Liechtensteinische Landesbank 1861

Tradition meets Innovation.

to
Step^{UP}2020

from
Focus2015

1 *Kick-off*

Consolidated interim financial reporting 2016

hr2016.llb.li

To our online interim financial reporting

Contents

Information for shareholders

LLB share

Security number		3'019'524
ISIN		LI0030195247
Listing		SIX Swiss Exchange
Ticker symbols	Bloomberg	LLB SW
	Reuters	LLB.S
	Telekurs	LLB

Capital structure

	30.06.2016	31.12.2015	+ / – %
Share capital	154'000'000	154'000'000	0.0
Total shares issued	30'800'000	30'800'000	0.0
Total shares outstanding, eligible for dividend	28'840'762	28'821'798	0.1

	First half 2016	First half 2015	+ / – %
Weighted average shares outstanding	28'832'635	28'821'798	0.0

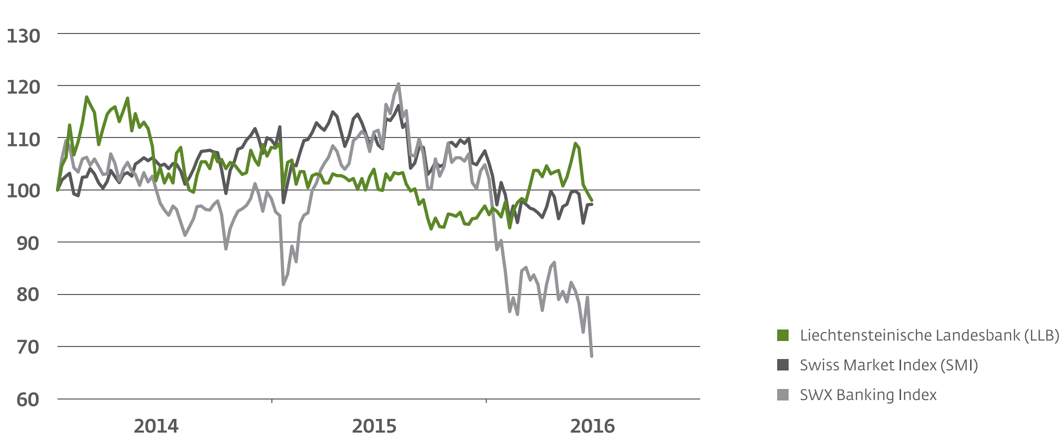
Information per share

	30.06.2016	31.12.2015	+ / – %
Nominal value (in CHF)	5.00	5.00	0.0
Share price (in CHF)	36.00	35.85	0.4

	First half 2016	First half 2015	+ / – %
Basic earnings per share (in CHF)	1.47	1.31	11.9
Price / earnings ratio	12.27	14.58	

Comparison of LLB share

Indexed from 1 January 2014



Key figures

Consolidated income statement

in CHF millions	First half 2016	First half 2015	+/−%
Income statement			
Operating income	155.1	146.8	5.6
Operating expenses	−108.5	−101.1	7.3
Net profit attributable to the shareholders of LLB	42.3	37.7	12.3
Performance figures			
Cost-Income-Ratio (in percent) * / **	69.8	66.6	
Return on equity attributable to the shareholders of LLB (in percent)	5.2	4.6	

* Operating expenses (excluding provisions for legal and litigation risks) in relation to operating income (excluding credit loss expense).
** Adjusted to consider market effects (interest rate swaps and price gains) the Cost-Income-Ratio for the first half 2016 stood at 63.2 percent, and for the first half 2015 at 58.2 percent.

Consolidated balance sheet and capital management

in CHF millions	30.06.2016	31.12.2015	+/−%
Balance sheet			
Equity attributable to the shareholders of LLB	1'623	1'657	−2.0
Total assets	19'600	19'670	−0.4
Capital ratio			
Tier 1 ratio (in percent)	20.3	20.6	
Risk-weighted assets	7'537	7'589	−0.7

Others

	30.06.2016	31.12.2015	+/−%
Business volumes (in CHF millions)	56'305	56'561	−0.5
Assets under management (in CHF millions)	45'276	45'570	−0.6
Loans (in CHF millions)	11'029	10'991	0.3
Employees (full-time equivalents, in positions)	842	816	3.1

Purely for ease of reading, the masculine form used in this document is intended to refer to both genders.
The Liechtensteinische Landesbank Aktiengesellschaft is referred to variously in the following as the 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 2016 consolidated interim financial reporting in an interactive online version:

German: http://hb2016.llb.li
English: http://hr2016.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.

Confidently going forward

Dear shareholders

In 2016 the LLB Group has made a robust and dynamic start to implementing its StepUp2020 strategy. We are focusing on the four core elements of growth, profitability, innovation and excellence. In the digital age, our vitally important innovative power enables us to create new opportunities for our clients and for banking business. Thanks to our targeted business model and consistent client focus, we have strengthened our position in our target markets and achieved further operative progress in a challenging economic environment.

