9.25
18 September 2018	ordinary	all	3.00
23 October 2018	ordinary	all	3.75
30 October 2018	extraordinary	all	0.25
20 November 2018	ordinary	all, Gabriela Nagel-Jungo partly absent	4.25
18 December 2018	ordinary	all	6.50

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

During the 2018 business year, the Board of Directors of Liechtensteinische Landesbank AG held a total of ten ordinary and seven extraordinary meetings. The meetings lasted between 0.25 and 9.25 hours; the closed meeting lasted one and a half days. The closed meeting was conducted by the Board of Directors in collaboration with the Group Executive Board following the ordinary meeting in June 2018. The closed meeting focused on the annual strategy review of StepUp2020. The subjects of the extraordinary board meetings were the elections to the Board of Directors 2018, the takeover of LB(Swiss) Investment AG and the change in the Group Executive Board.

Group Audit Committee

The members of the Group Audit Committee meet at least four times a year. These ordinary meetings are convened by the Chairman. An agenda is compiled prior to each meeting, which is sent together with the necessary information and the minutes of the last meeting to the meeting's participants at least five days prior to the date of the meeting. The members of the Group Audit Committee, the Group CEO, the Group CFO, the external auditors, the Head of Group Internal Audit

can request the Chairman of the Group Audit Committee to convene extraordinary meetings. To deal with specific issues, the Group Audit Risk Committee can also invite other persons, such as members of the Group Executive Board, the Chairman of the Group Risk Committee, other staff of the LLB Group companies, representatives of the external auditors or external consultants. The Group CEO, the Group CFO and the Head of Group Internal Audit usually participate in the meetings in an advisory capacity. The other members of the Board of Directors, who are not members of the Group Audit Committee, are entitled to participate in the meetings.

During the 2018 business year, the members of the Group Audit Committee met for six meetings. No external experts were called in during the business year.

Date	Attendance	Duration in h
15 January 2018	all	0.50
22 February 2018	all	4.50
19 June 2018	all, excepting Urs Leinhäuser	4.75
5 July 2018	all	0.50
20 August 2018	all	4.75
17 December 2018	all	2.00

Group Risk Committee

The members of the Group Risk Committee meet at least four times a year. These ordinary meetings are convened by the Chairman. An agenda is compiled prior to each meeting, which is sent together with the necessary information and the minutes of the last meeting to the meeting's participants at least five days prior to the date of the meeting. The members of the Group Risk Committee, the Group CEO, the Group CFO, the external auditors, the Head of Group Internal Audit and the Chairman of the Group Audit Committee can request the

Head of Group Credit & Risk to convene extraordinary meetings. To deal with specific issues, the Group Risk Committee can also invite other persons, such as members of the Group Executive Board, the Chairman of the Group Risk Committee, other staff of the LLB Group companies, representatives of the external auditors or external consultants. The Group CEO, the Group CFO, the Head of Group Internal Audit and the Head of Group Credit & Risk Management usually participate in the meetings in an advisory capacity. The other members of the Board of Directors, who are not members of the Group Risk Committee, are entitled to participate in the meetings.

During the 2018 business year, the Group Risk Committee held five ordinary meetings. No external experts were called in during the business year.

Date	Attendance	Duration in h
22 February 2018	all	2.75
19 June 2018	all	2.00
20 August 2018	all	2.00
20 November 2018	all	3.50
17 December 2018	all	2.00

Group Nomination & Compensation Committee

The Group Nomination & Compensation Committee convenes as often as business requires, but at least twice a year. The meetings are convened by the Chairman. He compiles an agenda prior to each meeting, which is sent together with the necessary information and the minutes of the last meeting to the meeting's participants at least five days prior to the meeting. In 2018, seven meetings were held.

To deal with specific issues, the Group Nomination & Compensation Committee can also invite other persons, such as the Head of Group Human Resources, representatives of the external auditors or external consultants. The Group CEO usually participates in the meetings in an advisory capacity; except when topics are discussed that particularly concern the Board of Directors itself, the business area of Group Internal Audit or the performance assessment of the Group CEO and the establishment of his compensation. In the 2018 business year, the Group CEO and the Head Group Human Resources partially attended all the meetings.

Date	Attendance	Duration in h
30 January 2018	all	2.00
1 February 2018	all	1.00
7 February 2018	all	0.50
5 June 2018	all	1.00
28 August 2018	all	1.50
22 October 2018	all	1.00
27 November 2018	all	2.00

The Strategy Committee

The Strategy Committee held one meeting in 2018 at which preparations were made for the closed meeting on 25 and 26 July 2018. At this meeting, the full Board of Directors together with Group Executive Management discussed of the status of the implementation of the StepUp2020 strategy (see chapter "Strategy and organisation, page 11 and 12), the results of the strategy review 2018, and selected core subjects.

Date	Attendance	Duration in h
25 May 2018	all	2.00

Resolutions at the committee meetings

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

Self-evaluation

In general, the Board of Directors evaluates its own performance annually and also that of the committees. This evaluation serves to determine whether the Board of Directors and the committees are functioning appropriately. The results of the self-evaluation are recorded in writing. In 2017, no self-evaluation was carried out because, in December 2017, as part of the re-assessment process for the "best board practice" label, the Board of Directors accompanied by an assessor evaluated its own performance, and discussed the core issue of the current and future composition of the Board as well as that of the committees. The committees also carried out no self-evaluation reviews in 2017. At the December meeting in 2018, the Board of Directors resolved to carry out a self-evaluation and to discuss its results at the first meeting in 2019.

