

Employees

We are in no doubt that one of the greatest challenges for any company is being able to recruit and develop excellent and committed employees. We are therefore constantly striving to raise our profile as an attractive employer. We offer attractive conditions and are ahead of the competition when it comes to winning talented employees.

Corporate culture and value basis

The LLB Group's vision is encapsulated in the motto: "We set standards for banking with values." Our managers and employees are motivated to act in line with our values: integrity, respectfulness, excellence and pioneering. By living these values, our managers spread the culture throughout the organisation. This is all the more important at a time when LLB has to adapt to constantly changing markets and client needs. For this to succeed, we need employees who are willing to engage and have the courage to initiate improvement processes. With the cultural journey launched in 2018, we encourage the employees to get involved, to question themselves and to exchange views.

Performance pledge and employee development

It is important to us that the LLB Group is perceived as an attractive employer that differentiates itself from its competitors through three key strengths: We offer a corporate culture based on partnership, interesting work content and plenty of scope for growth. High-achieving employees have excellent development opportunities and prospects.

The performance pledge made by Group Human Resources is being lived out: Enthusiastic individuals should be able to advance themselves and the LLB Group. We want to achieve a top-class performance together. The performance pledge was set out in an HR strategic

vision (see illustration below). This is an important instrument to raise awareness of the supportive yet demanding work environment.

LLB as employer

As at the end of December 2018, the LLB Group had 1'086 full-time equivalents (2017: 867). The strong growth is due on the one hand to organic factors – LLB increased the size of its team of client advisers by 20 to 225 employees in line with its strategy – and on the other to the acquisition of both Semper Constantia Privatbank AG (182 full-time equivalents) and LB(Swiss) Investment AG (12 full-time equivalents). With 628 full-time equivalents (2017: 598) in Liechtenstein, LLB ranks among the largest employers in the Principality.

Value-oriented compensation

The LLB Group offers attractive employment conditions. It spent CHF 182.4 million (2017: CHF 155.4 million) on salaries and social contributions in 2018 (see Notes to the consolidated income statement, page 152).

We have a modern compensation system that is considered exemplary in the banking sector. The LLB Group takes aspects of value orientation into consideration in all areas of the company. For example, the compensation model for the majority of employees includes a

Strategic vision



component of pay that depends on the company's performance. In 2013, 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 (see chapter "Compensation report", pages 101–108).

The MAPI enables us to carry out a neutral and holistic evaluation of the management's performance. This is done by comparing the long-term stock return of the LLB Group (total shareholder return, TSR) with the corresponding value 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 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.

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.

Equal pay for equal work

We set great store by fair compensation that explicitly recognises 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.

LLB as a regional employer

It is important to us that our managers understand the mindset and concerns of our clients. And for this reason, almost 100 per cent of the managers and the majority of employees in the main business locations have their roots in their respective region. As a result, they are highly dedicated to the company and have a high level of integrity. And they also take a long-term view, which is very much appreciated by the clients.

To meet the demand for skilled employees, we rely on commuters who travel every day from eastern Switzerland (2018: 243; 2017: 226) and the Austrian state of Vorarlberg (2018: 83; 2017: 73) to Liechtenstein. This makes LLB a major regional employer in the Rhine Valley. Bank Linth recruits almost all of its professionals from the Swiss regions of Lake Zurich, Sarganserland and Winterthur.

Internal communication channels

"Integrity – we create clarity and stand by our word" is a value our company embodies. It is also the basis for internal communication as a clear and consistent approach increases acceptance among employees. Through the StepUp2020 strategy and the associated corporate targets, the employees understand where we stand and where we are going.

The intranet is the most important channel for us for communicating internally. The Group CEO also uses this channel to publish a quarterly newsletter in which he informs staff about ongoing projects and new developments. At least once a year, the Group CEO invites all the

employees to a Group Forum, which is broadcast by livestream to our representative offices and subsidiaries abroad. Other channels include the annual Group Night and biennial events held by our six divisions. And "InSight", the staff magazine, is published four times a year.

Attractive work environment

The LLB Group actively positions itself in what is a competitive market for the best talent. We continually implement new measures so as to be able to offer employees a modern and attractive work environment. We focus here in particular on digitalisation, health promotion in the workplace, improvement in job quality and flexibility of working hours and location.

Flexible work environment

We started to upgrade all the hardware in the offices at the end of 2017. At around 97 per cent, almost all of the 1'500 workstations had been equipped with new PCs and notebooks by the end of December 2018. Since the introduction of the internal Mobile Client (iMC) at the beginning of 2018, it is possible to work on company laptops at all our business premises via the WLAN network connection. So far only a small number of employees have external mobile access (eMC) that allows remote working from home. The opportunity to work remotely is to be extended to significantly more employees in the first half of 2019. By doing this, we are addressing one of the key issues for employees: in the latest employee survey, flexibility in the workplace was stated as a key issue.

