

Retail & Corporate Banking Segment

Private and corporate clients

The Retail & Corporate Banking Division of the LLB Group offers the entire spectrum of banking and financial services for private and corporate clients in Liechtenstein and Switzerland at all phases of life and the business cycle. Traditionally, savings and mortgage lending business has always played a very important role. This is supplemented by financial planning and corporate pensioning provisioning. In addition, the LLB Group provides specific investment advice and asset management to clients having available assets of up to CHF 0.5 million. At the same time, it offers services for small and medium-sized enterprises (SMEs). Retail & Corporate Banking combines bank branches with mobile and web-based services. It has three branches in Liechtenstein and 19 in the Swiss cantons of Zurich, St. Gallen, Thurgau and Schwyz.

Business segment result

Interest differential business, which comprises the largest part of earnings in private and corporate client business, recorded a positive development. 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 investments in the branch and distribution network, operating expenses remained stable.

The business volume rose by 1.1 percent to CHF 19.0 billion. Loans to customers in line with LLB's risk conscious policy expanded by 1.4 percent. The segment posted new money inflows from private and corporate clients in the home markets of Switzerland and Liechtenstein.

Segment reporting

in CHF thousands	First half 2018	First half 2017	+ / - %
Net interest income	44'841	42'741	4.9
Credit loss (expense) / recovery	2'665	-3'104	
Net interest income after credit loss expense	47'505	39'638	19.8
Net fee and commission income	15'737	15'482	1.6
Net trading income	5'541	5'454	1.6
Other income	711	536	32.6
Total operating income	69'495	61'110	13.7
Personnel expenses	-15'183	-15'214	-0.2
General and administrative expenses	1'957	-981	
Depreciation and amortisation	0	-34	-100.0
Services (from) / to segments	-24'678	-24'952	-1.1
Total operating expenses	-37'904	-41'180	-8.0
Segment profit before tax	31'590	19'930	58.5

Performance figures

	First half 2018	First half 2017
Net new money (in CHF millions)	200	-97
Growth of net new money (in percent)	2.4	-1.1
Cost-Income-Ratio (in percent) *	56.7	64.1
Gross margin (in percent) **	70.7	70.4

* 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

	30.06.2018	31.12.2017	+ / - %
Business volumes (in CHF millions)	18'969	18'763	1.1
Assets under management (in CHF millions)	8'514	8'449	0.8
Loans (in CHF millions)	10'455	10'314	1.4
Employees (full time equivalent, in positions)	193	193	0.2

Private Banking Segment

Private Banking

The Private Banking Division of the LLB Group combines advisory quality and investment competence with modern technology. The focus lies on the onshore markets of Liechtenstein, Switzerland and Austria, our traditional cross-border markets in Germany and Western Europe, as well as the growth markets in Central and Eastern Europe and the Middle East. In addition, the Private Banking Division is responsible for groupwide product management.

The Private Banking Division offers international clients investment advice, wealth management, asset structuring, financing facilities, as well as financial and retirement planning. These services are provided at its three banks in Liechtenstein (Vaduz), Switzerland (Uznach) and Austria (Vienna), as well as at representative offices in Zurich-Erlenbach, Geneva, Vienna, Abu Dhabi and Dubai, and at the bank branches of the LLB Group in Eastern Switzerland and Liechtenstein.

Business segment result

In interest business the Private Banking segment benefitted from rising USD interest rates. Fee and commission business also showed a pleasing development thanks to our distribution efforts and innovative investment solutions. The strategic expansion of human resources in client advisory services was reflected in operating expenses.

The Private Banking segment posted net new money inflows of CHF 473 million. Both client assets under management and loans to clients increased resulting in an expansion of business volume of 2.8 percent to CHF 16.4 billion.

Segment reporting

in CHF thousands	First half 2018	First half 2017	+ / - %
Net interest income	16'698	12'031	38.8
Credit loss (expense) / recovery	- 110	0	
Net interest income after credit loss expense	16'588	12'031	37.9
Net fee and commission income	36'296	35'131	3.3
Net trading income	4'396	4'537	- 3.1
Other income	2	0	
Total operating income	57'281	51'699	10.8
Personnel expenses	- 16'467	- 15'885	3.7
General and administrative expenses	- 1'563	- 1'143	36.7
Depreciation and amortisation	0	0	
Services (from) / to segments	- 14'578	- 13'768	5.9
Total operating expenses	- 32'608	- 30'795	5.9
Segment profit before tax	24'673	20'904	18.0

Performance figures

	First half 2018	First half 2017
Net new money (in CHF millions)	473	130
Growth of net new money (in percent)	3.3	1.0
Cost-Income-Ratio (in percent) *	56.8	59.6
Gross margin (in percent) **	71.5	69.1

* 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

	30.06.2018	31.12.2017	+ / - %
Business volumes (in CHF millions)	16'448	16'007	2.8
Assets under management (in CHF millions)	14'685	14'316	2.6
Loans (in CHF millions)	1'763	1'691	4.3
Employees (full time equivalent, in positions)	162	161	0.2

