

# Risk notice for investors in medium-term bonds

## Legal basis

Uniform rules have been created within Europe for the recovery and resolution of banks (Directive 2014/59/EU establishing a framework for the recovery and resolution of financial institutions and investment firms, or the Bank Recovery and Resolution Directive (BRRD)).

This Directive was implemented in Liechtenstein via the Liechtenstein Recovery and Resolution Act (RRA; Sanierungs- und Abwicklungsgesetz – SAG, 952.5).

According to this Act, in the event of the official resolution of a bank, the bank's equity and debt is written down entirely or in part, or converted into equity capital (a process known as a "bail-in"). This can lead to significant losses for shareholders and creditors because creditors' claims can be reduced to zero without their consent.

## What this means for investors in medium-term notes

According to the Liechtenstein Deposit Guarantee and Investor Compensation Act (DGICA; Einlagensicherungs- und Anlegerentschädigungsgesetz – EAG), medium-term bonds do not qualify as deposits eligible for repayment. The repayment of medium-term bonds is dependent on the creditworthiness of the issuer. In the event of the actual or impending failure of Liechtensteinische Landesbank AG, the application of bail-in resolution instruments by the resolution authority may result in the loss of some or all of the amount invested. In addition, it may be more difficult to conclude a sale during the term, and such a sale may entail a considerable loss.

## General information concerning the issuer risk / credit risk:

The issuer risk / credit risk is the risk of payment default by a debtor or by the issuer, i.e. the potential inability to comply on time and / or in full with obligations such as interest payments, bond repayment, etc. The creditworthiness thus reflects the solvency of the issuer (debtor) of a medium-term bond. Using ratings (AAA to D) issued by recognised rating agencies, it is possible to estimate the creditworthiness of the issuer and thus the issuer risk of a medium-term note.

For further information (German only) on the bail-in process, please refer to (as of 9 September 2022): [www.fma-li.li](http://www.fma-li.li) -> Finanzplatz -> Abwicklungsbehörde