

Private Banking

For the LLB Group's Private Banking three factors are crucial: **stability and security, outstanding investment performance, and a high level of service quality.**

Stability and security

Liechtensteinische Landesbank has stood for stability and security since 1861. With the Principality of Liechtenstein as its majority shareholder, it enjoys a stable ownership structure. Liechtenstein is one of the few countries in the world to possess an AAA rating (see chapter "Responsibilities for society and the environment", page 56). With a Tier 1 ratio of 21.0 percent in 2016, the LLB Group continues to be one of the best capitalised universal banks in international comparison (see chapter "Finance and risk management", page 12). Wealthy private clients and entrepreneurs value this financial stability and security.

Outstanding investment performance

In a competitive comparison, our Private Banking is distinguished by outstanding investment performance (see chapter "Institutional Clients", pages 26–27). Awards received in the past and in 2016 demonstrate that LLB Asset Management AG, our investment competence centre, consistently creates added value for clients with systematic, transparent investment processes. This applies to both asset management and investment funds. The investment team has many years of experience, the investment offering is broadly based, and the pricing is fair and transparent.

High level of service quality

Wealthy clients attach great value to a high level of service quality. The LLB Group's Private Banking advisers are well acquainted with the requirements, expectations and behaviour patterns of its clients. As a result, the private banking testing experts of the Fuchsbriefe publishing house certified our advisory process in September 2016 as demonstrating "great dedication, service-focused and very reliable" (www.fuchsbriefe.de).

International presence – local ties

Through the brands, "Liechtensteinische Landesbank" and "Bank Linth", the Private Banking Division defines its international presence and solid 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 in Liechtenstein, in Switzerland and in 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 the three LLB branches in Liechtenstein.

Products and services

The LLB Group's 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 for entrepreneurs.

Investment advice of the future

Asset management and investment advice are core services in private banking. In March 2016, the LLB Group introduced "LLB Invest / Bank Linth Invest", a new product and a new advisory experience providing the investment advice of the future. This investment advisory application combines our Asset Management's award-winning investment competence with the latest information technology and individual advisory models.

As a ground-breaking solution, it supports our active client care and service and enables the analysis and optimisation of a client's portfolio at any time. During 2017, clients in the growth markets will also be able to benefit from this investment advisory solution. This hybrid advisory model brings two worlds together: the speed, precision and reliability of technology with the background knowledge, wealth of experience and creativity of human beings in deploying technical solutions.

Private financial planning

The LLB is the only bank in Liechtenstein to offer comprehensive financial planning services, a business area which was enlarged again in 2016. With our "LLB Compass", we support our private clients and entrepreneurs at every stage of life or every phase of the business cycle to achieve their financial goals. This service covers all the important themes such as wealth planning, financing facilities, retirement, real estate, taxation and estate planning (see chapter "Responsibilities for society and the environment", page 57).

Transparent pricing model

The LLB Group is meeting and mastering the challenges of the modern era with agility and innovative power. 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 exempt from retrocessions in its asset management and investment counselling services.

Group Product Management

To increase its innovative power and to harmonise and accelerate product development, the LLB Group has set up the Group Product Management Business Area, which brings together all the product competencies under one roof. It consists of three departments, which are responsible for all market regions.

Closeness to clients

The close relationships between clients and experienced client advisers, which private clients and entrepreneurs need through all the various stages of life or the business cycle, is a special attribute of the LLB Group. All our Private Banking advisers maintain close ties with clients in the local target markets (see chapter "Employees", page 42). In 2016 more client advisers were recruited.

Client adviser certification

Our holistic client focus enables the LLB Group to stand out on the market. We make extensive investments in the knowledge of our employees. By the end of 2020, all our client advisers will have completed the certification programme according to the standards of the Swiss Association for Quality (SAQ) (see chapter "Employees", pages 45 – 46). By the end of 2020, all clients advisers will be certified.

