Liechtensteinische Landesbank 1861

Tradition meets Innovation.

Profitability

Consolidated interim financial reporting 2020

hr2020.llb.li

The LLB Group in profile

The LLB Group successfully positions itself as a universal bank with a strong private banking and institutional business.

First bank in Liechtenstein
founded in 1861

Moody's rating
Aa2

Three banks:
Liechtenstein, Switzerland and Austria

Two competence centres:
Asset Management and Fund Services

Three high-earning market divisions

29.0 %
Retail & Corporate Banking

27.6 %
Private Banking

43.4 %
Institutional Clients

Diversified income structure

45.9 %
Investment business

17.7 %
Trading business

36.4 %
Interest business

Outstanding investment competence

**Refinitiv Lipper Group Award
"2020 WINNER SWITZERLAND"
for the fund
LLB Shares Dividend Pearls Global**

Strong in three home markets

**Most important universal bank
in Liechtenstein
Largest regional bank
in eastern Switzerland
Leading asset management bank
in Austria**

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Information for shareholders

The LLB share

Security number		35514757
ISIN		LI0355147575
Listing		SIX Swiss Exchange
Ticker symbols	Bloomberg	LLBN SW
	Reuters	LLBN.S
	Telekurs	LLBN

Capital structure

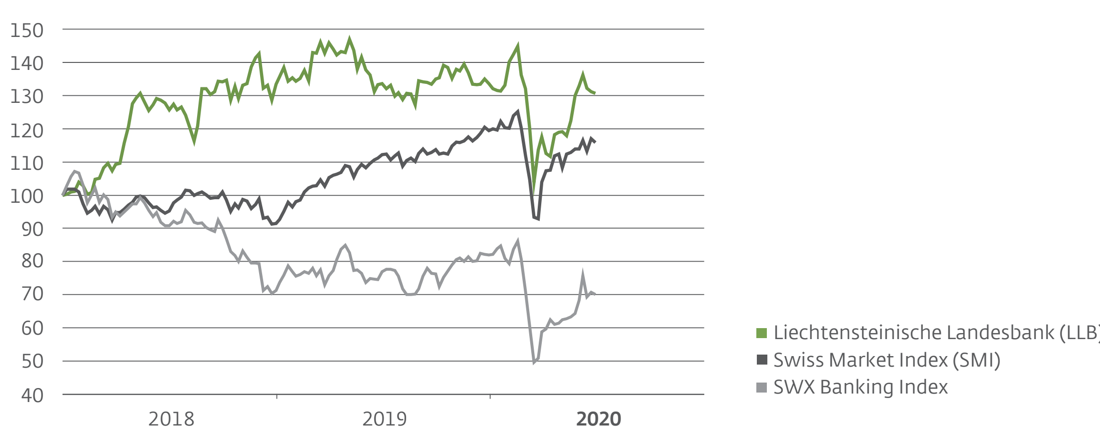
	30.06.2020	31.12.2019	+ / – %
Share capital (in CHF)	154'000'000	154'000'000	0.0
Total of registered shares issued (fully paid up)	30'800'000	30'800'000	0.0
Total shares outstanding, eligible for dividend	30'511'059	30'435'705	0.2
	30.06.2020	**30.06.2019**	
Weighted average shares outstanding	30'478'678	30'628'215	– 0.5

Information per LLB share

	30.06.2020	31.12.2019	+ / – %
Nominal value (in CHF)	5.00	5.00	0.0
Share price (in CHF)	58.20	62.40	– 6.7
	30.06.2020	**30.06.2019**	
Basic earnings per share (in CHF)	1.87	1.88	– 0.3
Price / earnings ratio	15.54	16.53	

Comparison of LLB share

Indexed from 1 January 2018



Key figures

Consolidated income statement

in CHF millions	First half 2020	First half 2019	+ / – %
Income statement			
Operating income	210.4	223.7	–5.9
Operating expenses	–143.1	–152.2	–6.0
Net profit	60.2	61.1	–1.5
Performance figures			
Cost-Income-Ratio (in per cent) * / **	65.5	69.7	
Return on equity attributable to the shareholders of LLB (in per cent)	5.9	6.1	

* Operating expenses (excluding provisions for legal and litigation risks) in relation to operating income (excluding expected credit losses).
** Adjusted to consider market effects (interest rate swaps and price gains) the Cost-Income-Ratio for the first half 2020 stood at 66.7 per cent, and for the first half 2019 at 71.2 per cent.

Consolidated balance sheet and capital management

in CHF millions	30.06.2020	31.12.2019	+ / – %
Balance sheet			
Total equity	2'045	2'060	–0.7
Total assets	24'028	22'662	6.0
Capital ratio			
Tier 1 ratio (in per cent) *	20.4	19.6	
Risk-weighted assets	7'958	8'351	–4.7

* Corresponds to the CET ratio 1 because the LLB Group has solely hard core capital.

Others

in CHF millions	First half 2020	First half 2019	+ / – %
Net new money	1'028	2'004	–48.7

in CHF millions	30.06.2020	31.12.2019	+ / – %
Business volume (in CHF millions)	86'466	89'283	–3.2
Assets under management (in CHF millions)	73'481	76'322	–3.7
Loans (in CHF millions)	12'985	12'961	0.2
Employees (full-time equivalents, in positions)	1'075	1'077	–0.2

Purely for ease of reading, the masculine form used in this document is intended to refer to both genders.
Liechtensteinische Landesbank Aktiengesellschaft is referred to variously in the following as Liechtensteinische Landesbank AG, Liechtensteinische Landesbank, LLB AG, LLB as well as LLB parent bank. Liechtensteinische Landesbank (Österreich) AG is also referred to as LLB (Österreich) AG and LLB Österreich. Bank Linth LLB AG is also referred to in this report as Bank Linth.

This consolidated interim financial reporting is published in German and English. The German version is authoritative.
We also offer the 2020 consolidated interim financial reporting in an interactive online version:

German: http://hb2020.llb.li
English: http://hr2020.llb.li

Due to rounding, the numbers presented in this report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

LLB Group on track

Dear shareholders

"Then came corona." If a single sentence can encompass the key events of the first half year, then it has to be this one. There is now a pre-corona and a post-corona. And this applies to business, politics and society. In LLB's case this means: the Group made a dynamic start to the new business year. We posted a good result for the first quarter up to the spread of the Covid-19 virus and the accompanying turbulence on the stock markets. The almost complete standstill caused by the corona pandemic has also made its mark on LLB's business result.

However, taking into consideration this challenging business environment, we have attained a good result.

Stable result despite the corona pandemic

In spite of the present major challenges, the LLB Group achieved a net profit of CHF 60.2 million (–1.5 %), almost equalling the previous year's level. The earnings situation remains stable and well balanced. In March, high volatility on the financial markets briefly led to an above-average turnover in commissions and trading business. In contrast, the sharp fall in US-dollar interest rates and the negative interest rate environment in Switzerland and Europe had an adverse impact on the business result. At CHF 143.1 million (–6.0 %), operating expenses were well down on the equivalent period in the previous year. This was largely attributable to two one-time effects. Firstly, personnel expenses were lower as a result of the adjustment of the pension fund conversion rate. Secondly, the reaching of a settlement in an ongoing legal case meant that we were able to write back provisions allocated for this purpose. Thanks to further operative cost savings, we were also able to again reduce general and administrative expenses.

At CHF 86.5 billion, the business volume is stable at a high level. Loans to clients rose by 0.2 per cent to CHF 13.0 billion. The downward price trend on the financial markets since the beginning of the year also had an impact on client assets under management by the LLB Group. On account of the negative market and currency performance, these fell by 3.7 per cent to CHF 73.5 billion. With a net new money inflow of CHF 1.0 billion, we reaffirmed our sustainable growth. We are particularly proud that we were again successful in achieving inflows in all three market divisions and booking centres.

Therefore, the LLB Group has clearly shown that it stands on a sound foundation and is well able to meet and master challenges on the market even in times of great crisis.

Emerging from the crisis even stronger

The corona pandemic not only left its mark on the development of business, it also had a profound impact on our daily banking operations. To provide the most effective protection possible for our clients and staff, we immediately implemented the official measures and recommendations. In place of personal meetings, we strove to look after our clients by making in-depth telephone calls. Furthermore, they were able to take advantage of our broad range of digital services to carry out their bank transactions. Great efforts were made to increase the mobility of our employees, so that within a very short time almost our entire staff were able to work from home. Where working from home was not possible, we split our teams and introduced staggered working times to ensure that here too, the necessary distancing was always provided.

We are proud of the fact that throughout the crisis our banking activities were fully operational and secure at all times. With the benefit of hindsight, we can now say that the major challenges we faced during the crisis in operative daily business were dealt with calmly and efficiently.

Roland Matt
Group CEO

Georg Wohlwend
Chairmann of the Board of Directors

Continuity on the Board of Directors

On account of the necessary extensive protective measures, this year's Annual General Meeting also had to be held under special conditions. It was not possible for shareholders to participate personally in the General Meeting. Nevertheless, voting participation was higher than in previous years. All the proposals put forward by the Board of Directors were approved by a large majority of shareholders. Accordingly, Board Chairman Georg Wohlwend was re-elected for a second term of office, while Board members Prof. Dr. Gabriela Nagel-Jungo and Urs Leinhäuser were both re-elected for a third and final term of office of three years.

Liquidity support for our clients

The effects of the global corona pandemic have confronted the business world with enormous problems. In particular, the difficult situation caused by the lockdown led to existential problems for many companies. Consequently, the Swiss and Liechtenstein governments put in place effective support packages, which also included bridging loans for the companies concerned. The Principality of Liechtenstein provided a loan loss guarantee for this purpose amounting to 35 million Swiss francs. Liechtensteinische Landesbank was commissioned to process these support measures. So far, over 300 applications for liquidity support have been submitted. A credit volume of around CHF 22 million has been approved, of which CHF 16 million had already been paid out by the end of June.

Bank Linth has also granted bridging loans amounting to CHF 54 million within the scope of the official guarantee programme set up by the Swiss authorities. The total volume of liquidity support provided by the LLB Group in Switzerland and Liechtenstein therefore amounts to around CHF 70 million.