Digitalisation of personnel management

At the end of 2018, the LLB Group introduced an electronic employee portal (eMap). It offers employees and managers a uniform platform for a variety of different HR applications, ranging from tools for learning management and onboarding new employees to exchanging views on HR issues in communities. At the same time, two management-intensive processes (performance management and people development) were also system supported and automated, improving and facilitating performance measurement and employee development. We have replaced the working hours and absence management system with a state-of-the-art solution. The learning management system was replaced with a new "learning" module, which allows the integration of virtual forms of learning and gives employees and their supervisors a complete overview of completed and planned training courses.

The new HR portal also enables employees to network better internally over a collaboration platform. It allows them to exchange views with others about new topics they are learning about, to search for information and to hold discussions. Creating your own profile is another state-of-the-art function of the new portal. Through it, employees can give their supervisors and selected HR managers access to details about, for example, emergency contacts, language skills,

training, management experience as well as their own expectations with regard to their professional development within the LLB Group, and update this information on an ongoing basis.

Compatibility of work and life situation

A high degree of compatibility of work and private life in different life situations makes for an attractive employer. In recent years, therefore, we have pushed ahead with projects offering greater flexibility of working hours and location. Most employees work under the trust-based working time model. Under this model, they determine, in consultation with their manager, exactly how their working time is to be structured and different workloads managed. A reduction of working hours from full-time to 80 or 90 per cent is, in consultation with their manager, possible as well – also in management positions.

Under the “FreiZeit-Kauf” (purchase leisure time) project, launched in 2017, employees can increase their holiday entitlement by five or ten days and forego a corresponding amount of pay in return. This option is highly appreciated and finding ever greater resonance: 128 employees (2017: 86) purchased a total of 910 additional leave days (2017: 645). We also support paternity leave and permit our employees care leave in the case of a family emergency. In September 2017, the “Villa Wirbelwind” in Vaduz opened its doors for the first time. The crèche is open to the children of all Liechtenstein bank employees.

Health and safety

Our “Working Atmosphere and Health Steering Committee” was set up in 2016 with the purpose of increasing job satisfaction and boosting staff motivation. We also want to reduce the absenteeism rate, which indicates the incidence of accidents and long-term illnesses, through

targeted measures. Here, we managed to keep within our target rate of between 2 and 2.5 per cent. In 2018, we registered 138 absences (2017: 146), corresponding to a rate of 2.2 per cent (2017: 2.3 %). 80 per cent of the costs incurred were due to illness.

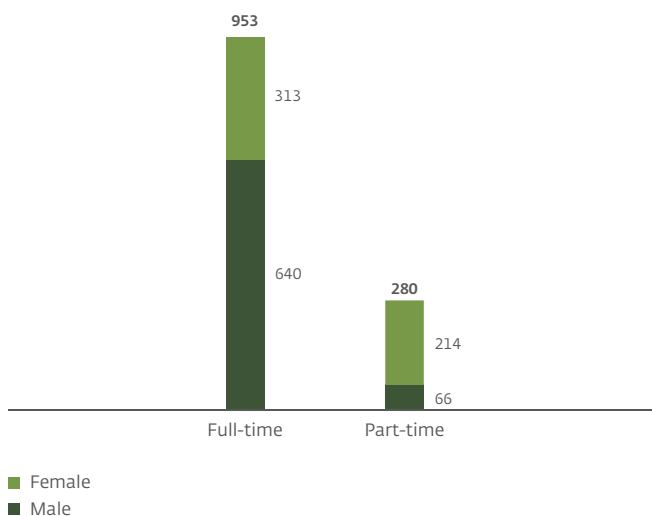
We have taken various measures aimed at helping employees to stay healthy. Among these initiatives are seasonal fruit, which have been provided free of charge since the beginning of 2017, as are the water stations with integrated filter system (see chapter “Responsibilities for society and the environment”, page 61). The incentive to work out during the lunch break or to cycle to work has increased significantly since showers and changing facilities were installed at our business location in Vaduz. To prevent postural damage, a majority of our employees now have height-adjustable desks that convert to stand-up desks at the touch of a button. Long-service employees are rewarded with a sabbatical. 42 employees (2017: 43) with long-service anniversaries of ten to forty years went on a sabbatical for up to four weeks in 2018.

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 units Security Management and Facility Management are responsible for carrying out routine building and equipment checks.