3.6 Definition of areas of responsibility

The Board of Directors is responsible for the direction, supervision and control of the LLB Group. It is ultimately responsible for the success of the LLB Group as well as for attaining sustained value for both shareholders and employees. It makes decisions in consultation with the Group CEO concerning the LLB Group's corporate strategy and assumes final responsibility for monitoring the conduct of business. Furthermore, the Board of Directors monitors compliance with

applicable legal provisions and regulations. At the request of the Group CEO, the Board of Directors determines the financial and human resources required to implement the corporate strategy.

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

- the definition of management policies;
- the definition of the LLB Group's management strategy, including its periodic monitoring;
- the passing of resolutions regarding all proposals to the General Meeting of Shareholders;
- the issuing of a regulation concerning Group Internal Audit, the discussion of the reports submitted by Group Internal Audit and the external auditors and the approval of the reports concerning measures implemented on the basis of audit reports and their monitoring;
- decisions regarding the LLB Group's expansion into important new business operations as well as its withdrawal from existing important business operations;
- decisions regarding the acquisition or sale of participations in other companies as well as the establishment or liquidation of LLB Group companies and the nomination of their Boards of Directors;
- decisions regarding the setting-up and closure of bank offices, branches and representative offices;
- decisions regarding the initiation of legal actions involving claims of over CHF 10 million as well as judicial and extrajudicial settlements involving amounts of over CHF 10 million;
- the approval of all business matters and decisions that exceed the authority of the powers delegated by the Board of Directors;
- decisions regarding the exercise of external mandates and activities by members of the Group Executive Board and Group Internal Audit staff.

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

- the regular monitoring of corporate governance principles and management structures laid down in the rules of procedure;
- the issuing of rulings and directives for the parent bank as well those that are binding Group-wide, subject to respective applicable local law;
- the regularization and monitoring of internal control systems and the issuing of regulations regarding this function;
- the appointment and dismissal of the Group CEO, the Vice Group CEO, all the other members of the Group Executive Board and the Head of Group Internal Audit as well as the provisions for deputies and the review of their performance, including succession planning;

- the supervision of the Group CEO, the Vice Group CEO and the other members of the Group Executive Board regarding compliance with legal provisions, statutes and rulings and directives as well as the LLB Group's economic development;
- the appointment of the committee members from among its members;
- the regularization of the compensation principles within the LLB Group.

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

- the approval of the applicable accounting standards;
- the approval of medium-term planning and budgeting;
- the preparation of the Annual Report and the Consolidated Annual Report;
- the approval of the Consolidated Interim Report;
- the ensuring of regular reporting on the course of business and extraordinary occurrences; this includes annotated reporting, on a quarterly basis, as regards the development of business, the earnings situation, balance sheet development, liquidity and equity requirements;
- the stipulation of the competence to authorize expenditure.

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

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

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

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

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

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

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

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

- implementing the resolutions made by the Board of Directors and its committees;
- submitting suggestions concerning the organisation of business activities in general and proposals for specific business matters to the Board of Directors and the responsible committees, provided these matters exceed the scope of authority of the Group Executive Board, in particular, with respect to:
 - the definition and periodic review of the LLB Group's corporate strategy as well as the allocation of resources to implement the strategy and attain corporate objectives;
 - participations, Group companies, business offices, branches and representative offices;
 - medium-term planning;
 - annual expenditure and income budget;
 - financial reporting and the annual report;
- implementing an efficient structure and organisation and an effective internal control system for the prevention and limitation of risks of all types;
- implementing the risk policy approved by the Board of Directors and reviewing compliance with it;

- active participation in the distribution of all significant risks, participation in the valuation of assets as well as in the use of external creditworthiness assessments and internal models regarding key risks;
- composition of the Risk Committee;
- comprehensive reporting to the Board of Directors regarding the risk situation in accordance with the provisions of risk policy;
- naming of persons (with the exception of the staff of Group Internal Audit), who can sign on behalf of the parent bank;
- regular reporting to the Board of Directors and its committees, in particular to the Chairman about the conduct of business and special occurrences;
- issuing of regulations for the conduct of business at the LLB Group;
- coordination of the LLB Group's range of products as well as specifying the pricing policy and the terms and conditions for the products and services offered;
- deciding on the conclusion of cooperation and partnership agreements as well as the membership of professional associations;
- authorising investments for personnel expenses and general and administrative expenses of up to CHF 1 million in specific cases and investments of up to CHF 3 million (with prior notification of the Chairman of the Board of Directors) which are not included in the budget adopted by the Board of Directors. In such a case, the Chairman decides about any matters to be presented to the Board of Directors;
- continuously monitoring the developments within the Divisions and business operations as well as initiating problem-solving measures;
- continuously monitoring financial reporting;
- setting objectives for business activities and the course of business as it executes the strategy approved by the Board of Directors; thereby ensuring that decision-making is timely and of a high quality as well as monitoring the implementation of the decisions made;
- ensuring that their objectives comply with general business targets and with the LLB Group's course of business.

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

The Group CEO

- ensures the coherent management and development of the LLB Group as well as the implementation of the strategy that is stipulated and periodically monitored by the Board of Directors;
- sets objectives for business activities and the course of business;
- ensures high-quality and timely decision-making;

- ensures that the objectives set by the members of the Group Executive Board comply with management objectives;
- submits recommendations to the Board of Directors concerning compensation principles within the LLB Group;
- monitors the implementation of any decisions that are made;
- monitors the implementation of the resolutions made by the Board of Directors and its committees;
- is responsible – in coordination with the Chairman of the Board of Directors – for concrete succession planning within the Group Executive Board and submits proposals to the Board of Directors regarding the nomination of members of the Group Executive Board with the exception of the Group CEO.