We are proud to be able in this manner to make an important contribution to maintaining economic stability in our home markets and to demonstrate that we can be depended on as a reliable partner, in time of crisis as well.

Innovation and digitalisation

Innovation is one of the key points of our StepUp2020 strategy. In recent years, we have steadily expanded our digital services and developed new innovations. In the first half of this year, we launched our own contactless payment solution LiPay on the market. As a reaction to the corona crisis we decided to bring forward the introduction of LiPay and thereby were able to satisfy a genuine client requirement. Our payment innovation has enjoyed a very successful start.

Great progress has also been made with the online account opening process. Thanks to the possibility of confirming identification by video call, clients can now open an account conveniently from their own home. Whereas previously only our clients in Switzerland and Liechtenstein were able to benefit from this digital solution, it has now been extended to our clientele in Austria and Germany. We are also increasingly using video technology as a means of providing financial advice to clients. This proved to be an invaluable and extremely efficient instrument enabling us to stay in contact with our clients, especially during the height of the corona crisis.

Within the context of daily banking operations, we are consistently working on making procedures and processes more efficient and straightforward for our staff by utilising digital applications. In this connection we have already made rapid progress in introducing a uniform communications platform, which brings together various channels such as video and telephone calls, as well as chat functions.

Ground-breaking bank branch model

The new possibilities of simply and efficiently carrying out bank transactions digitally are having a major impact on traditional bank counter business. For quite some time we have already been deploying a new bank branch concept to meet this challenge. In these redesigned bank branches we are focusing on the provision of advice and high functionality. The design and the materials employed at the branches, as well as a versatile mix of products and services, support this innovative approach. Following the redesign of the LLB branch in Balzers in line with the new concept last year, in June this year we reopened the bank branch in Eschen for our clients after its successful remodelling. The branch at the bank's headquarters in Vaduz will be remodelled according to the new, innovative concept next year.

Excellent investment competence

The investment competence of our Asset Management team is one of the great strengths of the LLB Group. This is confirmed by the numerous awards presented for our products in recent years. For example, this year again, our LLB Equities Dividend Pearls Global (CHF) fund was honoured at the prestigious Refinitiv Lipper Awards.

In contacts with our clients we can also call on the highest quality and competence. For many years, the LLB Group has been investing in the SAQ certification of its client advisers. In spring this year, a further fifty client advisers successfully completed the certification training process.

Fund powerhouse

Investment fund business remains a promising growth market. In this business, we continue to rely on our fund powerhouse concept. Our four fund management companies and three business locations (in Vaduz, Vienna and Zurich), as well as access to two distinct markets (the European and Swiss economic areas) enable us to offer our clients flexible, tailor-made fund solutions. This makes us one of the most versatile investment fund providers in the FL / A / CH region. Accordingly, the LLB Group's fund business has grown substantially in recent years and is now regarded as one of the Group's core competences. Currently, we administer around 670 investment funds having assets of about 34 billion Swiss francs. In the next few months, we want to further strengthen our market presence to optimally exploit the growth potential in our target markets.

Stability and excellence provide added value for clients

For almost 160 years, the LLB Group has stood for stability and security. Especially at times of great uncertainty, these attributes come to the fore and offer our clients, shareholders and stakeholders significant added value. The rating agency Moody's again confirmed our Aa2 rating this year. The Liechtensteinische Landesbank therefore ranks among the top tier of Liechtenstein and Swiss banks and is one of the highest rated financial institutes in the world.

Going forward sustainably

Sustainability is one of the core elements of our business activity. The long history of Liechtensteinische Landesbank is a testimony to this fundamental principle. Sustainability is also an integral part of our products. During advisory discussions, we inform our clients in an open and transparent manner about our product and service offers. In our Human Resources activities, we are constantly formulating and developing new basic and advanced training opportunities, diversity, as well as the reconciling of work and family life. Our operating procedures and processes take into consideration energy efficiency and sustainable mobility management. As a member of the UN financial initiative "Principles for Responsible Investment (PRI)", we support the goal of the responsible management of securities and market instruments. To underline the increasing importance of sustainability not only in the area of investments, we are creating a Sustainability Council and the post of a Sustainability Officer.

Confirmation of our strategy

The effects of the Covid-19 pandemic have clearly shown the validity of our strategic course: the LLB Group's business model is broadly based and geared towards our traditional strengths of stability, innovation and sustainability. Our solid equity capital base promotes trust and confidence. We shall therefore continue to adhere to our StepUp2020 strategy and extend it for one year. By then it should be clear what effects the corona pandemic has had on the global economy in general, and on the LLB Group in particular.

Strategic priorities until the end of 2020

In order to successfully operate in this challenging environment, we shall focus above all on profitability in the second half year. Within the LLB Group further initiatives to improve earnings are planned. However, on account of the intense pressure on margins, the key issue will be identifying and exploiting potential for further cost savings. This will include re-establishing the priorities for projects and investments.

In spite of the challenging environment, we view the future with cautious optimism. We expect to achieve a solid business result for the full 2020 business year. Thanks to our stable foundation, broadly diversified earnings structure and clearly focused business model, we have in place the essentials for our corporate Group to go forward successfully.

Thank you for your trust

We would like to thank you, our esteemed shareholders and clients, for your trust and loyalty. A sincere note of thanks also to our staff. During the last few months, thanks to their great dedication and hard work, they have met and successfully mastered the challenges posed by the corona pandemic.

Yours sincerely

Roland Matt
Group CEO

Georg Wohlwend
Chairman of the Board of Directors

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 20 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 in spite of the persisting pressure on margins and, at CHF 45.3 million, attained the same level as in the previous year. In contrast to the release of provisions in the previous year, provisions had to be allocated this year for expected credit losses. This is reflected in the lower profit before taxes. In spite of further investments in the branch and distribution network, operating expenses were marginally lower at CHF 41.7 million. Thanks to net new money inflows of CHF 422 million in both the home markets of Switzerland and Liechtenstein, as well as continued growth in mortgage lending business, the business volume rose by 1.5 per cent to CHF 20.2 billion.

Segment reporting

in CHF thousands	First half 2020	First half 2019	+ / − %
Net interest income	45'324	45'575	−0.5
Expected credit losses	−6'173	3'278	
Net interest income after expected credit losses	39'152	48'853	−19.9
Net fee and commission income	16'783	16'117	4.1
Net trading income	4'879	5'118	−4.7
Other income	1'076	1'055	2.1
Total operating income	**61'890**	**71'142**	**−13.0**
Personnel expenses	−13'323	−14'555	−8.5
General and administrative expenses	−791	−842	−6.1
Depreciation	0	0	
Services (from) / to segments	−27'602	−26'378	4.6
Total operating expenses	**−41'716**	**−41'775**	**−0.1**
Segment profit before tax	**20'175**	**29'367**	**−31.3**

Performance figures

	First half 2020	First half 2019
Gross margin (in basis points) *	68.0	68.9
Cost-Income-Ratio (in per cent) **	61.3	61.6
Net new money (in CHF millions)	422	205
Growth of net new money (in per cent)	4.5	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

	30.06.2020	31.12.2019	+ / − %
Business volume (in CHF millions)	20'223	19'915	1.5
Assets under management (in CHF millions)	9'463	9'280	2.0
Loans (in CHF millions)	10'760	10'635	1.2
Employees (full-time equivalents, in positions)	180	182	−1.0

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 LLB AG in Liechtenstein and at the business locations of Bank Linth in eastern Switzerland. In addition, the Private Banking Division is represented through branches at Zurich-Erlenbach and Geneva, as well as in Abu Dhabi and Dubai.

Business segment result

At CHF 19.2 million, the profit before tax of the Private Banking segment was lower than the previous year's result. This was attributable, on the one hand, to the lower earnings in interest differential business due to the plunge in US dollar interest rates, and on the other, to the allocation of provisions for expected credit losses. Moreover, operating expenses increased to CHF 38.0 million. In the previous year, the release of provisions had a positive effect on the interim result. Adjusted to take into consideration these effects, operating expenses decreased by 7.7 per cent in comparison with the equivalent period in the previous year. On account of the performance of the market, client assets under management fell to CHF 18.2 billion. The segment posted gratifying net new money inflows, especially in the home market of Austria. A total net new money inflow of CHF 171 million was attained.

Segment reporting

in CHF thousands	First half 2020	First half 2019	+ / − %
Net interest income	15'648	21'187	−26.1
Expected credit losses	−4'406	464	
Net interest income after expected credit losses	11'242	21'651	−48.1
Net fee and commission income	39'656	39'886	−0.6
Net trading income	6'283	3'967	58.4
Other income	1	1	44.9
Total operating income	**57'182**	**65'505**	**−12.7**
Personnel expenses	−18'623	−18'513	0.6
General and administrative expenses	−1'065	1'440	
Depreciation	−64	−67	−4.4
Services (from) / to segments	−18'252	−18'502	−1.3
Total operating expenses	**−38'005**	**−35'642**	**6.6**
Segment profit before tax	**19'177**	**29'863**	**−35.8**

Performance figures

	First half 2020	First half 2019
Gross margin (in basis points) *	69.5	72.2
Cost-Income-Ratio (in per cent) **	61.7	59.0
Net new money (in CHF millions)	171	72
Growth of net new money (in per cent)	1.0	0.4

* 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

	30.06.2020	31.12.2019	+ / − %
Business volume (in CHF millions)	18'224	18'743	−2.8
Assets under management (in CHF millions)	16'419	16'859	−2.6
Loans (in CHF millions)	1'805	1'884	−4.2
Employees (full-time equivalents, in positions)	188	185	1.8

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. The LLB Group 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 companiesand 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

At CHF 63.5 million, the operating income of the Institutional Clients segment was slightly under the result of the equivalent period in the previous year. The plunge in US dollar interest rates together with the allocation of provisions for expected credit losses adversely affected interest income after expected credit losses. In contrast, on account of higher trading activity, trading income developed positively and was CHF 3.0 million above the previous year's figure. Operating expenses climbed to CHF 33.4 million. The release of provisions was included in the equivalent period for the previous year. Adjusted to consider this effect, operating expenses were slightly below the previous year's level. At CHF 435 million, the segment once again posted high net new money inflows.

