

Retail & Corporate Banking

Thanks to its Retail & Corporate Banking, the LLB Group is successfully positioned as a universal bank for private and corporate clients. We are committed to tradition and innovation, and combine the bank branch of the future with the digital world.

Regionally anchored

Liechtensteinische Landesbank (LLB), founded in 1861, is the market leader in Liechtenstein in private and corporate client business. It is regarded as being the bank of Liechtensteiners, almost every resident is a client, 84.9 percent of the LLB's registered shares are owned by private individuals and companies domiciled in Liechtenstein (see chapter "LLB share", pages 50–52).

The subsidiary company, Bank Linth (BLL), founded in 1848, is the largest regional bank in Eastern Switzerland and is also the bank for people and businesses at all phases of life or stages of the business cycle. Around 10'500 shareholders form the bank's foundation and they actively participate in its development.

From Liechtenstein, for Liechtenstein

Retail & Corporate Banking is a local and regional business. Our client advisers are at home in their market regions and can assess the needs of private clients and companies. They know the history and individual aspects of the local region and its people (see chapter "Employees", page 56). This is underscored by LLB's many year's participation in the LIHGA Liechtenstein's regional trade fair, which will be held for the 40th time in 2018, as well as our 2017 marketing campaign "From Liechtenstein, for Liechtenstein – that's what we stand for".

Bank branch and ATM network

LLB is the only bank in Liechtenstein to offer

3 bank branches and
23 ATM locations

In the Swiss cantons of Zurich, St. Gallen, Schwyz and Glarus, Bank Linth operates a total of

19 bank branches and
30 ATM locations

Clients and markets

Our Retail & Corporate Banking encompasses the savings and financing business in the domestic markets of Liechtenstein and Switzerland. This is supplemented by many kinds of client relationships with cross-border commuters from the Austrian province of Vorarlberg. The LLB Group offers the entire spectrum of banking and financial services for private and corporate clients. Traditionally, savings and mortgage lending business has played a key role for LLB. In Liechtenstein, LLB holds a market share of 50 percent of this business.

We are also the only bank in Liechtenstein to offer 360-degree financial planning and individual pension fund solutions with the LLB Pension Fund Foundation for Liechtenstein (see chapter "Responsibilities for society and the environment", pages 68–69). In eastern Switzerland, Bank Linth also offers 360-degree financial planning, and since 2008, pension fund solutions for corporate clients with the ALVOSO LLB Pension Fund. In addition, Retail & Corporate Banking provides specific investment advice and asset management to clients having available assets up to CHF 0.5 million.

Lending business

Lending business continues to be an important business area for the LLB Group. Steadily increasing lending volumes and the low interest rate structure make this business particularly challenging. In Liechtenstein, LLB is the number one address for around 37'000 private and corporate clients. For Bank Linth lending business represents a major earnings stream in its eastern Swiss market region.

Business bank for SMEs

The LLB Group plays an important role as the bank of small and medium-sized enterprises (SMEs). These form the backbone of the economy in Liechtenstein and eastern Switzerland. By covering these companies' requirements for credit facilities and banking services, LLB and Bank Linth make a major contribution to the overall economic development of the region (see chapter "Responsibilities for society and the environment", page 66). With a share of 60 percent, LLB is the market leader in corporate client business in Liechtenstein. Bank Linth

is the largest regional bank in eastern Switzerland and a leading service provider.

Partner bank for corporate clients

In 2017, the Retail & Corporate Banking Division sharpened its strategy for corporate client business and expanded its services to position itself even more clearly as a partner bank for corporate clients. LLB and Bank Linth want to be a reliable partner offering efficient solutions for companies in their regions from the time the companies are founded through the whole business life cycle. The banks offer expertise and advice on all financial topics, a comprehensive range of products, short procedures and lean, digitally supported processes.

From 2018 we are setting up teams of specialists who, after making systematic analyses, will formulate customised, needs-based, holistic road maps to enable companies to optimise their investments, to manage risks, to create perspectives for investments, to safeguard pension schemes and to support international activities. Furthermore, we shall enhance our infrastructure and improve processes to be better able to support corporate clients via digital channels and with the assistance of external partners.