Interim result enhanced in a challenging environment

As was expected, the strength of the Swiss Franc, negative interest rates, volatile financial markets and increasing regulation continued to challenge the banking industry in the first half of 2016. The United Kingdom's decision to leave the European Union on 23 June aggravated the situation. The Swiss National Bank (SNB) intervened on the foreign exchange market to stabilise the Swiss Franc exchange rate. Despite the global political and economic uncertainties, as well as the continuing restraint of investors, the LLB Group has attained a good interim result. The Group's net profit improved by 5.5 percent to CHF 43.0 million (see the „Consolidated management report", pages 14–15).

Rating agency confirms financial strength

In April 2016, the rating agency Moody's awarded the Liechtensteinische Landesbank a deposit rating of Aa2. This rating underlines the bank's stability and financial strength and positions us in the premier league of Liechtenstein and Swiss banks, well above the average of European financial institutes. Moody's acknowledged the bank's solid fundamental financial data, especially its strong capital resources, as well as its good liquidity and refinancing situation. Moody's rating creates even more transparency for clients and market participants.

Going forward with innovative power

Our omni-channel strategy is of central importance in driving forward to a successful future. The LLB Group develops both pioneering digital applications as well as new business concepts and innovative offers for IT-supported, personal investment advice. The digitalisation of banking business forms a key element of our StepUp2020 strategy.

We have analysed this process thoroughly and intend to invest around CHF 30 million up to 2020 in innovative, high-quality digital solutions. Our goal is to combine physical and digital points of contact into a seamless client experience. We were the first bank in Liechtenstein to introduce a video identification system for the opening of accounts online at the beginning of March. Despite the radical changes which the banking industry is undergoing, strong client relationships remain the most important success factor of the LLB Group in the long term.

Visionary investment advice

In mid-March 2016, we launched LLB Invest / Bank Linth Invest, a product that offers our clients cutting-edge solutions in investment advice and asset management. This new concept enables the LLB Group to combine its traditional services and leading investment competence with the latest advisory models and pioneering information technology.

For our institutional clients we have expanded our offering under the LLB Xpert Solutions label and increased pricing flexibility. LLB Xpert Monitoring is a further element of our new B2B service offer. It provides individually customised, permanent monitoring of the end client's portfolio risks. Consequently, they also benefit from the LLB Group's investment advisory application.

Excellence in client advisory services

Our innovative, holistic client focus distinguishes us on the market, and our constant pursuit of excellence opens up new opportunities for us. For example, we are investing intensively in the knowledge and expertise of our staff. By the end 2020, all our client advisers will have participated in dedicated training programmes delivered in accordance with the standards of the Swiss Association for Quality (SAQ). These training courses commenced in the first half of 2016. The new programme for the SAQ certification of client advisers will ensure that we can safeguard the long-term excellence of the LLB Group's advisory competence according to uniform quality criteria. As the first banking institute in Liechtenstein and one of the first banks in Switzerland, the LLB Group is implementing the internationally recognised, leading Swiss industry standards for the quality of client advisory services throughout the entire Group.

Through lean management to operational excellence

Within the scope of the StepUp2020 strategy, we are pushing ahead with the embedment of a lean management culture in the LLB Group. To promote excellence we are building up a competence center that will focus on creating value and eliminating wastefulness. By realising this concept, the LLB Group will develop into a learning organisation, striving to enhance benefits for our clients and thus strengthening competitiveness.

Targeted growth

In order to grow organically, we assign top priority to strengthening our client advisory resources. In the first half of 2016, we recruited 20 new client advisers in the growth markets. Outstanding client relationships in all our local and international target markets are the key factor for the sustained success of our bank. By creating trust and providing competence, we generate the potential for the sustainable, profitable growth that is the goal of our StepUp2020 strategy. In addition to organic growth, we shall consider targeted acquisitions in our domestic markets of Liechtenstein, Switzerland and Austria.

Changes on the Group Executive Board

Changes occurred in the composition of the Group Executive Board and the Management Board on 1 July 2016. Heinz Knecht, Head of the Retail & Corporate Banking Division went into retirement. His position was taken over by Urs Müller, formerly Head of the Institutional Clients Division. Natalie Epp, formerly Head of the Fund Services Business Area, was appointed a member of the Group Executive and Management Board and succeeded Urs Müller as Head of the Institutional Clients Division.

Going forward with confidence

It is the combination of tradition and innovation that makes us strong. The LLB Group is a bank that enjoys the trust of its clients. At the beginning of this year, we started our journey to growth, profitability, innovation and excellence. We shall continue to go forward with our StepUp2020 strategy in the second half of 2016. Our goals and our course are clearly defined. We shall strive to maintain the momentum with which we started this new strategy period and forge ahead with our dynamic development.

Security and stability are important to us, and we combine them with the determination to utilise our innovative power to drive our bank forward.

