

Employees

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

Corporate culture and value basis

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

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

LLB as employer

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

Employee satisfaction

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

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

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

The next employee survey is planned for May 2019.

LLB as a regional employer

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

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

Internal communication

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

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

Performance pledge and employee development

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

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

Strategic vision



Working environment in focus

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

Workplace of the future

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

Quality of life in the workplace

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

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

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

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

Health and safety

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

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

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

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

Return to work

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

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

Compatibility of work and life situation

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

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

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

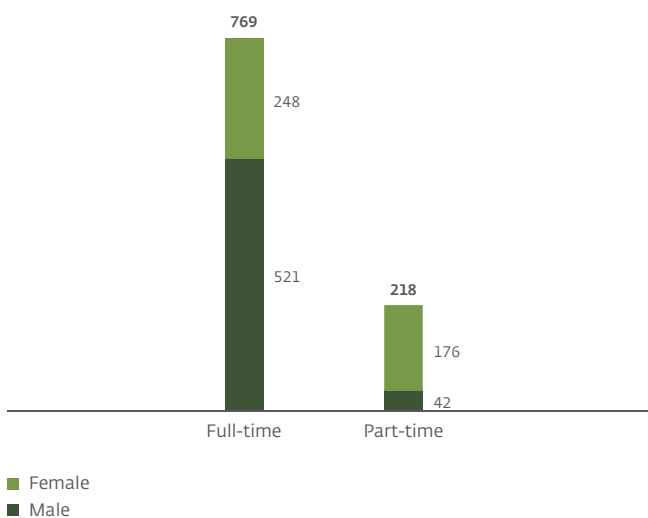
New crèche

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

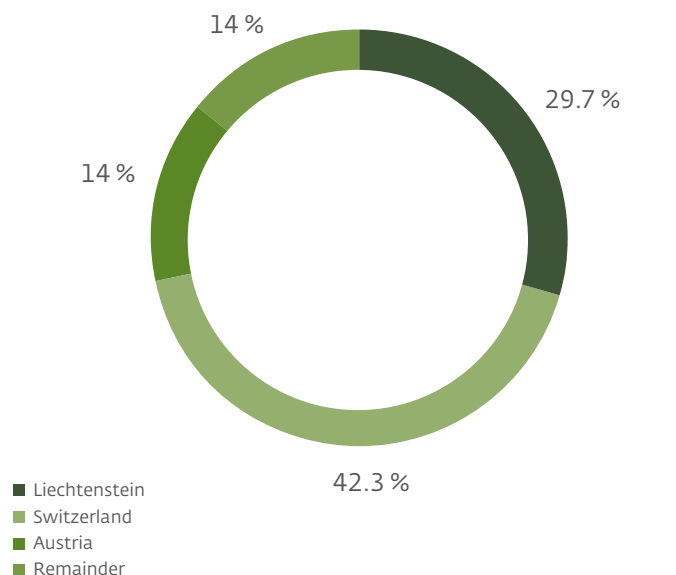
Diversity of employees and managers

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

Permanent employees by employment type



Employees by nationality



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

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

Women in management positions:

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

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

Training and professional education

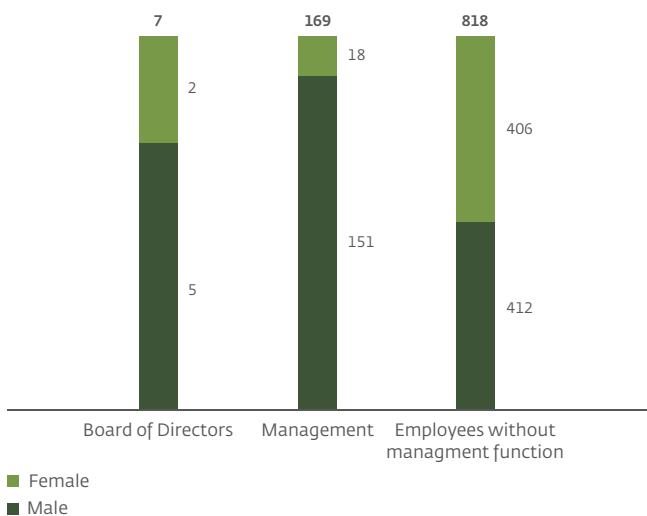
For the LLB Group, training and professional education is an important instrument for raising its competitiveness. In 2017, we invested CHF 1.4 million (2016: CHF 1.6 million) in the targeted development of managers, talent and competences. Effectiveness monitoring conducted by the organisational unit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

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

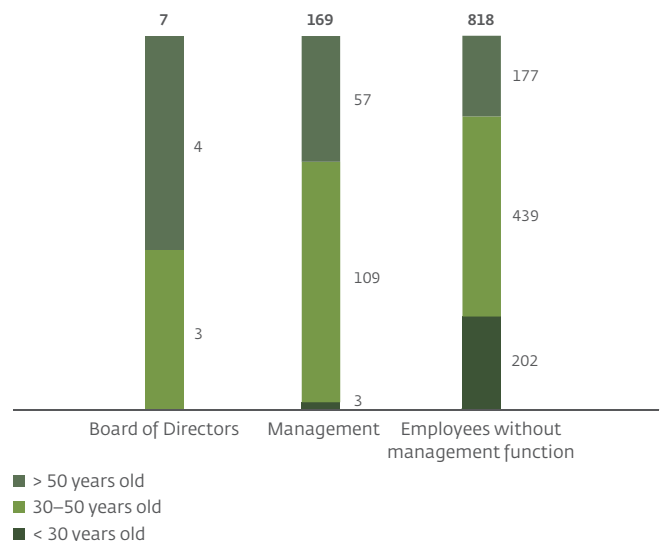
Management culture

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

Number of employees by gender



Number of employees by age group



Client adviser certification

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

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

Measuring the success of staff development

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

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

Professional training

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

Bachelor, work and study, and master programmes

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

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

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

Representation of employees

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

Personnel Pension Fund Foundation

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

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

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

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

Fair compensation

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

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

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

LLB Group headcount statistics

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

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