Segment reporting

in CHF thousands	First half 2020	First half 2019	+ / – %
Net interest income	9'430	10'949	–13.9
Expected credit losses	–3'198	0	
Net interest income after expected credit losses	6'232	10'949	–43.1
Net fee and commission income	49'293	50'869	–3.1
Net trading income	8'023	4'989	60.8
Other income	1	–5	
Total operating income	**63'549**	**66'803**	**–4.9**
Personnel expenses	–15'989	–16'069	–0.5
General and administrative expenses	–2'694	209	
Depreciation	–190	–185	2.7
Services (from) / to segments	–14'501	–15'145	–4.2
Total operating expenses	**–33'374**	**–31'190**	**7.0**
Segment profit before tax	**30'175**	**35'613**	**–15.3**

Performance figures

	First half 2020	First half 2019
Gross margin (in basis points) *	28.3	29.1
Cost-Income-Ratio (in per cent) **	50.0	50.8
Net new money (in CHF millions)	435	1'727
Growth of net new money (in per cent)	0.9	4.1

* 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

	30.06.2020	31.12.2019	+ / – %
Business volume (in CHF millions)	48'069	50'694	–5.2
Assets under management (in CHF millions)	47'598	50'182	–5.2
Loans (in CHF millions)	472	512	–7.8
Employees (full-time equivalents, in positions)	178	172	3.7

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 7.6 million to CHF 27.8 million. The increase was mainly attributable to the higher valuation of interest rate hedging instruments measured on the reporting date. General and administrative expenses decreased by CHF 9.2 million, largely due to the release of provisions (allocated in the previous year) as the result of a settlement reached in a legal case. Operating expenses fell by 31.1 per cent to CHF 30.1 million.

Segment reporting

in CHF thousands	First half 2020	First half 2019	+ / − %
Net interest income	8'385	4'903	71.0
Expected credit losses	0	0	
Net interest income after expected credit losses	8'385	4'903	71.0
Net fee and commission income	−6'301	−7'906	−20.3
Net trading income	27'324	12'697	115.2
Net income from financial investments	−1'905	6'028	
Other income	300	4'520	−93.4
Total operating income	**27'802**	**20'241**	**37.4**
Personnel expenses	−41'275	−45'901	−10.1
General and administrative expenses	−28'333	−37'567	−24.6
Depreciation	−20'798	−20'182	3.1
Services (from) / to segments	60'356	60'024	0.6
Total operating expenses	**−30'050**	**−43'626**	**−31.1**
Segment profit before tax	**−2'248**	**−23'385**	**−90.4**

Additional information

	30.06.2020	31.12.2019	+ / − %
Employees (full-time equivalents, in positions)	529	539	−1.8

Consolidated interim financial statement
in our online interim financial reporting with
Excel files for your own statistics

Consolidated interim financial statement of the LLB Group

(unaudited)

Consolidated interim management report

Income statement

In the first half of 2020, the LLB Group earned a net profit of CHF 60.2 million (first half of 2019: CHF 61.1 million). While the collapse of USD interest rates, the lower volume of client assets and the allocation of specific allowances had an adverse effect on the interim business result, the considerably higher turnover attained with net brokerage and in foreign exchange business made a positive contribution. A further positive effect occurred as a result of the adjustment of the conversion rate of the LLB's pension fund.

The profit attributable to LLB shareholders amounted to CHF 57.1 million (first half of 2019: CHF 57.5 million). Earnings per share stood at CHF 1.87 (first half of 2019: CHF 1.88).

Operating income decreased in the first half of 2020 by 5.9 per cent to CHF 210.4 million (first half of 2019: CHF 223.7 million).

Interest income before expected credit losses fell by 4.6 per cent or CHF 3.8 million in comparison with the previous year to CHF 78.8 million (first half of 2019: CHF 82.6 million). Interest from interest business with clients rose marginally. In contrast, interest from business with banks fell, largely as a result of lower USD interest rates.

The LLB Group increased its risk provisioning in the first half of 2020. Allowances for expected credit losses totalling net CHF 13.8 million were allocated in the income statement (first half of 2019: release of CHF 3.7 million).

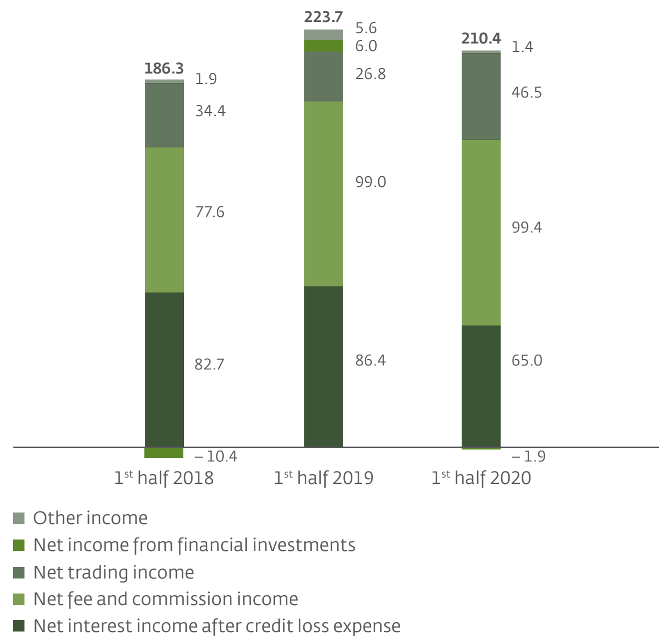
At CHF 99.4 million, net fee and commission income remained constant in comparison with the previous year (first half of 2019: CHF 99.0 million). The portion of income dependent on transactions rose on account of the volatility on the financial markets; net brokerage income climbed in comparison with the previous year by 30.7 per cent to CHF 23.5 million (first half of 2019: CHF 18.0 million). In contrast, portfolio-dependent income was lower due to the downturns on the financial markets and the resulting lower volume of client assets.

Net trading income stood at CHF 46.5 million in the first half of 2020 (first half of 2019: CHF 26.8 million). Trading in foreign exchange, foreign notes and precious metals rose substantially in comparison with the previous year by 43.7 per cent to CHF 38.3 million. This was largely attributable to foreign exchange business, which was up by CHF 11.2 million or 42.7 per cent relative to the previous year. The reporting date valuation gains on interest rate hedging instruments totalled CHF 8.2 million (first half of 2019: CHF 0.1 million).

Income from financial investments amounted to minus CHF 1.9 million (first half of 2019: CHF 6.0 million). The downturn on the financial markets led to non-realised book losses of minus CHF 4.1 million. In the previous year, this position posted a gain of CHF 4.5 million. Earnings from dividends recorded a positive development amounting to CHF 2.2 million (first half of 2019: CHF 1.5 million).

Other income was down by CHF 4.2 million to CHF 1.4 million compared with the previous year. This was primarily attributable to changes in the value of purchase price obligations in relation to acquisitions made in the first half of 2019.

Operating income (in CHF millions)



At CHF 143.1 million, operating expenses in the first half of 2020 were 6.0 per cent lower than in the previous year (first half of 2019: CHF 152.2 million).

Personnel expenses fell by 6.1 per cent or CHF 5.8 million to CHF 89.2 million (first half of 2019: CHF 95.0 million). This was mainly the result of the adjustment of the conversion rate of the LLB's pension fund in the first half of 2020, which in accordance with IAS 19 led to a credit in favour of the income statement.

At CHF 32.9 million, general and administrative expenses were 10.5 per cent lower than in the previous year (first half of 2019: CHF 36.8 million). This interim result includes the release of provisions for legal and litigation risks of CHF 3.8 million, while in the equivalent period last year provisions of net CHF 1.1 million were written back.

Depreciation and amortisation increased to CHF 21.1 million (first half of 2019: CHF 20.4 million).

The Cost-Income-Ratio improved to 65.5 per cent (first half of 2019: 69.7 %). Without the market effects, i. e. without income from interest rate swaps and price gains from financial investments, the Cost-Income-Ratio stood at 66.7 per cent (first half of 2019: 71.2 %).

Balance sheet

In comparison with 31 December 2019, the consolidated balance sheet total rose by 6.0 per cent and amounted to CHF 24.0 billion as at 30 June 2020 (31.12.2019: CHF 22.7 billion).

Loans to customers remained unchanged at CHF 13.0 billion in comparison with 31 December 2019. Mortgage loans increased by 1.9 per cent to CHF 11.5 billion. In comparison, the volume of loans secured by collateral decreased.

Equity attributable to the shareholders of LLB stood at CHF 1.9 billion as at 30 June 2020. The tier 1 ratio amounted to 20.4 per cent (31.12.2019: 19.6 %). The return on equity attributable to the shareholders of LLB was 5.9 per cent (first half of 2019: 6.1 %).

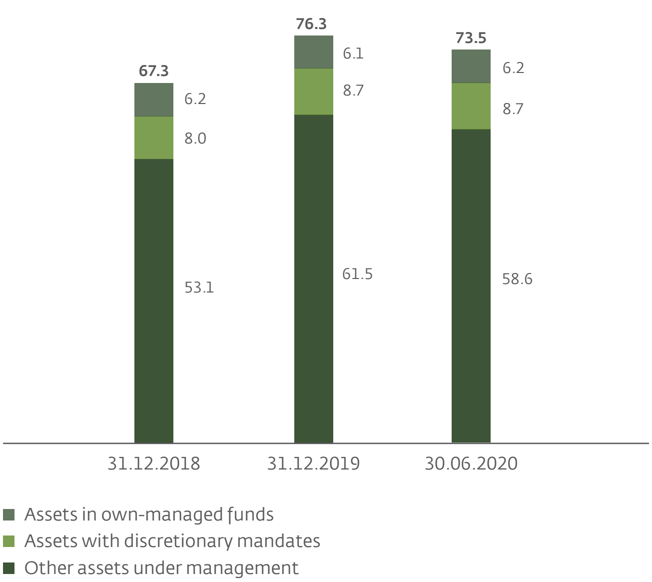
Assets under management

In the first half of 2020, the LLB Group registered a net new money inflow of CHF 1'028 million (first half of 2019: CHF 2'004 million). Thanks to intensive sales and marketing efforts, positive new money inflows were achieved in all three market segments and all booking centres.

