

Retail & Corporate Banking

Thanks to its Retail & Corporate Banking, the LLB Group is successfully positioned as a universal bank for private and corporate clients. But client requirements are changing. For us this means looking to the future and having the boldness to implement innovative and pioneering solutions.

Markets and services

The Retail & Corporate Banking Division of Liechtensteinische Landesbank and its subsidiary Bank Linth encompasses the deposits and financing business in the domestic markets of Liechtenstein and Switzerland. In addition, it has very diverse relationships with cross-border clients from the Austrian province of Vorarlberg. We offer the complete spectrum of banking and financial services for private and corporate clients. A unique aspect is our 360-degree advisory concept, which offers solutions for every phase of life and every stage of company development – from birth to estate planning, or from the setting up of a business to the transfer of the company to the next generation.

Payments, savings and deposits

In Liechtenstein LLB is the clear market leader in payment services and account management. Almost every resident has an account at the Landesbank. Our “LLB Combi / Bank Linth Combi” enables private clients to design their individual banking relationship themselves. An interactive online configurator helps our clients to put together a service package that fits their requirements, and also reveals the costs of every module for full transparency. The specific investment advice and asset management for clients having available assets up to CHF 0.5 million are also components of Retail & Corporate Banking. Under the designation “Compass”, we offer a 360-degree spectrum of advisory services for every phase of life and stage of the business cycle. SMEs can find various basic product packages offering attractive, transparent services and conditions.

Lending and mortgage business

Lending business is an important business area for the LLB Group. With its 78'513 private, corporate and institutional clients, LLB is the leader in the Liechtenstein home market. It holds a 50-per cent market share of Liechtenstein mortgage lending business. And it is also the market leader in corporate client business with a market share of 60 per cent.

As the largest regional bank in eastern Switzerland, Bank Linth is one of the largest providers in both business areas.

Individual pension fund solutions

We are the only bank in Liechtenstein to offer clients individual pension fund solutions through the LLB Pension Fund Foundation for Liechtenstein (see chapter “Responsibilities for society and the environment”, page 58). Measured in terms of the number of persons insured and the assets managed, the Pension Fund Foundation is the second-largest collective foundation in Liechtenstein and the only one in the country whose members can choose between two investment strategies. At the end of 2018, the LLB Pension Fund Foundation administered 5'300 actively insured persons in 450 affiliated companies.

In eastern Switzerland, Bank Linth offers pension fund solutions for corporate clients through the ALVOSO LLB Pension Fund.

Regionally anchored

Retail & Corporate Banking is a regional and local business. Our client advisers are at home in their market regions and can assess the needs of private clients and companies (see chapter “Employees”, page 65). Founded in 1861, Liechtensteinische Landesbank is the oldest bank in Liechtenstein. Its continuing role as the financial backbone for private individuals and companies in the Principality is confirmed by the bank's very high market share of retail & corporate banking business. Furthermore, LLB is the only bank that operates several bank branches

Bank branch and ATM network

LLB is the only bank in Liechtenstein to offer

**3 bank branches and
23 ATM locations**

In the Swiss cantons of St. Gallen, Zurich, Schwyz and Thurgau Bank Linth operates a total of

**19 bank branches and
29 ATM locations**

and an extensive network of ATMs in Liechtenstein. Many customers are also shareholders of the bank: 18.8 per cent of LLB registered shares are held by private individuals and companies domiciled in Liechtenstein (see chapter "LLB share", page 43). Established in 1848, Bank Linth also has a long history and is firmly anchored in the local community. Around 10'500 shareholders form the bank's foundation and actively participate in its development.

Partner bank and SME Award

LLB is well networked with the local business community. In 2018, the bank further intensified its collaboration with the Chamber of Commerce that began in 2016. For the first time we jointly operated a stand at the Liechtenstein Industry, Trade and Commerce Exhibition (LIHGA), an annual regional trade fair. To underscore our expertise in corporate client business, in 2018 in collaboration with the Chamber of Commerce, we launched an SME Award. We now plan to award this prize every two years at the LIHGA (see chapter "Responsibilities for society and the environment", page 59).