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

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

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

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

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

Internal supervision and control

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

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

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

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

To avoid duplication of work and to optimize controls, the auditing plans are coordinated with the statutory auditors. The short-term auditing plan and the personnel requirement plan are reviewed by the Group Audit Committee and submitted to the Board of Directors for approval. The results of every examination are recorded in a written audit report. The audit reports of the parent bank and all Group companies are sent to the Chairman of the Board of Directors, the members of the Group Audit Committee and the Group Risk

Committee, the Group Executive Board, the Head of Group Credit & Risk Management as well as to the Head of Group Legal & Compliance and the external auditors. The Head of Group Internal Audit compiles a report on a quarterly basis for submission to the Group Audit Committee and the Group Executive Board as well to the responsible committees of the other banks of the LLB Group. He also compiles a written activity report annually for submission to the Board of Directors. Particular findings that need to be dealt with immediately are communicated to the Chairman of the Board of Directors without delay by the Head of Group Internal Audit. In addition, Group Internal Audit regularly monitors the rectification of any deficiencies found and the implementation of its recommendations; it submits reports about this procedure to the Group Audit Committee.

Risk management

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

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

The risk management specialists strive to create and maintain a Group-wide uniform risk culture and risk approach. This establishes the fundamentals for an appropriate risk / return profile and an optimum allocation of capital. The Group Risk Committee invites the Chairmen of the Group Risk Committees to a quarterly discussion of the risk status. Their reports are summarized every six months in an overall risk report of the LLB Group, which is discussed by the Board of Directors. Further details concerning risk management can be found in the chapter "Financial and risk management (pages 15 to 17) as well as in the Notes to the consolidated financial statement of the LLB Group on pages 192 to 213.

Compliance

All employees of the LLB Group are obliged to comply with all legal, regulatory and internal regulations as well as to observe common market standards and professional codes of conduct. The compliance functions within the LLB Group annually report in writing to the Board of Directors about their activities, findings and the measures taken (see the chapter "Finance and risk management", page 17).



Roland Matt

Urs Müller

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

Board of Directors mandates in Liechtensteinische Landesbank Group companies:

Liechtensteinische Landesbank (Österreich) AG, (Member)

Other functions:

Vice Chairman of the Liechtenstein Bankers Association. Member of the Board of the Liechtenstein Chamber of Commerce and Industry; 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"

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, July 2012 until June 2016; Head of Retail & Corporate Banking Division since July 2016; Vice Group Chief Executive Officer, since July 2012

Board of Directors mandates in Liechtensteinische Landesbank Group companies:

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

Other functions:

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



Gabriel Brenna

Education:

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

Professional career:

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

Liechtensteinische Landesbank:

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

Board of Directors mandates in Liechtensteinische Landesbank Group companies:

Liechtensteinische Landesbank (Österreich) AG, (Chairman); 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"

Education:

Mag. Iur., University of Innsbruck, 2000; Executive Master of European and International Business Law, University of St. Gallen, 2006; Diploma of Advanced Studies (DAS) in Banking, 2017

Professional career:

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

Liechtensteinische Landesbank:

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

Board of Directors mandates in Liechtensteinische Landesbank Group companies:

LLB Fund Services AG (Chairwoman); LLB Swiss Investment AG (Chairwoman); LLB Asset Management AG (Chairwoman); Liechtensteinische Landesbank (Österreich) AG (Member); LLB Invest KAG (Member); LLB Qualified Investors AGmK (Member); LLB Invest AGmVK (Member)

Other functions:

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

Education:

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

Professional career:

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

Liechtensteinische Landesbank:

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

Board of Directors mandates in Liechtensteinische Landesbank Group companies:

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

Other functions:

Member of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG" and Member of the Liechtenstein Deposit Protection and Investor Compensation Foundation (EAS)

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
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, Private Banking as well as Institutional Clients Market Divisions are represented at the Group Executive Management level. The Group Chief Financial Officer, the Group Chief Operating Officer, as well as the Group Chief Executive Officer comprise the Group Executive Management.

At the beginning of May 2018, Group COO Kurt Mäder decided to leave the LLB Group in order to seek a new professional challenge. With effect from mid-May 2018, he stepped down from his function as Group COO and member of the Group Executive Board. From mid-May 2018, Group CEO Roland Matt and Deputy Group CEO Urs Müller took over the management of the Group COO Division ad interim. At the end of October 2018, the Board of Directors appointed Patrick Fürer as the new Head of the Group Chief Operating Officer Division and as member of the Group Executive Board. He commenced his duties on 7 January 2019.

4.2 Other activities and commitments

Apart from the mandates specified on pages 94 to 95, the members of the Group Executive Board are not involved in the management or supervisory boards of important Liechtenstein, Swiss or foreign private or public law corporations, establishments or foundations, nor do they exercise any permanent management or consultancy functions for important Liechtenstein, Swiss or foreign interest groups, nor do they perform official functions or hold political office.

4.3 Number of permitted activities

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

4.4 Management contracts

The Liechtensteinische Landesbank has not concluded any management contracts.

5 Compensation, participations and loans

Details concerning compensation, participations and loans can be found in the compensation report (pages 101 to 109).

