

## Media communiqué

# LLB Group continues to grow sustainably

Group net profit of CHF 45.8 million in first half of 2018

*Vaduz, 23 August 2018.* The LLB Group continued its growth in the first half of 2018. It successfully completed the integration of LB(Swiss) Investment AG and the takeover of Semper Constantia Privatbank AG at the beginning of July. Net new money inflow increased to CHF 1.1 billion, Group net profit stood at CHF 45.8 million (–23.7 %).

- ♦ The business volume rose by 1.0 percent to CHF 62.9 billion.
- ♦ Fee and commission business expanded by 4.3 percent to CHF 77.6 million.
- ♦ On account of market effects, operating income decreased by 3.2 percent to CHF 183.5 million.
- ♦ In line with the Group's strategy, operating expenses increased by 10.6 percent to CHF 128.3 million.
- ♦ With a tier 1 ratio of 21.6 percent, the LLB Group stands for financial strength and stability.
- ♦ LLB launches share repurchase programme for a maximum of 400'000 registered shares.

"There is one large headline at the LLB Group for the 2018 business year: we are continuing to grow sustainably. Both organically and through acquisitions. In the first half of 2018, we achieved net new money inflows in all market divisions and booking centres. We successfully completed the acquisitions of LB(Swiss) Investment in Zurich and Semper Constantia Privatbank in Vienna quickly and as planned", said Group CEO Roland Matt. Georg Wohlwend, Chairman of the Board of Directors added: "Recent developments have accentuated the challenges for the financial services industry. With its StepUp2020 strategy, the LLB Group has found the right response to these challenges. We shall continue to consistently pursue the strategy in the second half of its planned term."

### **Increased earnings in operative business**

In the first half of 2018, the LLB Group again improved its operative result. Market effects caused operating income to fall by 3.2 percent to CHF 183.5 million (first half 2017: CHF 189.7 million).

Interest differential business and fee and commission business, in particular, contributed to this positive operative performance. In spite of the Swiss National Bank's negative interest rates, interest income before credit loss expense increased by 5.7 percent to CHF 76.8 million (first half 2017: CHF 72.6 million). Growth with mortgage lending and lower refinancing costs compensated for the expected fall in revenues due to the extension of fixed interest loans at lower conditions.

Income from fee and commission business increased by 4.3 percent to CHF 77.6 million (first half 2017: CHF 74.4 million). Active sales and marketing efforts together with the launch of innovative products and services and the acquisition of LB(Swiss) Investment AG contributed to another gain of CHF 3.2 million.

Net trading income decreased to CHF 34.4 million (first half 2017: CHF 38.6 million). Whereas trading in foreign exchange, foreign notes and precious metals climbed by 7.4 percent to CHF 28.9 million in comparison with the previous year, the sideways trend with Swiss franc interest rates led to lower valuation gains with interest rate swaps, measured on the reporting date of CHF 5.5 million compared with CHF 11.5 million in the previous year. Higher USD interest rates and a negative stock market development resulted in accounting losses of CHF 10.4 million with financial investments, measured on the reporting date compared with a gain of CHF 5.2 million in the first half of 2017.

### **Increase in operating expenses in line with strategy**

In comparison with the previous year, operating expenses rose by 10.6 percent to CHF 128.3 million (first half 2017: CHF 116.0 million). The growth of general and administrative as well as personnel expenses reflects the investments we have made in our StepUp2020 strategy. Personnel expenses increased to CHF 81.5 million (first half 2017: CHF 76.9 million) due to the strategic expansion of full-time equivalent positions and on account of the takeover of LB(Swiss) Investment with its eleven employees. General and administrative expenses rose by 27.8 percent, or CHF 7.0 million, to CHF 32.1 million (first half 2017: CHF 25.1 million). The previous year's result included the release of provisions for legal and litigation risks amounting to CHF 5.0 million.

