

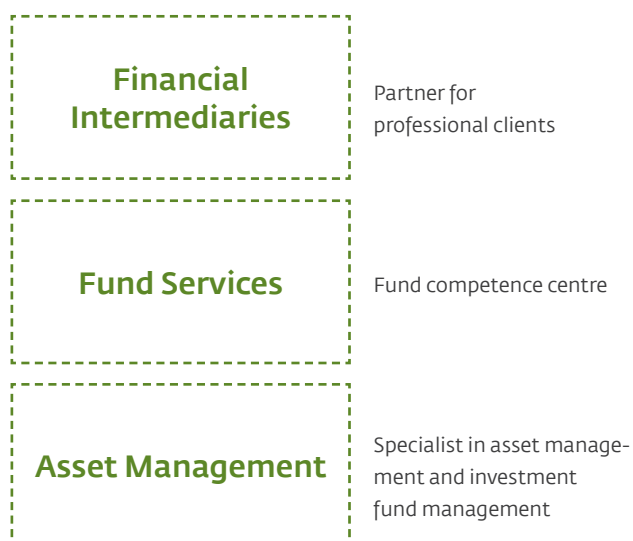
Institutional Clients

Thanks to the purchase of Semper Constantia Privatbank AG and the Swiss investment fund company LB(Swiss) Investment AG, the LLB Group has advanced to become a fund powerhouse in the FL-A-CH region. This enables us to create more value for our institutional clients.

Specialised in serving professional clients

Institutional Clients encompasses the intermediary and fund business, as well as the asset management operations of the LLB Group. We concentrate on fiduciaries, asset managers, fund promoters, insurance companies, pension funds and public institutions. Our core markets are Liechtenstein, Switzerland and Austria.

In April 2018, LLB took over the Zurich-based fund management company, LB(Swiss) Investment AG, which changed its name in May to LLB Swiss Investment AG. This now enables us to offer external asset managers, family offices, pension funds and banks in Switzerland tailor-made investment fund services. At the end of September 2018, the merger of Semper Constantia with LLB Österreich to become Liechtensteinische Landesbank (Österreich) AG was completed, permitting us to greatly expand our position in institutional business in Austria.



Funds powerhouse

Thanks to the acquisitions it has made, the LLB Group now operates investment fund management companies in its three home markets of Liechtenstein, Switzerland and Austria. It manages an investment fund volume of over CHF 30 billion. Consequently, LLB has significantly consolidated its position in this field of business and now can be regarded as a potent fund powerhouse in the FL-A-CH region (Liechtenstein / Austria / Switzerland). It focuses on providing private label fund solutions, known also in Austria as white label funds or Master-KAG solutions. These are very individual solutions, ideally suited for efficient asset management and as structuring alternatives for large volumes of assets. They are characterised, in particular, by the fact that they delegate fund management to an external third party, or they engage such specialists as investment advisers. Irrespective of whether a fund is set up for a restricted group of investors or is publicly distributed, the investor protection is the same.

In Liechtenstein, LLB Fund Services AG is one of the three largest private label vendors. Over the last two decades, it has made a name for itself – just like the Austrian LLB Invest KAG – as a specialist in this business area. All LLB's fund management companies provide a comprehensive range of services in line with the "all in one shop" concept. We plan and set up tailor-made funds, both in-house as well as for independent asset managers, family offices and other fund promoters. We also manage and structure them, as well as providing state-of-the-art risk management. At our business locations in Vaduz and Zurich, we supplement these services by taking over the representative function of foreign funds.

Fund business in Liechtenstein and Switzerland

The Fund Services business area operates as the LLB Group's fund competence centre in Switzerland and Liechtenstein, and is an important earnings pillar with significant growth potential. In the year under report, the business area achieved a net new money inflow with private label funds of CHF 296 million. Based on an holistic and needs-oriented advisory approach, its spectrum of services ranges from the setting up of a fund, to the initial issuance of units, all the way to the provision of services throughout the life cycle of a fund. The strategic

takeover of LB(Swiss) Investment AG in April 2018 provided the LLB Group with access to the Swiss investment funds market and therefore opened up new growth perspectives.