6 Shareholders' participation rights

6.1 Voting right limitation and representation

At the Liechtensteinische Landesbank's General Meeting of Shareholders, each share carries one vote. In accordance with Art. 306a ff. of person and company law, the LLB shares held by the Liechtensteinische Landesbank itself and its subsidiaries (124'841 shares as at 31 December 2018) are not eligible to vote.

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

6.2 Statutory quorum

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

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

6.3 Convening of the General Meeting of Shareholders

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

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

6.4 Agenda

The Board of Directors specifies the agenda for the General Meeting of Shareholders in accordance with Art. 1 the Liechtensteinische Landesbank's statutes (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 per cent 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.

Shareholders, who together represent at least five per cent of the share capital, have the right to submit proposals to items on the agenda or to items which are added to the agenda, prior to the General Meeting. Moreover, every shareholder can submit proposals to items on the agenda during the General Meeting.

6.5 Entries in the shares register

The Liechtensteinische Landesbank has exclusively issued registered shares. It maintains a share register containing the names of the owners of registered shares. Upon request, the purchasers of registered shares are entered in the share register as shareholders having a voting right provided that they expressly render a declaration that they have purchased these shares in their own name for their own account. If the purchaser is not prepared to render such a declaration, the Board of Directors can refuse to enter the shares with voting rights in the register. Pursuant to Art. 5a of the Statutes (www.llb.li/statutes), the Board of Directors has specified that nominee registrations without the above-mentioned declaration are generally to be made without a voting right. In order for the right to vote to be exercised at the General Meeting of Shareholders, entry in the share register must be made at the latest three working days prior to the date of the General Meeting. Accordingly, the deadline for entry in the share register for the General Meeting on Friday, 3 May 2019 was fixed at 5 p.m. on Monday, 29 April 2019. From 30 April to 3 May 2019 no entries will be made in the share register.

7 Change of control and defensive measures

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

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

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

8 Independent auditors

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

8.1.1 Date of acceptance of existing auditing mandate

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

PricewaterhouseCoopers AG, St. Gallen, has served as the independent auditors of the Liechtensteinische Landesbank according to company and banking law since 1998. The auditing mandate was taken over from Revisuisse Price Waterhouse AG, St. Gallen, and its predecessor Revisa Treuhand AG, St. Gallen. Pursuant to person and company law and banking law, the independent auditors were elected by the General Meeting of Shareholders on 9 May 2018 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 2018 business year, PricewaterhouseCoopers AG invoiced the companies of the LLB Group for CHF thousands CHF 1'388 (2017: CHF thousands 1'399) in respect of audit fees. These fees include the work carried out as required by the respective regulatory authorities. In addition, in the 2018 business year, PricewaterhouseCoopers AG received CHF thousands 283 (2017: CHF thousands 261) for services in connection with our own investment funds.

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

8.3 Additional fees

For other services, PricewaterhouseCoopers AG invoiced the LLB Group companies CHF thousands 734 (2017: CHF thousands 1'700) in 2018. The increase in the corporate finance area is attributable to due diligence services in connection with the acquisitional growth of the LLB Group.

Audit fees and additional fees

in CHF thousands	2018	2017
Audit fees	1'388	1'399
Additional fees	734	1'700
Corporate finance	381	1'423
International accounting	0	46
Taxation advice	317	188
Legal and other advice	36	43

8.4 Information instruments of the external auditors

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

- taking note of and discussing the risk analysis made by the external auditors, the auditing strategy derived from it and the respective risk-oriented auditing plan;
- the discussion of major problems identified during the auditing process with the external auditors;
- the monitoring of the implementation of recommendations put forward by the external auditors and Group Internal Audit to eliminate weak points and deficiencies;
- the analysis of the audit reports submitted by the external audit and Group Internal Audit to the Board of Directors;
- the assessment of the qualification, quality, independence, objectivity and performance of the external and Group Internal Audit;
- the discussion of the annual activity report and the annual audit plan including risk analysis of Group Internal Audit, with the evaluation of whether this function has adequate resources and competences, as well as the approval of proposals to the Board of Directors;
- the examination of the compatibility of external auditors' auditing activities with possible consulting mandates as well as the evaluation and discussion of their professional fees;
- the evaluation of the collaboration between the external auditors and Group Internal Audit;
- the submission of a proposal to the Board of Directors for the attention of the General Meeting regarding the appointment or dismissal of the external auditors (appointed according to banking law and person and company law). The Group Audit Committee is responsible for defining the procedure to appoint new external auditors.

The external auditors perform their work in accordance with the legal provisions, and according to the principles of the profession in the respective country of domicile of the Group company, as well as according to the "International Standards on Auditing". The independent auditors regularly report to the Board of Directors, the Group Audit Committee and the Group Executive Board about their findings and submit suggestions for improvements to them. The most important report is the audit report on the LLB Group required by banking law. This summarized report is submitted in writing to the Board of

Directors once a year. In addition, the responsible auditor in charge of the external auditors presents a report at one meeting of the Group Audit Committee. All reports from the internal and external auditors concerning all Group companies are submitted to the Group Audit Committee.

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

Representatives of the external auditors participated in two meetings of the Group Audit Committee but did not attend any meetings of the Board of Directors during the report period. The Head of Group Internal Audit attended all the meetings of the Group Audit Committee and all the meetings of the Board of Directors except one. 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. The primary point of contact for the external auditors is the Group Audit Committee. They hold regular discussions with the Chairman of the Board of Directors and the Chairman of the Group Audit Committee.