In comparison with 31 December 2019, the business volume declined by 3.2 per cent or CHF 2.8 billion to CHF 86.5 billion.

On account of the negative market and currency performance, client assets under management were down 3.7 per cent in comparison to the end of the previous year and stood at CHF 73.5 billion (31.12.2019: CHF 76.3 billion).

Assets under management (in CHF billions)



Outlook

In spite of the challenging environment, the LLB Group views the future with cautious optimism. For the full 2020 business year, the LLB Group expects to achieve a solid business result. Thanks to its stable foundation, broadly diversified earnings structure and clearly focused business model, the LLB Group has in place the essentials to enable the Group to go forward successfully.

Consolidated income statement (unaudited)

in CHF thousands	Note	First half 2020	First half 2019	+ / − %
Interest Income	1	108'083	118'695	−8.9
Interest expenses	1	−29'296	−36'083	−18.8
Net interest income	**1**	**78'786**	**82'613**	**−4.6**
Expected credit losses		−13'777	3'743	
Net interest income after expected credit losses		**65'010**	**86'355**	**−24.7**
Fee and commission income	2	159'209	159'096	0.1
Fee and commission expenses	2	−59'777	−60'130	−0.6
Net fee and commission income	**2**	**99'432**	**98'966**	**0.5**
Net trading income	3	46'509	26'771	73.7
Net income from financial investments	4	−1'905	6'028	
Other income	5	1'379	5'571	−75.2
Total operating income		**210'424**	**223'691**	**−5.9**
Personnel expenses	6	−89'210	−95'039	−6.1
General and administrative expenses	7	−32'882	−36'760	−10.5
Depreciation		−21'053	−20'435	3.0
Total operating expenses		**−143'145**	**−152'234**	**−6.0**
Operating profit before tax		**67'279**	**71'458**	**−5.8**
Tax expenses	8	−7'113	−10'392	−31.6
Net profit		**60'166**	**61'065**	**−1.5**
Of which attributable to:				
Shareholders of LLB		57'059	57'517	−0.8
Non-controlling interests		3'107	3'549	−12.4
Earnings per share attributable to the shareholders of LLB				
Basic earnings per share (in CHF)	9	1.87	1.88	−0.3
Diluted earnings per share (in CHF)	9	1.87	1.88	−0.3

Consolidated statement of comprehensive income (unaudited)

in CHF thousands	Note	First half 2020	First half 2019	+ / – %
Net profit		60'166	61'065	–1.5
Other comprehensive income (net of tax), which can be reclassified to the income statement				
Foreign currency translation		–5'224	–3'047	71.5
Changes in value of debt instruments, recognised at fair value through other comprehensive income		13'851	25'287	
Reclassified (profit) / loss with debt instruments, recognised at fair value through other comprehensive income	4	418	–247	
Tax effects		–1'111	–3'403	
Total		**7'934**	**18'590**	**–57.3**
Other comprehensive income (net of tax), which cannot be reclassified to the income statement				
Actuarial gains / (losses) of pension plans		–15'087	–19'876	–24.1
Changes in value of equity instruments, recognised at fair value through other comprehensive income		–3'745	3'757	
Income from the sale of securities, which was recognised at fair value in other comprehensive income		157	0	
Tax effects		1'892	2'300	–17.7
Total		**–16'783**	**–13'820**	**21.4**
Total other comprehensive income (after tax)		**–8'849**	**4'771**	
Comprehensive income for the period		**51'317**	**65'836**	**–22.1**
Of which attributable to:				
Shareholders of LLB		49'645	63'230	–21.5
Non-controlling interests		1'672	2'606	–35.9

Consolidated balance sheet (unaudited)

in CHF thousands	Note	30.06.2020	31.12.2019	+ / − %
Assets				
Cash and balances with central banks		6'563'099	5'447'642	20.5
Due from banks		1'519'543	1'352'338	12.4
Loans		12'985'256	12'960'524	0.2
Derivative financial instruments		114'620	112'798	1.6
Financial investments	10	2'267'891	2'168'375	4.6
Non-current assets held for sale	15	18'709	19'000	−1.5
Investment in associates and joint venture		29	31	−6.4
Property and equipment		155'744	158'923	−2.0
Investment property		15'000	15'000	0.0
Goodwill and other intangible assets		283'210	290'102	−2.4
Current tax assets		0	819	−100.0
Deferred tax assets		14'528	15'538	−6.5
Accrued income and prepaid expenses		51'050	61'800	−17.4
Other assets		39'650	58'999	−32.8
Total assets		**24'028'331**	**22'661'890**	**6.0**
Liabilities				
Due to banks		1'926'227	1'526'308	26.2
Due to customers		17'921'234	16'964'118	5.6
Derivative financial instruments		165'995	180'065	−7.8
Debt issued	12	1'623'121	1'582'991	2.5
Non-current liabilities held for sale	15	2'219	2'261	−1.9
Current tax liabilities		17'134	13'752	24.6
Deferred tax liabilities		28'778	30'946	−7.0
Accrued expenses and deferred income		48'887	61'754	−20.8
Provisions	13	8'826	14'907	−40.8
Other liabilities		240'885	224'692	7.2
Total liabilities		**21'983'306**	**20'601'793**	**6.7**
Equity				
Share capital		154'000	154'000	0.0
Share premium		−24'216	−22'432	8.0
Treasury shares		−18'698	−23'574	−20.7
Retained earnings		1'856'213	1'866'121	−0.5
Other reserves		−52'373	−44'803	16.9
Total equity attributable to shareholders of LLB		**1'914'926**	**1'929'312**	**−0.7**
Non-controlling interests		130'100	130'785	−0.5
Total equity		**2'045'026**	**2'060'097**	**−0.7**
Total liabilities and equity		**24'028'331**	**22'661'890**	**6.0**

Consolidated statement of changes in equity (unaudited)

in CHF thousands	Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	Attributable to shareholders of LLB							
As at 1 January 2019	154'000	−21'157	−8'195	1'815'053	−53'388	1'886'313	123'391	2'009'705
Net profit				57'517		57'517	3'549	61'065
Other comprehensive income					5'713	5'713	−942	4'771
Net movements in treasury shares		−1'170	−6'430			−7'600		−7'600
Dividend 2018, paid 2019				−64'309		−64'309	−2'175	−66'484
As at 30 June 2019	**154'000**	**−22'328**	**−14'625**	**1'808'260**	**−47'675**	**1'877'632**	**123'823**	**2'001'455**
As at 1 January 2020	154'000	−22'432	−23'574	1'866'121	−44'803	1'929'312	130'785	2'060'097
Net profit				57'059		57'059	3'107	60'166
Other comprehensive income					−7'413	−7'413	−1'436	−8'849
Reclassification not affecting the income statement *				157	−157	0		0
Net movements in treasury shares		−1'784	4'876			3'092		3'092
Dividend 2019, paid 2020				−67'124		−67'124	−2'357	−69'480
As at 30 June 2020	**154'000**	**−24'216**	**−18'698**	**1'856'213**	**−52'373**	**1'914'926**	**130'100**	**2'045'026**

* The reclassification reflects the transfer of the profit from the sale of financial investments in equity instruments, which was recognised at fair value in other comprehensive income (see also note 10).

Consolidated statement of cash flows (unaudited)

in CHF thousands	Note	First half 2020	First half 2019
Cash flow from / (used in) operating activities			
Interest received		114'301	126'622
Dividends received from financial investments	4	2'229	1'485
Interest paid		−29'447	−33'949
Fees and commission received		171'544	163'532
Fees and commission paid		−72'992	−63'181
Trading income		34'134	35'867
Other income		1'384	2'201
Payments for personnel, general and administrative expenses		−138'966	−140'748
Income tax paid		−3'841	−5'916
Rent paid for short-term and low-value leases		−141	−340
Cash flow from operating activities, before changes in operating assets and liabilities		78'205	85'572
Net due from / to banks		430'765	−715'521
Loans / due to customers		951'297	120'368
Other assets		27'925	−7'174
Other liabilities		18'102	−7'035
Changes in operating assets and liabilities		1'428'089	−609'362
Net cash flow from / (used in) operating activities		**1'506'295**	**−523'790**

Cash flow from / (used in) investing activities			
Purchase of property and equipment		−5'853	−5'794
Purchase of other intangible assets		−7'426	−2'810
Disposal of other intangible assets		0	76
Purchase of financial investments		−287'441	−404'156
Disposal of financial investments		174'982	238'087
Payment of conditional or deferred purchase price in connection with the purchase of fully consolidated companies		0	−4'256
Sale of non-current assets held for sale	15	0	1'521
Net cash flow from / (used in) investing activities		**−125'738**	**−177'332**

in CHF thousands	Note	First half 2020	First half 2019
Cash flow from / (used in) financing activities			
Purchase of treasury shares		0	−9'046
Dividends paid		−67'124	−64'309
Dividends paid to non-controlling interests		−2'357	−2'175
Repayment of lease liabilities	11	−2'198	−2'140
Issuance of debt	11 / 12	116'614	224'552
Repayment of debt	11 / 12	−75'822	−16'560
Net cash flow from / (used in) financing activities		**−30'887**	**130'323**
Effects of foreign currency translation on cash and cash equivalents		−36'120	−28'169
Net increase / (decrease) in cash and cash equivalents		**1'313'550**	**−598'968**
Cash and cash equivalents at beginning of the period		6'053'089	6'467'055
Cash and cash equivalents at end of the period		**7'366'639**	**5'868'087**
Cash and cash equivalents comprise:			
Cash and balances with central banks		6'563'099	5'368'029
Due from banks (due daily)		803'540	500'059
Total cash and cash equivalents		**7'366'639**	**5'868'087**

Accounting principles (unaudited)

1 Basis for financial accounting

1.1 Basis for financial accounting

The interim financial reporting was prepared in accordance with the international accounting standard for interim financial reporting (IAS 34 "Interim Financial Reporting"). The accounting and valuation principles employed in the unaudited consolidated interim management report correspond to those used in the 2019 annual report, which was prepared in accordance with international financial reporting standards (IFRS). In addition, the regulations valid since 1 January 2020 have been applied.

