

Employees

First-class and committed employees are guarantors for the success of the company. The LLB Group is determined to continue to develop as an attractive employer and high-performance bank.

Corporate culture and value basis

The implementation of the StepUp2020 strategy (see chapter "Strategy and organisation", pages 9–10) requires continuous improvement in performance. The LLB Group is adapting to fundamental change in the banking sector, but at the same time retains its strong sense of identity and value basis. We firmly believe that an open corporate culture which resolutely upholds values releases positive energy of a kind that makes a true difference to our clients.

Integrity, respectfulness, excellence and pioneering are the values we aspire to hold. What this means for our employees as they go about their work is: we create clarity and stand by our word. We believe in partnership and hold both clients and colleagues in high esteem. We set standards through performance and passion. We play an active role in creating a sustainable future. By living these values, our managers spread the culture throughout the organisation.

LLB as employer

As at the end of December 2016, the LLB Group had 858 full-time equivalents (2015: 816). With 587 full-time equivalents (2015: 553) in Liechtenstein, LLB is one of the largest employers in the Principality.

Employee satisfaction

Our employees are the key to fulfilling our performance mandate (see chapter "Responsibilities for society and the environment", page 56). Their opinion is important to us. The in-depth employee survey, which we conduct every two years, belongs to the dialogue. In the 2015 survey, the LLB Group scored above the average for the sector or achieved the "Swiss Employer Award" (SEA) average in all relevant points. In 2015, the commitment of the LLB Group's employees, in other words the sense of identity with and being part of the company, increased to 85 points out of a possible 100 points. More information on the results can be found in the Annual Report 2015.

In September 2016, the LLB Group received a Swiss Employer Award in the category of 250 to 999 employees. The award, a benchmarking initiative based on the largest employee survey in Switzerland, is

regarded as a pioneering instrument. For the further development of the LLB Group, it is important to know whether the organisational framework is optimal and promotes and supports the client and performance orientation of the employees. The next employee survey is planned for May 2017.

LLB as a regional employer

Satisfied employees – satisfied clients: this correlation plays a significant role in personnel policy questions about client orientation. Almost 100 percent of managers and the majority of employees in the main business locations have their roots in their respective region. They have a long-term view, are highly dedicated to the company and have a high level of integrity.

At the same time, professionals commute every day from eastern Switzerland (2016: 206; 2015: 180) and the Austrian state of Vorarlberg (2016: 74; 2015: 69) to their place of work at LLB in Liechtenstein. LLB is a major regional employer in the St. Gallen Rhine Valley. Bank Linth recruits almost all of its professionals from the Swiss regions of Lake Zurich, Sarganserland and Winterthur.

Internal communication

At a time of fundamental change in the banking sector, the LLB Group has developed a focused business model and entered a new growth phase in 2016. Clear and consistent communication increases acceptance among the employees.

The Group Executive Board communicated the objectives and the approach of the new StepUp2020 strategy already in September 2015. In the communication concept of October 2015, the business area Group Corporate Communications & General Secretary together with Group Human Resources formulated internal communication measures that help to foster corporate culture and staff motivation.