9 Information policy

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

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

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

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

Dr. Cyrill Sele
Head Group Corporate Communications & General Secretary
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9490 Vaduz
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Agenda

Date	Time	Event
14 March 2019	7.00 a.m.	Publishing of 2018 business result at www.llb.li ; release of online Annual Report 2018 at ar2018.llb.li
	10.30 a.m.	Financial reporting and analyst conference
15 March 2019		2019 business result advertisement in the "Liechtensteiner Vaterland" and the "Liechtensteiner Volksblatt"
9 April 2019		Publication of printed Annual Report 2018
3 May 2019	6.00 p.m.	General Meeting of Shareholders
7 May 2019		Ex-dividend date
8 May 2019		Dividend record date
9 May 2019		Dividend payment date
27 August 2019	7.00 a.m.	Publishing of interim financial statement 2019; publication of printed interim financial statement 2019 and release of online interim financial statement 2019 at www.llb.li
	10.30 a.m.	Conference Call
28 August 2019		2019 interim financial result advertisement in the "Liechtensteiner Vaterland" and the "Liechtensteiner Volksblatt"

10 Important changes since the balance sheet date

The Board of Directors proposes to the 27th General Meeting of Shareholders on 3 May 2019, that – subject to approval from the supervisory authority – Dr. Karl Sevelde be elected as a member of the Board of Directors for a term of office of three years, and that Dr. Patrizia Holenstein be re-elected as a member of the Board of Directors for a term of office of three years.

Compensation report

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

Introduction

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

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

The following report deals with the compensation policy, the basis and elements of the compensation, the responsibilities and methods of determining compensation. The compensation paid during the 2018 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 February 2018). The Group regulation is based on: the current version of the Ordinance on Banks and Investment Firms (Banking Ordinance) of 22 February 1994, in particular Appendix 4.4; EU Directive 2013/36/EU (CRD IV) of 26 June 2013; Regulation No. 575/2013 (CRR) of 26 June 2013; Delegated Regulation No. 527/2014 of 12 March 2014; Delegated Regulation No. 604/2014 of 4 March 2014; Delegated Regulation No. 2016/861 of 18 February 2016; and EBA Guideline “EBA/GL/2015/22” of 27 June 2016. 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 particularly to those persons who are identified as risk takers in a process that is carried out annually.

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 2018). 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 targets and values of the LLB Group and is based on the following principles:

- **Sustainability and risk adjustment:**

Compensation practices must contribute to long-term corporate development. They must support risk management and the pursuit of both continuous increases in the company’s value and long-term client and employee retention. Compensation policy has to offer incentives in a manner that allows for adequate risk behaviour by individual persons in order to counteract any conflicts of interest.

- **Foundation of trust:**

The design of the compensation regulations and processes is based on a mutual foundation of trust between employees and employers. This is necessary because there are time differences between the provision of the performance and the acceptance of responsibility on the one hand, and the payment of the compensation on the

other. Furthermore, a performance appraisal has subjective elements. Accordingly, the voluntary nature of the payment of the variable component must be ensured and attention must be drawn to the scope of discretion in this respect.

- **Performance and success orientation:**
Compensation practices also have to reward both individual performance and company-related performance. The focus on the Group's success promotes, and is in line with, the LLB Group's long-term interests. Acknowledging individual performance serves performance motivation, the management of individual performance contributions towards achieving company targets as well as the retention of top performers.
- **Simplicity, clarity and comprehensibility:**
The compensation regulations and models are to be kept simple, clear and comprehensible. Employees as well as third parties should be able to easily understand the basic concepts.
- **Fair compensation in accordance with responsibilities and management level:**
The determination of compensation also has to consider the workload as well as the degree of responsibility and reflect the different management level requirements in a clear and fair manner.
- **Group orientation:**
Compensation has to promote Group orientation. It aims to further commitment towards Group success and increased identification with the Group through employee participation in the long-term development of value and in shared ownership by means of an appropriate share option scheme.

The compensation policy forms the basis for the compensation standards stipulated in appropriate regulations and for the compensation model. The compensation standards set out the objectives, 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 sustainable, long-term-oriented action.

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

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

The compensation system of the LLB Group

The compensation system is essentially based on the following approaches:

1. Clear performance incentives, performance orientation and transparency:

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

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

5. Fairness and freedom to act:

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

6. Integrity and trust:

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

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

Target compensation

Around 40 per cent of employees receive a fixed compensation without a variable component. For around 60 per cent of employees, the target compensation consists 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 100 per cent of the target compensation to 67 per cent 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 per cent of the fixed component of the total compensation for each person.

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

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

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

Group Internal Audit is responsible for reviewing the implementation of the Group regulation "Compensation standards" once a year. The results of this review are reported in writing to the Board of Directors. The compensation of senior executives in risk management and compliance at the parent bank and at the LLB Group companies is reviewed once a year by the relevant Board of Directors or by the Compensation Committee (if such a body exists in the Group company). The Group Nomination & Compensation Committee carries out these tasks for the Group functions.

