



**Roland Matt**  
Group CEO

**Georg Wohlwend**  
Chairman of the Board of Directors

## Letter to shareholders

# A future built on excellence

### Dear Shareholders

Since the General Meeting of 12 May 2017, I have had the privilege, as Chairman of the Board of Directors, together with our Group CEO Roland Matt, of guiding the future of the LLB Group. During the past year, I have familiarised myself in detail with the scope of my duties and tasks, and I can now say with conviction that the LLB Group has many strengths.

We are a bank that clients trust. We are a bank that is well aware of its tradition, but which at the same time facilitates its clients' access to the financial world by offering innovative products and services. We are a bank with a strong capital base, a high level of stability and a clear strategy. And we are a bank with which its staff strongly identify.

### StepUp2020 strategy takes effect

At the LLB Group, 2017 was characterised by sustained, profitable growth. In the second year of realising of our StepUp2020 strategy, we reached a milestone in our progress by attaining a business volume of CHF 62.3 billion. Thanks to our innovative power, flexibility and closeness to clients, we were successful in further strengthening our position in the target markets. We have the correct goals and our path is clearly defined – the StepUp2020 strategy is taking full effect.

### Gratifying Group net profit

The macro-economic and political environment continued to be challenging. Negative interest rates and increasingly strict regulatory measures made further demands on the banks in 2017. At the same time, the stock markets exhibited a stable upward trend with low volatility. In this environment the LLB Group attained a gratifying net profit.

Operating income rose by 7.5 percent while operating expenses remained stable. At CHF 111.3 million, Group net profit was 7.1 percent higher than the previous year's level (2016: CHF 103.9 million.). This is the fourth increase in succession. Loans to clients increased to CHF 12.1 billion (2016: CHF 11.5 billion) and client assets under management expanded by 8.2 percent to CHF 50.3 billion (2016: CHF 46.4 billion). A net new money inflow of CHF 470 million (2016: minus CHF 65 million) confirmed that we have accomplished a positive trend turnaround.

### Higher dividend

Our shareholders share in our good business result. In accordance with our long-term dividend policy, the Board of Directors will propose to the General Meeting of Shareholders on 9 May 2018 an increase of 17.6 percent in the dividend compared with the previous year to CHF 2.00 (2016: CHF 1.70). This represents an attractive dividend yield of 4 percent.

The price of the LLB share also rose substantially in 2017. On 31 December 2017, the share closed at CHF 49.65. Its total return stood at plus 27 percent. The STOXX Europe 600 Banks banking index in CHF at the end of December 2017 stood at 22.7 percent. At the end of May

2017, we completed the conversion of our former bearer shares into registered shares. This measure enables us to have an even more focused communication with our shareholders.

### **Security and stability**

The financial security and stability of the LLB Group have become even more solid. Our equity consists solely of hard core capital and totalled CHF 1.9 billion on 31 December 2017, the Tier 1 ratio stood at 22.2 percent. This ratio substantially exceeded the legal requirements and represents a very sound capital base in international comparison. The LLB Group is superbly capitalised and has plenty of scope for its growth ambitions.

In April 2017, the rating agency Moody's confirmed Liechtensteinische Landesbank's Aaa deposits rating, which underlines our stability and financial power. Accordingly, LLB is among the top range of Liechtenstein and Swiss banks and ranks well above the average of European financial institutions.

### **Excellent investment competence**

A further strength of the LLB Group is its investment competence. For its strategy funds, which represent the most important performance indicator of every asset manager, our LLB Asset Management competence centre was again awarded top rankings in 2017; among others, first place in Europe and Germany at the Lipper Fund Awards 2017 as well as three other first places in January 2018.

Furthermore, our clients greatly appreciate our "LLB Invest" model for the asset management and investment advice of the future. Within one and a half years, its volume has risen by CHF 1.6 billion.

### **Digitalisation offensive**

Above all, 2017 was the year of our digitalisation offensive. In February, we introduced new mobile banking apps with touch ID for LLB and Bank Linth designed in accordance with the latest security and technological standards.

In July 2017, we presented our new web portal with integrated online banking. It combines a modern layout with a completely responsive design. The new infrastructure provides us with an excellent basis on which to continually expand and refine our online services and make them even more attractive for our clients.

The digitalisation of banking business – both for our clients and ourselves – is one of the key priorities of the StepUp2020 strategy. Many clients select their bank on the basis of its digital service offering. However, when it is a case of complicated financial subjects, many clients want to talk personally with their trusted adviser.

### **Bank branch of the future**

Our omni-channel strategy includes a modern bank branch concept. Since June 2017, the headquarters of Bank Linth in Uznach have reflected this "bank of the future" concept, which has already proved its worth for two years at the branch in Sargans. The entire network of bank branches is to be converted to the concept by 2020.

Over the next three years, LLB will also adapt its three bank branches in Liechtenstein to accommodate changed client behaviour. In our bank branch of the future, obtaining advice in a multi-media client zone becomes an inspiring experience, while the self-service possibilities for carrying out bank and financial transactions set new standards of efficient service.