We are confident that, thanks to our stable foundation, focused business model and clear strategy, we can achieve further operative progress and attain a solid business result in the 2016 business year.

We would like to thank our clients for their trust, which is both a tribute and an incentive to us. Whatever the LLB Group achieves is predominantly thanks to the efforts of our employees, who are always ready to accept the challenge of change and give their best every day. We want to express our thanks to you, our esteemed shareholders, for the trust you place in us.

Yours sincerely

Roland Matt
Group CEO

Dr. Hans-Werner Gassner
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 life cycle. Traditionally, savings and mortgage lending business has always played an important role. This is supplemented by financial planning and corporate pension provisioning.

Furthermore, the Retail & Corporate Banking Division provides investment advice and asset management to clients having available assets of up to CHF 0.5 million. At the same time, it offers services for small and medium-sized enterprises (SMEs). Retail & Corporate Banking combines bank branches with mobile and web-based services. It has three business branches in Liechtenstein and 19 in the Swiss cantons of Zurich, St. Gallen, Schwyz and Glarus.

Business segment result

During the first half of 2016, the business volume in the Retail & Corporate Banking Business Segment rose by 1.7 percent to CHF 17.7 billion. Thanks to the continuing demand for real estate financing, loans to customers climbed by 1.0 percent. Assets under management increased by 2.5 percent to CHF 8.2 billion. Net new money stood at CHF 256 million. Inflows were registered from private and corporate clients in the two domestic markets of Switzerland and Liechtenstein.

On account of the low interest rate level, operating income fell by 9.1 percent to CHF 61.2 million. Operating expenses fell at the same time by 13.5 percent to CHF 39.6 million. The segment profit before tax remained constant at CHF 21.6 million.

Segment reporting

in CHF thousands	First half 2016	First half 2015	+ / − %
Net interest income	41'418	46'354	−10.6
Credit loss (expense) / recovery	−865	461	
Net interest income after credit loss expense	40'553	46'815	−13.4
Net fee and commission income	15'462	14'669	5.4
Net trading income	4'929	5'480	−10.1
Other income	225	340	−33.8
Total operating income	**61'169**	**67'304**	**−9.1**
Personnel expenses	−16'269	−16'194	0.5
General and administrative expenses	−851	−1'519	−44.0
Depreciation and amortisation	−35	−50	−30.0
Services (from) / to segments	−22'401	−27'986	−20.0
Total operating expenses	**−39'556**	**−45'749**	**−13.5**
Segment profit before tax	**21'613**	**21'555**	**0.3**

Performance figures

	First half 2016	First half 2015
Net new money (in CHF millions)	256	−7
Growth of net new money (in percent)	3.2	−0.1
Cost-Income-Ratio (in percent) *	63.8	68.4
Gross margin (in percent) **	70.7	78.1

* Operating expenses (excluding provisions for legal and litigation risks) in relation to operating income (excluding credit loss expense).
** Operating income (excluding credit loss expense) relative to average monthly business volumes.

Additional information

	30.06.2016	31.12.2015	+ / − %
Business volumes (in CHF millions)	17'670	17'374	1.7
Assets under management (in CHF millions)	8'241	8'037	2.5
Loans (in CHF millions)	9'429	9'337	1.0
Employees (full time equivalent, in positions)	215	223	−3.6

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 in Liechtenstein, Switzerland and Austria, our 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. The LLB Group has three banks in Liechtenstein (Vaduz), Switzerland (Uznach) and Austria (Vienna) as well as banking locations in Zurich-Erlenbach, Geneva, Abu Dhabi, Dubai and in Eastern Switzerland.

Business segment result

The Private Banking Business Segment reported new money inflows in the growth markets and in the domestic markets in the first half of 2016. Money outflows were registered in the traditional, cross-border markets. On balance, this resulted in a net money outflow of 0.1 percent. Due to performance-related factors, assets under management decreased to CHF 12.7 billion, while loans to clients rose to CHF 1.4 billion. The business volume stood at CHF 14.1 billion.

On account of the high level of liquidity held by clients and the persisting pressure on margins, income from interest business and income from fees and commissions declined. Operating income fell accordingly by 10.4 percent to CHF 43.8 million. The expansion of personnel through the recruitment of new client advisers led to higher personnel expenses. Operating expenses climbed to CHF 30.1 million. The segment result before tax decreased to CHF 13.8 million.