Compensation of the Board of Directors and the Group Executive Board

Board of Directors

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

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

Group Executive Board

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

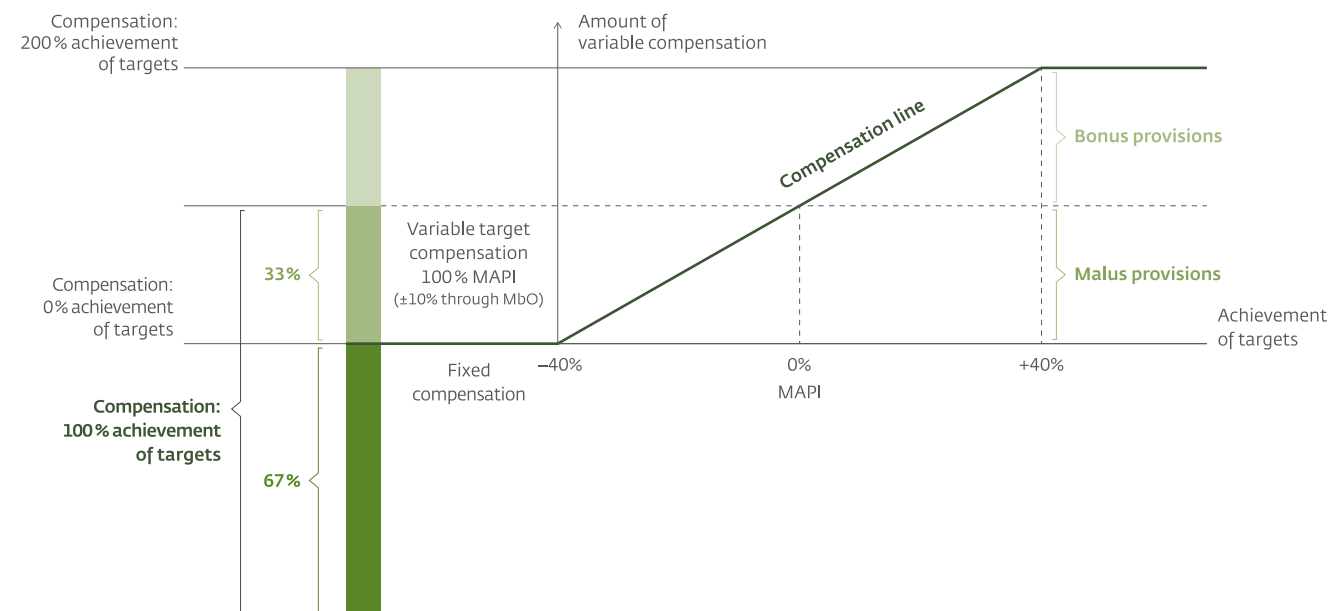
The compensation model also contains a bonus-malus provision. The members of the Group Executive Board receive more or less than their target compensation depending on whether they exceed, partly attain or do not attain the annual objectives. The maximum bonus possible is 200 per cent of the variable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

The fixed compensation for the members of the Group Executive Board in 2018 was determined on the basis of a compensation comparison carried out by the Kienbaum company in 2017. This comparison comprised between 20 and 24 comparable banks and between 22 and 28 comparable positions per function represented on the Group Executive Board.

The amount of the variable compensation is determined by the Group performance. This is measured using relative total shareholder return (TSR), i.e. the so-called "Market-Adjusted Performance Indicator" (MAPI). This is done by comparing the TSR of the LLB share in relation to the TSR of a peer group. The peer group is broadly diversified and comprises a group of 25 banks. Its composition is discussed and evaluated annually by the Group Nomination & Compensation Committee. Since the 2017 business year, the peer group has been composed exclusively of banks from the LLB Group's home markets of Liechtenstein, Switzerland and Austria.

The Board of Directors can adjust the variable compensation, based on the individual performance within the framework of the Management by Objectives (MbO) process, by plus / minus 10 per cent of the variable target compensation.

Compensation model: Group Executive Board



The compensation model is illustrated in the chart at the bottom of page 104.

Geographic distribution of the 25 banks in the peer group:

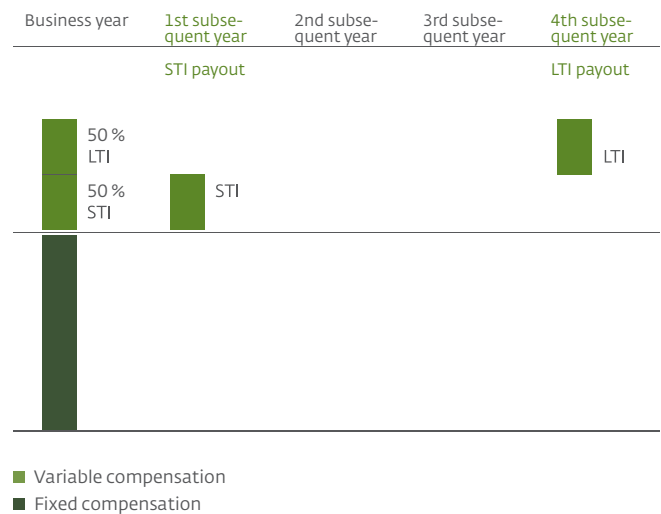
Liechtenstein	1
Switzerland	21
Austria	3

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

If the MAPI is 0 per cent, 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 per cent or less. If the MAPI is 40 per cent or more, the maximum variable compensation is paid, which is capped at 200 per cent of the variable target compensation.

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

LTI with clawback mechanism



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

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

Responsibilities and methods of determining compensation

The Group Nomination & Compensation Committee (see point 3.5.2 “Composition of all Board of Directors’ committees, their tasks and terms of reference”, pages 86 – 87) 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 review of the compensation of all other staff who are covered by the Group regulation "Compensation standards" and the LLB AG regulation of the same name.

