

Retail & Corporate Banking

The LLB Group has a strong position in Retail & Corporate Banking. For private clients and the business community it is a partner in all phases of life and all stages of the business cycle. And it combines the communicative bank branch of the future with the digital world.

Quality of business location

The Liechtensteinische Landesbank (LLB) with its headquarters in Vaduz is the largest universal bank in Liechtenstein. Bank Linth (BLL) with its headquarters in Uznach is one of the largest regional banks in eastern Switzerland. Both banks can look back on a long tradition in Retail & Corporate Banking business and both continually adapt to master new challenges. The digitalisation of banking business is one of the priorities that the LLB Group has set itself in its StepUp2020 strategy (see chapter "Corporate Center", page 30). At the same time, it attaches great importance to a modern business branch concept, in the knowledge that the quality of location contributes to client satisfaction.

Where Liechtensteiners bank

As a brand tracking study in 2016 underlined, customers genuinely appreciate the LLB's activities. In the Principality, Liechtensteinische Landesbank is uniquely well known. 95 percent of the persons surveyed thought spontaneously of LLB when they were asked to name a banking institution in Liechtenstein. For 94 percent of respondents the LLB was the bank of choice for private banking transactions. When asked about retail banking business, mortgages or wealth management, LLB was the most frequently named bank. LLB is where Liechtensteiners bank, almost every resident is a customer.

Branch and ATM network

It is the only bank in Liechtenstein to provide a branch and ATM network for all banking business. The Liechtensteinische Landesbank has three bank branches. Bank Linth maintains 19 bank branches in the Swiss cantons of Zurich, St. Gallen, Schwyz and Glarus. In addition, the LLB Group operates 50 ATMs, 20 in Liechtenstein and 30 in eastern Switzerland. In Liechtenstein we register an average of one million transactions a year at ATMs. 31'174 clients made 165'635 transactions at our bank counters.

Banking 24/7

The LLB Group combines modern, communicative bank branches with mobile and web-based services. Our online banking provides clients with round-the-clock access to their bank accounts and portfolios. Additionally, it offers a group-wide mobile banking app for iOS as well as Android smartphones and tablets. LLB and Bank Linth cultivate a unique closeness to clients and nurture close ties with the Principality of Liechtenstein and Bank Linth's market area in Switzerland.

Products and services

The Retail & Corporate Banking Division of the LLB Group encompasses the savings and financing business in the domestic markets of Liechtenstein and Switzerland. In addition, LLB maintains a broad variety of client relationships with cross-border workers from the Austrian province of Vorarlberg. It offers the entire spectrum of banking and financial services for private and corporate clients. Traditionally, savings and mortgage lending business has always played an important role. This is supplemented by financial planning and corporate pension provisioning (see chapter "Responsibilities for society and the environment", pages 56 – 57). In addition, the Retail & Corporate Banking Division provides investment advice and asset management to target clients having available assets of up to CHF 0.5 million.

Individual product selection

The market and client orientation of Liechtensteinische Landesbank and Bank Linth are reflected in their product offerings, with which the LLB Group stands out on the market. In summer 2016, traditional products were innovatively combined under the name "LLB Combi / Bank Linth Combi". Private clients can design their individual bank relationship themselves.

Using an online configurator, the client can select the services which he requires. With each click he knows exactly what the selected service costs, and he pays only for what he uses. The freedom to choose in combination with a price advantage results in a hitherto unique model, which fulfils clients' requirements for individuality and clarity in banking business.

360-degree financial planning

The LLB Group has set itself the goal of accompanying its clients at every stage of life or the business cycle, and of offering solutions for all financial questions. Private financial planning is an area in which LLB possesses unique, comprehensive and interlinked expertise. The demand for expertise from one source continues to be high. In 2016, we expanded 360-degree financial planning under the designation "LLB Compass" and released five new advisory packages for private clients and three for entrepreneurs (see chapter "Responsibilities for society and the environment", page 57).

In many small and medium-sized enterprises (SMEs) private and business assets are often closely interlinked. Our holistic financial planning accompanies entrepreneurs from the setting up of their business through the development, growth, maturity and succession phases up to the transfer of the company taking into consideration private budget planning, risk and retirement provisioning, as well as wealth planning.