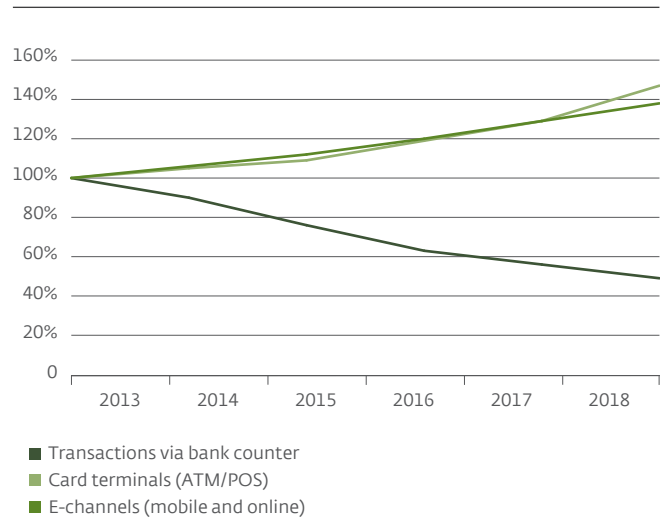
In 2017, LLB began providing advice to the Liechtenstein Technopark and to start-up companies as a network partner to the "Home of Innovation" initiative. Moreover, LLB is a supporting member of "digital-liechtenstein.li", a platform to encourage digital innovation and networking in Liechtenstein.

Omni-channel concept: digital and personal

The LLB Group's StepUp2020 strategy also takes into consideration the continuing digitalisation of banking business. We are carefully monitoring the developments on the market and in 2018 we implemented a structured Innovations Management function (see chapter "Corporate Center", page 41). During the period from 2016 to 2020, to fulfil changed client requirements, we are investing around CHF 30 million for Group-wide innovations and infrastructure projects to expand digital channels and services. By doing so, we are complying with changed client requirements. Whereas across-the-counter business is declining, our clients are increasingly using our e-channels. In 2018, more than 2.3 million (2017: 2.2 million) transactions were carried out via our online and mobile banking channels. Card transactions using LLB cards also increased to 2.7 million (2017: 2.3 million) (see graph, right column).

The intensity and scope of advice is also increasing, which is why we are not only investing in technology but also in the training of our bank branch teams. Counter staff are becoming client advisers, who are certified according to the standards of the Swiss Association for Quality (see chapter "Employees", page 68). By the end of 2018, 73 client advisers of the Retail & Corporate Banking Division had successfully completed the certification programme.

Number of transactions via bank counter, ATMs, card terminals (POS), e-channels (mobile and online)



Bank branches focused on advising clients

The trend in the bank branches is away from transaction business and towards personal advice provided on the spot. This opens up great opportunities for the LLB Group because, in spite of the declining number of standard transactions made at the bank counter, in 2018 around 24'500 customers visited the three LLB branches in Liechtenstein and around 18'500 customers the branches of Bank Linth. These direct contacts offer the potential for the provision of advice, which we utilise more intensively. The redesign of the client zones of bank branches offers us ideal support here. In these new remodelled bank branches our client advisers can assist clients with everyday transactions by offering them basic services while, at the same time, being ready and available to provide comprehensive advice. This in a branch environment that offers an inspiring experience and which enables clients to feel comfortable and at ease.

Investments in modern branches

In spring 2019, LLB will unveil its first newly designed bank branch in Balzers (Liechtenstein), at which it will present its unique "Bankorama" experience. This enables clients to interactively experience the world of banking. In this manner, LLB wants to make banking products simple to understand and to create an experience with them.

Bank Linth opened its first branches reflecting its "bank of the future" vision in 2017. In the meantime, thirteen of its nineteen branches have been remodelled. The transformation should be completed by 2020; then all Bank Linth branches will appear in their new design. The client is also the key focus of Bank Linth's concept. The centrepiece of the new branches is always a welcome desk staffed by a client

adviser. The rooms are open and accessible, and the use of natural materials creates a welcoming atmosphere and a sense of well-being for the client.

E-channels

Designed in accordance with the latest security and technological standards, in February 2017 we introduced new mobile banking apps with touch ID and a user-friendly scan and pay function for LLB and Bank Linth. This was followed in summer 2017 by the launch of a new web portal with integrated online banking. We are therefore one of the few banks that have designed their entire online offering as a one-stop-shop – including expanded online banking. Within the scope of our "Novus" digitalisation programme (see chapter "Corporate Center", page 40–41), in 2018 we extended our digital service offering to clients and refined the functions in our online and mobile banking systems. The platform can be personalised enabling private and corporate clients to set up their digital banking according to their requirements. The high degree of functionality and security of our integrated online banking are convincing: over the last five years the number of online and mobile users has risen from 22'016 (2014) to 35'940 (2018), an increase of more than 63 per cent. Almost 30 per cent of these users employ our mobile application. Experts also acknowledge our innovative approach: in April we were presented with the silver award for our technology at the "Best of Swiss Web Awards" 2018.

eBill and LLB Connect

As the first bank in Liechtenstein, we introduced an eBill solution in September 2018. Using eBill, clients can receive, check and release invoices for payment simply and quickly via LLB online banking. When certain invoices are received regularly, they can be automatically released for payment by means of a standing approval function. Sending invoices via eBill is very simple, and for companies facilitates administration and the control of accounts receivable, and it brings other advantages. For example, electronic dispatch brings significant time savings because several work steps, material and postage costs are no longer necessary.