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

Pursuant to Art. 12, Para. 2 of the Law on the Liechtensteinische Landesbank, the Board of Directors must inform the Government about the compensation ruling specified for it. Liechtensteinische Landesbank does not submit the total compensation of the Board of Directors and the Group Executive Board to the General Meeting of Shareholders for approval. It also does not hold an advisory vote on the question of compensation.

Compensation in 2018

For the 2018 business year, the members of the Board of Directors received a fixed compensation of CHF thousands 888. Contributions to benefit plans and other social contributions amounted to CHF thousands 114. The fixed compensation was paid in cash (CHF thousands 731) as well as in the form of an entitlement to acquire LLB shares (CHF thousands 157). The entitlement to acquire LLB shares is subject to a blocked period of three years.

In comparison with the previous year, the total compensation of the members of the Board of Directors increased by CHF thousands 59 or 5.6 per cent. The higher compensation cost 2017 was attributable mainly to the fact that from the General Meeting 2018 the Board of Directors was composed of one member fewer (six members instead of the former seven).

For the 2018 business year, the members of the Group Executive Board received a fixed compensation of CHF thousands 3'236 and a variable compensation of CHF thousands 2'666. Contributions to benefit plans and other social contributions amounted to CHF thousands 1'091. 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 2018 (CHF 64.55). The variable compensation for the members of the Group Executive Board was, on average, approximately 82.4 per cent of the fixed compensation or 38.1 per cent of total compensation.

The total compensation of the members of the Group Executive Board in 2018 increased by CHF thousands 1'208 or 20.9 per cent. This increase was primarily the result of the higher variable compensation. The MAPI was plus 31.9 per cent (previous year: plus 4.1%). This results from the total shareholder return of LLB (34.3%) in comparison with the total shareholder return of the peer group (2.4%) which corresponds to an attainment of objectives of 179.7 per cent (previous year: 110.4%).

The total compensation of the members of the Board of Directors and the members of the Group Executive Board for the 2018 business year is reported on an accrual basis. The variable compensation was charged to the 2018 income statement. Payment of the STI to the members of the Group Executive Board will be made in the first quarter of 2019. 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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Members of the Board of Directors												
Georg Wohlwend, Chairman since 13.05.2017 **	300	190	0	0	80	50	0	0	40	25	420	265
Hans-Werner Gassner, Chairman until 12.05.2017		125		0		39		0		15		179
Gabriela Nagel-Jungo, Vice Chairwoman	105	67	0	0	9	5	0	0	26	20	140	92
Markus Foser, Vice Chairman until 09.05.2018	42	119	0	0	7	12	0	0	11	30	60	161
Markus Büchel, Member until 09.05.2018	23	64	0	0	0	0	0	0	7	20	30	84
Patrizia Holenstein, Member	70	68	0	0	7	6	0	0	20	20	97	94
Urs Leinhäuser, Member ***	79	74	0	0	0	0	0	0	20	20	99	94
Roland Oehri, Member until 09.05.2018	22	65	0	0	4	7	0	0	7	20	33	92
Richard Senti, Member since 10.05.2018	49		0		4		0		13		66	
Thomas Russenberger, Member since 10.05.2018	41		0		3		0		13		57	
Total	731	772	0	0	114	119	0	0	157	170	1'002	1'061
Members of the Board of Management ****												
Roland Matt, Group CEO	737	637	218	175	206	196	0	0	218	175	1'379	1'183
Other members of the Board of Management *****	2'499	2'418	1'115	667	885	850	0	0	1'115	667	5'614	4'602
Total	3'236	3'055	1'333	842	1'091	1'046	0	0	1'333	842	6'993	5'785

° Fixed compensation fee, meeting allowances.

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

*** The compensation was paid to Adulco GmbH.

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

***** Group COO Kurt Mäder decided at the beginning of May 2018 to leave the LLB Group and to reorient his career. His remuneration is contained in the total. Group CEO Roland Matt and Deputy Group CEO Urs Müller were appointed interim heads of the Group COO Division as of mid-May 2018.

Share holdings of related parties

	Bearer shares	
	31.12.2018	31.12.2017
Members of the Board of Directors		
Georg Wohlwend, Chairman since 13.05.2017	640	500
Gabriela Nagel-Jungo, Vice Chairwoman	566	235
Markus Foser, Vice Chairman until 09.05.2018		835
Markus Büchel, Member until 09.05.2018		568
Patrizia Holenstein, Member	867	358
Urs Leinhäuser, Member	581	250
Roland Oehri, Member until 09.05.2018		950
Richard Senti, Member since 10.05.2018	0	
Thomas Russenberger, Member since 10.05.2018	0	
Total	2'654	3'696
Members of the Board of Management		
Roland Matt, Group CEO	16'392	13'458
Urs Müller, Vice Group CEO	19'074	14'746
Gabriel Brenna	19'921	7'683
Natalie Epp	1'193	50
Kurt Mäder, Member until 11.05.2018*		8'479
Christoph Reich	9'851	6'513
Total	66'431	50'929
Other related companies and parties		
Related parties	4'550	100
Total	4'550	100

* Group COO Kurt Mäder decided at the beginning of May 2018 to leave the LLB Group and to reorient his career. Group CEO Roland Matt and Deputy Group CEO Urs Müller took over the management of the Group COO Division ad interim as of his departure in mid-May 2018. No member of the Board of Directors or the Board of Management owns more than 0.1 per cent of the voting rights.

No member of the Board of Directors or the Executive Management Board possesses more than 0.1 per cent of the voting rights.