### **Certified client advisers**

The higher demands our clients make on the standard of advice and the constantly changing situation on the financial markets require a very high level of competence from our client advisers. By the end of 2020, all our client advisers will have completed a specific training programme in accordance with the standards of the Swiss Association for Quality. The SAQ certification of our client advisers enables us to ensure long-term, outstanding advisory competence according to standardised quality criteria

### **Lean management**

At the LLB Group, the valuable, quality time that our advisers spend with their clients is a key success factor. In 2017, Our Operational Excellence Competence Center continued with the implementation of our lean management culture. The progress achieved in enhancing efficiency, optimising IT and simplifying structures and processes facilitates growth and profitability. The goal of this concept is to establish a sustained culture of continual improvement within the company.

### **Corporate responsibility**

The LLB Group regards corporate social responsibility as being an integral part of its business success. For us social responsibility means harmonising economic activities with our responsibility for society and the environment. This is reflected in the five key themes of market performance, compliance, society, environment and employees.

The significance we attach to these areas is also reflected in this annual report, in which we apply the standards of the Global Reporting Initiative – “Core Option”. In this way, we reveal how – as summarised on page 75 – we fulfil our corporate and social responsibilities.

### **Employer of choice**

Our employees and executives play a vital role in the implementation of our strategic initiatives with their dedication, knowledge, skills and commitment. In 2017, we enhanced our position as an attractive employer, as confirmed by the top grades our employees awarded us in the 2017 staff survey. The excellent result achieved by the LLB Group – for the second time already – culminated in the Swiss Employer Award, which motivates us to implement further measures to enable us to be the employer of choice for talented employees and executives.

### **MiFID II implemented**

The complex EU “Markets in Financial Instruments Directive”, (MiFID II) confronted us with many challenges. We pulled out all the stops to optimise our processes and modify our IT infrastructure so that the extensive regulatory changes could be implemented on time and with a specific focus for our clients. For us this was not just a case of extra time and effort, we also saw the opportunities and supplemented our range of investment services with the “LLB Basic” advisory model.

### **Successfully going forward**

With our strategic objectives fully in mind, we shall maintain the successful course of the LLB Group going forward into 2018. Thanks to the dedication of all our teams, we have achieved significant progress with our strategic core elements of growth, profitability, innovation and excellence.

Digitalisation will continue to be a key priority. The training programme for client adviser certification and the lean management Group programme will make a major contribution to focusing our company even more sharply on the requirements of our clients. The “team@work” Group project is a further step in the development of the digital work place. Our goals are to improve collaboration, the exchange of knowledge and the way information is processed.

### **Acquisitions in Austria and Switzerland**

As part of our StepUp2020 strategy, we also set ourselves the goal of making acquisitions in our domestic markets of Liechtenstein, Switzerland and Austria. At the end of December 2017, we announced the takeover of Semper Constantia Privatbank AG in Vienna. This is a major step, which will enable us to significantly expand our business in Austria and position Austria as our third strong, domestic market.

In February 2018, we signed a purchase agreement to acquire the shares of LB(Swiss) Investment AG, Zurich. This takeover, in line with its strategy, enables the LLB Group to gain access to the Swiss investment fund market and to substantially expand its fund

business, which it will in future operate from the three locations of Liechtenstein, Austria and Switzerland.

The takeovers of Semper Constantia Privatbank AG and LB(Swiss) Investment AG represent a quantum leap in the realisation of the StepUp2020 strategy. Both acquisitions are important elements for accelerated growth.

In 2018, the integration of Semper Constantia Privatbank and LB(Swiss) Investment will be key priorities of our work. The integration of LB(Swiss) Investment should be completed by July 2018. In the second quarter, we plan to rename the company "LLB Swiss Investment AG".

It is expected that Semper Constantia Privatbank will be taken over in July 2018. Thereafter it is planned in September 2018 to merge Semper Constantia with LLB Austria to form Liechtensteinische Landesbank (Österreich) AG. The resulting unit will become a top provider of private banking and institutional client services in Austria. Accordingly, it is ideally positioned to continue to grow in this attractive market.

#### **Election of new members of the Board of Directors**

The Board of Directors of Liechtensteinische Landesbank AG proposes to the General Meeting of Shareholders of 9 May 2018 – subject to approval from the supervisory authority – that Thomas Russenberger and Dr. Richard Senti be elected as new members of the Board. On account of the term of office limitation, Markus Büchel, Markus Foser and Roland Oehri will step down as members of the Board of Directors. We would like to thank them for their years of dedication to the LLB Group. In the last nine years they have made a significant contribution to strengthening our core competences and to placing our company on the path to profitable growth within the scope of our StepUp2020 strategy.

#### **Thank you for your trust**

We are confident that, thanks to our stable foundation, focused business model, diversified earnings structure and clear strategy, we are well prepared for the forthcoming challenges and opportunities, and that we can again achieve a solid Group business result in 2018.

We would like to thank our clients for their loyalty. Whatever the LLB Group achieves is predominantly thanks to the efforts, motivation and competence of our employees. We want to express our thanks to you, our esteemed shareholders, for your great solidarity and commitment to our company.

Yours sincerely



**Roland Matt**  
Group CEO



**Georg Wohlwend**  
Chairman of the Board of Directors