

# Corporate Center

**The Corporate Center bundles and controls the central functions of the LLB Group. As the internal service provider and client-centric entity, it enhances the value chain and ensures the internal and external provision of the LLB Group’s digital services.**

## Quality of services

The Corporate Center encompasses the Group CEO (see chapter “Strategy and organisation”, page 25), Group CFO (see chapter “Finance and risk Management”, page 28) and Group COO Divisions. It initiates, coordinates and monitors group-wide business activities, processes and risks. Furthermore, it facilitates corporate development including information technology and improves the efficiency of processes as well as the quality of services. Fully focused on the requirements of the operative divisions, the Corporate Center makes a direct contribution to the value added by the LLB Group.

The Corporate Center plays a key role in the realisation of the LLB Group’s StepUp2020 strategy. In 2017, the priority was placed on the digitalisation of banking business and the Group, as well as the optimisation of the organisation in line with the principles of lean management.

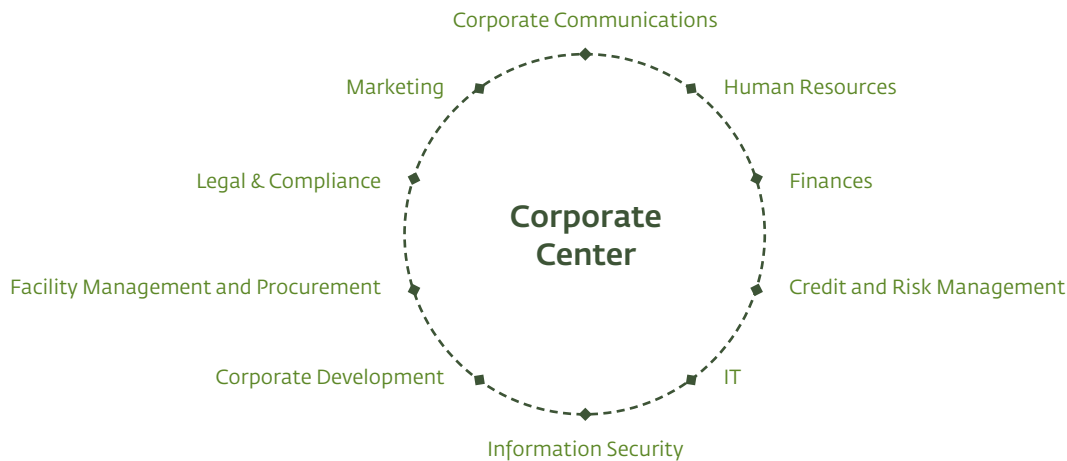
## Digitalisation of banking business

In expanding its digital channels and services, within the scope of its omni-channel strategy, the LLB Group is investing a total of around CHF 30 million in innovation and IT projects up to the end of 2020. The goal is to combine the physical and digital contact points such as bank branches, telephony, mobile banking, web portal, online banking and LLB Quotes, into a seamless client experience.

### Expansion of online services

In February 2017, we introduced new mobile banking apps with touch ID for LLB and Bank Linth – designed in accordance with the latest security and technological standards.

By summer 2017, the LLB Group had completely revised the content and technology of its websites for LLB and Bank Linth including the seamless integration of its Online Banking (see chapter “Retail & Corporate Banking”, page 34).



The Corporate Center bundles ten central areas of activity of the LLB Group

We have decided in favour of photoTAN technology to facilitate authentication. It operates in line with the latest research in user-friendliness and data encryption, and complies with the highest security standards. It incorporates a completely responsive design and clients can access LLB / BLL online banking services on our web portal from their smartphones, tablets or desktop computers. These modifications provide us with an excellent basis on which to continually expand and refine our online services and make them even more attractive for our clients.

During the year under report, the number of online banking agreements with LLB rose by 5.6 percent to 26'596, and those with Bank Linth by 3.2 percent to 18'894.

The number of mobile banking registrations with LLB increased by 39 percent to 8'754, and those with Bank Linth by 35.4 percent to 4'214.

### **Efficient payment systems in Switzerland**

Our new Online Banking has already enabled us to carry out important adjustments to payment systems so that they conform to European standards.