Without this effect, general and administrative expenses would have risen by CHF 2.0 million in comparison with the previous year, largely as a result of integration costs.

In the first half of 2018, the LLB Group earned a net profit of CHF 45.8 million which, on account of the market effects, was 23.7 percent lower than in the equivalent period in the previous year (first half 2017: CHF 60.0 million). The Cost-Income-Ratio stood at 71.2 percent (first half 2017: 62.8 %).

### **Highest net new money inflows since 2010**

With a net new money inflow of CHF 1.1 billion (first half 2017: CHF 731 million), the LLB Group grew substantially and sustainably in all three market divisions, as well as in the three booking centres. These were the highest net new money inflows since 2010.

The business volume expanded by 1.0 percent to CHF 62.9 billion (31 December 2017: CHF 62.3 billion). Client assets under management increased to CHF 50.5 billion as per 30 June 2018 (31 December 2017: CHF 50.3 billion). At CHF 12.4 billion, loans to clients posted a plus of 2.6 percent. Mortgage loans rose by 2.1 percent to CHF 10.8 billion (31 December 2017: CHF 10.6 billion).

### **Support for the Government's initiative to revoke the state guarantee**

LLB has a limited state guarantee provided by the Principality of Liechtenstein. Article 5 of the Law on the Liechtensteinische Landesbank (LLBG) of 21 October 1992, stipulates that the Principality shall be liable for savings account deposits and medium-term notes (cash bonds) of the Landesbank, insofar as the bank's own resources are not sufficient.

To ensure conformity with the regulations concerning state aid in accordance with Article 61 of the EEA treaty, the Principality and LLB concluded an agreement on 13 September 2005, which regulates the compensation for the state guarantee and which is valid until 31 July 2020.

LLB supports the Government's initiative, in view of the forthcoming expiry of the agreement, not to renew it and to submit a report and a proposal to the Landtag (Liechtenstein parliament) to delete Article 5 of the LLBG.

Independent of the limited state guarantee, the LLB Group stands for security and stability. With equity totalling CHF 1.9 billion, it has a very strong capital base. In mid 2018, the tier 1 ratio stood at 21.6 percent. Liechtensteinische Landesbank's excellent Aa2 deposits rating, which was reaffirmed by the Moody's rating agency in April 2018, underlines the solidity of the LLB Group.

Accordingly, LLB is among the top range of Liechtenstein and Swiss banks and ranks well above the average of European financial institutions.

### Key figures at a glance

	First half 2018	First half 2017	+/- %
Operating income (in CHF millions)	183.5	189.7	-3.2
Operating expenses (in CHF millions)	-128.3	-116.0	10.6
Group net profit (in CHF millions)	45.8	60.0	-23.7
Net new money inflow (in CHF millions)	1'119	731	
RoE (in %)	4.8	6.7	
Earnings per share (in CHF)	1.46	1.98	-26.6
Cost-Income-Ratio (in %)	71.2	62.8	
	30.06.2018	31.12.2017	+/- %
Tier 1 ratio (in %)	21.6	22.2	
Business volume (in CHF billions)	62.9	62.3	1.0
Client assets under administration (in CHF billions)	50.5	50.3	0.6
Loans to clients (in CHF billions)	12.4	12.1	2.6
Total assets (in CHF billions)	21.1	20.0	5.3

### Public share repurchase programme

LLB is launching a public share repurchase programme to buy back up to a maximum 400'000 of its own registered shares via the regular trading line of SIX Swiss Exchange. This corresponds to 1.3 percent of the share capital. The repurchase programme is to be carried out within the scope of the authorisation issued by the General Meeting of Shareholders on 12 May 2017 to repurchase own shares up to a maximum amount of 10 percent of the share capital. The repurchased shares are to be used for the purpose of future acquisitions or Treasury management measures. The repurchase programme shall commence on 24 August 2018 and lasts until 31 December 2020 at the latest. No shares are to be cancelled. All the necessary official approvals and authorisations have been obtained.