The unaudited interim financial reporting does not encompass all the data contained in the audited 2019 consolidated financial statement and should, therefore, be read together with the audited consolidated financial statement as at 31 December 2019. The interim financial reporting was compiled in fulfilment of obligations under stock exchange law and, in addition, is provided for information purposes.

On account of detailed definitions in its presentation, the consolidated financial statement of the comparison period can contain reclassifications. These have no, or no substantial, effect on the business result. If the reclassification is made in the form of a note to the income statement or balance sheet, this has no impact on the primary statements. Accordingly, no further details are provided because only the type of presentation was altered.

For reasons of better readability, linguistic and structural adjustments have been made to individual positions in the income statement and the balance sheet. On account of their non-substantial share, which is not based on the effective interest method, interest income and interest expenses are presented in a simplified form. The position "Depreciation and amortisation" has been renamed "Depreciation". Furthermore, in view of their materiality, the following positions have been integrated in other positions: in the income statement, the position "Share of net income of associates and joint venture" has been integrated in the position "Other income". In the balance sheet, the position "Right of use assets from leases" has been incorporated in the position "Property and equipment" and the position "Lease liabilities" in the position "Other liabilities". The positions "Debt issued" and "Bonds issued" were amalgamated and are now reported under the position "Debt issued".

1.2 Use of estimates in the preparation of financial statements

In preparing the financial statements in conformity with IFRS, the management is required to make estimates and assumptions. These include statements regarding future developments, for the correctness of which no guarantee can be provided. They contain risks and uncertainties including, but not restricted to, future global economic conditions, exchange rates, regulatory provisions, market conditions, competitors' activities as well as other factors, which are beyond the control of the company. These assumptions affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of information available on the balance sheet date and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates, and the differences could be substantial to the financial statements.

The IFRS contains guidelines which require the LLB Group to make estimates and assumptions when preparing the consolidated financial statement. Expected credit losses, goodwill, intangible assets, provisions for legal and litigation risks, fair value conditions for financial instruments and liabilities for pension plans are all areas which leave large scope for estimate judgments. Assumptions and estimates made in these areas could be substantial to the financial statement. Explanations regarding this point are shown under Notes 13 und 14 in these consolidated interim financial statements 2020 and under Notes 13, 19, 28, 36 and in the chapter "Pension plans and other long-term benefits" in the consolidated financial statements 2019, respectively.

The LLB Group periodically reviews the actuarial assumptions and parameters used for the calculation of pension obligations. The actuarial assumptions and parameters used for the calculation of pension obligations in the 2019 annual financial statement, i. e. discount rate, future salary increase, interest credit rate and life expectancy, were adjusted accordingly in the 2020 interim financial reporting.

1.3 New IFRS, amendments and interpretations

New IFRS, as well as revisions and interpretations of existing IFRS, which must be applied for financial years beginning on 1 January 2020 or later, were published, or in some cases, came into effect.

For the 2020 financial year, the following amendments in connection with the IBOR reform, phase 1 are relevant for the LLB Group: amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures". This also applies to amendments to IFRS 3 "Business Combinations", which contain changes in relation to the definition of a "business operation", IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes to Accounting Estimates and Errors" in relation to the definition of materiality and changes in connection with the introduction of the new conceptual framework. All the amendments and changes will be applied for the first time in the 2020 financial year. The effects of them have no material influence on the accounting policies of the LLB Group; they mainly represent clarifications and disclosure requirements. The contents of the amendments and a detailed presentation of them can be found in the 2019 annual report (Accounting principles – page 123). On account of their significance, only the amendments and changes to the IBOR reform, phase 1 is dealt with in more detail here.

Phase 1 of the IBOR reform deals with issues relating to financial reporting in the period prior to the replacement of an existing benchmark interest rate by an alternative interest rate. Only questions relating to hedge accounting have to be dealt with in this context. As far as the LLB Group is concerned, the requirements of phase 1 affect only interest rate swaps, which are employed for hedge accounting purposes. In relation to the transition of existing LIBOR-based interest rate swaps to a new benchmark interest rate, the LLB Group relies on the criteria defined by the International Swaps and Derivatives Association (ISDA), which has already carried out a range of consultations to consolidate the opinions of various market participants. The resulting findings, which at the present time are not conclusively available, will provide clarity on how existing LIBOR-based interest rate swaps can be transferred to a new benchmark rate. The LLB Group applies portfolio fair value hedge accounting (PFVH) to fixed-interest interest instruments in accordance with IAS 39. The separate identifiability, and therefore the related measurability, of a transaction is a prerequisite for it to be regarded as a hedging relationship. The IBOR reform has no influence on the identifiability or measurability at LLB Group because the LLB Group secures the refinancing risks, which arise from the fixed interest rate of the underlying transaction. This is identifiable not only at the start of a hedging transaction, but also over the whole of its duration. The simplifications are relevant in respect to the (prospective and retrospective) measurement of effectiveness. These include the assumptions that the benchmark interest rate does not change (prospective) and because of this the hedge accounting relationship can continue to be assessed as highly effective. From a retrospective perspective, if this is not highly effective, the simplification lies in the fact that the hedge accounting relationship does not have to be ended. At the LLB Group, in conformance with the hedge accounting documentation, hedge accounting transactions are reset every month in order to reflect changes in the underlying mortgage lending business. Due to the fact that the Group pursues this dynamic hedging strategy, from the perspective of the LLB Group, this simplification in relation to the retrospective assessment plays only a secondary role because, within the scope of the hedging relationship, in the case of a changed reference interest rate another underlying transaction could possibly be designated. The assumption is that, on account of this procedure, the effectiveness of the hedge accounting relationship continues to apply. Nevertheless, this simplification is important and will be employed if the effectiveness no longer applies only because of reasons related to the IBOR reform; in this connection the hedge accounting relationship will not be ended. All instruments are based on LIBOR as the benchmark interest rate, this will continue to exist until the end of 2021. The positive replacement value amounted to CHF 3.1 million, the negative replacement value totalled CHF 21.5 million. The underlying contract volume totalled CHF 1'220.0 million.

For financial years starting from 1 January 2021 or later, the International Accounting Standards Board (IASB) has announced amendments. Those relevant to the LLB Group are briefly described below:

- IAS 1 "Presentation of Financial Statements" – The amendments concern the reporting of debt in the presentation of the financial status. They portray the criteria, according to which the classification of debt as short or long term is undertaken. Basically, from now on debt is only regarded as being long term if rights exist, which could defer the repayment for more than twelve months. The classification as short or long term is made independent of the probability of the exercising of the right to defer repayment. Special regulations are to be observed in the case of repayment in the form of equity capital instruments. The effects of the amendments are currently being analysed. The amendments are to be implemented retroactively and for the first time for financial years beginning on or after 1 January 2023. An earlier adoption is possible.
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – A clarification has been implemented which defines the cost of fulfilling contracts. The implementation applies to onerous contracts, which still exist in the period of the first application without previous years being adjusted. Any possible effects are to be recognised in the adjustment of the opening balance value in equity. The effects of the amendments are currently being analysed. The amendments are to be implemented for the first time for financial years beginning on or after 1 January 2022. An earlier adoption is possible.

Within the scope of its annual adjustments, the IASB has published further improvements (annual improvements to IFRS 2018 – 2020 cycle). They come into effect for financial years beginning on or after 1 January 2022. An earlier adoption is possible, but is not being considered at the moment. The adoption of the changes will have no material effect on the LLB Group's financial statement.

2 Impact of the corona pandemic

The corona pandemic has had various effects on the 2020 consolidated interim financial reporting of the LLB Group.

The crisis represents a risk which, in accordance with the risk management process, is to be considered within the scope of risk monitoring and risk control in the individual risk models. In this context, the recommendations of various regulatory bodies, e. g. the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA), were analysed. The parameters of the individual risk models were critically assessed. Scenario analyses of the individual risk positions were made to assess the possible risks of future developments.

Within the scope of the models of expected credit losses, the analyses revealed that no new scenarios had to be included in the macro-economic model and the existing weightings did not need to be adjusted. In line with the recommendations of the regulatory bodies, the LLB Group currently places a greater weighting on stable scenario estimates based on past experience. In some cases, deferments were granted for stage 1 and stage 2 loans. No material effects were experienced as a result of this. In times of great uncertainty, in order to respond appropriately to the current and possible medium-term effects of the corona pandemic, in particular, loans to companies in sectors particularly affected by the corona virus were analysed and, in some cases, specific allowances were made for them.

Liechtenstein and Switzerland decided to grant loan loss guarantees to the banks for bridging loans to help prevent liquidity bottlenecks at companies. Both LLB and Bank Linth have participated in these programmes. At the LLB Group, the bridging loans granted totalled around CHF 70 million, whereby this volume is secured by the State. The LLB Group is exposed to no significant risk as a result of this activity. The loans were classified in conformity with the market.

On account of the corona pandemic and the accompanying downturn on the financial markets and a reduced business volume, the management of the LLB Group has tested the impairment of tangible and intangible assets, especially existing goodwill. No impairment was established and no value adjustments were made.

3 Changes to the scope of consolidation

In the first half of 2020 no changes occurred in the scope of consolidation.

4 Foreign currency translation

Reporting date rate	30.06.2020	31.12.2019
1 USD	0.9512	0.9662
1 EUR	1.0651	1.0854

Average rate	First half 2020	First half 2019
1 USD	0.9645	0.9958
1 EUR	1.0668	1.1270

5 Risk management

Within the scope of its operative activity, the LLB Group is exposed to financial risks such as market, credit, liquidity and refinancing risks, as well as operational risks. In relation to the statements made in chapter 2 "Impact of the corona pandemic" the scope of risk for the LLB Group has not changed substantially in comparison with the situation on 31 December 2019. Therefore the 2020 consolidated interim financial reporting contains only qualitative disclosures regarding credit risks. For more detailed risk information, we refer to the risk management information in the 2019 annual report.