Segment reporting

in CHF thousands	First half 2016	First half 2015	+ / − %
Net interest income	7'327	9'310	−21.3
Credit loss (expense) / recovery	750	0	
Net interest income after credit loss expense	8'077	9'310	−13.2
Net fee and commission income	31'577	34'770	−9.2
Net trading income	4'183	4'869	−14.1
Other income	1	2	−50.0
Total operating income	**43'838**	**48'951**	**−10.4**
Personnel expenses	−14'647	−12'294	19.1
General and administrative expenses	−1'888	−1'695	11.4
Depreciation and amortisation	0	0	
Services (from) / to segments	−13'519	−12'985	4.1
Total operating expenses	**−30'054**	**−26'974**	**11.4**
Segment profit before tax	**13'784**	**21'977**	**−37.3**

Performance figures

	First half 2016	First half 2015
Net new money (in CHF millions)	−16	52
Growth of net new money (in percent)	−0.1	0.3
Cost-Income-Ratio (in percent) *	68.5	55.9
Gross margin (in percent) **	61.9	67.1

* Operating expenses (excluding provisions for legal and litigation risks) in relation to operating income (excluding credit loss expense).
** Operating income (excluding credit loss expense) relative to average monthly business volumes.

Additional information

	30.06.2016	31.12.2015	+ / − %
Business volumes (in CHF millions)	14'144	14'448	−2.1
Assets under management (in CHF millions)	12'744	13'128	−2.9
Loans (in CHF millions)	1'400	1'320	6.1
Employees (full time equivalent, in positions)	148	137	8.0

Institutional Clients Segment

Intermediary and investment fund business, asset management

The Institutional Clients Division encompasses the intermediary and fund business, as well as asset management services in the Liechtenstein and Swiss markets. LLB Asset Management AG fulfils a central role within the LLB Group. It possesses extensive investment competence and takes care of portfolio management, the management of institutional mandates and investment fund management.

LLB Fund Services AG is one of the leading investment fund providers in Liechtenstein. It possesses comprehensive, broadly-based expertise. The LLB teams of experts for the care of fiduciaries, external asset managers and public institutions are distinguished by their holistic, partner-like client focus.

Business segment result

The Institutional Clients Segment manages around 40 percent, or CHF 24.6 billion, of the business volume of the LLB Group. As a result of large outflows of money from isolated custodian bank funds and in traditional, cross-border business, net new money amounted to minus CHF 277 million.

In a challenging market environment, operating income increased by 5.4 percent to CHF 37.7 million. Whereas value adjustments decreased, income from interest business and fees and commissions remained stable. Operating expenses rose by 11.1 percent to CHF 15.5 million. The segment profit before tax climbed by 1.8 percent to CHF 22.2 million.

Segment reporting

in CHF thousands	First half 2016	First half 2015	+ / − %
Net interest income	4'568	4'512	1.2
Credit loss (expense) / recovery	−25	−4'730	−99.5
Net interest income after credit loss expense	4'543	−218	
Net fee and commission income	28'046	28'565	−1.8
Net trading income	5'062	5'784	−12.5
Other income	2	1'584	−99.9
Total operating income	**37'653**	**35'715**	**5.4**
Personnel expenses	−8'727	−8'033	8.6
General and administrative expenses	−1'054	−1'050	0.4
Depreciation and amortisation	0	0	
Services (from) / to segments	−5'683	−4'830	17.7
Total operating expenses	**−15'464**	**−13'913**	**11.1**
Segment profit before tax	**22'189**	**21'802**	**1.8**

Performance figures

	First half 2016	First half 2015
Net new money (in CHF millions)	−277	−211
Growth of net new money (in percent)	−1.1	−0.8
Cost-Income-Ratio (in percent) *	41.0	34.4
Gross margin (in percent) **	30.5	32.3

* Operating expenses (excluding provisions for legal and litigation risks) in relation to operating income (excluding credit loss expense).
** Operating income (excluding credit loss expense) relative to average monthly business volumes.

Additional information

	30.06.2016	31.12.2015	+ / − %
Business volumes (in CHF millions)	24'622	24'854	−0.9
Assets under management (in CHF millions)	24'286	24'394	−0.4
Loans (in CHF millions)	336	460	−27.0
Employees (full time equivalent, in positions)	87	84	3.6

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, purchasing, 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 including information technology and enhances the efficiency and quality of the LLB Group's services.

Business segment result

The LLB Group reports income from financial investments, the structural contribution from interest business and the valuation of interest rate hedging instruments under the Corporate Center. Operating income increased from minus CHF 5.2 million to CHF 12.4 million. This was attributable firstly to higher earnings from interest business, the result of a higher structural contribution, and secondly to a valuation loss on interest rate swaps in trading income from the perspective of the reporting date.

The valuation of financial investments had a positive impact on operating income. The one-time proceeds from the sale of properties was included in other income. Operating expenses rose to CHF 23.4 million. The strategic expansion of personnel in the areas of innovation and compliance / risk management, as well as higher variable salary remuneration because of the share-based compensation model led to an increase in personnel expenses. The segment profit before tax amounted to minus CHF 11.0 million.

