

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 pension 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, as the bank of small and medium-sized enterprises, it offers special services for 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, Schwyz and Glarus.

Business segment result

The continuing demand for real estate financing generated an increase in loans to customers of 3.5 percent to CHF 10.0 billion in the Retail & Corporate Banking Segment. During the first half of 2017 the business volume expanded by 1.8 percent to CHF 18.4 billion.

Interest differential business, which comprises the largest part of earnings in private and corporate client business, posted a pleasing development. The decrease in margin contributions in deposits business was compensated for by growth in lending business. Adjustments for credit loss expense were higher than the previous year's record lows. On account of higher internal settlements, operating expenses increased but were compensated for by lower personnel expenses. The segment profit before tax decreased by CHF 19.9 million.

Segment reporting

in CHF thousands	First half 2017	First half 2016	+ / - %
Net interest income	42'741	41'418	3.2
Credit loss (expense) / recovery	-3'104	-865	258.8
Net interest income after credit loss expense	39'638	40'553	-2.3
Net fee and commission income	15'482	15'462	0.1
Net trading income	5'454	4'929	10.7
Other income	536	225	138.2
Total operating income	61'110	61'169	-0.1
Personnel expenses	-15'214	-16'269	-6.5
General and administrative expenses	-981	-851	15.3
Depreciation and amortisation	-34	-35	-2.9
Services (from) / to segments	-24'952	-22'401	11.4
Total operating expenses	-41'180	-39'556	4.1
Segment profit before tax	19'930	21'613	-7.8

Performance figures

	First half 2017	First half 2016
Net new money (in CHF millions)	-97	256
Growth of net new money (in percent)	-1.1	3.2
Cost-Income-Ratio (in percent) *	64.1	63.8
Gross margin (in percent) **	70.4	70.7

* 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

	30.06.2017	31.12.2016	+ / - %
Business volumes (in CHF millions)	18'439	18'116	1.8
Assets under management (in CHF millions)	8'418	8'435	-0.2
Loans (in CHF millions)	10'021	9'681	3.5
Employees (full time equivalent, in positions)	191	202	-5.4

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

The Private Banking Segment reported net new money inflows in the domestic and growth markets totalling CHF 130 million in the first half of 2017. Both client assets under management and loans to clients increased resulting in an expansion of business volume of 2.3 percent to CHF 15.1 billion.

The shifting of client assets into foreign currencies led to a pleasing increase in income from interest business. In income from fees and commissions business, the Private Banking Segment benefitted from higher brokerage and earnings from asset management services. In total operating income climbed by around 17.9 percent to CHF 51.7 million. The strategic expansion of human resources in client advisory services was reflected in operating expenses. The segment result before tax rose substantially by over 50 percent to CHF 20.9 million.

Segment reporting

in CHF thousands	First half 2017	First half 2016	+ / - %
Net interest income	12'031	7'327	64.2
Credit loss (expense) / recovery	0	750	-100.0
Net interest income after credit loss expense	12'031	8'077	49.0
Net fee and commission income	35'131	31'577	11.3
Net trading income	4'537	4'183	8.5
Other income	0	1	-100.0
Total operating income	51'699	43'838	17.9
Personnel expenses	-15'885	-14'647	8.5
General and administrative expenses	-1'143	-1'888	-39.5
Depreciation and amortisation	0	0	
Services (from) / to segments	-13'768	-13'519	1.8
Total operating expenses	-30'795	-30'054	2.5
Segment profit before tax	20'904	13'784	51.7

Performance figures

	First half 2017	First half 2016
Net new money (in CHF millions)	130	-16
Growth of net new money (in percent)	1.0	-0.1
Cost-Income-Ratio (in percent)*	59.6	68.5
Gross margin (in percent)**	69.1	61.9

* 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

	30.06.2017	31.12.2016	+ / - %
Business volumes (in CHF millions)	15'093	14'754	2.3
Assets under management (in CHF millions)	13'585	13'283	2.3
Loans (in CHF millions)	1'508	1'471	2.5
Employees (full time equivalent, in positions)	154	153	0.7

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. The LLB teams of experts for the care of fiduciaries, external asset managers and public institutions are distinguished by their integral, partner-like client focus.

Business segment result

The business volume in the Institutional Clients Segment expanded in the first half of 2017 by 5.2 percent, reaching a new record of CHF 26.5 billion. All business areas made a positive contribution to the gratifying net new money inflows of around CHF 700 million. Operating income improved largely thanks to the good performance of interest business. In a challenging market environment, income from fees and commissions remained at the same level as in the previous year. Operating expenses increased on account of higher internal settlements. The segment profit before tax climbed by 4.2 percent to CHF 23.1 million, a new record.

Segment reporting

in CHF thousands	First half 2017	First half 2016	+ / - %
Net interest income	6'896	4'568	51.0
Credit loss (expense) / recovery	0	-25	-100.0
Net interest income after credit loss expense	6'896	4'543	51.8
Net fee and commission income	27'589	28'046	-1.6
Net trading income	5'367	5'062	6.0
Other income	0	2	-100.0
Total operating income	39'853	37'653	5.8
Personnel expenses	-8'981	-8'727	2.9
General and administrative expenses	-1'048	-1'054	-0.6
Depreciation and amortisation	0	0	
Services (from) / to segments	-6'700	-5'683	17.9
Total operating expenses	-16'729	-15'464	8.2
Segment profit before tax	23'124	22'189	4.2

Performance figures

	First half 2017	First half 2016
Net new money (in CHF millions)	698	-277
Growth of net new money (in percent)	2.8	-1.1
Cost-Income-Ratio (in percent) *	42.0	41.0
Gross margin (in percent) **	30.7	30.5

* 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

	30.06.2017	31.12.2016	+ / - %
Business volumes (in CHF millions)	26'533	25'227	5.2
Assets under management (in CHF millions)	26'189	24'704	6.0
Loans (in CHF millions)	344	523	-34.2
Employees (full time equivalent, in positions)	89	86	3.5

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 and digital transformation 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 rose by CHF 24.6 million to CHF 37.0 million. Higher interest rates had a positive effect on the valuation of interest rate swaps from the perspective of the reporting date, consequently trading business posted a substantially better result than in the previous year. However, higher negative interest rates had an adverse effect on interest business.

Operating expenses climbed by CHF 3.9 million due to higher personnel expenses. In the previous year a one-time reduction in the valuation of pension obligations led to a decrease in expenses. This effect was no longer present in the year under report, accordingly personnel expenses rose by CHF 10.2 million. In addition, the strategic expansion of personnel in the areas of innovation and risk management caused an increase in expenses.

Segment reporting

in CHF thousands	First half 2017	First half 2016	+ / - %
Net interest income	4'116	14'967	-72.5
Credit loss (expense) / recovery	0	0	
Net interest income after credit loss expense	4'116	14'967	-72.5
Net fee and commission income	-3'755	-3'736	0.5
Net trading income	23'200	-14'919	
Net income from financial investments at fair value	12'023	10'020	20.0
Share of net income of joint venture	-1	9	
Other income	1'425	6'067	-76.5
Total operating income	37'009	12'408	198.3
Personnel expenses	-36'788	-25'611	43.6
General and administrative expenses	-21'976	-26'472	-17.0
Depreciation and amortisation	-13'955	-12'935	7.9
Services (from) / to segments	45'420	41'603	9.2
Total operating expenses	-27'299	-23'415	16.6
Segment profit before tax	9'710	-11'007	

Additional information

	30.06.2017	31.12.2016	+ / - %
Employees (full time equivalent, in positions)	419	417	0.5