Business bank for SMEs

As the bank of small and medium-sized enterprises, the LLB Group occupies an important position for the economy in Liechtenstein and eastern Switzerland. Since July 2015, corporate clients have been taking advantage of a comprehensive advisory and service concept, as well as SME box offers with transparent benefits and conditions. SMEs form the backbone of the Liechtenstein and Swiss economy. By meeting these companies' need for credit facilities and banking services, LLB and Bank Linth play an important role in overall economic development (see chapter "Responsibilities for society and the environment", page 54). In 2017, we intend to continue growing our corporate client business.

In January 2016, LLB contractually sealed its collaboration with the Liechtenstein Chamber of Commerce. The collaboration will focus on supporting and promoting the owners, successors, chief executives and senior management of the commercial and business economy. By providing this support, LLB is living up to its local responsibility.

Efficient lending procedures

Lending to clients continues to be an important business area for the LLB Group. Continually 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 clients. For Bank Linth lending business represents a major earnings stream in its eastern Swiss market region.

The LLB Group is optimising its credit risk management in line with the latest regulatory standards (see chapter "Financial and risk management", page 12). Moreover, in 2015 within the context of a lean management approach we thoroughly revised our lending procedures (see chapter "Corporate Center", page 31) and reduced the throughput time for a loan application clearly. In September 2016, the LLB Group further standardised and automated its mortgage lending business.

For young people

LLB and BLL are creating new perspectives for young people in Liechtenstein and in eastern Switzerland by becoming a coach for questions relating to financial knowledge in the social media. On the "youli" youth portal, for example, during the 2016 report year, pupils, apprentices and students aged up to 30 received information about savings in the form of competitions.

By offering their "young Liechtenstein" and "young Linth", for short "youli" banking services, the LLB and Bank Linth are also successively expanding their strong market position in the youth segment. In 2016, over 8'032 (2015: 7'140) young people up to 30 years of age took advantage of our range of accounts for young people. To fulfil the expectations of the young generation, who want to decide themselves on the time, place and channel to carry out their financial transactions, we must be agile, innovative and think digitally.

Video identification

The LLB Group wants to win over its clients at every point and time of contact. As the first bank in Liechtenstein and the second in Switzerland, it introduced video identification for opening accounts online in March 2016 (see chapter "Corporate Center", page 30). The LLB Group is setting a fast pace in exploiting the opportunities offered by the digital world. Every customer should be able to decide himself through which channel he wants to carry out his bank transaction or obtain advice.

Saving with strategy funds

With its initiatives the LLB Group is not only exploiting the potential offered by digitalisation. Private investors also benefit from the acknowledged investment competence of LLB Asset Management (see Chapter "Institutional Clients", page 27). 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.

Bank branch concept

The branches of Liechtensteinische Landesbank and Bank Linth deliver a bundle of services. They are providers of high-quality advice, competent service centres and a core of distribution activities. Retail & Corporate Banking is a regional and local business. Our client advisers can assess the potential of private clients and companies and know the history as well as the special features of the region (see chapter "Employees", page 42). Our clients increasingly utilise various channels – smartphone, tablet and PC – in parallel, but without wanting to forego personal advice.

Our goal is to serve clients of all generations – irrespective of how, when and where they wish to carry out their banking transactions. Accordingly, the LLB Group's omni-channel strategy represents a new type of concept for the bank branch of the future.

Bank of the future

The trust of the people and the business community is the LLB Group's core capital, which it carefully nurtures in its bank branches. Since June 2015, the Bank Linth branch in Sargans, Switzerland has been providing clients with a special experience. 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 have established new service standards.

Bank Linth plans to remodel all its 19 branches in accordance with this "bank of the future" model by 2020 (see chapter "Employees", page 42). For this purpose it has estimated investment costs of CHF 20 million. The Liechtensteinische Landesbank will also adapt its bank branches to suit changed customer behaviour over the next three years.

Internal changes will also be implemented in line with the "bank of the future" concept. Since 2015, the bank has been successively centralising administrative tasks to relieve pressure on client advisers. At the same time, various business areas practice a form of crossworking to provide optimal support for clients in all life situations.