Segment reporting

in CHF thousands	First half 2016	First half 2015	+ / − %
Net interest income	14'967	4'738	215.9
Credit loss (expense) / recovery	0	0	
Net interest income after credit loss expense	14'967	4'738	215.9
Net fee and commission income	− 3'736	− 2'477	50.8
Net trading income	− 14'919	− 5'260	183.6
Net income from financial investments at fair value	10'020	− 2'135	
Share of net income of joint venture	9	− 7	
Other income	6'067	− 44	
Total operating income	**12'408**	**− 5'185**	
Personnel expenses	− 25'611	− 19'822	29.2
General and administrative expenses	− 26'472	− 26'227	0.9
Depreciation and amortisation	− 12'935	− 14'253	− 9.2
Services (from) / to segments	41'603	45'801	− 9.2
Total operating expenses	**− 23'415**	**− 14'501**	**61.5**
Segment profit before tax	**− 11'007**	**− 19'686**	**− 44.1**

Additional information

	30.06.2016	31.12.2015	+ / − %
Employees (full time equivalent, in positions)	392	372	5.4

Consolidated interim financial statement of the LLB Group

Consolidated interim management report

Group financial statement

The consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

In the first half of 2016, the LLB Group earned a net profit of CHF 43.0 million (first half 2015: CHF 40.8 million). In comparison with the equivalent period in the previous year, the interim result increased by 5.5 percent or CHF 2.2 million.

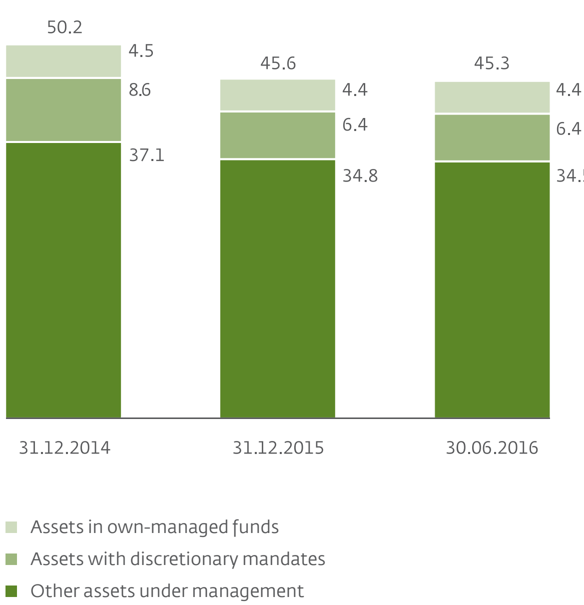
In comparison with the first half of 2015, operating income rose by 5.6 percent and operating expenses by 7.3 percent. The profit attributable to the shareholders of LLB amounted to CHF 42.3 million (first half 2015: CHF 37.7 million). Earnings per share stood at CHF 1.47 (first half 2015: CHF 1.31).

The LLB Group posted net new money outflows of CHF 42 million (first half 2015: minus CHF 166 million). In the last few years outflows have slowed consistently. The Retail & Corporate Banking Segment continued to generate gratifying inflows amounting to CHF 256 million. Private and corporate clients in the domestic markets of Switzerland and Liechtenstein were largely responsible for entrusting the LLB Group with new money in this segment. The Private Banking Segment registered an outflow of CHF 16 million. Outflows from the traditional, cross-border markets in this segment were almost completely offset by inflows in the growth and domestic markets. As a result of isolated large outflows with custodian bank funds and in the traditional, cross-border business, net new money in the Institutional Clients Segment stood at minus CHF 277 million.

Assets under management

As at 30 June 2016, assets under management stood at CHF 45.3 billion (31.12.2015: CHF 45.6 billion). Assets in own-managed funds remained constant at CHF 4.4 billion (31.12.2015: CHF 4.4 billion) as did assets with discretionary mandates at CHF 6.4 billion (31.12.2015: CHF 6.4 billion). On account of exchange-related factors, other client assets under management fell by 0.9 percent to CHF 34.5 billion (31.12.2015: CHF 34.8 billion.).

Assets under management (in CHF billions)



Income statement

Operating income increased in comparison with the first half of 2015 by 5.6 percent to CHF 155.1 million (first half 2015: CHF 146.8 million).

Interest income before credit loss expense increased in the first half of 2016 by 5.2 percent to CHF 68.3 million (first half 2015: CHF 64.9 million). Compared with the previous year, interest business with clients climbed by 7.7 percent. The negative effects in interest income, caused by the extension of fixed interest loans at lower conditions, were compensated for by lower refinancing costs, targeted growth and an improved margin in mortgage lending business. In the current interest rate environment, the LLB Group in some cases pays negative interest on interest rate hedging instruments and money which is invested in the interbank market. In the first half of 2016, this amounted to CHF 4.5 million. Consequently, interest business with banks decreased by 53.5 percent or CHF 1.9 million. During the first half of 2016, net credit risk recovery of CHF 0.1 million (first half 2015: CHF 4.3 million) was recognised in the income statement.