Support at difficult times

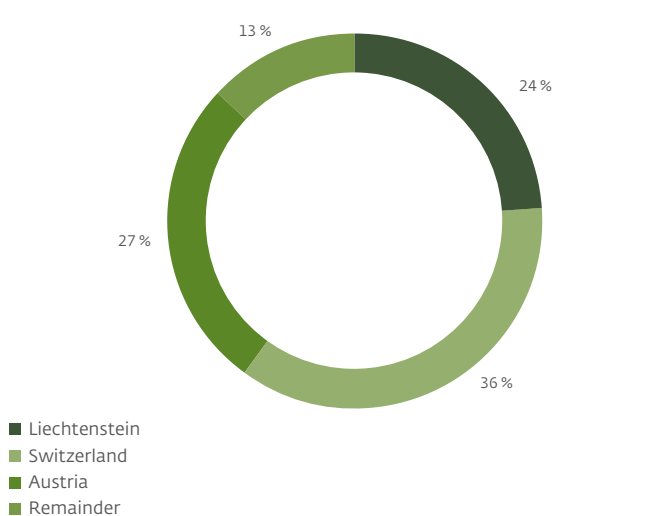
Surveys conducted by the European Agency for Safety and Health at Work (www.osha.europa.eu) show that in Europe around 50 per cent of sickness leave is due to stress in some form or other. What is more,

Permanent employees by employment type*



* Including permanent and temporary employees (apprentices and trainees)

Employees by nationality



mental stress can also often result in physical stress and vice versa. LLB Group employees in difficult work or life situations are able to gain free and anonymous access to psychological support.

Our aim is to reduce short- and long-term absences and to facilitate the return to work. We offer support to employees returning to work after a long absence and to those with serious health problems. Providing practical support enables employees to maintain or regain their productivity.

High employee satisfaction

Employee satisfaction is an indicator of whether it is possible to retain motivated, high-achieving employees in the company. To understand where we stand in this respect, we regularly conduct an in-depth employee survey. In the 2017 survey, the LLB Group achieved very good results in all relevant points. The commitment of the employees, in other words the sense of identity with and being part of the company, remained high with 85 points (2015: 85) out of a possible 100 points. On the basis of these sound survey results, LLB received a Swiss Employer Award in September 2017 for the second time, the first time being in 2016, in the category of 250 to 999 employees. This benchmarking initiative based on the largest employee survey in Switzerland is regarded as a pioneering instrument. Our next employee survey is planned for May 2020.

Diversity of employees and managers

Studies show: diverse teams open up interesting new prospects, offer innovative approaches to problem solving and increase productivity

as well as the attractiveness for new employees. Although we do not have any specific programme to promote diversity, people of different nationalities working together has been commonplace at our Group for many years. In 2018, 24 per cent of our employees were Liechtenstein nationals, 36 per cent Swiss nationals and 27 per cent were Austrian nationals. The proportion of Austrian nationals employed increased sharply compared to previous years due to the acquisition of Semper Constantia AG. All in all, people from 38 nations work at the LLB Group.

We are committed to ensuring that our client base is reflected in our employee mix (see "Regional employer", page 65). 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 43 per cent, though they are still under-represented in leadership positions. In July 2016, the first woman was appointed to the Group Executive Board (see chapter "Corporate governance", pages 95).

Women in management positions:

- Executive management: 5 men, 1 woman
- Senior management: 27 men, 1 woman

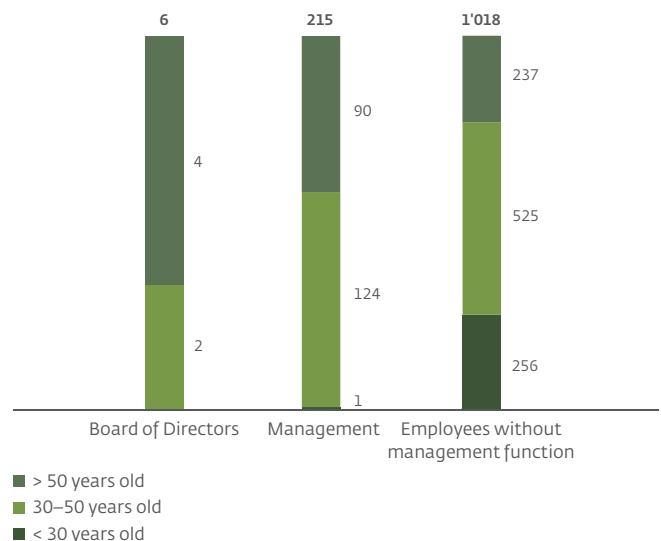
The Board of Directors of LLB, which is publicly listed, has been characterised by an above-average proportion of women since 2014. With two out of the six members women, they represent around 30 per cent of the board members. 78 employees were assigned to the "Potential Pools", from which, among other things, future managers are recruited internally; of these, 21 (around 27 %) were female.