Loans to key management personnel

in CHF thousands	Fixed mortgages		Variable mortgages		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Members of the Board of Directors						
Georg Wohlwend, Chairman since 13.05.2017	0	0	0	0	0	0
Gabriela Nagel-Jungo, Vice Chairwoman	400	400	0	0	400	400
Markus Foser, Vice Chairman until 09.05.2018		300		700		1'000
Markus Büchel, Member until 09.05.2018		1'285		0		1'285
Patrizia Holenstein, Member	0	0	0	0	0	0
Urs Leinhäuser, Member	0	0	0	0	0	0
Roland Oehri, Member until 09.05.2018		0		0		0
Thomas Russenberger, Member since 10.05.2018	0		0		0	
Richard Senti, Member since 10.05.2018	576		0		576	
Related parties	0	553	0	350	0	903
Total	976	2'539	0	1'050	976	3'589
Members of the Board of Management						
Roland Matt, Group CEO	1'000	1'005	0	0	1'000	1'005
Other members of the Board of Management *	2'810	2'810	0	0	2'810	2'810
Related parties **	0	0	0	0	0	0
Total	3'810	3'815	0	0	3'810	3'815

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

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

At 31 December 2018, the maturities of the fixed mortgages for the members of the Board of Directors and related parties ranged between 3 and 51 months (previous year: between 1 and 95 months) at standard market client interest rates of 0.95 to 1.65 per cent per annum (previous year: 1.10 to 1.65%). Mortgages at standard market conditions with variable interest rates were not issued (previous year: maturity between 2 and 23 months).

At 31 December 2018, the maturities of the fixed mortgages for the members of the Board of Management ranged between 1 and 78 months (previous year: between 10 and 90 months) at interest rates of 0.4 to 1.88 per cent per annum (previous year: 0.4 to 1.88%).

In 2018, an expiring loan was extended at the same conditions. The fair value of the collateral for the newly granted loan amounted to CHF thousands 1'352.

Of the total amount for mortgages for the members of the Board of Management, CHF thousands 1'000 (previous year: CHF thousands 1'000) was granted at the preferential interest rate for staff, the remainder was subject to the standard market client interest rate. Other loans to the Board of Management amounted to CHF thousands 200 (previous year: CHF thousands 246).

No allowances for loans to management were necessary. LLB granted third parties guarantees amounting to CHF thousands 168 (previous year: CHF thousands 168) for management and related parties.

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.

Information on sustainability reporting

Sustainability to the LLB Group means creating long-term added value for our clients, shareholders, employees and other stakeholder groups. We are thus committed to responsible corporate governance, which takes into account economic, ecological and social performance. Sustainability topics occupy an important place in our annual report.

To provide the best possible transparency for our stakeholder groups, we prepared our sustainability reporting in accordance with the standards of the Global Reporting Initiative (GRI Standards). They provide companies with a systematic framework for communicating corporate responsibility in a transparent and comparable manner. Reporting in accordance with GRI Standards is the most widely used comprehensive sustainability reporting standard in the world.

This report has been prepared in accordance with the GRI Standards: "Core" option. The report has undergone and successfully completed the GRI Materiality Disclosures Service. LLB thus meets the current legal requirements: following the amendment of Liechtenstein's Persons and Companies Act (PGR), capital market-oriented corporations as well as large credit institutions and insurance companies that have more than 500 employees have been required since 2017 to disclose information about their Corporate Social Responsibility (CSR) performance in their annual report.

The Annual Report 2018 includes all companies with a 100 per cent equity interest (see "Scope of consolidation", page 190) 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 111. The key topics are structured according to the topic groups: market performance, compliance, responsibilities for society and the environment, as well as employees. As far as the data situation allows, this report covers all material topics.

Material topics 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 and therefore also the success of the business. The materiality of the topics for our stakeholder groups depends on their position in the value chain. Topics related to market performance and compliance are particularly relevant for our clients. For the supervisory authorities, it is essentially topics related to regulatory requirements that are material. Topics related to corporate responsibility 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 in particular to them and our clients since the competence and motivation of the people in the LLB Group substantially determine the quality of the services. Further information on the material topics can be found in the management approaches: ar2018.llb.li/gri-content-index.

GRI Content Index



Universal standards

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102-51	March 2018
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102-53	doris.quaderer@llb.li
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Topic-specific standards

GRI Standard	Page/Information	Omission
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GRI 201: 2016 – Economic Performance		
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GRI 103: 2016	Management Approach	
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205-1	MA p. 6	
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205-3	no incidents	
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GRI 403: 2016 – Occupational Health and Safety		
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GRI 103: 2016	Management Approach	
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404-1	68	not available
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GRI 405: 2016 – Diversity and Equal Opportunity		
GRI 103: 2016	Management Approach	
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405-1	67	
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GRI 417: 2016 – Marketing and Labeling		
GRI 103: 2016	Management Approach	
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417-1	48-49	
417-3	no violations	
FS16	30	
GRI 418: 2016 – Customer Privacy		
GRI 103: 2016	Management Approach	
103-1/103-2/103-3	MA p. 7	
418-1	47	
GRI 419: 2016 – Socioeconomic Compliance		
GRI 103: 2016	Management Approach	
103-1/103-2/103-3	MA p. 7	
419-1	no penalties	

Unless otherwise stated, the page numbers in the index are based on this report. In some cases, disclosures are given in our online document on management approaches to sustainability, which is published in our online Annual Report at ar2018.llb.li/gri-content-index. In this case, the relevant page numbers are marked with MA.

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

This page includes, inter alia, information on GRI disclosure 102-47 (2016 version).