

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 Retail & Corporate Banking Division provides specific investment advice and asset management to clients having available assets of up to CHF 0.5 million. At the same time, the LLB Group offers services for small and medium-sized enterprises (SMEs). Retail & Corporate Banking combines modern bank branches with mobile and web-based services. It has three branches in Liechtenstein and 19 in the Swiss regions of Linthgebiet, Zürichsee, Sarganserland, Ausserschwyz, Winterthur and Thurgau.

Business segment result

Interest differential business, which comprises the largest part of earnings in private and corporate client business, developed positively. The pressure on margins in 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 made in the branch and distribution network, operating expenses rose only marginally. The business volume expanded by 3.8 percent to CHF 19.9 billion. Client assets increased by around 9 percent to CHF 9.2 billion. The segment posted new money inflows from private and corporate clients in the home markets of Switzerland and Liechtenstein. The segment profit before tax decreased from CHF 31.6 million to CHF 29.4 million.

Segment reporting

in CHF thousands	First half 2019	First half 2018	+ / - %
Net interest income	45'575	44'841	1.6
Expected credit losses	3'278	5'434	-39.7
Net interest income after expected credit losses	48'853	50'274	-2.8
Net fee and commission income	16'117	15'737	2.4
Net trading income	5'118	5'541	-7.6
Other income	1'055	711	48.3
Total operating income	71'142	72'264	-1.6
Personnel expenses	-14'555	-15'183	-4.1
General and administrative expenses	-842	-812	3.7
Depreciation and amortisation	0	0	
Services (from) / to segments	-26'378	-24'678	6.9
Total operating expenses	-41'775	-40'673	2.7
Segment profit before tax	29'367	31'590	-7.0

Performance figures

	First half 2019	First half 2018
Gross margin (in basis points) *	68.9	70.7
Cost-Income-Ratio (in per cent) **	61.6	60.9
Net new money (in CHF millions)	205	200
Growth of net new money (in per cent)	2.4	2.4

* 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

	30.06.2019	31.12.2018	+ / - %
Business volume (in CHF millions)	19'875	19'142	3.8
Assets under management (in CHF millions)	9'186	8'449	8.7
Loans (in CHF millions)	10'689	10'693	-0.0
Employees (full-time equivalents, in positions)	189	197	-4.1

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, the 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 the bank branches of Bank Linth and LLB AG in Eastern Switzerland and Liechtenstein and at representative offices in Zurich-Erlenbach, Geneva, Abu Dhabi (UAE) and the branch in Dubai (UAE).

Business segment result

The Private Banking segment increased its operating income by 14.4 percent. The acquisition of Semper Constantia Privatbank AG contributed around CHF 5 million to this performance. Adjusted to take into consideration the effects of the acquisition, operating income rose by around 6 percent. Operating expenses increased, on the one hand because of the acquisition, and on the other, due to the expansion of adviser capacity in line with strategy. Client assets under management climbed slightly to CHF 16.4 billion. The Austrian domestic market and the growth markets of the Middle East contributed to this performance. The business volume expanded by 0.5 percent to CHF 18.3 billion.

Segment reporting

in CHF thousands	First half 2019	First half 2018	+ / - %
Net interest income	21'187	16'698	26.9
Expected credit losses	464	-110	
Net interest income after expected credit losses	21'651	16'588	30.5
Net fee and commission income	39'886	36'296	9.9
Net trading income	3'967	4'396	-9.8
Other income	1	2	-53.2
Total operating income	65'505	57'281	14.4
Personnel expenses	-18'513	-16'467	12.4
General and administrative expenses	1'440	-1'563	
Depreciation and amortisation	-67	0	
Services (from) / to segments	-18'502	-14'578	26.9
Total operating expenses	-35'642	-32'608	9.3
Segment profit before tax	29'863	24'673	21.0

Performance figures

	First half 2019	First half 2018
Gross margin (in basis points)*	72.2	71.5
Cost-Income-Ratio (in per cent)**	59.0	56.8
Net new money (in CHF millions)	72	473
Growth of net new money (in per cent)	0.4	3.3

* 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

	30.06.2019	31.12.2018	+ / - %
Business volume (in CHF millions)	18'309	18'216	0.5
Assets under management (in CHF millions)	16'433	16'350	0.5
Loans (in CHF millions)	1'876	1'866	0.5
Employees (full-time equivalents, in positions)	183	189	-3.2