Network partnerships

Since 2016, LLB has reaffirmed its local responsibility by collaborating closely with the Liechtenstein Chamber of Commerce. At the forefront of its efforts are the support and promotion of owners, successors, business leaders and senior executives from the local business community. In 2017, we began providing advice to the Liechtenstein Technopark and to start-up companies as a partner of the "Home of Innovation" initiative. Moreover, LLB is a supporting member of "digital-liechtenstein", a platform to encourage digital innovation and networking in Liechtenstein.

Digitalisation and the bank of the future

24/7 banking

The progressive digitalisation of banking business is one of the key points of the LLB Group's StepUp2020 strategy (see chapter "Corporate Center", pages 45–47). 2017 was the year of our digitalisation offensive. The goal is to enable our clients to conveniently and efficiently transact their banking business via various communication channels around-the-clock from anywhere.

Web portal with online banking

Designed in accordance with the latest security and technological standards, in February 2017 we introduced new mobile banking apps with touch ID for LLB and Bank Linth. In summer 2017, we launched a unique web portal with integrated online banking incorporating a

modern layout and completely responsive features. We are therefore one of the few banks that have designed their entire online offering as a one-stop-shop – including expanded online banking. The website can be personalised and is aimed at the bank's various stakeholders. During the introduction phase, we installed a hotline for our clients and, where necessary, optimised processes.

Humans and technology

The LLB Group is convinced that the future of banking lies in a smart interrelationship between human beings and technology. Clients are increasingly using various channels – telephones, smartphones, tablets, PCs and bank branches – in parallel. And even digital natives want to have the expertise of their bank adviser when dealing with complex financial issues. To enable us to efficiently fulfil our clients' requirements, our omni-channel strategy incorporates a new type of bank branch concept.

Bank of the future

The trust of the people and the business community is the LLB Group's core capital, which it carefully nurtures. The bank branches of Liechtensteinische Landesbank and Bank Linth offer a bundle of services such as expert advice, competent client care and needs-focused sales.

For two years now Bank Linth's branch in Sargans has been combining traditional and new services to provide a new kind of experience. Since June 2017, the headquarters of Bank Linth in Uznach have reflected this "bank of the future" concept. In a multi-media client zone the obtaining of personal advice becomes an inspiring experience, while the self-service possibilities for carrying out bank and financial transactions set new standards of efficient service. The branch staff have become hosts, advisers, supporters, agents and coaches.

Investments

From 2016 up to 2020, investments of around CHF 30 million are planned for group-wide innovations and infrastructure projects to expand digital channels and services. Bank Linth has planned investments for the modification of all nineteen of its bank branches according to the "Bank of the Future" model. Liechtensteinische Landesbank will also invest in the redesign of its three bank branches. In 2018, the Balzers branch will be modified in line with changed client behaviour. From 2019, the client bank counters in Vaduz and in 2021 the Eschen branch will follow suit.

Customer Service Center

As the interface between online and offline services, the Customer Service Center (CSE) has been the central hub for 64'000 retail clients for four years. Almost 26'600 of them are online banking clients and over 8'700 are mobile banking clients. In 2017, this dedicated team answered around 127'000 telephone calls, about 10'000

This page includes, inter alia, the following GRI standard indicators (2016 version): 102–43, list of all GRI indicators shown in the report can be found in the GRI Content Index on page 75.

e-mails and 4'000 bank messages. It also dealt with 64'000 enquiries and questions. In 2017, the CSE was an important point of contact for clients during the changeover to the new, web-integrated online banking system.

The department further broadened and deepened its knowledge and competence by attending training courses on, among other subjects, the automatic exchange of information (AIA) and the EU "Markets in Financial Instruments Directive" (MiFID II).

Products and services

In the last two years, the LLB Group has made substantial investments in innovative products and services. Accordingly, in 2017 we were able to successfully position ourselves on the market and stand out from peers.

Individual product selection

Our "LLB Combi / Bank Linth Combi" options enable our private clients to design their own individual bank relationship. Using an online configurator, the client can select the services which he requires, and he pays only for what he uses. This unique model fulfils client requirements for individuality and clarity in banking business. For its online configurator the LLB Group was awarded the bronze prize of the "Best of Swiss Web" in 2017, the oldest digital award in Europe.

