

Private Banking

Wealthy private clients and entrepreneurs value three things about the LLB Group's Private Banking: the stability and security of our bank, the level of service quality, and outstanding investment performance.

Stability and security

With 156 years of history, the LLB Group has a long tradition as a private bank. Wealthy private clients and entrepreneurs trust in our experience and value us as a reliable partner, who understands their needs and wishes. Furthermore, there is the certainty of being with a bank that is regarded as being the embodiment of stability and security. For example, the LLB Group has been one of the best capitalised universal banks in Europe for years (see chapter "Finance and risk management", page 29). Moreover the Principality of Liechtenstein, as the majority shareholder, is one of only eleven countries in the world to possess an AAA rating (see chapter "Responsibilities for society and the environment", page 68).

High level of service quality

Integral solutions from one source

Wealthy clients attach great value to mutual trust, lateral and forward thinking as well as realistic judgement. Our private banking advisers take the time to understand the financial objectives and the life situation of their clients in order to be able to develop the optimum investment strategy for each individual. Our holistic advisory services are clearly structured and transparent starting with analysis, going on to strategy, customised implementation and regular reviews.

Asset management and investment advice of the future

The LLB Group takes an innovative and flexible approach to facing the challenges of the era. Our investment advisory services ideally combine the investment competence of our asset management services with the latest information technology and individual advisory models.

The hybrid "LLB Invest" investment model takes advantage of the strengths of two worlds: the speed, precision and reliability of technology coupled with the background knowledge, the wealth of experience and the creativity of our client advisers, who formulate profitable technical solutions for our clients.

Individual advisory models

We offer our clients outstanding investment solutions tailored to suit their individual wishes. Providing personal care and support to clients during the process of wealth appreciation are of central importance to us. We use systematic monitoring to ensure the safety of investments and the optimisation of the performance of client portfolios.

In 2017, we supplemented the two existing "LLB Invest" advisory models with the new "LLB Basic" model to be able to offer all investors the best care. With this further focus on clients, the LLB Group is complying with the EU "Markets in Financial Instruments Directive", (MiFID II), which came into effect in January 2018.

Client adviser certification

Trust is the core driver of the financial services industry. It is our client advisers, who create this trust. Accordingly, we make major investments in enhancing their knowledge. Therefore, in this and the following years all private banking client advisers and assistants will complete the certification programme according to the standards of the Swiss Association for Quality (SAQ) (see chapter "Employees", pages 60–61).

Outstanding investment performance

Investment competence

In competitive comparison, our Private Banking is distinguished by outstanding investment performance. Awards received in the past and in 2017 demonstrate that the investment competence of our asset management is one of the great strengths of the LLB Group (see chapter "Institutional Clients", page 42).

Broad diversification

LLB Asset Management possesses excellent expertise, and using systematic, transparent investment processes creates consistent added value for our clients. This applies both for asset management and for investment funds. The range of possibilities is extremely extensive and enables a broad diversification of capital investments. In 2018, the LLB Group is adding passive asset management mandates in various investment strategies and passively managed equity funds to its product offering.

International presence – local ties

Through the brands "Liechtensteinische Landesbank" and "Bank Linth", the Private Banking Division defines its international presence and local ties. Our focus lies on the onshore markets of Liechtenstein, Switzerland and Austria, on our traditional cross-border markets of Germany and other parts of Western Europe, as well as on the growth markets of Central and Eastern Europe and the Middle East.

The LLB Group operates three booking centres and has a bank each in Liechtenstein, Switzerland and Austria. We are present internationally in Vaduz, Zurich-Erlenbach, Geneva, Vienna, Abu Dhabi and Dubai, as well as locally through 19 branches of Bank Linth in eastern Switzerland and three LLB branches in Liechtenstein.

Products and services

The Private Banking Division supports wealthy clients with commitment, expertise, outstanding investment competence and a sound understanding of their goals and concerns. Customised to suit specific client segments, we offer investment counselling, asset management, asset structuring, financing facilities as well as financial and retirement planning. This makes us the preferred partner for wealthy private clients as well as entrepreneurs.

Innovative investment solution

Asset management and investment advice are core elements of private banking. With "LLB Invest" and "Bank Linth Invest" the LLB Group offers a highly professional and innovative application. Our advisory models "Basic", "Consult" and "Expert", as well as the "Comfort" asset management application place the emphasis squarely on the client's experience. This pioneering solution supports our active client care concept, the systematic investment process enables analysis and optimisation of the client portfolio at any time.

The volumes with asset management and investment advisory mandates have risen since the introduction of "LLB Invest" within one and half years by CHF 1.6 billion, the number of mandates increased by 1'000.

360-degree financial planning

The LLB Group is the only bank in Liechtenstein to offer 360-degree financial planning and continually expand this service. With its "LLB Compass" and "Bank Linth Compass" services, it supports private clients and entrepreneurs, at all stages of life or the business cycle, to achieve their future financial goals. LLB and Bank Linth therefore cover all the important themes such as wealth planning, financing facilities, retirement, real estate, taxation, estate planning and succession (see chapter "Responsibilities for society and the environment", page 68).

Transparent pricing model

All three banks in the LLB Group completely forego retrocessions on their own and external investment funds. In Liechtenstein, LLB is the only bank, and in Switzerland one of the few banks, to deploy a pricing model devoid of retrocessions in its asset management and investment counselling services. The LLB in Vienna has adopted this pioneering model as the first bank in Austria to do so.