Customer Service Center

For the last three years, the Customer Service Center (CSC) in Vaduz has been the central service hub for 63'000 retail customers providing them with sound knowledge and advice in their language and the appreciation they deserve. Almost 25'300 of them are online banking clients and about 6'300 are mobile banking customers. In 2016, this dedicated team answered around 59'000 telephone calls, almost 6'000 e-mails and over 3'500 bank messages. It also dealt with 50'500 enquiries and questions.

The department further broadened and deepened its knowledge and competence by attending training courses on the automatic exchange of information (AIA), know-your-customer (KYC) and know-your-transactions (KYT) principles, cross-border banking in the LLB offshore markets, as well as on the revised due diligence ordinance (DDO), which came into force in Liechtenstein in 2016. In 2017, we are planning to install a process to systematically activate the knowledge stored in the CSE about the requirements of LLB customers.

Genuine client focus

Clients expect not just high quality advice and digital services, they also want to know how financial products function. As the first financial institution in Switzerland, for several years already Bank Linth has striven to fulfil its clients' requirements for clear and concise communication as well as short decision-making channels. It does this by pursuing its "Simplicity in banking" concept. In 2017, Bank Linth wants to expand its market position while also focusing on emotion, closeness and trust in banking. The aim of this strategic initiative is for the

bank to position itself as a financial partner and an active part of the customer family.

Client advisory bank

Client relationships based on trust and a true understanding of customers and their needs are promising prerequisites in order to activate the potential of our clients more robustly in the future. However, intensive advisory services and products cannot be replaced by modern technology. The client adviser plays a central role here.

In 2016, the first client advisers of the Retail & Corporate Banking Division successfully completed the certification programme in accordance with the standards of the Swiss Association for Quality (see chapter "Employees", pages 45–46). By the end of 2020, all clients advisers will be certified. This guarantees the consistent high quality of the LLB Group as a client advisory bank.

Business segment result

Loans to clients and assets under management in the Retail & Corporate Banking segment posted gratifying growth. The business volume rose by 4.3 percent to CHF 18.1 billion (31.12.2015: CHF 17.4 billion). Thanks to net new money inflows, assets under management increased to CHF 8.4 billion (31.12.2015: CHF 8.0 billion). Loans to clients climbed by 3.7 percent to CHF 9.7 billion (31.12.2015: CHF 9.3 billion).

Net new money inflows stood at CHF 334 million (2015: inflow of CHF 199 million). Once again inflows were registered from private and corporate clients in the domestic markets of Switzerland and Liechtenstein. Interest differential business, which comprises the largest part of earnings in private and corporate banking, decreased. The interest environment with record low interest rates and even negative interest led to a substantial fall in contribution margins in deposits business. In contrast, earnings in lending business expanded. Adjustments for credit loss expense were stabilised at a low level. Fee and commission income benefitted from the positive development of the LLB Group's performance-related fee models. On account of lower internal settlements, operating expenses decreased by 6.2 percent.

This resulted in a slight reduction in the segment profit before tax of 1.8 percent to CHF 41.8 million (2015: CHF 42.6 million).

Segment reporting

in CHF thousands	2016	2015	+ / - %
Net interest income	84'077	89'246	- 5.8
Credit loss (expense) / recovery	- 3'014	- 57	
Net interest income after credit loss expense	81'063	89'189	- 9.1
Net fee and commission income	29'467	28'124	4.8
Net trading income	10'532	11'157	- 5.6
Other income	1'813	543	233.9
Total operating income	122'875	129'013	- 4.8
Personnel expenses	- 31'679	- 31'741	- 0.2
General and administrative expenses	- 2'364	- 2'607	- 9.3
Depreciation and amortisation	- 68	- 321	- 78.8
Services (from) / to segments	- 46'989	- 51'790	- 9.3
Total operating expenses	- 81'100	- 86'459	- 6.2
Segment profit before tax	41'775	42'554	- 1.8

Performance figures

	2016	2015
Net new money (in CHF millions)	334	199
Growth of net new money (in percent)	4.2	2.4
Cost-Income-Ratio (in percent) *	64.4	67.0
Gross margin (in basis points) **	70.7	75.0

* 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)	18'116	17'374	4.3
Assets under management (in CHF millions)	8'435	8'037	5.0
Loans (in CHF millions)	9'681	9'337	3.7
Employees (full-time equivalents, in positions)	202	223	- 9.4