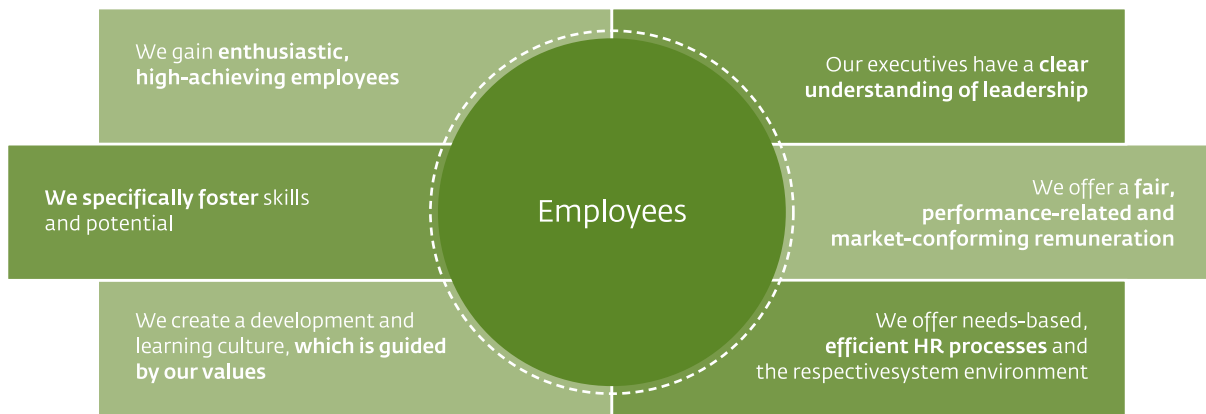
The Group CEO informs through a quarterly group-wide newsletter distributed via the intranet. He holds an information meeting for all LLB Group employees at least once a year. There is also an annual Group Night, plus events held by our six divisions. Contributions from the CEO and Group Human Resources about our strategic initiatives can be found on the intranet, which is a key communication channel.

Promise of performance and employee development

The LLB Group is perceived to be an attractive employer that differentiates itself from its competitors through three key strengths: it offers a corporate culture based on partnership, interesting tasks and plenty of scope for growth. High-achieving employees have excellent development opportunities and perspectives.

In 2016, Group Human Resources in its strategic concept made a promise of performance to give enthusiastic individuals the chance to advance themselves and the LLB Group so that both achieve a top-class performance.

Strategic target vision



Working environment in focus

The LLB Group wants to enhance its profile as the employer of choice. It implemented a range of measures to this end in 2016, including the promotion of health in the workplace, the improvement of the physical working environment and the flexibility of working hours and location.

Workplace of the future

The headquarters of Bank Linth LLB AG in Uznach and the branch offices in Rapperswil (SG) and Siebnen (SZ) will be converted to create the workplace of the future (see chapter "Retail & Corporate Banking", pages 19–20). The "bank of the future" is designed for clients and employees along the same principle: open, transparent, accessible and with short paths to promote communication and cooperation. The bank employee of the future will move between thinking cabins, stand-up desks and a workshop area. The reopening of the two branch offices and the headquarters is planned for June 2017.

Quality of life in the workplace

In 2016, the LLB Group developed measures to create a health-promoting working environment. Various initiatives work together to increase the quality of life in the workplace, to reduce stress and to improve the health of employees. Among these initiatives are seasonal fruit, which have been provided free of charge since the beginning of 2017, as are the water stations with integrated filter system (see

chapter "Responsibilities for society and the environment", page 58). To support sporting activities, showers and changing facilities were installed at our business location in Vaduz at the end of 2016. All desks are also being replaced by height-adjustable stand-up desks.

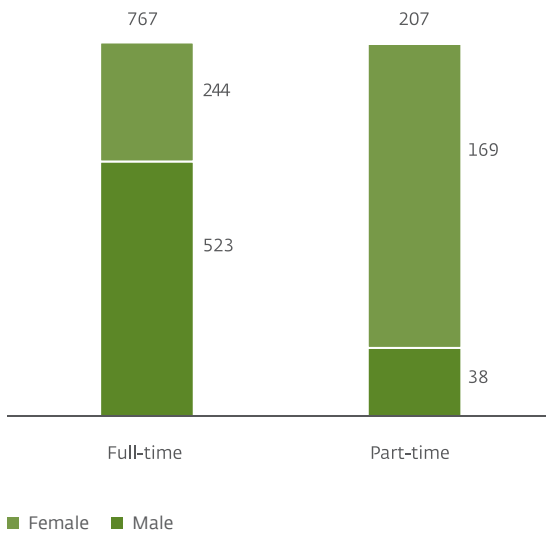
Information events on health topics and sport activities are planned for 2017. In 2016, the Working Atmosphere and Health Steering Committee was set up. Its aim is, on the one hand, to increase job satisfaction and boost staff motivation and, on the other, to reduce work-related absence, which will save costs.