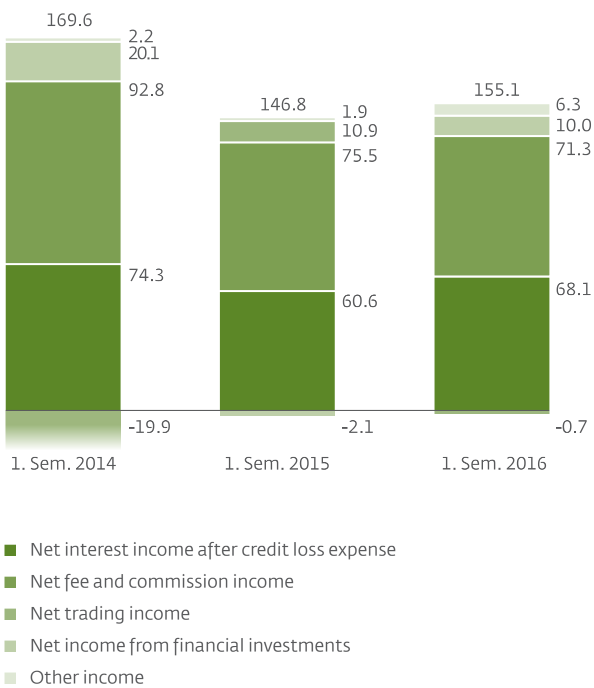
Net fee and commission income was down by 5.5 percent to CHF 71.3 million (first half 2015: CHF 75.5 million). Persisting uncertainty on the financial markets due to the United Kingdom's decision to leave the EU, as well as the stock market turbulence in the first quarter of 2016, further induced clients to exercise restraint in stock market transactions, which in turn resulted in a net reduction of brokerage income of 17.1 percent compared with the previous year.

Net trading income stood at minus CHF 0.7 million (first half 2015: plus CHF 10.9 million). Client trading in foreign exchange, foreign notes and precious metals fell by 18.0 percent to CHF 17.7 million compared with previous year. This was attributable to a high volume of foreign exchange trading in the first six months of 2015 on account of the lifting of support for the Euro minimum exchange rate by the SNB in January 2015. In the first half of 2016, the valuation loss on interest rate hedging transactions amounted to CHF 18.6 million on the reporting date (first half 2015: CHF 10.8 million).

Net income from financial investments at fair value through profit and loss totalled CHF 10.0 million (first half 2015: minus CHF 2.1 million). Income from interest and dividend payments at CHF 7.6 million decreased by 12.1 percent compared with the previous year.

Other income amounted to CHF 6.3 million compared with CHF 1.9 million in the previous year. The increase compared with the equivalent period in the previous year was due to income from the sale of properties.

Operating income (in CHF millions)



Operating expenses amounted to CHF 108.5 million and were therefore 7.3 percent or CHF 7.4 million above the previous year's figure of CHF 101.1 million.

At CHF 65.3 million, personnel expenses were 15.8 percent or CHF 8.9 million higher than in the previous year (first half 2015: CHF 56.3 million). The increase is attributable to a strategic expansion of human resources to 842 full-time positions (31.12.2015: 816). Additionally, the increase takes into consideration higher variable salary remuneration on account of the share-price-based compensation model. Personnel expenses also include a one-time reduction of CHF 10.2 million resulting from the valuation of pension obligations (first half 2015: CHF 11.3 million).

General and administrative expenses at the LLB Group stood at CHF 30.3 million for the first half of 2016 and were therefore practically the same as in the previous year (first half 2015: CHF 30.5 million).

Depreciation and amortisation decreased by CHF 1.3 million to CHF 13.0 million (first half 2015: CHF 14.3 million). In the first half of 2016, the Cost-Income-Ratio stood at 69.8 percent (first half 2015: 66.6 %). Without the market effects, i.e. without income from interest rate swaps and from financial investments, the Cost-Income-Ratio would have been 63.2 percent (first half 2015: 58.2 %).

Balance sheet

In comparison with 31 December 2015, the consolidated balance sheet total remained practically unchanged at CHF 19.6 billion (31.12. 2015: CHF 19.7 billion). Loans to customers granted by the LLB Group posted an increase of 0.3 percent compared with 31 December 2015. Mortgage loans rose by 1.8 percent to CHF 9.8 billion.

Equity attributable to the shareholders of LLB stood at CHF 1.6 billion per 30 June 2016. The tier 1 ratio amounted to 20.3 percent (31.12.2015: 20.6 %). The return on equity attributable to the shareholders of LLB stood at 5.2 percent (first half 2015: 4.6 %).

Outlook

The LLB Group believes that the economic environment will continue to be challenging in the second half of 2016. Uncertainties generated by the Brexit decision in the United Kingdom, the strength of the Swiss Franc, negative market interest rates, volatile financial markets and increasing regulation will continue to challenge the banks. In realizing its StepUp2020 strategy, the LLB Group is pursuing sustainable, profitable growth. Thanks to its stable foundation, focused business model and clear strategy, the LLB Group is confident it can continue to achieve operative progress and attain a solid net profit.