LLB has commissioned the Zurcher Cantonal Bank to carry out the repurchase of the registered shares. Further information concerning the share repurchase programme can be found at [www.llb.li/sharebuyback](http://www.llb.li/sharebuyback).

### Quantum leap in implementation of strategy

Sustainable, profitable growth is one of the key objectives of the StepUp2020 strategy. The acquisitions of LB(Swiss) Investment AG in Zurich and Semper Constantia Privatbank AG in Vienna

represent a quantum leap for the LLB Group in the implementation of this strategy. The LLB Group took over LB(Swiss) Investment AG, an investment fund service provider, on 3 April 2018. In May, the company was renamed LLB Swiss Investment AG.

On 4 July 2018, the LLB Group also took over Semper Constantia Privatbank AG in Vienna. At the end of September 2018, a merger is planned of Semper Constantia with LLB Austria to form Liechtensteinische Landesbank (Austria) AG. This will create Austria's leading wealth management bank with client assets of more than CHF 22 billion. Austria will therefore become a third strong home market for the LLB Group. Thanks to the two acquisitions, the LLB Group can significantly expand its investment fund business to become a fund powerhouse in the FL/A/CH region.

### **Outlook**

In the second half of 2018, the LLB Group will continue to drive forward with the realisation of its StepUp2020 strategy. In doing so, the main focus will be on the integration of the acquisitions, as well as on profitability. It will continue to invest in innovative products and services, drive forward its digitalisation of banking business and generate new growth impulses with its lean management culture.

Thanks to its focused business model, diversified earnings structure and clear StepUp2020 strategy, the LLB Group is well prepared to meet and master the forthcoming opportunities and challenges, and it is confident of again achieving a solid business result in the 2018 business year. On the earnings side, it expects to make further operative progress, especially in fee and commission business. The acquisitions will also bring integration costs meaning that strict cost management will continue to be a priority.

Halfway through the strategy period, the LLB Group is well on course to achieve its financial objectives. "Thanks to the takeover of Semper Constantia, by the end of 2018, we shall substantially exceed the target business volume of over CHF 70 billion earlier than planned", confirmed Group CEO Roland Matt.

### **Detailed information about the 2018 interim result**

The documents of the 2018 interim financial reporting of the LLB Group will be available from 7.00 a.m. on 23 August 2018 on our website [www.llb.li](http://www.llb.li). An interactive online version of the 2018

interim financial reporting will also be available at <http://hb2018.llb.li> (German version) and at <http://hr2018.llb.li> (English version).

### **Conference call**

The 2018 interim business result of the LLB Group will be presented in a conference call on 23 August 2018, at 10.30 a.m. The conference call will be held in German. Please use the following telephone numbers to dial in to the conference:

+41 (0)58 310 50 00 (Switzerland / Liechtenstein and all other countries)

+43 (0) 720 88 25 49 (Austria)

A recording of the conference call can be accessed on 23 August 2018 from 1.00 p.m. as an audio file at our website [www.llb.li](http://www.llb.li).

### **Important dates**

- Thursday, 14 March 2019, presentation of the 2018 business result
- Friday, 3 May 2019, 27th ordinary Annual General Meeting of Shareholders

### **Brief portrait**

Liechtensteinische Landesbank AG (LLB) is the longest established financial institute in the Principality of Liechtenstein. The majority of the company's share capital is held by the Principality of Liechtenstein. LLB's shares are listed on the SIX Swiss Exchange (symbol: LLBN). The LLB Group offers its clients comprehensive wealth management services, as a universal bank, in private banking, asset management and fund services. With 888 employees (full-time equivalent positions), LLB is represented in Liechtenstein, Switzerland, Austria and the United Arab Emirates (Abu Dhabi and Dubai). As per 30 June 2018, the business volume of the LLB Group stood at CHF 62.9 billion.

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