

Defined by growth

Dear shareholders

The LLB Group started the new business year with great drive and conviction. Both client assets under management and loans to clients have posted new record values, showing clearly that our StepUp2020 strategy is taking full effect. We are firmly anchored in our three domestic markets and have successfully expanded our business activity. Our earnings structure is broadly diversified and we possess a robust capital base. In the 2018 business year the LLB Group set an historic milestone with its core element "Growth", it is following up this year by focusing on the core element "Profitability".

Growth on course

The LLB Group grew as planned in the first half of 2019. The business volume increased by CHF 5.4 billion to CHF 85.6 billion. On the back of a net new money inflow of CHF 2.0 billion we were able to expand sustainably and substantially in all three market divisions. Client assets under management rose to CHF 72.6 billion. Loans to clients climbed to CHF 13.0 billion. As was expected, growth in mortgage lending business slowed somewhat. The mortgage volume increased by 1.0 percent to CHF 11.2 billion.

The economic and political environment remained challenging in the first half of 2019 and continued to contribute to uncertainty and restraint on the part of investors. At the same time, Swiss franc interest rates fell to historically low levels. Margins came under pressure both in interest differential and commissions business. Nevertheless, the LLB Group's operative result continued to progress positively. In comparison with the equivalent period in the previous year, the downward trend with Swiss franc interest rates led to lower valuation gains with interest rate swaps, as measured on the reporting date. In contrast, the stock market posted a positive performance, which led to accounting gains with financial investments, as measured on the reporting date. At CHF 61.1 million, the Group's net profit was 33.3 percent above the previous year's level (see the "Consolidated interim management report", pages 16 and 17).

Focus on profitability

In the currently challenging business environment our focus is squarely on achieving a further increase in profitability. Thanks to the growth we have attained, we have created a good basis for this aim. In addition, various measures are contributing to increasing revenues in operative business and enhancing the quality of our earnings structure. For example, our modular "LLB Invest" range of products has been very successful. Since its introduction in 2015, we have been able to double the volume of asset management and investment advisory mandates. In parallel, we are maintaining our tried and tested cost management system, which demands a strict prioritisation of expenditure. These measures are showing effect: the LLB Group reduced its Cost-Income-Ratio to 69.7 percent.

LLB becomes a fund powerhouse

Thanks to our four investment fund management companies in the three domestic markets Liechtenstein (FL), Austria (A) and Switzerland (CH), we are able to position ourselves as a fund powerhouse in the FL/A/CH region. Under this umbrella, around 80 employees administer over 600 investment funds having a volume of almost CHF 34 billion. Investment fund business is a growth market. From our three locations in Vaduz, Vienna and Zurich we can provide our clients with optimal services that exploit the individual advantages of each location. The fund companies that joined the LLB Group in 2018: LLB Swiss Investment AG in Zurich, as well as LLB Immo KAG and LLB Invest KAG in Vienna, strengthen our market presence.



Roland Matt
Group CEO

Georg Wohlwend
Chairman of the Board of Directors

LLB Österreich makes positive profit contribution

In the first half of 2019, LLB Österreich made a positive contribution to the LLB Group's profit. This confirms the validity of our growth strategy, and that we are pursuing the correct course with the acquisition of Semper Constantia Privatbank AG. Thanks to the commitment of the many staff involved, the merger and integration with LLB Österreich have been accomplished in the shortest time.

In another step to further interconnect our three banks, at the beginning of 2020, LLB Österreich will migrate to our core banking system. In future, therefore, all our banks will operate the same Avaloq platform. This will enable clients of LLB Österreich to benefit from the entire spectrum of products and services offered by the LLB Group. These measures will also enable us to exploit synergies and enhance groupwide efficiency.

Relocation to DIFC – a major step for our business base in Dubai

2019 is also a defining year for our Representative Office in Dubai. During the summer months it will move into new offices in the Dubai International Financial Centre (DIFC), a so-called Financial Free Zone. In combination with the move it is also changing its organisational structure. The LLB Representative Office in Dubai will be upgraded into a branch. This brings us closer to our clients and improves our ability to react. This relocation represents an important step for us in further developing and expanding our activities in the Middle East – a market that has grown strongly in recent years.