Fund business in Austria

LLB Österreich currently manages CHF 14.8 billion of assets in funds business. Through its subsidiary, LLB Invest KAG, Liechtensteinische Landesbank (Österreich) AG offers customised complete solutions in the areas of public funds, funds for large-scale investors, special funds and multi-manager funds. The spectrum of products ranges from money market tracking funds, to bond and equity funds, to real estate share funds and extends to alternative investment funds and asset allocation funds. A fund solution can be chosen for every investment mentality and for almost every requirement.

LLB Immo KAG, a subsidiary, offers open real estate funds with individual solutions. These include, for example, acquisition and administration of properties, facility and cash management, as well as consolidated reporting. All these solutions are defined in collaboration with our clients and offered from one source. LLB Immo KAG can call on extensive experience acquired over many years in the real estate market. Real estate special funds are aimed mainly at professional investors, which include pension funds, insurance companies and foundations that want to benefit from the long-term advantages of indirect real estate investments.

LLB as a custodian bank for funds

LLB extended its position as the leading custodian bank in Liechtenstein, serving 252 funds by the end of 2018. As a pioneer in this business and the first bank to offer this service in Liechtenstein, it has acknowledged experience and expertise in the management and administration of complex fund mandates having various strategies and asset classes. LLB Österreich has a similar pedigree, offering this service for 308 funds at the end of 2018.

EU passport for UCITS and alternative investment funds

Thanks to its membership of the EEA, Liechtenstein is the only country having unlimited access to two economic areas, i.e. Switzerland and the European Union. In accordance with the Undertakings for Collective Investments in Transferable Securities (UCITS) directive based on European law and the law concerning the Managers of Alternative Investment Funds (AIFM), Liechtenstein funds can be marketed and freely distributed in the 28 EU states, as well as the EEA / EFTA states (see chapter "Regulatory framework and developments", page 47).

Financial intermediaries

The team responsible for financial intermediaries offers independent asset managers, fiduciaries and insurance companies comprehensive service and support so that together they can create suitable solutions for the intermediaries and their end clients. At the same time, we are a reliable partner for pension Funds and public institutions when they need asset management and payment services. We are constantly investing in digitalisation projects in order to keep pace with our clients' requirements. In 2018, numerous additional measures were implemented to increase efficiency in our client relationships.

Expansion of digital client interfaces

On the basis of feedback regularly obtained from clients, we specifically invested in the improvement of digital client interfaces in 2018 and further developed our services. In June 2018, new online banking functions were implemented to simplify the placing of orders and the administration of their portfolios for our professional clients. LLB online banking now offers professional clients the possibility of continuing to retrieve closed accounts and custody accounts for a certain period, and enables them to access various performance contribution reports and extended presentation options.

In 2019, additional, needs-based functions are planned. Financial reporting is to be extended and the administration of forms is to be optimised. Furthermore, sophisticated analysis tools are to be provided and our interfaces for connecting intermediaries' software applications are to be refined. Improved and more efficient processes should reduce administrative time and effort both for our clients and for our client advisers. Our long-term objective is to make our online banking system even more responsive to the requirements of intermediaries and to create a digital onboarding process for our clients.

Business compliance function

To fulfil a clear client wish we set up a business compliance function in the Financial Intermediaries business area in 2017. When financial intermediaries come to us with complex business cases, a compliance specialist can now be called in to provide an initial assessment of the situation. Consequently, clients are supported through the regulatory requirements and the compliance process right from the start. For them this means added value in the form of the provision of specialist knowledge and a shorter time to market. Financial intermediaries greatly appreciate this service and use it regularly. In addition, the business compliance function carries out our preliminary clarifications for various business cases and therefore helps to quickly identify and address regulatory obstacles.

Lean transformation: more time for clients

The Financial Intermediaries business area has undergone a complete "lean" transformation (see chapter "Corporate Center", page 41). The goal of the process is, by implementing a better workload balance, to free up 15 to 20 per cent more capacity among client advisers and thus

gain more time for direct contacts with clients, as well as generating more qualitative advice. For this purpose, among other measures, an assistance pool was set up through which stock market and payment orders are to be centrally and efficiently processed. By taking over around 25'000 stock market orders per year, the pool will relieve our client advisers of a great deal of work pressure. Within the scope of our ongoing improvement system, we shall continue to critically assess and, if necessary, adapt our processes and procedures.