With regard to the value of its absolute loans, the credit portfolio of the LLB Group has not changed materially during the first half of 2020. In the case of stage 1 and stage 2 loans, a decrease in the expected credit losses occurred of CHF 1.4 million. Stage 3 positions experienced a net increase of CHF 15.2 million. Across all stages, the expected credit losses led to a total charge of CHF 13.8 million. This is reported in the consolidated income statement.

6 Events after the balance sheet date

No material events occurred after the balance sheet date which would have a significant influence on the asset, financial and earnings position of the LLB Group.

Segment reporting (unaudited)

The business activities of the LLB Group are divided into the following three business areas. These form the basis for the segment reporting:

- Retail & Corporate Banking segment encompasses the universal banking business in the home markets of Liechtenstein and Switzerland.
- Private Banking segment encompasses all the private banking activities of the LLB Group.
- Institutional Clients segment encompasses the financial intermediary and investment fund business as well as the asset management and wealth structuring activities of the LLB Group.

The segments receive comprehensive support from the Corporate Center. It comprises the following functions: finance, credit and risk management, legal and compliance matters, trading and securities administration, payment services, human resources management, communication, marketing, corporate development, as well as logistics and IT services.

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group Executive Management (chief operating decision maker), which is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments used by the LLB Group meet the definition of a reportable segment under IFRS 8.

In accordance with the principle of responsibility and based on the organisational structure, income and expenditure are allocated to the business divisions. Indirect costs resulting from services provided internally are accounted for according to the principle of causation and are recorded as a revenue increase for the service provider and as a cost increase for the service beneficiary. The remaining income and expenditure for overriding services which cannot be assigned to the segments are shown under Corporate Center. Furthermore, consolidation adjustments are reported under Corporate Center.

Transactions between the segments are executed at standard market conditions.

First half of 2019

in CHF thousands	Retail & Corporate Banking	Private Banking	Institutional Clients	Corporate Center	Total Group
Net interest income	45'575	21'187	10'949	4'903	82'613
Expected credit losses	3'278	464	0	0	3'743
Net interest income after expected credit losses	48'853	21'651	10'949	4'903	86'355
Net fee and commission income	16'117	39'886	50'869	−7'906	98'966
Net trading income	5'118	3'967	4'989	12'697	26'771
Net income from financial investments	0	0	0	6'028	6'028
Other income	1'055	1	−5	4'520	5'571
Total operating income *	**71'142**	**65'505**	**66'803**	**20'241**	**223'691**
Personnel expenses	−14'555	−18'513	−16'069	−45'901	−95'039
General and administrative expenses	−842	1'440	209	−37'567	−36'760
Depreciation	0	−67	−185	−20'182	−20'435
Services (from) / to segments	−26'378	−18'502	−15'145	60'024	0
Total operating expenses	**−41'775**	**−35'642**	**−31'190**	**−43'626**	**−152'234**
Operating profit before tax	**29'367**	**29'863**	**35'613**	**−23'385**	**71'458**
Tax expenses					−10'392
Net profit					**61'065**

* There were no substantial earnings generated between the segments so that income between the segments is not material.

First half of 2020

in CHF thousands	Retail & Corporate Banking	Private Banking	Institutional Clients	Corporate Center	Total Group
Net interest income	45'324	15'648	9'430	8'385	78'786
Expected credit losses	−6'173	−4'406	−3'198	0	−13'777
Net interest income after expected credit losses	39'152	11'242	6'232	8'385	65'010
Net fee and commission income	16'783	39'656	49'293	−6'301	99'432
Net trading income	4'879	6'283	8'023	27'324	46'509
Net income from financial investments	0	0	0	−1'905	−1'905
Other income	1'076	1	1	300	1'379
Total operating income *	**61'890**	**57'182**	**63'549**	**27'802**	**210'424**
Personnel expenses	−13'323	−18'623	−15'989	−41'275	−89'210
General and administrative expenses	−791	−1'065	−2'694	−28'333	−32'882
Depreciation	0	−64	−190	−20'798	−21'053
Services (from) / to segments	−27'602	−18'252	−14'501	60'356	0
Total operating expenses	**−41'716**	**−38'005**	**−33'374**	**−30'050**	**−143'145**
Operating profit before tax	**20'175**	**19'177**	**30'175**	**−2'248**	**67'279**
Tax expenses					−7'113
Net profit					**60'166**

* There were no substantial earnings generated between the segments so that income between the segments is not material.

Notes to the consolidated income statement (unaudited)

1 Net interest income

in CHF thousands	First half 2020	First half 2019	+/– %
Interest income from financial instruments measured at amortised cost			
Due from banks	3'122	10'035	–68.9
Loans	78'112	84'983	–8.1
Loan commissions with the character of interest	2'065	1'542	34.0
Financial liabilities	9'882	9'590	3.0
Total interest income from financial instruments measured at amortised cost	**93'181**	**106'150**	**–12.2**
Interest income from financial instruments, recognised at fair value through other comprehensive income			
Debt instruments	7'991	6'402	24.8
Total interest income from financial instruments, recognised at fair value through other comprehensive income	**7'991**	**6'402**	**24.8**
Interest income from financial instruments at fair value through profit and loss			
Debt instruments	2'611	4'370	–40.3
Interest rate derivatives	4'300	1'774	142.4
Total interest income from financial instruments at fair value through profit and loss	**6'911**	**6'144**	**12.5**
Total interest income	**108'083**	**118'695**	**–8.9**
Interest expenses from financial instruments measured at amortised cost			
Due to banks	–894	–3'110	–71.3
Due to customers	–6'932	–11'598	–40.2
Financial assets	–7'545	–7'511	0.4
Lease liabilities	–156	–172	–9.4
Debt issued	–3'297	–5'184	–36.4
Total interest expenses from financial instruments measured at amortised cost	**–18'823**	**–27'575**	**–31.7**
Interest expenses from financial instruments measured at fair value			
Interest rate derivatives	–10'473	–8'508	23.1
Total interest expenses from financial instruments measured at fair value	**–10'473**	**–8'508**	**23.1**
Total interest expenses	**–29'296**	**–36'083**	**–18.8**
Total net interest income	**78'786**	**82'613**	**–4.6**

2 Net fee and commission income

in CHF thousands	First half 2020	First half 2019	+ / – %
Brokerage fees	29'557	23'831	24.0
Custody fees	21'910	21'916	–0.0
Advisory and management fees	23'627	26'434	–10.6
Investment fund fees	70'629	68'807	2.6
Credit-related fees and commissions	309	296	4.4
Commission income from other services	13'176	17'811	–26.0
Total fee and commission income	**159'209**	**159'096**	**0.1**
Brokerage fees paid	–6'068	–5'853	3.7
Other fee and commission expenses	–53'709	–54'276	–1.0
Total fee and commission expenses	**–59'777**	**–60'130**	**–0.6**
Total net fee and commission income	**99'432**	**98'966**	**0.5**

LLB and its subsidiaries offer clients an all-in-fee for various services. The all-in-fee is recognised in the line "Advisory and management fees". The following table shows what share of the income position the all-in-fee has and what proportion of which services is included in it.

in CHF thousands	First half 2020	First half 2019	+ / – %
Total all-in-fees	**13'768**	**14'302**	**–3.7**
of which brokerage	4'786	4'327	10.6
of which securities administration	3'068	3'402	–9.8
of which asset management	5'914	6'574	–10.0

3 Net trading income

in CHF thousands	First half 2020	First half 2019	+ / – %
Foreign exchange trading	37'397	26'215	42.7
Foreign note trading	–287	–200	43.9
Precious metals trading	1'195	649	84.2
Interest rate instruments *	8'204	107	
Total net trading income	**46'509**	**26'771**	**73.7**

* The LLB Group uses interest rate swaps for trading and hedging purposes. If the interest rate swaps do not fulfil the approval criteria according to IAS 39 in order to be booked as hedging transactions, they are treated as interest rate swaps for trading purposes.

4 Net income from financial investments

in CHF thousands	First half 2020	First half 2019	+ / − %
Financial investments at fair value through profit and loss			
Dividend income	330	285	15.9
Price gains *	− 3'697	4'327	
Total net income from financial investments at fair value through profit and loss	**− 3'367**	**4'611**	
Financial investments, recognised at fair value through other comprehensive income			
Dividend income	1'899	1'200	58.2
of which from financial investments held on the balance sheet date	1'838	1'200	53.2
of which from financial investments sold during the reporting period **	61	0	
Realised gain	− 418	247	
Expected credit loss on financial investments	− 19	− 30	− 36.1
Total financial investments, recognised at fair value through other comprehensive income	**1'462**	**1'417**	**3.2**
Total net income from financial investments at fair value	**− 1'905**	**6'028**	

* The realised price gains for the first half of 2020 amounted to CHF thousands 309 (first half of 2019: CHF thousands minus 4'054).
** Further details are provided in note 10.

5 Other income

in CHF thousands	First half 2020	First half 2019	+ / − %
Net income from properties	931	686	35.6
Adjustments on purchase price obligations from acquisitions	0	2'813	− 100.0
Realised profits / (losses) from sales of tangible assets *	− 4	554	
Income from various services	323	1'063	− 69.6
Share of income from associated companies and joint venture	− 2	− 4	− 45.0
Additional other income	130	458	− 71.5
Total other income	**1'379**	**5'571**	**− 75.2**

* Contains income from sales of properties held for sale.

6 Personnel expenses

in CHF thousands	First half 2020	First half 2019	+ / − %
Salaries	− 75'671	− 73'195	3.4
Pension and other post-employment benefit plans *	− 2'230	− 9'342	− 76.1
Other social contributions	− 8'401	− 8'943	− 6.1
Training costs	− 609	− 823	− 25.9
Other personnel expenses	− 2'299	− 2'737	− 16.0
Total personnel expenses	**− 89'210**	**− 95'039**	**− 6.1**

* The lower pension expenses were largely attributable to the reduction of the conversion rate of the LLB's pension fund in the first half of 2020. In accordance with IAS 19, this is to be treated as an expense reduction.