Health and safety

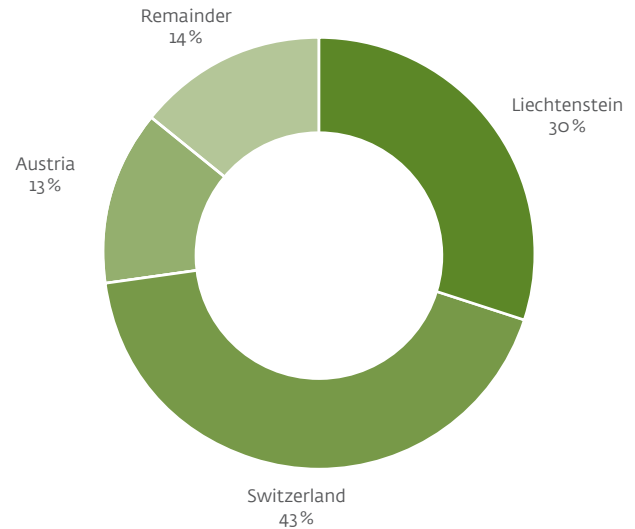
The absenteeism rate gives an indication of the incidence of accidents and illnesses: in 2016, there were 130 (2015: 142). Our target rate is between 2 and 2.5 percent. In 2016, the absenteeism rate was 1.97 percent (2015: 2.49%). 80 percent of absenteeism costs were due to illness. In 2016, 47 employees with long-service anniversaries went on a sabbatical for up to four weeks (2015: 29). Most utilised the maximum number of days possible for rest and recuperation and for broadening their horizon. Taking such time out helps maintain flexibility, commitment and productivity.

Standards for the prevention of accidents and illnesses as well as for safety management apply group-wide. Procedures in the event of a fire or accident at the workplace as well as emergency and disaster management are governed by a directive. Eleven employees from the organisational unit Facility & Security Management are responsible for carrying out routine building and equipment checks.

Permanent employees by employment type



Employees by nationality



Return to work

Surveys conducted by the European Agency for Safety and Health at Work (www.osha.europa.eu) show that in Europe around 50 percent of sickness leave is due to stress in some form or other. What is more, mental stress can also often result in physical stress and vice versa. The LLB Group takes this issue seriously and invests in the provision of practical assistance for the occupational integration, internally or externally, of employees.

Our aim is to reduce short- and long-term absences and to assist the return to work. We offer support to employees returning to work after a long absence and to those with serious health problems. Employees in difficult work or life situations are able to gain free and anonymous access to psychological support. This service enables employees to maintain or regain their productivity.

Compatibility of work and life situation

Our employee policy aims to create an optimal working environment. This includes the compatibility of work and private life in different life situations. In 2016, we explored the possibilities for greater flexibility of working hours and location, which we will implement in 2017. At the same time, we support 80 percent part-time working, in leadership positions too, and paternity leave. We also plan to develop the modern eWorkplace further so as to improve the compatibility of work and life situation.

And in the summer of 2017, a day nursery for the children of Liechtenstein bank employees will be opened in Vaduz. Given the growing skills shortage in the region and the increasing demand for childcare places, it is an important move to ensure that Liechtenstein banks remain among the most innovative and attractive employers in the future, too.

Diversity of employees and managers

The LLB Group employs people from 39 nations. Our success is based on the diversity of our employees and managers. The LLB Group aims to create an environment of appreciation for all employees, regardless of their nationality, age, gender, educational background, etc. The different skills, cultures and viewpoints make us a pioneering company.

Even if we do not have a specific programme in place to promote diversity, people of different nationalities working together has been commonplace at our Group for many years. In 2016, 30 percent of our employees were Liechtenstein nationals, 43 percent Swiss and 13 percent were Austrian nationals. We are committed to ensuring that our client base is reflected in our employee mix (see "LLB as regional employer", page 42). This also applies to our traditional cross-border markets in Germany and the rest of Western Europe as well as to the growth markets of Central and Eastern Europe and the Middle East.