With the introduction of the Single Euro Payments Area (SEPA) in 2014, cashless payment transfers were standardised in Europe. By 2020, Switzerland – and therefore Liechtenstein in parallel – will change over to the ISO 20022 international standard for the electronic exchange of data in the financial services industry. The platforms of the banks, SIX Paynet, and Post Finance are to be amalgamated. Instead of ten different payment slips, in future there will be one QR payment code.

The changeover will mainly affect the IT interfaces between financial institutes as well as all companies having interconnected payment transfer systems. In 2017, the LLB Group carried out intensive preparations for the simplification and automation of payment processes.

### **Support for corporate clients**

The LLB Group has about 2'000 such clients as well as large clubs, associations and public institutions, which must modify their systems. It supports its corporate clients in digitalising their processes by means of efficient interfaces such as "LLB / BLL Connect" and the "Electronic Banking Internet Communication Standard" (EBICS). Our clients have been using the EBICS standard since 2016; the updated Connect interface will be available from mid-2018.

### **E-bill / QR-bill**

LLB and Bank Linth plan to introduce E-bills provisionally during the second quarter of 2018. This will enable invoices to appear directly in the SIX LEON portal, where they can be checked and approved for payment. The last large-scale changeover will commence at the beginning of 2019. Here too, the LLB Group is supporting its corporate clients in digitalising their processes so that they send the new QR-bill with payment part to their end clients.

### **New rules in the EU payment transfers market**

The harmonisation and digitalisation of the European payment transfers market represents an important subject for LLB. As an EEA member state, Liechtenstein will implement the EU PSD II payment services directive in 2018. The new regulations take into consideration the stricter data protection requirements and the security of electronic payments.

PSD II allows new payment service providers such as FinTech companies access to the market, which should increase competition and strengthen innovation. The directive stipulates that banks must permit third-party providers access to clients' accounts if clients desire this. A direct interaction with the bank at which the account is held is no longer necessary. At LLB the necessary adjustments to enable the implementation of PSD II are planned for 2018.

### **Innovation partnerships and management**

In future, the collaboration between banks, IT service providers and FinTech companies in developing the "digital bank" will play an essential role. Back in 2016, the LLB Group utilised just such a strategic innovation partnership to introduce an investment advisory model on the market under the designation "LLB Invest / Bank Linth Invest". In 2017, we also collaborated with various external business partners.

### **Internal digitalisation**

In order to enhance its agility, innovative power and client experience in the digital age, the LLB Group has set digitalisation, both inside and outside the company, as a strategic priority. Since 2017, the development of modern workplace and communications technologies has been at the forefront of the Group's plans. The "team@work" Group project planned aims to improve collaboration, the exchange of knowledge and the way information is processed.

This comprehensive analysis of requirements is based on an online survey of all employees, on employee workshops, as well as interviews with specialists and local representatives. The objective is to draft an appropriate strategy, possible solutions and a roadmap for the digital workplace of the future by mid-2018.

## Digitalisation and data protection

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We not only think digitally, we also give intensive consideration to the new risks that digitalisation brings with it. For example, personal data – and therefore access to services – are increasingly stored and inter-linked in cyberspace. The interrelationship between human beings, processes and technologies is therefore an essential prerequisite for data protection.

### Fraud detection system

In full awareness of how vitally important the security of systems and data are, we have designed future software architecture accordingly. Working in close cooperation with a technology partner, we have developed a broad-based, self-learning fraud detection system for payment systems to counteract internal and external threats.

### Information security

Information processing systems, which ensure confidentiality, availability and integrity, provide protection against threats and dangers, also help to prevent damage and minimise risks. The Group Information Security Department formulates, implements and maintains our information security programme. The principles and guidelines on which this is based are specified in directives that are binding throughout the Group.

The assets and information entrusted to us are protected by coordinated processes and systems. Specialists continually analyse the latest risks arising from cyber threats and implement appropriate counter measures.

### Raising awareness among employees

Dealing responsibly with client data and information is an integral part of LLB's corporate culture. In 2017, monthly training courses for new employees were held in Liechtenstein, at Bank Linth and at LLB Austria in Vienna. Refresher training courses are planned in 2018 for 400 employees, who have worked at LLB for longer than four years.