Client satisfaction

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, in 2016 we obtained the opinions of clients directly in dialogue groups. A brand tracking study held in March revealed that as an investment bank, the LLB received a top ranking from almost all the wealthy clients surveyed (see chapter "Brand and sponsoring", page 40).

Market regions

Liechtenstein, Switzerland and Austria

The Liechtenstein and Swiss financial centres have the potential to attract investors, who are seeking security and safety for their investments. In spite of the limited area of the market, in 2016 the LLB Group registered an increase in client assets under management in Liechtenstein.

Our bank in Vienna, LLB (Österreich) AG, reached the break-even point in 2014 after only five years of development. It continued its success story in 2016.

Traditional cross-border markets of Germany, Switzerland and parts of Western Europe

For our asset management, Germany is still our largest and most important private banking market in Europe. Our business volume has stabilised in this market.

Central and Eastern Europe as well as the Middle East

Largely due to streamlining activities, the LLB Group registered asset outflows in Central and Eastern Europe during 2016. However, we believe there is further growth potential in the Eastern European EU states and in the highly competitive key Russian market.

Dubai is regarded as the business hub for the Gulf region. Abu Dhabi plays an important role for the United Arab Emirates (UAE), which is one of the most financially strong investors in the world. We provide our clients with access to the stock markets in Dubai and Abu Dhabi. Since 2016, we have a team to care for non-resident Indian clients, while a second team looks after our Arab and other expat clients. The LLB Group's Private Banking is extremely successful in the Middle East market region.

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 uses 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

The LLB Group's business model aims at its clients meeting tax compliance requirements (see chapter "Regulatory framework and developments", pages 50–51). 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

The Private Banking business segment achieved gratifying inflows in the strategic growth markets. The net new money inflow stood at CHF 173 million compared with an outflow of CHF 217 million in the previous year. This was also reflected in the rise in client assets under management of 1.2 percent. In total, the segment registered an increase in business volume of 2.1 percent to CHF 14.8 billion. Loans to clients rose substantially by 11.4 percent.

In spite of a difficult investment environment and continuing pressure on margins, the Private Banking segment reported a stable earnings development in deposit-taking business. The uncertainty of clients and the resulting lower client activity as well as higher liquidity holdings led to a decrease in fee and commission income. Revenues from client trading were below the record level of the previous year. Operating expenses rose by 11.4 percent. This was largely attributable to the strategic expansion of personnel by 11.7 percent to 153 (31.12.2015: 137).

The segment result before tax decreased as expected to CHF 32.2 million (2015: CHF 41.1 million).

Segment reporting

in CHF thousands	2016	2015	+ / - %
Net interest income	15'695	16'590	-5.4
Credit loss (expense) / recovery	750	0	
Net interest income after credit loss expense	16'445	16'590	-0.9
Net fee and commission income	65'390	66'766	-2.1
Net trading income	8'955	10'277	-12.9
Other income	2	2	0.0
Total operating income	90'792	93'635	-3.0
Personnel expenses	-30'631	-24'209	26.5
General and administrative expenses	-3'576	-2'776	28.8
Depreciation and amortisation	0	0	
Services (from) / to segments	-24'384	-25'592	-4.7
Total operating expenses	-58'591	-52'577	11.4
Segment profit before tax	32'201	41'058	-21.6

Performance figures

	2016	2015
Net new money (in CHF millions)	173	-217
Growth of net new money (in percent)	1.3	-1.3
Cost-Income-Ratio (in percent) *	64.6	56.5
Gross margin (in basis points) **	63.6	64.3

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

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

Additional information

	31.12.2016	31.12.2015	+ / - %
Business volume (in CHF millions)	14'754	14'448	2.1
Assets under management (in CHF millions)	13'283	13'128	1.2
Loans (in CHF millions)	1'471	1'320	11.4
Employees (full-time equivalents, in positions)	153	137	11.7