The proportion of women working for the LLB Group is relatively high at 42 percent, though they are still under-represented in leadership positions. However, the growing number of well-educated

Number of employees by gender



women is bound to effect change in this area in the next few years thanks to more flexible working models. The Board of Directors and management support the culture of diversity and in July 2016 recruited the first woman to the ranks of senior management at LLB and appointed her to the Group Executive Board (see chapter "Corporate governance", pages 86–88).

Women in management positions:

- Executive management: 5 men, 1 woman
- Senior management: 23 men, 1 woman

The Board of Directors of LLB, which is publicly listed, has been characterised by an above-average proportion of women since 2014. With two out of the seven members women, they represent almost 30 percent of the board members.

Training and professional education

For the LLB Group, training and professional education is an important instrument for raising its competitiveness. In 2016, we invested CHF 1.6 million (2015: CHF 1.2 million) in the targeted development of managers, talent and competences. Effectiveness monitoring conducted by the organisational unit Group Human Resources showed that further progress had been made in 2016.

Number of employees by age group



The culture of "challenging and promoting" has proved successful. In 2016, 48 percent of the 23 newly vacant leadership positions could be filled internally by an existing employee. At the same time, new entrant managers and employees have a high level of qualifications: 74 percent either graduated from a university or a university of applied sciences or have higher professional training. The opportunities that we offer help us to recruit and retain committed employees and managers.

Management culture

Courses are held every two years to promote the further development of our management culture. In 2016, our 160 managers took part in the "Leading to success II" training course and dealt intensively with our vision, our guiding principles and the StepUp2020 strategy. They were essentially introduced to the concept of situational leadership. The model can be applied flexibly to different situations and different development levels of employees. Managers adapt their behaviour as the particular situation requires.

Client adviser certification

A strong client relationship remains the most important success factor in banking in the long-term. The LLB Group accordingly invests heavily in the know-how of its employees. By the end of 2020, all client advisers will have completed training programmes in accordance with the standards of the Swiss Association for Quality (SAQ). A pilot group started the certification training in March 2016 and finished it at the end of 2016, achieving a 100 percent pass rate.

With our new programme for SAQ client adviser certification, we are ensuring the outstanding advisory competence of the LLB Group for the long-term according to uniform quality criteria. Client adviser certification also complies with the regulatory requirements that arise from the European Markets in Financial Instruments Directive (MiFID) and the Swiss Financial Services Act (FinSA).

Measuring the success of staff development

The LLB Group has installed two uniform appraisal processes – the “Performance Management Process” (PMP) and the “People Development Process” (PDP) – to support the systematic further development of its staff as skilled employees, managers and individuals.

- The PMP is used to link Group objectives with individual staff objectives. The process has been institutionalised across the company and it works for employees and managers alike, irrespective of their function.
- The main focus of the PDP is on the competences that LLB needs to achieve the objectives set in the StepUp2020 strategy (2016 to end-2020). In 2014, Group Human Resources, together with the operating units, created five “Potential Pools”, the goal of which is to systematically develop identified talent with good performance and excellent conduct. In 2016, 7 percent (64) of our employees were allocated to appropriate “Potential Pools” on the basis of a careful evaluation process.

Professional training

When it comes to the training of its junior employees, Liechtensteinische Landesbank lives up to its responsibility as one of the largest providers of training in Liechtenstein. In 2016, 38 apprentices (2015: 42) at the LLB Group benefited from high-quality dual professional training, which combines theory and practice. The classic basic training remains the main pillar of the development programme for our junior employees. We believe that the provision of a broad education is a key task, especially as through the Federal Vocational Baccalaureate (FVB) it allows young adults to keep their options open to go to a university of applied sciences or a traditional university.

Bachelor, work and study, and master programmes

Since 2014, the LLB Group has intensified its focus on university graduates. Each year there are three different programmes available for seven candidates: practical-based direct entry for graduates (2016: 3), a work and study programme for postgraduates in the final phase of their studies (2016: 2) and a trainee programme for postgraduates (2016: 4). Talented young people get to know our company in-depth from the inside as part of an eighteen-month on-the-job trainee programme covering three areas of work – in 2016, we took on three trainees with an above-average master’s degree.