7 General and administrative expenses

in CHF thousands	First half 2020	First half 2019	+/– %
Occupancy	–3'033	–3'884	–21.9
Expenses for IT, machinery and other equipment	–12'376	–12'249	1.0
Information and communication expenses	–9'685	–9'445	2.5
Marketing and public relations	–2'961	–4'786	–38.1
Consulting and audit fees	–1'863	–1'449	28.6
Provisions for legal and litigation risks	3'791	1'084	249.8
Litigation, legal and representation costs	–790	–620	27.6
Contributions to Deposit Protection Fund	–2'391	–1'255	90.5
Other general and administrative expenses	–3'574	–4'156	–14.0
Total general and administrative expenses	**–32'882**	**–36'760**	**–10.5**

8 Tax expenses

in CHF thousands	First half 2020	First half 2019	+/– %
Current taxes	–7'183	–10'392	–30.9
Deferred taxes	70	0	
Total tax expenses	**–7'113**	**–10'392**	**–31.6**

9 Earnings per share

	First half 2020	First half 2019	+/– %
Net profit attributable to the shareholders of LLB (in CHF thousands)	57'059	57'517	–0.8
Weighted average shares outstanding	30'478'678	30'628'215	–0.5
Basic earnings per share (in CHF)	**1.87**	**1.88**	**–0.3**
Net profit for diluted earnings per share attributable to the shareholders of LLB (in CHF thousands)	57'059	57'517	–0.8
Weighted average shares outstanding for diluted earnings per share	30'478'678	30'628'215	–0.5
Diluted earnings per share (in CHF)	**1.87**	**1.88**	**–0.3**

Notes to the consolidated balance sheet and off-balance sheet transactions (unaudited)

10 Financial investments

in CHF thousands	30.06.2020	31.12.2019	+/– %
Financial investments at fair value through profit and loss			
Debt instruments			
listed	384'004	455'063	–15.6
unlisted	27'378	40'833	–33.0
Total debt instruments	**411'382**	**495'896**	**–17.0**
Equity instruments			
listed	49	80	–38.6
unlisted	2'360	2'443	–3.4
Total equity instruments	**2'409**	**2'523**	**–4.5**
Total financial investments at fair value through profit and loss	**413'791**	**498'419**	**–17.0**
Financial investments, recognised at fair value through other comprehensive income			
Debt instruments			
listed	1'770'453	1'595'413	11.0
Total debt instruments	**1'770'453**	**1'595'413**	**11.0**
Equity instruments			
listed	53'578	46'366	15.6
unlisted	30'070	28'177	6.7
Total equity instruments	**83'647**	**74'543**	**12.2**
Total financial investments, recognised at fair value through other comprehensive income	**1'854'101**	**1'669'956**	**11.0**
Total financial investments at fair value	**2'267'891**	**2'168'375**	**4.6**

The equity instruments recognised at fair value through other comprehensive income consist of strategic investments of an infrastructure nature, which are not exchange-listed, as well as various instruments of the Swiss Market Index (SMI). Short-term profit-taking is not the focus with equity instruments recognised at fair value through other comprehensive income, rather they represent a long-term position, which pursues the collection of dividends and a long-term appreciation in value.

In the reporting period securities, which were an integral part of the replicating SMI portfolio, were sold. The sales occurred on account of a change to the weighting of individual securities within the portfolio. The sale of the securities provided a profit of CHF thousands 157; the fair value of the transactions amounted to CHF thousands 2'763. The profit of CHF thousands 157 was recognised in other comprehensive income and then reclassified in retained earnings.

11 Changes in financial liabilities arising from financing activity

in CHF thousands	01.01.2019	Cash changes	Non-cash changes: Changes in scope of consolidation	Non-cash changes: Changes in exchange rates	Non-cash changes: Changes in fair value	Other changes	30.06.2019
Issuance / (Repayment) of medium-term notes	242'147	−5'201		0		351	237'297
Issuance / (Repayment) of shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	994'215	63'000				61	1'057'276
Lease liabilities	33'008	−2'140		−251		2'480	33'096
Issuance / (Repayment) of bonds issued	0	150'194				17	150'210
Total liabilities from financing activities	**1'269'370**	**205'852**	**0**	**−251**	**0**	**2'909**	**1'477'880**

in CHF thousands	01.01.2020	Cash changes	Non-cash changes: Changes in scope of consolidation	Non-cash changes: Changes in exchange rates	Non-cash changes: Changes in fair value	Other changes	30.06.2020
Issuance / (Repayment) of medium-term notes	219'473	−19'208				−196	200'069
Issuance / (Repayment) of shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	1'111'918	60'000				−290	1'171'628
Lease liabilities	39'677	−2'198		380		156	38'015
Issuance / (Repayment) of bonds issued	251'600					−176	251'424
Total liabilities from financing activities	**1'622'669**	**38'594**	**0**	**380**	**0**	**−506**	**1'661'136**

12 Debt issued

in CHF thousands	30.06.2020	31.12.2019	+/−%
Medium-term notes *	200'069	219'473	−8.8
Shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions **	1'171'628	1'111'918	5.4
Bonds	251'424	251'600	−0.1
Total debt issued	**1'623'121**	**1'582'991**	**2.5**

* The average interest rate was 0.4 per cent as at 30 June 2020 and 0.5 per cent as at 31 December 2019.
** The average interest rate was 0.6 per cent as at 30 June 2020 and 0.7 per cent as at 31 December 2019.

Further information on bonds issued is provided below:

Year issued	Name	ISIN	Currency	Maturity	Effective annual interest rate in %	Nominal interest rate in %	Nominal value (in CHF thousands)	30.06.2020 (in CHF thousands)	31.12.2019 (in CHF thousands)
2019	Liechtensteinische Landesbank AG 0.125% Senior Preferred Anleihe 2019–2026	CH0419041204	CHF	28.05.2026	0.106%	0.125%	150'000	150'183	150'291
2019	Liechtensteinische Landesbank AG 0.000% Senior Preferred Anleihe 2019–2029	CH0419041527	CHF	27.09.2029	−0.133%	0.000%	100'000	101'241	101'309

13 Provisions

in CHF thousands	Provisions for legal and litigation risks	Provisions for other business risks and restructuring	Total 2020	Total 2019
As at 1 January	5'255	9'651	14'907	30'661
Provisions applied	−499	−2'086	−2'585	−12'514
Increase in provisions recognised in the income statement	78	681	759	7'108
Decrease in provisions recognised in the income statement	−3'869	−276	−4'145	−10'251
Changes due to foreign exchange differences	0	−110	−109	−97
As at 30 June 2020 / 31 December 2019	**966**	**7'860**	**8'826**	**14'907**

Provisions for legal and litigation risks

In the following various legal proceedings as per 30 June 2020 are described, which could be of significance for the financial reporting. The LLB Group endeavours to disclose claims for compensation, the scale of legal proceedings and other information, so that it should be possible for the reader to be able to estimate whether a possible risk exists for the LLB Group.

Legal action was taken against LLB Verwaltung (Switzerland) AG, formerly Liechtensteinische Landesbank (Switzerland) Ltd., in respect of a matter which occurred in 2011. The High Court of Justice in London ruled at first instance that there had been misconduct on the part of a former employee and the former bank was jointly liable for his misconduct and the damage caused by him. The former bank was not liable for misconduct itself. The payments already made in connection with this case were recognised in general and administrative expenses in 2017. LLB Verwaltung (Switzerland) AG appealed against the first instance ruling. The Court of Appeal confirmed the main points of the ruling reached by the High Court of Justice. A provision totalling CHF 4.3 million was allocated as per 30 June 2019 for the additional costs incurred with the legal proceedings. In May 2020, a settlement was reached with the plaintiffs. As a result of this settlement, LLB Verwaltung (Switzerland) AG was able to release provisions totalling CHF 3.7 million as per 30 June 2020. It will assert its claims against the insurance company.

Provisions for other business risks and restructuring

LLB (Österreich) AG introduced the Avaloq banking software package on 1 January 2020. The service agreement for the use of the existing Tambas banking software with CPB Software (Austria) GmbH, Vienna, can only be terminated by either party from the end of the 2021 business year at the earliest. A provision amounting to CHF 2.8 million exists as per 30 June 2020 for the potentially payable but not-to-be-used service fees for the years 2020 and 2021. Management continues to regard this provision as being sufficient.

The provisions for restructuring relate to the LLB Group's StepUp2020 strategy announced in October 2015. Restructuring provisions amounting to CHF 1.7 million were recognised per 30 June 2020 for costs relating to social plans for employees.

14 Fair value measurement

Measurement guidelines

The fair value represents a market-based measurement and not an entity-specific valuation. It is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date on the principal market or the most advantageous market.

As far as possible, the fair value is determined on the basis of the quoted market prices in active markets accessible to the company on the measurement date. An active, accessible market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value is determined using significant and observable inputs. These are basically available in the case of quoted assets or liabilities. If a market for financial or non-financial assets or liabilities is inactive, or if no observable inputs, or insufficient observable inputs, are available, the LLB Group must employ techniques or processes (valuation methods or models) to determine the fair value. The valuation techniques contain assumptions, including estimates, to enable an exit price on the measurement date from the perspective of the market participant to be determined. However, such assumptions and estimates contain uncertainties, which at a later date can lead to substantial changes in the fair value of financial and non-financial assets and liabilities. In the case of financial and non-financial assets and liabilities for which a valuation technique involving non-observable market data is used to determine the fair value, these are measured at the transaction price. This fair value can differ from the fair value determined on the basis of valuation techniques.

All financial and non-financial assets and liabilities, which possess a fair value are classified in one of the three following fair value hierarchy levels:

Level 1

The fair value of listed debt and equity securities contained in the trading portfolio and financial investments is determined on the basis of market price quotes on an active market.

