

Strategy and organisation

The LLB Group is a universal bank with a strong private banking and institutional banking business. It has a client-oriented business model and under its StepUp2020 strategy is targeting growth, profitability, innovation and excellence.

Group structure and organisation

Three market divisions

The LLB Group's business model is based on three profitable market divisions:

- Retail & Corporate Banking comprises the universal banking business in the home markets of Liechtenstein and Switzerland (see chapter "Retail & Corporate Banking", pages 33–36). It provides the full range of universal bank services to private and corporate clients. As the market leader in Liechtenstein, LLB has a strong competitive position. Bank Linth is the leading regional bank in eastern Switzerland.
- Private Banking encompasses all the LLB Group's private banking activities: investment advice, asset management, asset structuring as well as financial and retirement planning (see chapter "Private Banking", pages 37–40). Its focus is on the onshore markets of Liechtenstein, Switzerland and Austria, on the traditional cross-border markets in Germany and the rest of Western Europe, and on the growth markets of Central and Eastern Europe as well as on the Middle East.
- Institutional Clients encompasses the intermediary and investment fund business as well as the LLB Group's Asset Management Business Area (see chapter "Institutional Clients", pages 41–44). Clients include fiduciaries, lawyers, asset managers, fund promoters, insurance companies, pension funds and public institutions. The target markets are Liechtenstein and Switzerland. With our Asset Management unit, the largest investment team in Liechtenstein, we have multiple award-winning investment expertise.

Governance and management structure

The LLB Group has a stable governance and management structure and an efficient organisation.

- The Board of Directors is responsible for overall management, supervision and control; it sets the basis for the Group's strategy, organisation and finances (see chapter "Corporate governance", pages 81–95).
- The Group Executive Board comprises the heads of the six divisions – the three market divisions and Group CEO, Group CFO and Group COO (see organisational structure, pages 76–77).
- The LLB Group includes the three banks Liechtensteinische Landesbank AG, Bank Linth LLB AG and LLB (Österreich) AG as well as the two competence centres LLB Asset Management AG and LLB Fund Services AG.

Corporate culture, strategy and objectives

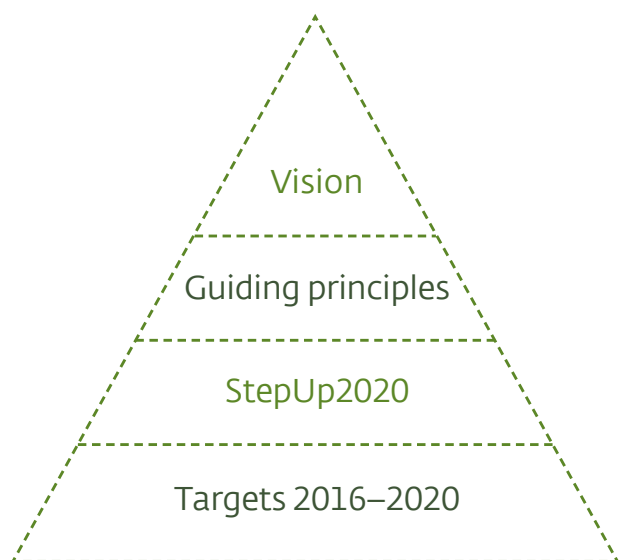
Vision and guiding principles

The LLB Group has a unique corporate culture. It is committed to a concept of banking with a binding system of values. We have enhanced our profile by redefining our vision and guiding principles in 2014 and firmly establishing them in the minds of the employees and managers.

Our **vision** is encapsulated in the sentence: "We set standards for banking with values." Our vision of banking is based on the idea that we can excel at managing material values if we have a clearly defined system of values.

The resulting **guiding principles** refer to a binding system of values, which mean the following to us:

- **Integrity** – we create clarity and stand by our word.
- **Respectfulness** – we believe in partnership and hold both clients and colleagues in high esteem.
- **Excellence** – we set standards through performance and passion.
- **Pioneering** – we play an active role in creating a sustainable future.



Vision, guiding principles, strategy and objectives drive our thinking and our actions within the LLB Group in a sustainable way. Our success depends on high-quality implementation by the Group Executive Board and all employees.

Code of Conduct

We believe that responsible, forward-looking management practices are critical to our success. As a trustworthy and respectful partner, we want to be measured by our vision, our guiding principles and our Code of Conduct, which we introduced on 1 January 2018.

We set high standards when it comes to responsibility – both for ourselves as a company and for each individual. The Code of Conduct lays down these standards in a binding set of guidelines. It reflects our values and clarifies what we expect of the Boards of Directors, the Group Executive Board, the managers and the employees. It shows how to handle potential issues or difficult situations that affect our business practices or our dealings with each other.