Our trainees are in contact with top management, are involved in day-to-day business from their very first day of work and profit from the comprehensive spectrum of a universal bank. Trainees whose performance and commitment in all three areas of work are satisfactory are recommended for a permanent position. In order to enhance its profile as an attractive employer, the LLB Group strengthened its presence at the Universities of Liechtenstein and St. Gallen, FHS St. Gallen University of Applied Sciences and Zurich University of Applied Sciences (ZHAW) in Winterthur (ZH).

Fair compensation

The LLB Group offers attractive employment conditions. It spent CHF 141 million (2015: CHF 124 million) on salaries and social contributions in 2016 (see Notes to the consolidated income statement, page 132). We have a modern compensation system that is considered exemplary in the banking sector (see chapter “Compensation report”, pages 93–101). We place emphasis on fair compensation that explicitly rewards skills and performance. Women and men in the same position and at the same performance level are in the same pay scale and wage model. This is valid for all our business locations.

We are aware that the ratio of female to male salaries in our company is of importance to our stakeholder groups and our business success. It is nevertheless omitted from this report, on the one hand, for confidentiality reasons and, on the other, because functions are not strictly comparable and certain aspects of the compensation system are not included.

Representation of Employees

One of our objectives is to be a responsible and fair employer. Since 1999, a Representation of Employees (Arbeitnehmervertretung) at LLB’s parent bank has actively fostered dialogue with female and male colleagues, on the one hand, and with corporate management, on the other. The board of the Representation of Employees acts as the mediator between the staff and the Group Executive Board as well as between employees and supervisors and promotes cooperation. The Group Executive Board informs the Representation of Employees of all matters that are relevant to employees. The Group CEO, the Head of Group Human Resources and representatives from the Representation of Employees meet every quarter. The Representation of Employees has a say, for example, in issues relating to staff pension plans, rationalisation projects, staff retrenchment and employee surveys.

Personnel Pension Fund Foundation

In 2016, all 607 employees of our corporate Group who work in Liechtenstein were covered by the retirement, life and disability insurance plans of the independent Personnel Pension Fund Foundation of Liechtensteinische Landesbank. The pension fund and its defined contribution scheme offer three attractive savings plans that go beyond the requirements of the law (Occupational Pension Act (OPA)). In addition, LLB's contributions as an employer amount to two-thirds of the financing of the fund.

As at the end of December 2016, the liquidity ratio of the LLB pension fund stood at 109.3 percent (as at the end of December 2015: 107.8%) and had thus increased by 1.5 percent on the previous year. The return on investment was 3 percent (2015: minus 0.5%). The accumulated capital bore interest of 2 percent in 2016. The pension plan assets amounted to CHF 290.5 million (2015: CHF 277.4 million).

The low interest rate environment and the steady increase in life expectancy have induced the Board of Trustees to gradually reduce the pension conversion rate from 1 January 2018 for the retirement age of 64 by 0.1 percent per year to 5.1 percent (currently 5.6%). As of 1 January 2023, the normal retirement age of the Liechtenstein AHV (state pension) will be raised to 65. At that time, the pension conversion rate will amount to 5.22 percent (currently 5.72%).

Without lowering the conversion rate, the gap between the capital that is actually available and the capital that is necessary to provide the old-age pension granted would become wider and wider. Through this measure, the long-term financing and provision can be kept in equilibrium.

The LLB Group headcount statistics

	2016	2015	2014	2013	2012
Employees					
Number of employees (full-time equivalents)	858	816	893	925	1'090
Full-time employees	718	674	789	784	909
Part-time employees	207	202	244	279	336
Apprentices	38	42	47	50	52
Trainees incl. BEM interns	11	7	6	4	4
Key figures					
Staff turnover rate in percent	10.4	12.6	11.5	21.8	15.4
Average length of service in years	9.6	10.7	9.7	8.2	7.6
Average age in years	40.2	39.9	40.2	39.8	39.4
Diversity and equal opportunities					
Number of nations	39	31	34	29	30
Share of women in percent	42	44	45	45	47
Training and professional education					
Training costs in CHF thousands	1'570	1'195	1'191	1'291	1'452