Number of employees by gender*



* Board of Directors without Bank Linth and LLB Swiss Investment AG

Number of employees by age group*



* Board of Directors without Bank Linth and LLB Swiss Investment AG

Training and professional education

For the LLB Group, training and professional education is an important instrument for increasing its competitiveness. In 2018, 50 per cent (2017: 71 %) of management positions that became vacant were filled internally. In 2018, we invested CHF 1.5 million (2017: CHF 1.4 million) in the targeted development of managers, talent and competences. New entrant employees and managers also have a significantly higher level of qualifications: 66 per cent have graduated from a university or a university of applied sciences or have completed higher professional training.

Client adviser certification

We invested another CHF 410'000 (2017: CHF 244'000) in training programmes in accordance with the standards of the Swiss Association for Quality (SAQ). By the end of 2020, all employees who have contact with clients will have completed such training programmes. 123 employees, or 40 per cent, were certified by the end of 2018.

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. The certification also complies with the regulatory requirements arising from the European Markets in Financial Instruments Directive (MiFID II) and the Swiss Financial Services Act (FinSA).

Measuring the success of staff development

The LLB Group has established 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 targets with individual staff objectives. The process has been institutionalised across the company and it works for employees and managers alike, irrespective of their position. The PMP is a systematic assessment of the performance and the conduct of an employee.
- The PDP is the development tool used by the LLB Group. More specifically, it is a process that allows an employee to discuss their own development with their manager. The first part of the PDP takes place at management level and comprises an annual assessment of the LLB Group's entire people portfolio. Based on this and future requirements, strategic personnel planning for the business areas and teams can then be carried out. The second part of the PDP describes the individual employee's path from formulating development intentions to devising a concrete action plan.
- Employees with potential are assigned to so-called "Potential Pools". There are five categories, representing different levels of management or specialist careers. The aim is to systematically develop identified talent who exhibit good performance and excellent conduct. Using careful evaluation processes, 78 individuals, or 8.91 per cent of employees (2017: 8.25 %, 71 individuals), were assigned to appropriate "Potential Pools" in 2018.

Professional training

When it comes to the training of the junior employees, Liechtensteinische Landesbank lives up to its responsibility as one of the largest providers of training in Liechtenstein. In 2018, 33 apprentices (2017: 36) 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. There are three different programmes available for candidates: practical-based direct entry for graduates (2018: 4 participants); a work and study programme for postgraduates in the final phase of their studies (2018: 6 participants); and a trainee programme for postgraduates (2018: 4 participants). 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.

The participants of these three programmes 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. Those whose demonstrate performance and commitment 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.

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 2018, 663 employees of our corporate Group who work in Liechtenstein were covered by the retirement, life and disability insurance plans of the autonomous 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 2018, the liquidity ratio of the LLB pension fund stood at 106.4 per cent (as at the end of December 2017: 112.1 %) and had thus decreased by 5.7 percentage points on the previous year. The return on investment was minus 4.16 per cent (2017: 5.78 %). The accumulated capital bore no interest in 2018. The fluctuation reserve amounts to CHF 18.3 million (2017: CHF 33.5 million). The pension fund capital totalled CHF 287.9 million (2017: CHF 277.4 million).

From 1 January 2018 onwards, the pension conversion rate at the retirement age of 64 is being gradually reduced by 0.1 per cent per year to 5.1 per cent. From 1 January 2023, the normal retirement age for drawing the Liechtenstein AHV (state pension) will be raised to 65 and the conversion rate to 5.22 per cent.

LLB Group headcount statistics

	2018	2017	2016	2015	2014
Employees					
Number of employees (full-time equivalents)	1'086	867	858	816	893
Full-time employees	953	769	767	674	789
Part-time employees	280	218	207	202	244
Apprentices	33	36	38	42	47
Young talents ^o	13	4	11	7	6
Employee retention					
Staff turnover rate in per cent	11	11	10	13	12
Average length of service in years	9	10	10	11	10
Average age in years	41	40	40	40	40
Diversity and equal opportunities					
Number of nations	38	36	39	31	34
Share of women in per cent	43	43	42	44	45
Training and professional education					
Training costs in CHF thousands	1'802	1'384	1'570	1'195	1'191
of which SAQ certification costs in CHF thousands	410	244	239	130	

^o Includes all working students in master's studies, trainees with master's degree and direct entrants with bachelor's degree. All young talents have temporary employment contracts.