**Liechtensteinische Landesbank**

Liechtensteinische Landesbank (LLB) is the oldest established financial institution in the Principality of Liechtenstein. The majority shareholder is the country of Liechtenstein. The shares are listed on the SWX Swiss Exchange (symbol: LLB). LLB offers its clients comprehensive services in wealth management, as a universal bank, in private banking, in asset management as well as in fund and trust services. With 965 employees, the bank has a presence in Liechtenstein, Switzerland, the United Arab Emirates (Abu Dhabi and Dubai), Hong Kong and the Cayman Islands. As of 30 June, 2008, the LLB Group had client assets under management amounting to CHF 54.8 billion.

www.llb.li

**Avaloq**

The Avaloq has branches in Luxembourg and Singapore and is the market leader for standard banking software in Switzerland. For over a decade now, this Swiss company has been developing and selling the Avaloq Banking System, which is trusted by leading financial services providers active in private, retail and full-service banking in international financial centres around the world. With a network of first-rate partners specializing in implementation, software, service and technology, Avaloq offers its customers a comprehensive all-in-one solution – modular, innovative, integrated standard software for the financial services sector. Avaloq is owned by its managers and employees.

www.avaloq.com

**Case Study**
Liechtensteinische Landesbank LLB: After 20 years of successful in-house development, the shift to the Avaloq Banking System has unified the systems of the LLB Group and offers additional support for its international growth strategy.

The LLB and Avaloq share a clear strategy of internationalisation and a commitment to growth. After 20 years of successful in-house development, the LLB decided to open a new chapter with the Avaloq Banking System due to the increasing proliferation of standard software, the possibility of generating synergies within the LLB Group through the new system, and the opportunity to simplify the system landscape.

Dr Josef Fehr, Chief Executive Officer of the LLB, describes the process: «As far as functionality and operating costs go, the LLB was doing very well with its in-house development for more than 20 years. This was confirmed for the bank repeatedly by independent studies. Nonetheless, in recent years we have been keeping an eye on the development of the market in standard software for banks. After the increasing proliferation of standard software at banks, we carried out a feasibility study in the first half of 2007 with further follow-on studies. The result, then, was the decision for Avaloq, first and foremost because of various strategic considerations that motivated the decision. Functionality and cost-effectiveness, by comparison, were less of a factor.»

Goals and expectations With the LLB, gaining support for its strategic goals (growth, internationalisation) stood very clearly in the foreground. According to Dr Josef Fehr, «The decisive criteria for the decision were above all strategic in nature. Of course, we also expect economies of scale, that is, decreasing «costs per unit» with increases in volume. And in IT itself we expect shorter processing times with regard to the execution of new products, since the existing resources can be implemented with better goal-orientation. We are also convinced that synergies can be generated in the development and in our operations with a unified IT platform.»

The decision and further progress After running a feasibility study in the first half of 2007, the decision was made in the middle of the year to introduce a new banking system. In the end the decision came down to Avaloq and another provider offering external solutions. According to Dr Josef Fehr, what spoke in favour of Avaloq in the first instance was its pronounced international orientation, which the LLB wanted to keep open for its future development, and to a certain degree the fact that the Bank Limth, a member of the LLB Group, had already adopted Avaloq. The introduction of the core banking system is planned for 1 January, 2011. In its implementation partner, the LLB will be supported by Monex, which gave significant support to the Bank Limth, among others, during its adoption of Avaloq.

In-house development versus standard software: people before technology The 40 or so IT employees of the LLB are right proud of their many years of successfully developing an in-house system. It is thus understandable that a shift from the well-known Delta Cobol to a completely new environment also has emotional significance and raises questions about personal perspectives and developments.

Dr Josef Fehr describes how the LLB dealt with this: «The IT developers were involved to a significant degree in the feasibility study, so that from an early stage they had already come into contact with the «look and feel» of the system. Naturally, in this short time they could not become as familiar with the «ins and outs» of this system to the same degree as they knew the in-house system, at least for those employees who have worked here for many years. Although one incurs less risk by sticking to what one knows, those in favour of and those against the strategic shift in IT remained more or less balanced. And, what is especially important, everyone accepted the decision and ensured that they actively engaged with the project.»

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The benefits of the starter kit from the Lucerne Cantonal Bank For the parameterisation of its own system, the LLB takes over the starter kit of the Lucerne Cantonal Bank. With regard to the advantages of the approach, Dr Josef Fehr says, «The starter kit represents a functional, produc-tively applied parameterisation, which we expect to cover the basic functionalities without our having to reinvent the wheel in instances where doing something different is neither necessary nor logical. Therefore, the Bank Limth will also engage anew with the collectively developed solution.»

Return-on-investment (ROI) of the project The success of the approximately 70-million Swiss franc investment will be measured on the level of costs. For this purpose, the synergies arising from the development and the operation of a unified IT platform will be measured, as will the economies of scale within the LLB Group. What is more significant for the LLB, however, is that the choice of the new banking system allows them to quickly discern strategic options for international growth.

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Liechtenstein’s particular significance to the Avaloq Community Avaloq allots a special significance to its community, which serves its members as the actual marketplace for the exchange of new ideas, concepts and solutions. Since the three largest banks in Liechtenstein (the LLB, VP Bank and the LGT) have decided to adopt Avaloq, this financial centre is gaining particular significance within the community. Dr Josef Fehr says, «We attach an increasing importance to the Avaloq Community, on the one hand so that we can mutually profit from each other, on the other hand so as to be taken equally seriously by Avaloq. By now, one can certainly speak of a small Liechtenstein Avaloq Community, which promises us advantages when it comes to addressing issues that are specific to Liechtenstein, such as in the field of regulation.»

The business challenge The internationalisation (Switzerland, Abu Dhabi, Dubai, Hong Kong and the Cayman Islands) and the growth strategy of the LLB led them to also constantly monitor their IT strategy. The LLB repeatedly subjected its in-house development to successful comparisons with market developments in the field of standard software. At the beginning of 2007 a feasibility study analysed whether a shift from their in-house development to standard software would be advantageous.

And in IT itself we expect shorter processing times with regard to the execution of new products, since the existing resources can be implemented with better goal-orientation. According to Dr Josef Fehr, «We expect a significant release in the pressure on IT from a standard solution, so that we can implement our resources more strongly in business-oriented development projects. We also expect that the high degree of parameterisation will allow respective solutions to be quickly implemented.»