Also within the context of lean management, we organised and held moderated discussions with groups of clients for the first time in 2018. Subsequently, the results of the discussions were systematically evaluated. They showed us where and how we can optimise our services. The various improvements described in the previous paragraphs, especially those implemented in regard to digital client interfaces, were all measures that were derived from these discussions with clients. In future, we intend to hold these client group discussions once a year. In addition, we shall regularly request feedback from clients by means of a standardised questionnaire.

Asset Management

In 2018, we added two new staff members to the Asset Management Division in Vaduz. Thanks to the takeover of Semper Constantia, eleven specialists from Vienna have joined the team. The Asset Management Division supports all three market divisions in their target regions by providing them with its investment competence and value-oriented investment approach (see chapter "Strategy and organisation", page 9). It therefore plays a central role within the LLB Group. Our specialists have extensive experience in meeting the investment needs of institutional clients.

Our Asset Management has been Global Investment Performance Standards (GIPS) certified for 16 years. These international quality standards are based on the complete and correct disclosure, as well as comparable presentation of investment results. They ensure that clients receive fair and transparent reports.

Awards

The most important award for an asset manager, such as the LLB Group, is to be the best in its category over all main investment classes, i.e. for bonds, equities and strategy funds. At the Thomson Reuters Lipper Fund Awards 2018, the LLB Group was the recipient of these awards. It was also ranked first in the category best "Bond Small Company". The LLB Equities Dividend Pearls Global (CHF) fund was honoured in the category "Equity Global Income" for the best performance over the last five years. The Asset Management of the LLB Group was also awarded the "GELD" award for the best real estate equity fund in Austria over three years in 2018. The following is a brief overview of the most important awards received:

- **Lipper Fund Awards Switzerland 2018:** best group over three years "Overall Small Company", best group over three years "Bond Small Company" and best performance in the category "Equity Global Income" (three awards in one year);
- **Lipper Fund Awards Austria 2018:** LLB Equities Real Estate Global (CHF) selected as the best real estate equity fund in Vienna over three years;
- **Alternative Investments Awards 2018 of "Geld", the Austrian journal for financial professionals:** also for LLB Equities Real Estate Global (CHF) selected as the best real estate equity fund in Vienna over three years;
- **Hedge Fund Awards 2018 of "Acquisition International (AI)" magazine:** "Best Portfolio Manager – Liechtenstein" and "Best Alternative UCITS Fund" (two awards in two years).

In long-term competitive comparison, LLB has been at the top of the rankings for years with its broadly diversified strategy funds. In this context, broadly diversified means: with the strategy funds we invest in fourteen asset classes (liquidity, CHF bonds, global bonds, real asset bonds, high interest and emerging market bonds, convertible bonds, local equities, global equities, emerging market equities, real estate equities, commodities, hedge funds and disaster bonds) and in around 4'500 individual instruments.

Expansion of the LLB fund range

Thanks to the acquisitions made in 2018, we were able to further expand our range of investment funds. For example, the purchase of Semper Constantia Privatbank AG has opened the door for us to the real estate segment. Following the merger with LLB Österreich, the company now has extensive experience in this business and, in addition to numerous funds, can also offer investors individual access to a comprehensive range of indirect and direct real estate investments.

The volume invested in LLB funds has posted an above-average performance – while keeping costs low – over the last six years. At the end of 2018, the fund volume stood at CHF 30.5 billion. The vast majority of the 612 LLB funds is Europe-compatible, meaning that they fulfil the UCITS V EU directive (see chapter "Regulatory framework and developments", page 47). Furthermore, they all fulfil the criterion of strict diversification. The 40 LLB own funds are largely actively managed by experienced fund managers and are usually licensed for distribution in Liechtenstein, Switzerland, Austria and Germany.

Asset management

With six different investment strategies from "Fixed Interest" to "Equities" in the reference currencies CHF, EUR and USD, LLB enables the diversification of capital investments. The volume of assets under management at the end of 2018 totalled CHF 6.9 billion.

Client requirements are always at the forefront in the LLB Group. In 2018, therefore, we extended our offering with passive asset management mandates having various investment strategies, with which the equity exposure, in particular, is passively managed. Another new LLB feature is the total return approach of LLB Österreich. Its asset management possesses core competence in exercising mandates with the focus on value preservation and extensive experience in the implementation of value protection concepts.