In November 2017, LLB introduced a new learning game for smartphones, which also raises employees' awareness of the importance of cyber security with its gamification approach. Thanks to IT security training courses, employees who have less affinity with technology, use a fun learning method to find out how to deal with themes such as "phishing", "DDos attacks" and "social engineering". LLB has therefore adopted an initiative of the Swiss IT Leadership Forum. It is a member of the ICT Switzerland.

## Lean Management

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The LLB Group believes that the key to success lies both in improvements through innovation and in the continual development of the company. In line with the StepUp2020 strategy, the Group COO Division is firmly establishing a lean management culture at the LLB Group. For this purpose five specialists support our teams.

Progress achieved in increasing efficiency, optimising IT systems and simplifying structures supports growth and profitability. Our lean initiatives mean that the demands made on our employees are changing; solution-focused and client-centric thinking and action are becoming more and more important.

### Operational excellence

The new Operational Excellence Department successfully carried its first lean project in 2017. Its goal is to establish a permanent culture of ongoing improvement and refinement at the company. In our three market divisions we want to gain more time for our clients and therefore for enhancing the quality of advisory services.

### Lean management in the market divisions

In all three market divisions our clients benefit from 20-percent shorter throughput times when opening an account while continuing to enjoy the same high quality processes.

The same applies to lending processes. In standard mortgage lending business, in particular, we have reduced the average throughput times by 30 percent and increased the process quality by around 30 percent.

In the Retail & Corporate Banking Division we have carried out a lean transformation of the Eschen bank branch.

The Private Banking Division completed its first lean transformation wave in August 2017. The teams in Liechtenstein, Switzerland and Germany / Austria have achieved improvements in areas relating to clients, productivity and employees. In addition, they have selected further themes to continually reconfigure their working environment according to lean principles. For our clients this results in the advantages of high-quality, fast services.

In 2018, our goal continues to be to gain more time for our clients. In the Institutional Clients Division the objective is to strengthen client relationships and establish closer proximity to clients. In the Retail & Corporate Banking Division a lean transformation of the Customer Service Center and the Financing Departments is planned. Furthermore, projects to improve the quality and efficiency of work processes at key interfaces in the CFO and COO Divisions are being drawn up. These measures safeguard and strengthen the LLB Group's competitiveness.

**High level of automation**

Since introducing the Avaloq Banking Suite software throughout the Group in 2011, the LLB Group has continually improved its processing quality and productivity. To facilitate continuing standardisation and automation, self-learning IT systems have in the meantime been installed in the service centres.

In 2017, in comparison with the appropriate benchmarks (CC sourcing of the University of St. Gallen), we attained very high STP rates (the percentage of transactions, which from start to finish are processed fully automatically).

Of all payment orders processed, 94 percent were submitted electronically and the STP rate stood at 99 percent. Over 99 percent of stock market statements were processed automatically and the STP rate with capital market transactions was almost 80 percent. The high scalability in volume-intensive process creates the essentials for the LLB Group to efficiently process large transaction volumes with the existing infrastructure and thus to further increase productivity.

**Shared Service Center**

As the backbone of the LLB Group, the Corporate Center makes a significant contribution to helping the company adapt to fiercer competition. This includes bundling the competences in the Shared Service Center at LLB's headquarters in Vaduz. The services concerned are payment transfers, trading and securities administration, the central client register of LLB and Bank Linth, as well as the payment systems of LLB (Österreich) AG. The continuing increase in the level of automation improves efficiency while keeping costs low. Starting in 2019, the Shared Service Center in Liechtenstein will also handle the transaction processes of our bank in Vienna.

**Investments in LLB Austria's IT infrastructure**

As one of the first financial institutes in Austria, our subsidiary bank in Vienna will utilise the Avaloq Banking Suite core software in future. The changeover will take place within the scope of a cooperative project between the LLB Group and the LGT Group. The introduction of this core banking software solution in 2019 will boost our growth in Austria and in the strategic growth markets of Central and Eastern Europe.

The clients of LLB (Österreich) AG will then be able to benefit from all the products and services of the LLB Group such as the "LLB Invest" investment advisory and asset management application. Moreover, the expansion of the core banking software system to include new online and mobile client applications will mean that all the digitalisation initiatives planned by the LLB Group up to 2020 will be available.