360-degree financial planning

The LLB Group has set itself the goal of accompanying its clients at every stage of life or phase of the business cycle, and offering solutions for all financial questions. In 2017, we expanded our 360-degree financial planning facilities under the designation "LLB Compass" – and also under "BLL Compass" in Switzerland (see chapter "Responsibilities for society and the environment", page 68).

For young people

LLB and Bank Linth are creating new perspectives for young people in Liechtenstein and eastern Switzerland by becoming a coach for questions relating to financial knowledge in the social media. By offering the "young Liechtenstein" and "young Linth", for short "youli", banking services, LLB and Bank Linth are also successively expanding their strong market position in the youth segment. In 2017, almost 12'600 young people took advantage of our range of accounts.

Saving with strategy funds

With its initiatives, the LLB Group offers all generations of clients at every stage of life a bridge between financing and investing. Private investors benefit from the acknowledged investment competence of LLB Asset Management (see chapter "Institutional Clients", page 42). Precisely in times of low interest rates, the award-winning LLB strategy funds prove to be a contemporary method of long-term saving and wealth appreciation.

Genuine client focus

With its StepUp2020 strategy, the LLB Group has set itself the goal of gaining more time for providing individual care for its clients and further enhancing the quality of advice they receive.

Lean management

The Lean Management Group Programme makes a significant contribution to standardising processes as far as possible (see chapter "Corporate Center", page 47) and to aligning our company even more closely with clients' requirements. In the Retail & Corporate Banking Division we have fundamentally reviewed and revised our lending processes during the last two years and substantially reduced the time needed to process a loan application, i.e. by 30 percent in the case of a standard mortgage loan, while at the same time improving the process quality by 30 percent.

Following the completion in 2017 of the lean transformation of the Eschen bank branch, the Customer Service Center and the financing units are now to focus on lean management. We intend to improve the efficiency of the teams and the processes by motivating the staff concerned to initiate and actively embrace change.

Client advisory bank

Client relationships based on trust and a true understanding of clients and their needs are the ideal prerequisites to continue inspiring our clients in future. The client adviser plays a central role here.

Up to the end of 2017, 34 client advisers of the Retail & Corporate Banking Division had already completed the certification programme in accordance with the standards of the Swiss Association for Quality (see chapter "Employees", page 60). By the end of 2020, all 178 advisers and staff having client contact will be certified. This guarantees the consistent high quality of the LLB Group as a client advisory bank.

Business segment result

Interest differential business, which comprises the largest part of earnings in private and corporate banking, posted a very pleasing development. The pressure on margins in deposits and mortgage business was more than compensated for by growth in lending business. The success of new product ranges and intensified client activity were reflected in income from fees and commissions as well as trading income. Operating expenses remained stable in spite of the investments made in the bank branch and distribution network.

The continuing demand for real estate financing led to an risk-aware increase in loans to clients of over 6 percent to CHF 10.3 billion in the Retail & Corporate Banking segment. The business volume rose by 3.6 percent to CHF 18.8 billion. The segment posted inflows from private and corporate clients in the domestic markets of Switzerland and Liechtenstein. Isolated outflows of low-margin deposits adversely impacted net new money.

Segment reporting

in CHF thousands	2017	2016	+/- %
Net interest income	87'439	84'077	4.0
Credit loss (expense) / recovery	833	-3'014	
Net interest income after credit loss (expense) / recovery	88'271	81'063	8.9
Net fee and commission income	30'210	29'467	2.5
Net trading income	11'441	10'532	8.6
Other income	1'622	1'813	-10.5
Total operating income	131'545	122'875	7.1
Personnel expenses	-29'886	-31'679	-5.7
General and administrative expenses	-3'544	-2'364	49.9
Depreciation and amortisation	-40	-68	-41.2
Services (from) / to segments	-49'117	-46'989	4.5
Total operating expenses	-82'587	-81'100	1.8
Segment profit before tax	48'957	41'775	17.2

Performance figures

	2017	2016
Gross margin (in basis points)*	70.8	70.7
Cost-Income-Ratio (in percent)**	63.2	64.4
Net new money (in CHF millions)	-100	334
Growth of net new money (in percent)	-1.2	4.2

* 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)	18'763	18'116	3.6
Assets under management (in CHF millions)	8'449	8'435	0.2
Loans (in CHF millions)	10'314	9'681	6.5
Employees (full-time equivalents, in positions)	193	202	-4.5