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. As a result of the acquisitions made in 2018, the LLB Group now unites four investment fund management companies under one corporate roof. In its three home markets of Liechtenstein, Austria and Switzerland, it operates as a dynamic, versatile fund powerhouse. The focus lies on providing private label fund solutions. The LLB teams of experts for the care of fiduciaries, external asset managers, insurance companies and public institutions are distinguished by their holistic, partner-like client orientation. LLB Asset Management AG fulfils a central role within the LLB Group. Its award-winning, outstanding investment competence is one of the Group's great strengths. At the Refinitiv Lipper Group Awards in April 2019, LLB was named European champion in the "Overall Small Company" category.

Business segment result

The segment profit before tax of the Institutional Clients segment rose by 35.6 percent to CHF 35.6 million. Operating income improved largely on account of the good performance of interest business from foreign currency investments. Thanks to active sales and marketing efforts, as well as the consolidation of LB(Swiss) Investment AG and Semper Constantia Privatbank AG, fees and commissions exceeded the previous year's result. Operating expenses increased in comparison with the equivalent period in the previous year due to the additional personnel in the companies taken over. Positive inflows in all business areas led to a gratifying increase in net new money inflows of CHF 1.7 billion. The business volume expanded by 10 percent to CHF 47.5 billion.

Segment reporting

in CHF thousands	First half 2019	First half 2018	+ / - %
Net interest income	10'949	9'156	19.6
Expected credit losses	0	637	-100.0
Net interest income after expected credit losses	10'949	9'793	11.8
Net fee and commission income	50'869	29'384	73.1
Net trading income	4'989	5'673	-12.0
Other income	-5	1	
Total operating income	66'803	44'850	48.9
Personnel expenses	-16'069	-9'948	61.5
General and administrative expenses	209	-1'561	
Depreciation and amortisation	-185	-27	586.3
Services (from) / to segments	-15'145	-7'047	114.9
Total operating expenses	-31'190	-18'583	67.8
Segment profit before tax	35'613	26'268	35.6

Performance figures

	First half 2019	First half 2018
Gross margin (in basis points) *	29.1	32.4
Cost-Income-Ratio (in per cent) **	50.8	42.0
Net new money (in CHF millions)	1'727	446
Growth of net new money (in per cent)	4.1	1.6

* 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

	30.06.2019	31.12.2018	+ / - %
Business volume (in CHF millions)	47'482	43'007	10.4
Assets under management (in CHF millions)	46'945	42'489	10.5
Loans (in CHF millions)	538	518	3.8
Employees (full-time equivalents, in positions)	174	171	1.8

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, 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 its digital transformation, as well as enhancing the efficiency and quality of the services the LLB Group delivers.

Business segment result

Under the Corporate Center, the LLB Group reports the structural contribution from interest business, the valuation of interest rate hedging instruments and income from financial investments. Operating income rose by CHF 8.3 million to CHF 20.2 million. The increase was attributable to accounting gains with financial instruments measured at fair value on the reporting date. The valuation of interest rate hedging instruments on the reporting date resulted in lower trading income. Operating expenses increased on account of acquisition activities and the strategic expansion of personnel.

Segment reporting

in CHF thousands	First half 2019	First half 2018	+ / - %
Net interest income	4'903	6'083	-19.4
Expected credit losses	0	0	
Net interest income after expected credit losses	4'903	6'083	-19.4
Net fee and commission income	-7'906	-3'783	109.0
Net trading income	12'697	18'769	-32.4
Net income from financial investments at fair value	6'028	-10'364	
Share of net income of associates and joint venture	-4	-2	77.5
Other income	4'523	1'204	275.7
Total operating income	20'241	11'908	70.0
Personnel expenses	-45'901	-39'893	15.1
General and administrative expenses	-37'567	-30'960	21.3
Depreciation and amortisation	-20'182	-14'691	37.4
Services (from) / to segments	60'024	46'304	29.6
Total operating expenses	-43'626	-39'240	11.2
Segment profit before tax	-23'385	-27'331	-14.4

Additional information

	30.06.2019	31.12.2018	+ / - %
Employees (full-time equivalents, in positions)	547	529	3.4