LLB Connect was introduced in mid-2018 to provide our corporate clients with an interface for the submission or retrieval of account information, credits, payment orders and stock market and foreign exchange orders. LLB Connect enables corporate clients to directly link their internal system with LLB. The Electronic Banking Internet Communication Standard, or EBICS for short, has been available to our clients since 2016. In 2019, we plan to expand and deepen this service. With the EBICS portal we intend to introduce a solution that is capable of providing a multi-banking function.

Customer Service Center

As the interface between online and offline services, the Customer Service Center (CSE) has been the central hub for around 56'000 clients for five years. It offers them comprehensive service for all banking transactions. In 2018, this dedicated team answered 109'000 telephone calls,

about 9'000 e-mails and 4'600 bank messages. It also dealt with 66'000 enquiries and questions.

Saving time for clients

As part of the StepUp2020 strategy, the LLB Group set itself the goal of investing more time in the individual care of its clients and enhancing the quality of advice it gives them. The Lean Management Group Programme makes a significant contribution to standardising processes as far as possible and to aligning our company even more closely with clients' requirements (see chapter "Corporate Center", page 41). In the Retail & Corporate Banking Division, we have fundamentally reviewed and revised our lending processes during the last few years and substantially reduced the time needed to process a loan application, i.e. by 30 per cent in the case of a standard mortgage loan – while at the same time improving the quality of the process by 30 per cent.

Feedback from client surveys

So that we can determine where our clients' problems lie, we initiated a series of roundtable discussions in 2018 with various corporate clients in order to obtain valuable feedback. We learned from these discussions that our clients would like a shorter throughput time for orders and faster access to client advisers. The measures implemented within the scope of the lean management process are aimed at exactly these issues. Thanks to the good feedback we received from them, these roundtable talks will now be held annually. In addition, in collaboration with the Chamber of Commerce, we have launched a comprehensive written client survey. Among other responses, this showed that it is easy for clients to reach LLB, that corporate clients are very satisfied with the quality of service they receive, and that information and documents are clearly formulated and comprehensible. According to the results of the survey, improvements are needed with the user-friendliness of online banking. Consequently, we have already implemented various measures to resolve this issue. Standardised questionnaires were also used to carry out qualitative client interviews among private clients with the goal of better coordinating processes and services to suit changing client requirements.

Retail & Corporate Banking



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Transactions were made by the almost 36'000 LLB mobile and online banking clients in 2018. That is almost 40 per cent more than five years ago.

Business segment result

Interest differential business, which comprises the largest part of earnings in private and corporate banking, developed positively. The pressure on margins in deposits and mortgage business was more than compensated for by growth in lending business. In the reporting period value allowances for credit loss expense were released. In spite of the investments made in the branch and distribution network,

operating expenses remained stable. The business volume rose by 2 per cent to CHF 19.1 billion. Loans to customers in line with LLB's risk conscious policy expanded by 3.7 per cent. The segment posted new money inflows from private and corporate clients in the home markets of Switzerland and Liechtenstein.

Segment reporting

in CHF thousands	2018	2017	+ / - %
Net interest income	90'317	87'439	3.3
Expected credit losses	6'931	833	732.0
Net interest income after expected credit losses	97'248	88'271	10.2
Net fee and commission income	29'729	30'210	-1.6
Net trading income	11'383	11'441	-0.5
Other income	1'783	1'622	9.9
Total operating income	140'143	131'545	6.5
Personnel expenses	-30'458	-29'886	1.9
General and administrative expenses	-1'607	-3'544	-54.6
Depreciation and amortisation	0	-40	-100.0
Services (from) / to segments	-50'127	-49'117	2.1
Total operating expenses	-82'192	-82'587	-0.5
Segment profit before tax	57'951	48'957	18.4

Performance figures

	2018	2017
Gross margin (in basis points)*	70.0	70.8
Cost-Income-Ratio (in per cent)**	61.7	63.2
Net new money (in CHF millions)	407	-100
Growth of net new money (in per cent)	4.8	-1.2

* Operating income (excluding expected credit losses) relative to average monthly business volumes.

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

Additional information

	31.12.2018	31.12.2017	+ / - %
Business volume (in CHF millions)	19'142	18'763	2.0
Assets under management (in CHF millions)	8'449	8'449	0.0
Loans (in CHF millions)	10'693	10'314	3.7
Employees (full-time equivalents, in positions)	197	193	2.1