The LLB Group is present in many countries – where the laws, regulations and rules of conduct are as different as the history, language and culture. The Code of Conduct helps us to implement our company's values in our target markets and further strengthen the trust placed in us by our clients, investors and partners. Further information can be found at www.llb.li/en/the-llb/governance#verhaltenskodex.

StepUp2020 strategy and objectives

Under the StepUp2020 strategy, the LLB Group embarked in 2016 on a phase of sustainable, profitable growth, after having repositioned itself under the Focus2015 strategy. In 2017, the Group Board of Directors, under the direction of the new Chairman of the Board of Directors, carried out a comprehensive review of StepUp2020 and explicitly confirmed its strategic direction.

The four core elements

Always with an eye to the clients, we will concentrate on our strengths. Up to 2020, we will focus on four core elements:

- **Growth:** We want to achieve this in two ways. Firstly, we want to grow organically by building on our own strengths. To this end, we will increase resources available for client advisory services. Secondly, we will target acquisitions in our home markets of Liechtenstein, Switzerland and Austria.
- **Profitability:** We intend to increase our margins by offering outstanding products and services. Efficient market penetration will help to generate profitable income. Maintaining strict cost management will be key.
- **Innovation:** We will invest in the future in a targeted manner. On the one hand, we will develop pioneering digital solutions and, on the other, we will provide our clients with an optimised and personalised service. We will automate standard business and individualise trust-based business.
- **Excellence:** We will continually improve processes throughout the organisation using lean management principles. Our aim is to increase the benefit to clients and boost added value. Given increasing regulation, we will strive to maintain strict compliance standards. And we will provide focused certified training programmes for our client advisers. We believe outstanding expertise is a key success factor.

Strategic success factors

The LLB Group's success is based on a number of factors, the most important being:

- a clear strategy with high-quality implementation
- a client-oriented business model
- a strong competitive position
- innovative, client-oriented products and services
- security and stability
- a stable management structure
- highly effective employees and efficient processes
- interaction between digitalisation and personal contact
- a unique corporate culture

Financial targets up to the end of 2020

Under the StepUp2020 strategy, the LLB Group pursues four financial targets:

Business volume > CHF 70 bn
Cumulative Group net profit 2016–2020 > CHF 500 m
Cost-Income-Ratio < 65%
Tier 1 Ratio > 14%

Value-oriented management

The LLB Group takes aspects of value orientation into consideration in all areas of the company. For example, the compensation model for the management and the majority of employees includes a component of pay that depends on the company's performance. Three years ago, we decided to introduce the Market-Adjusted Performance Indicator (MAPI) so as to be able to make a careful and objective evaluation of the management's performance. The model was developed in conjunction with FehrAdvice & Partners AG, Zurich, and is based on the results of behavioural economics research carried out by Professor Ernst Fehr from the University of Zurich.

This model enables us to evaluate the management's performance holistically and without any distortion. This is done by comparing the long-term stock return (total shareholder return, TSR) with the TSR of a comparable group. The difference between the TSR of the LLB Group and that of the comparable group gives an indication of the actual performance of the company's management.

The LLB Group's compensation model is considered exemplary in Switzerland. The Swiss Institute of Directors voted it the best salary model in 2016 of all companies listed on the Swiss stock exchange (see chapter "Compensation report", pages 103–111).

	Retail & Corporate Banking	Private Banking	Institutional Clients
Objectives and markets	<ul style="list-style-type: none"> Market leader in Liechtenstein and leading provider in eastern Switzerland 	<ul style="list-style-type: none"> Leading provider in Liechtenstein as well as expansion in Switzerland and Austria Stable position in the traditional offshore markets of Germany and the rest of Western Europe Expansion and recognised market position in the growth markets of Central and Eastern Europe (CEE) as well as in the Middle East (ME) 	<ul style="list-style-type: none"> Preferential partner for fiduciaries and lawyers, asset managers, fund promoters, insurance companies, pension funds and public institutions in Liechtenstein, Switzerland and Austria
Strategic initiatives	<ul style="list-style-type: none"> LLB Combi: Individual product packages LLB Compass: 360-degree financial planning SME Box: Refine the SME offering Efficient credit processes Bank branches of the future 	<ul style="list-style-type: none"> LLB Invest: Asset management and investment advisory services of the future Transparent pricing model Increase the number of client advisers 	<ul style="list-style-type: none"> LLB Xpert Solutions: Innovative B2B solutions Dialogue / knowledge transfer using LLB Xpert Views Investment Center organisation
Corporate initiatives	<ul style="list-style-type: none"> Innovative services and products Pioneering digital solutions: Video identification, mobile banking apps with Touch ID, web portal with integrated online banking Lean management SAQ certification for client advisers Further excellence in distribution 		