Consolidated income statement (unaudited)

in CHF thousands	Note	First half 2016	First half 2015	+ / − %
Interest income	1	88'789	92'320	−3.8
Interest expenses	1	−20'510	−27'406	−25.2
Net interest income	1	68'279	64'914	5.2
Credit loss (expense) / recovery		−140	−4'269	−96.7
Net interest income after credit loss expense		68'138	60'645	12.4
Fee and commission income	2	84'282	88'367	−4.6
Fee and commission expenses	2	−12'933	−12'840	0.7
Net fee and commission income	2	71'349	75'527	−5.5
Net trading income	3	−745	10'873	
Net income from financial investments at fair value	4	10'020	−2'135	
Share of net income of joint venture		9	−7	
Other income	5	6'294	1'882	234.5
Total operating income		**155'066**	**146'785**	**5.6**
Personnel expenses	6	−65'253	−56'344	15.8
General and administrative expenses	7	−30'265	−30'491	−0.7
Depreciation and amortisation		−12'969	−14'303	−9.3
Total operating expenses		**−108'487**	**−101'137**	**7.3**
Operating profit before tax		**46'579**	**45'648**	**2.0**
Tax expenses	8	−3'553	−4'850	−26.7
Net profit		**43'026**	**40'798**	**5.5**
Of which attributable to:				
Shareholders of LLB		42'282	37'666	12.3
Non-controlling interests		744	3'132	−76.2
Earnings per share attributable to the shareholders of LLB				
Basic earnings per share (in CHF)	9	1.47	1.31	12.2
Diluted earnings per share (in CHF)	9	1.47	1.31	12.2

Consolidated statement of comprehensive income (unaudited)

in CHF thousands	First half 2016	First half 2015	+ / – %
Net profit	43'026	40'798	5.5
Other comprehensive income (net of tax), which can be reclassified to the income statement			
Foreign currency translation	– 260	– 3'456	– 92.5
Value changes to financial investments available for sale	1'867	867	115.3
Reclassified (gains) / losses to the income statement from financial investments available for sale	– 1'403	0	
Tax effects	70	0	
Total other comprehensive income (net of tax), which can be reclassified to the income statement	**274**	**– 2'589**	
Other comprehensive income (net of tax), which can not be reclassified to the income statement			
Actuarial gains and losses according to IAS 19	– 36'139	– 20'756	74.1
Tax effects	4'651	2'527	84.1
Total other comprehensive income (net of tax), which can not be reclassified to the income statement	**– 31'488**	**– 18'229**	**72.7**
Comprehensive income for the period	**11'812**	**19'980**	**– 40.9**
Of which attributable to:			
Shareholders of LLB	12'968	18'139	– 28.5
Non-controlling interests	– 1'156	1'841	

Consolidated balance sheet (unaudited)

in CHF thousands	Note	30.06.2016	31.12.2015	+/−%
Assets				
Cash and balances with central banks		2'579'196	2'559'972	0.8
Due from banks		4'226'241	4'254'074	−0.7
Loans		11'029'111	10'991'490	0.3
Trading portfolio assets		412	2'450	−83.2
Derivative financial instruments		88'683	62'013	43.0
Financial investments at fair value	10	1'329'684	1'438'608	−7.6
Investments in joint venture		57	47	19.5
Property and equipment		115'127	123'321	−6.6
Investment property		16'018	16'240	−1.4
Goodwill and other intangible assets	11	118'669	124'493	−4.7
Current tax assets		1'366	1'168	17.0
Deferred tax assets		31'267	23'669	32.1
Accrued income and prepaid expenses		32'490	45'927	−29.3
Non-current assets held for sale	15	2'065	0	
Other assets		30'027	26'653	12.7
Total assets		**19'600'414**	**19'670'122**	**−0.4**
Liabilities				
Due to banks		813'816	673'634	20.8
Due to customers		15'350'978	15'627'049	−1.8
Derivative financial instruments		206'434	151'593	36.2
Debt issued	12	1'240'214	1'213'244	2.2
Current tax liabilities		9'335	6'172	51.2
Deferred tax liabilities		22'576	21'617	4.4
Accrued expenses and deferred income		24'701	27'891	−11.4
Provisions	13	25'152	25'354	−0.8
Other liabilities		181'180	164'224	10.3
Total liabilities		**17'874'386**	**17'910'777**	**−0.2**
Equity				
Share capital		154'000	154'000	0.0
Share premium		24'968	25'785	−3.2
Treasury shares		−167'045	−168'584	−0.9
Retained earnings		1'703'925	1'709'205	−0.3
Other reserves		−93'101	−63'849	45.8
Total equity attributable to shareholders of LLB		**1'622'746**	**1'656'558**	**−2.0**
Non-controlling interests		103'282	102'787	0.5
Total equity		**1'726'028**	**1'759'345**	**−1.9**
Total liabilities and equity		**19'600'414**	**19'670'122**	**−0.4**