Level 2

If no market price quotes are available, the fair value is determined by means of valuation methods or models which are based on assumptions made on the basis of observable market prices and other market quotes.

Level 3

For the remaining financial instruments, neither market price quotes nor valuation methods or models based on market prices are available. Valuation models or methods having non-observable input factors are utilised for these instruments.

Valuation methods

Valuation methods and techniques are employed to determine the fair value of financial and non-financial assets and liabilities for which no observable market prices on an active market are available. These include, in particular, illiquid financial investments. If available, the LLB Group uses market-based assumptions and inputs as the basis for valuation techniques. If such information is not available, assumptions and inputs from comparable assets and liabilities are employed. In the case of complex and very illiquid financial and non-financial assets and liabilities, the fair value is determined using a combination of observable transaction prices and market information.

The LLB Group employs standardised and accepted valuation techniques, or uses the fair values of third parties, to determine the fair value of financial and non-financial assets and liabilities, which are not actively traded or listed. In general, the LLB Group uses the following valuation methods and techniques as well as the following input factors:

	Valuation model	Inputs	Significant, non-observable inputs
Level 2			
Derivative financial instruments	Option models	Underlying assets of future contracts	
Own investment funds	Market to model	Market prices of underlying assets	
Equities	Market to model	Market prices of underlying assets	
Due from banks	Present value calculation	Market price of congruent LIBOR interest rates	
Due to banks	Present value calculation	Market price of congruent LIBOR interest rates	
Loans	Present value calculation	Market price of congruent LIBOR interest rates	
Due to customers	Present value calculation	Market price of congruent LIBOR interest rates	
Medium-term notes and shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	Present value calculation	Market price of congruent LIBOR interest rates	
Non-current liabilities held for sale	Amortised cost		
Accrued income and prepaid expenses / Accrued expenses and deferred income	Fair value corresponds to carrying value on account of the short-term maturity	Price conditions; deferred income corresponds to deferrals on commissions and fees	
Level 3			
Infrastructure title	Market to model	Audited financial statements	Illiquidity, special micro-economic conditions
Investment property	External expert opinions, relative values in market comparison	Prices of comparable properties	Assessment of special property factors, expected expenses and earnings for the property
Non-current assets held for sale	External expert opinions, relative values in market comparison	Prices of comparable properties	Assessment of special property factors, expected expenses and earnings for the property

Measurement of fair values by active markets or valuation techniques

The following table shows the classification of financial and non-financial assets and liabilities of the LLB Group within the fair value hierarchy. All assets and liabilities are measured at fair value on a recurring basis in the statement of financial position. As at 30 June 2020, the LLB Group had no assets or liabilities which were measured at fair value on a non-recurring basis in the balance sheet. In the first half of 2020, there were no significant transfers between Level 1, Level 2 and Level 3 financial instruments.

in CHF thousands	30.06.2020	31.12.2019	+/–%
Level 1			
Financial investments at fair value through profit and loss	384'053	455'143	–15.6
Financial investments, recognised at fair value through other comprehensive income	1'824'031	1'641'780	11.1
Total financial instruments at fair value	**2'208'084**	**2'096'923**	**5.3**
Cash and balances with central banks	6'563'099	5'447'642	20.5
Total financial instruments not at fair value	**6'563'099**	**5'447'642**	**20.5**
Total Level 1	**8'771'183**	**7'544'564**	**16.3**
Level 2			
Derivative financial instruments	114'620	112'798	1.6
of which for hedging purpose	3'183	4'034	–21.1
Financial investments at fair value through profit and loss *	29'737	43'276	–31.3
Total financial instruments at fair value	**144'358**	**156'074**	**–7.5**
Due from banks	1'518'020	1'353'974	12.1
Loans	13'558'408	13'506'813	0.4
Accrued income and prepaid expenses	51'050	61'800	–17.4
Total financial instruments not at fair value	**15'127'478**	**14'922'587**	**1.4**
Total Level 2	**15'271'836**	**15'078'662**	**1.3**
Level 3			
Financial investments, recognised at fair value through other comprehensive income **	30'070	28'177	6.7
Total financial instruments at fair value	**30'070**	**28'177**	**6.7**
Investment property	15'000	15'000	0.0
Non-current assets held for sale	18'709	19'000	–1.5
Total other assets at fair value	**33'709**	**34'000**	**–0.9**
Total Level 3	**63'779**	**62'177**	**2.6**
Total assets	**24'106'798**	**22'685'403**	**6.3**

* Own investment funds and equities
** Infrastructure title

in CHF thousands	30.06.2020	31.12.2019	+/–%
Level 1			
Total financial instruments at fair value	**0**	**0**	
Bonds	245'767	248'785	
Total financial instruments not at fair value	**245'767**	**248'785**	
Total Level 1	**245'767**	**248'785**	**–1.2**
Level 2			
Derivative financial instruments	165'995	180'065	–7.8
of which for hedging purpose	22'614	18'350	23.2
Total financial instruments at fair value	**165'995**	**180'065**	**–7.8**
Due to banks	1'930'707	1'527'171	26.4
Due to customers	18'013'719	17'043'360	5.7
Medium-term notes and shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	1'429'075	1'386'495	3.1
Non-current liabilities held for sale	2'219	2'261	–1.9
Accrued expenses and deferred income	48'887	61'754	–20.8
Total financial instruments not at fair value	**21'424'607**	**20'021'041**	**7.0**
Total Level 2	**21'590'601**	**20'201'106**	**6.9**
Level 3			
Total Level 3	**0**	**0**	
Total liabilities	**21'836'368**	**20'449'891**	**6.8**

Valuation of assets and liabilities, classified as level 3

The financial investments measured at fair value through other comprehensive income rose by CHF 1.9 million in the first half of 2020. The increase was attributable to the purchase of further infrastructure securities amounting to CHF 2.3 million, as well as changes to the fair value.

There were no value changes with investment property. Accordingly, there was no impact on the income statement.

The change in value with non-current assets held for sale was caused by the classification of properties as available for sale their subsequent sale and exchange rate fluctuations.

The measurement process to determine the fair value of recurring Level 3 assets and liabilities, especially the significant non-observable inputs, as shown in the previous table, are explained in the following. The interrelationships between observable and non-observable inputs are not explained in the following, because such interrelationships have no significant influence on the measurement of fair value. All level 3 positions were immaterial, accordingly a full disclosure of level 3 positions was regarded as unnecessary.

Financial investments measured at fair value through other comprehensive income

These financial investments consist of non-listed shares in companies of an infrastructure nature which are required to operate a bank. Based on the current company data, these are periodically revalued by the companies themselves or by third parties utilising valuation models.

Investment property

Investment property is periodically valued by external experts or is valued on the basis of relative values in a market comparison. If no corresponding values for comparable properties are available, on which to base a reliable calculation of the fair value, assumptions are made. These assumptions contain assessments and considerations of such circumstances as the location and condition of the property, as well as the expected costs and revenues with it. Properties are always revalued whenever on the basis of events or changed circumstances the fair value no longer reflects the market price, so that changes in the calculation of the fair value can be promptly determined and recognised in the accounts.

Investment properties do not diverge to highest and best use.

Non-current assets held for sale

Non-current assets held for sale contain properties and a company that administers rental apartments (see Note 15 "Non-current assets and liabilities held for sale"). The process on which the valuation is based is the same one as for investment properties, i. e. the fair value assessment is made solely by third parties. The reported value of these assets corresponds to the fair value minus selling expenses.

Financial instruments not measured at fair value

The fair value hierarchy also includes details of financial assets and liabilities which are not measured on a fair value basis, but for which a fair value does exist.

In addition to their inclusion in the fair value hierarchy, basically a comparison between the fair value and the carrying value of the individual categories of financial assets and liabilities is to be disclosed.

The following table shows this comparison only for positions which are not measured at fair value, since for positions measured at fair value the carrying value corresponds to the fair value. On account of the maturity being more than one year, for specific positions a present value was calculated taking as a basis LIBOR interest rates appropriate for the duration of the term. In the case of all other positions, the carrying value represents a reasonable approximation of the fair value.

	30.06.2020		31.12.2019	
in CHF thousands	**Book amount**	**Fair value**	**Book amount**	**Fair value**
Assets				
Cash and balances with central banks	6'563'099	6'563'099	5'447'642	5'447'642
Due from banks	1'519'543	1'518'020	1'352'338	1'353'974
Loans	12'985'256	13'558'408	12'960'524	13'506'813
Accrued income and prepaid expenses	51'050	51'050	61'800	61'800
Liabilities				
Due to banks	1'926'227	1'930'707	1'526'308	1'527'171
Due to customers	17'921'234	18'013'719	16'964'118	17'043'360
Medium-term notes and shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	1'371'697	1'429'075	1'331'391	1'386'495
Bonds	251'424	245'767	251'600	248'785
Non-current liabilities held for sale	2'219	2'219	2'261	2'261
Accrued expenses and deferred income	48'887	48'887	61'754	61'754

15 Non-current assets and liabilities held for sale

Properties, which are wholly owned by individual Group companies and are available for immediate disposal, encompass utilised bank branches and rental apartments, as well as unused properties. In the first half of 2020 a property was sold at a loss of CHF thousands 4; the carrying value amounted to CHF thousands 172. In some cases offers have been received for other properties, or sales discussions are being held. The sale of another property is expected in the third quarter. Its carrying value amounts to CHF 10.9 million. A profit on the sale of around CHF 1.9 million is expected.

Furthermore, a company that manages rental apartments, which is not wholly owned, is also designated for immediate sale.

The net balance sheet value of all assets totals CHF 16.5 million.

16 Off-balance sheet transactions

in CHF thousands	30.06.2020	31.12.2019	+/−%
Contingent liabilities	57'746	66'944	−13.7
Credit risks	589'122	526'914	11.8
Contract volumes of derivative financial instruments	19'424'037	17'116'270	13.5
Fiduciary transactions	336'389	657'526	−48.8
Securities received as collateral within the scope of securities lending or securities received in connection with reverse repurchase agreements, which are capable of being resold or further pledged without restrictions	382'459	411'057	−7.0

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