Successful bond issue strengthens our refinancing structure

In another important step during the first half of 2019 we successfully carried out a bond issue totalling CHF 150 million on 7 May 2019. The subscription register was over-subscribed after only a few minutes, a sign of the great confidence that investors have in us. The successful bond issue has enabled the LLB Group to optimise its refinancing structure and gain access to the capital market. This was the first bond issue the LLB Group has made since 2006.

European Champions title for LLB Asset Management

The investment competence of our Asset Management is one of the particular strengths of the LLB Group. At the Refinitiv Lipper Group Awards in April 2019, the LLB Group was named European Champions in the Overall Small Company category. This gold award demonstrates that we have the best range of bond, equity and investment objective funds in Europe in our company category. This and the other awards won underline the outstanding investment competence of the staff of LLB Asset Management.

Digital banking and the bank branches of the future

Digitalisation is changing our clients' requirements. To fulfil these changing needs, we are in the process of supplementing our Online und Mobile Banking with various new functions and improving user-friendliness. Our Mobile Banking app is being completely redesigned so that clients will benefit from an improved layout, intuitive user navigation and personalised push messages.

The possibility of simply and efficiently carrying out bank transactions digitally is having a profound impact on traditional bank counter business. The LLB Group is deploying a new bank branch concept to meet this challenge. In our newly designed bank branches, we are focusing on the provision of advice and high functionality in multi-media client zones. Design and materialisation, as well as an innovative mix of services and products will provide our clients with an inspiring experience in a pleasant atmosphere. After Bank Linth has now remodelled almost all its 19 branches in line with its "Bank of the Future" concept, LLB opened its own redesigned bank branch in Balzers in March 2019. The bank branches in Eschen and Vaduz are to be remodelled by 2021.

Innovation management: ideas generate solutions

Innovation is a success factor that enables us to push ahead with the digitalisation of banking business through various channels, and to improve our fitness for the future. We do not believe that innovation is simply created, but rather that it has to be fostered and promoted within an organisation and therefore involves every individual employee. Since the previous year, all our employees have the possibility of acting directly as drivers of innovation, of submitting ideas and of being leaders of an agile process. The concept has been successful; the first prototypes derived from these ideas are ready for testing by employees and clients. These include a payment systems app and an app that offers young clients an holistic, digital savings solution.

Financial strength and stability

The LLB Group is superbly capitalised and still has plenty of scope to fulfil its growth ambitions. Its financial security and stability remain unchanged at a very high level. At 30 June 2019, our equity totalled CHF 2.0 billion and the tier 1 ratio stood at 19.0 percent. This ratio substantially exceeds the legal requirements and demonstrates our very sound capital base in international comparison. In April 2019, the rating agency Moody's confirmed Liechtensteinische Landesbank's Aaa deposits rating, which underlines our financial strength and stability. Thanks to its stable equity capital structure, LLB was able to unconditionally support the Government's initiative to revoke the limited state guarantee for savings account deposits and medium-term notes (cash bonds) as per 1 July 2019.

Strategic priorities up to the end of 2020

Our acquisitions are bearing fruit: the expansion of LLB Österreich to become the leading asset management bank in Austria has strengthened our market position. Our three new fund management companies in Switzerland and Austria open up additional possibilities for us. We have available the necessary capital to make further acquisitions in line with our strategy. At the same time, we are continuing to invest in the future. In view of changing client requirements, we are driving forward our digitalisation of banking business and realigning our physical points of contact to suit our clients' needs.

We are well on the way to achieving, even exceeding, three of our four financial objectives. We are striving to reduce our Cost-Income-Ratio even further towards 65 percent. Accordingly, in the last 18 months of the StepUp2020 strategy period, we are placing the focus on our core element "Profitability". We expect to achieve further operative progress and attain a solid business result in the second half of 2019.

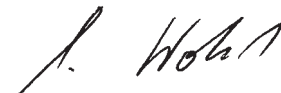
Thank you for your trust

We would like to thank you, our esteemed shareholders, and our clients for your trust and loyalty. A sincere note of thanks also to our staff, who strive to fulfil the requirements of our clients with great expertise and élan by developing innovative solutions for them.

Yours sincerely



Roland Matt
Group CEO



Georg Wohlwend
Chairman of the Board of Directors