Focus on clients

The close relationship between clients and experienced client advisers, who recognise what private clients and entrepreneurs need at the various stages of life or phases of the business cycle, is a special attribute of the LLB Group. All our private banking advisers nurture close ties with clients in the local target markets, speak their clients' language and know their individual wishes and needs (see chapter "Employees", page 59).

Client satisfaction

In August 2017, the Private Banking Division completed its first wave of lean management measures, which were aimed at gaining more qualitative time for our clients. The private banking teams in Liechtenstein, Switzerland and Germany / Austria have realised improvements in the areas of clients, productivity and employee activities. This results in even faster and better quality services for our clients.

Client satisfaction is the crucial factor in order to remain competitive over the long term. We rely not just on feedback from our client advisers in order to measure client satisfaction. A market study carried out in 2016 showed that LLB as an investment bank received a top ranking from almost all the wealthy clients surveyed in Liechtenstein (see chapter "Brand and sponsoring", page 54).

Market regions

Liechtenstein, Switzerland and Austria

Liechtenstein, Switzerland and Austria, as financial centres, possess a high potential to attract investors, who are seeking safety and stability for their investments. We posted gratifying client inflows both in private banking in Liechtenstein and in private banking with Swiss clients in 2017.

In the meantime, our bank in Vienna has established itself as a reliable partner for private banking clients in Austria as well as Central and Eastern Europe. It reached break-even point in 2014 after only five years of development and continued its success story in 2017. Thanks to very pleasing growth figures and good investment performance, assets under management climbed to a record high. Following the purchase of Semper Constantia Privatbank AG – as announced on 22 December 2017 – LLB is on the way to becoming one of the leading private banks, both in institutional business and private banking in Austria.

Traditional cross-border markets of Germany and other parts of Western Europe

Germany, Europe's largest private banking market, continues to be important for our asset management. We benefit here from our extensive experience and the trust of our clients in the quality of our services and the good performance of our asset management.

Central and Eastern Europe

The LLB Group believes there is further potential for growth in the Central and Eastern European EU states and in the key market of Russia. In addition to the improved economic prospects in the region, we have two key success factors, namely, the stability and security of the LLB Group, as well as the specific market and product experience of our client advisers and investment specialists in Zurich, Geneva, Vaduz and Vienna.

Middle East

In 2017, the LLB Group's Private Banking proved once again to be very successful in the Middle East market region. It makes an ever larger contribution to the Division's overall performance. From our representative offices in Dubai (since 2008) and Abu Dhabi (since 2005) we take care of various client groups from the United Arab Emirates and the Gulf region. We are one of the few foreign banks that provides clients with access to the stock markets in Dubai and Abu Dhabi.

Cross-border banking

The international business operations of the LLB Group lead to regulatory complexity in cross-border banking. The LLB Group has set a clear focus on strategically and economically important countries. It is of central importance that strict compliance with prevailing local regulations is maintained. The LLB Group employs a system of internal directives and rules, as well as robust compliance processes and intensive training, to ensure that its employees comply with the regulations of the individual target countries during their cross-border activities.

Tax compliance of clients

The LLB Group's business model aims at its clients meeting tax compliance requirements (see chapter "Regulatory framework and developments", pages 62–65). In line with the tax compliance strategy of the Principality of Liechtenstein, the LLB Group has largely completed the transformation process in the field of taxation with EU and international clients. We apply a risk-based approach in dealing with new and existing clients.

Business segment result

Operating income rose by over 19 percent to CHF 107.7 million. This substantially exceeded the expansion of operating expenses, which increased in line with strategic requirements. In interest business, the Private Banking segment benefitted from rising USD interest rates and the pleasing increase in loans to clients. Fee and commission income benefitted from more intensive client activities, new product and pricing models, as well as the expansion in client assets due to innovative investment advisory solutions. The expansion in personnel in client

advisory services resulted in higher costs. The segment result before tax rose sharply by over 40 percent to CHF 45.5 million.

The Private Banking segment posted consistent net new money inflows in the domestic and growth markets. Both client assets under management and loans to clients increased. This resulted in an expansion of business volume by 8.5 percent to CHF 16.0 billion. In a challenging market environment, the gross margin rose by around seven basis points.

Segment reporting

in CHF thousands	2017	2016	+ / - %
Net interest income	25'992	15'695	65.6
Credit loss (expense) / recovery	0	750	-100.0
Net interest income after credit loss (expense) / recovery	25'992	16'445	58.1
Net fee and commission income	72'825	65'390	11.4
Net trading income	8'826	8'955	-1.4
Other income	8	2	300.0
Total operating income	107'651	90'792	18.6
Personnel expenses	-32'200	-30'631	5.1
General and administrative expenses	-2'650	-3'576	-25.9
Depreciation and amortisation	0	0	
Services (from) / to segments	-27'344	-24'384	12.1
Total operating expenses	-62'195	-58'591	6.2
Segment profit before tax	45'456	32'201	41.2

Performance figures

	2017	2016
Gross margin (in basis points) *	70.3	63.6
Cost-Income-Ratio (in percent) **	57.8	64.6
Net new money (in CHF millions)	172	173
Growth of net new money (in percent)	1.3	1.3

* Operating income (excluding credit loss expense) relative to average monthly business volumes.

** Operating expenses (excluding provisions for legal and litigation risks) in relation to operating income (excluding credit loss expense).

Additional information

	31.12.2017	31.12.2016	+ / - %
Business volume (in CHF millions)	16'007	14'754	8.5
Assets under management (in CHF millions)	14'316	13'283	7.8
Loans (in CHF millions)	1'691	1'471	15.0
Employees (full-time equivalents, in positions)	161	153	5.5