Institutional Clients Segment

Intermediary and investment fund business, asset management

The Institutional Clients Division encompasses the intermediary and investment fund business, as well as asset management services predominantly in the Liechtenstein and Swiss markets. LLB Asset Management AG fulfils a central role within the LLB Group. It possesses extensive investment competence and takes care of portfolio management, the management of institutional mandates and investment fund management. LLB Fund Services AG is one of the leading investment fund providers in Liechtenstein. It possesses comprehensive, broadly-based expertise. With the LLB Swiss Investment AG, the LLB is present in Switzerland. The LLB teams of experts for the care of fiduciaries, external asset managers, insurances and public institutions are distinguished by their integral, partner-like client focus.

Business segment result

The segment profit before tax of the Institutional Clients segment again increased by over 13 percent. Operating income improved largely on account of the good performance of interest business from foreign currency investments. Income from fees and commissions exceeded the previous year's result thanks to active sales and marketing efforts, as well as the first-time consolidation of LLB Swiss Investment AG. Operating expenses rose on account of the takeover of the personnel of LLB Swiss Investment AG.

Positive inflows in all business areas led to a gratifying increase in net new money inflows of CHF 446 million. At CHF 27.7 billion, the business volume remained stable.

Segment reporting

in CHF thousands	First half 2018	First half 2017	+ / - %
Net interest income	9'156	6'896	32.8
Credit loss (expense) / recovery	637	0	
Net interest income after credit loss expense	9'793	6'896	42.0
Net fee and commission income	29'384	27'589	6.5
Net trading income	5'673	5'367	5.7
Other income	1	0	
Total operating income	44'850	39'853	12.5
Personnel expenses	-9'948	-8'981	10.8
General and administrative expenses	-1'561	-1'048	49.0
Depreciation and amortisation	-27	0	
Services (from) / to segments	-7'047	-6'700	5.2
Total operating expenses	-18'583	-16'729	11.1
Segment profit before tax	26'268	23'124	13.6

Performance figures

	First half 2018	First half 2017
Net new money (in CHF millions)	446	698
Growth of net new money (in percent)	1.6	2.8
Cost-Income-Ratio (in percent) *	42.0	42.0
Gross margin (in percent) **	32.4	30.7

* 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

	30.06.2018	31.12.2017	+ / - %
Business volumes (in CHF millions)	27'743	27'790	-0.2
Assets under management (in CHF millions)	27'338	27'485	-0.5
Loans (in CHF millions)	405	305	32.8
Employees (full time equivalent, in positions)	102	90	13.1

Corporate Center Segment

Controlling processes and risks

The Corporate Center bundles central functions within the LLB Group and supports the market-oriented divisions in conducting their activities and implementing their strategies. The focus lies on functions in the areas of communication, marketing, human resources, finance, risk and credit management, IT, trading, securities administration and payment services, corporate development, purchasing, as well as legal and compliance services.

The Corporate Center of the LLB Group steers, coordinates and monitors groupwide business activities, processes and risks. It ensures the Group's corporate development including information technology and enhances the efficiency and quality of the LLB Group's services.

Business segment result

The LLB Group reports the structural contribution from interest business, the valuation of interest rate hedging instruments and income from financial investments under the Corporate Center.

Operating income decreased by CHF 25.1 million to CHF 11.9 million. The fall was attributable to accounting losses incurred with financial investments measured at fair value on the reporting date. These amounted to minus CHF 10.4 million in comparison with a gain of CHF 5.2 million in the first half of 2017. The valuation of interest rate hedging instruments measured on the reporting date totalled CHF 5.5 million in the first half of 2018 (first half 2017: CHF 11.5 million). The development of CHF interest rates was responsible for the decline. These rose more strongly in the first half of 2017 than in the first half of 2018. Operating expenses increased on account of the strategic expansion of personnel in the areas of innovation and risk management.

Segment reporting

in CHF thousands	First half 2018	First half 2017	+ / - %
Net interest income	6'083	10'961	-44.5
Credit loss (expense) / recovery	0	0	
Net interest income after credit loss expense	6'083	10'961	-44.5
Net fee and commission income	-3'783	-3'755	0.7
Net trading income	18'775	23'200	-19.1
Net income from financial investments at fair value	-10'370	5'178	
Share of net income of joint venture	-2	-1	100.0
Other income	1'204	1'425	-15.5
Total operating income	11'908	37'009	-67.8
Personnel expenses	-39'893	-36'788	8.4
General and administrative expenses	-30'960	-21'976	40.9
Depreciation and amortisation	-14'691	-13'955	5.3
Services (from) / to segments	46'304	45'420	1.9
Total operating expenses	-39'240	-27'299	43.7
Segment profit before tax	-27'331	9'710	

Additional information

	30.06.2018	31.12.2017	+ / - %
Employees (full time equivalent, in positions)	431	423	1.9