Partner-like dialogue and transfer of knowledge

The transfer of knowledge and the strong networking with external partners is particularly important for intermediaries. By transferring knowledge, we create added value for our clients and promote the exchange of ideas and views. We utilise two channels for this purpose: our exclusive round-table events and an online platform designed to fulfil the requirements of intermediaries. In addition, we have extensive and close links with various associations and financial centre players, so that we can learn right in the front line which themes are, or are going to be, important in the future. This enables us to actively shape and configure the basic business conditions, which determine our business model.

"LLB Xpert Views"

For several years LLB experts and investment specialists have regularly informed our clients about current topics at the exclusive round table discussions, which are held within the context of our "LLB Xpert Views". The focus in 2018, for instance, was on the EU data protection directive, tax issues and regulatory developments such as MiFID II and FIDLEG. We organised about a dozen such round tables during the year under report, including four "LLB Xpert Views" specials, at which on the one hand, the LLB Group explained its investment policy to institutional clients, and on the other, it highlighted specific subjects for fund management companies and public institutions. Furthermore, in November we held a Swiss round table in Zurich for the first time with great success and thereby extended our geographical reach.

Our "LLB Xpert Views" online platform is also a central point of contact for fiduciaries, independent asset managers, fund managers and fund promoters. We can make available our know-how in the areas of asset management, as well as law and taxation to our clients via the online platform. Moreover, "LLB Xpert Views" supports intermediaries and institutional clients in complying with the latest regulatory provisions. Institutional clients receive a compact and transparent overview of the latest regulatory developments.

Partnerships with financial centre players

LLB participates actively in various networks and thus secures an audience for its views. The Group company, LLB Asset Management AG, is a member of the Liechtenstein Association of Independent Asset Managers (VuVL) and a committed partner in the development of the financial centre. At the same time, the Group company, LLB Fund Services AG, is a member of the executive board of the Liechtenstein Investment Fund Association (LAFV), which actively shapes the basic framework of the Liechtenstein fund centre. LLB Österreich is a member of the executive board of the Association of Austrian Investment Companies (VÖIG) – the umbrella association of all Austrian administration companies and all Austrian real estate capital investment companies. In Zurich, LLB Swiss Investment AG is a member of the Swiss Funds & Asset Management Association (SFAMA), the representative trade association of the Swiss investment fund and asset management industry.

Business segment result

The segment profit before tax of the Institutional Clients segment rose by 8 per cent. Operating income improved largely on account of the good performance of interest business from foreign currency investments. Income from fees and commissions exceeded the previous year's result thanks to active sales and marketing efforts, as well as the first-time consolidation of LLB Swiss Investment AG and Semper Constantia. The two acquisitions made a positive contribution of CHF 26.8 million to the increase in operating income. Operating expenses increased on account of the takeover of the personnel of the acquired companies. Thanks to the takeover of Semper Constantia, the business volume rose by over 50 per cent and now stands at CHF 43 billion. Adjusted to consider the acquisition volumes, the business volume decreased due to market factors.

Institutional Clients

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Swiss francs is the total business volume of the Institutional Clients segment. That is an increase of about 55 per cent.

Segment reporting

in CHF thousands	2018	2017	+ / - %
Net interest income	19'817	14'725	34.6
Expected credit losses	0	7'500	-100.0
Net interest income after expected credit losses	19'817	22'225	-10.8
Net fee and commission income	80'952	56'201	44.0
Net trading income	11'007	11'138	-1.2
Other income	2	2	-7.0
Total operating income	111'778	89'566	24.8
Personnel expenses	-26'220	-17'709	48.1
General and administrative expenses	-4'647	-2'507	85.4
Depreciation and amortisation	-116	0	
Services (from) / to segments	-20'550	-13'369	53.7
Total operating expenses	-51'534	-33'585	53.4
Segment profit before tax	60'244	55'981	7.6

Performance figures

	2018	2017
Gross margin (in basis points)*	31.1	30.7
Cost-Income-Ratio (in per cent)**	46.1	40.9
Net new money (in CHF millions)	89	397
Growth of net new money (in per cent)	0.3	1.6

* Operating income (excluding expected credit losses) relative to average monthly business volumes.

** Operating expenses (excluding provisions for legal and litigation risks) in relation to operating income (excluding expected credit losses).

Additional information

	31.12.2018	31.12.2017	+ / - %
Business volume (in CHF millions)	43'007	27'790	54.8
Assets under management (in CHF millions)	42'489	27'485	54.6
Loans (in CHF millions)	518	305	69.8
Employees (full-time equivalents, in positions)	171	90	89.8