Consolidated statement of changes in equity (unaudited)

	Attributable to shareholders of LLB							
in CHF thousands	Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
As at 1 January 2015	154'000	25'785	−168'585	1'671'273	−44'108	1'638'366	101'522	1'739'888
Net profit				37'666		37'666	3'132	40'798
Other comprehensive income					−19'301	−19'301	−1'517	−20'818
Net movements in treasury shares						0		0
Dividend 2014, paid 2015				−43'233		−43'233		−43'233
Dividend to non-controlling interests 2014, paid 2015						0	−1'609	−1'609
Increase / (reduction) in non-controlling interests						0	1'124	1'124
Other changes				−1'378		−1'378		−1'378
As at 30 June 2015	**154'000**	**25'785**	**−168'585**	**1'664'327**	**−63'407**	**1'612'121**	**102'653**	**1'714'774**
As at 1 January 2016	154'000	25'785	−168'584	1'709'205	−63'849	1'656'558	102'787	1'759'345
Net profit				42'282		42'282	744	43'026
Other comprehensive income					−29'314	−29'314	−1'900	−31'214
Net movements in treasury shares		−817	1'539			722		722
Dividend 2015, paid 2016				−46'145		−46'145		−46'145
Dividend to non-controlling interests 2015, paid 2016						0	−1'623	−1'623
Increase / (reduction) in non-controlling interests				−1'418	62	−1'356	3'274	1'918
As at 30 June 2016	**154'000**	**24'968**	**−167'045**	**1'703'925**	**−93'101**	**1'622'746**	**103'282**	**1'726'028**

Consolidated statement of cash flows

(unaudited)

in CHF thousands	First half 2016	First half 2015
Cash flow from / (used in) operating activities		
Interest received (excluding financial investments)	134'482	120'900
Interest received from financial investments	7'276	8'801
Dividends received from financial investments	355	337
Interest paid	−25'469	−22'948
Fees and commission received	87'160	73'749
Fees and commission paid	−12'501	−2'422
Trading income	17'809	21'760
Other income	1'612	9'257
Payments for personnel, general and administrative expenses	−111'670	−95'739
Other expenses	−10'865	−10'856
Income tax paid	−6'797	−2'112
Cash flow from operating activities before changes in operating assets and liabilities	81'392	100'725
Net due from / to banks	362'387	1'271'162
Trading portfolio and net replacement values	11'655	−5'294
Loans / due to customers	−340'023	−267'661
Other assets	−2'207	13'984
Other liabilities	−12'786	−13'203
Changes in operating assets and liabilities	19'027	998'988
Net cash flow from / (used in) operating activities	**100'419**	**1'099'714**

Cash flow from / (used in) investing activities		
Purchase of property and equipment	−1'335	−12'675
Disposal of property and equipment	12'467	11'453
Purchase of investment property	−1'097	0
Disposal of investment property	0	4'832
Purchase of other intangible assets	−1'407	−410
Purchase of financial investments at fair value	−153'190	−263'915
Disposal of financial investments at fair value	283'167	205'517
Purchase of associates	0	−7
Sale of fully consolidated companies, net of cash	0	6'956
Net cash flow from / (used in) investing activities	**138'605**	**−48'249**

in CHF thousands	First half 2016	First half 2015
Cash flow from / (used in) financing activities		
Disposal of treasury shares	721	0
Dividends paid	−46'145	−43'233
Non-controlling interests	1'659	−485
Increase in shares of Group companies	0	−227
Decrease in shares of Group companies	−1'416	0
Issuance of medium-term debt	120'666	90'339
Repayment of medium-term debt	−93'696	−97'675
Net cash flow from / (used in) financing activities	**−18'211**	**−51'281**
Effects of foreign currency translation	−7'218	−57'498
Net increase / (decrease) in cash and cash equivalents	**213'595**	**942'686**
Cash and cash equivalents at beginning of the period	3'043'279	2'140'624
Cash and cash equivalents at end of the period	**3'256'874**	**3'083'310**
Cash and cash equivalents comprise:		
Cash and balances with central banks	2'579'196	2'554'435
Due from banks (due daily)	677'678	528'875
Total cash and cash equivalents	**3'256'874**	**3'083'310**

Accounting principles
(unaudited)

1 Basis for financial accounting

The interim financial reporting was prepared in accordance with the International Financial Reporting Standards (IFRS) and complies with the requirements of IAS 34 (Interim Financial Reporting). The same accounting principles were applied as for the consolidated financial statement per 31 December 2015 with the exception of the changes mentioned below. The unaudited interim financial reporting should be read together with the audited 2015 consolidated financial statement. Management believes that all the necessary adjustments were made to provide a fair presentation of assets, liabilities, results of operations and cash flows.

In preparing the interim financial reporting in conformity with IFRS, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of information available to the LLB 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 material to the financial statements. The IFRS contain guidelines, which require the LLB Group to make estimates and assumptions when preparing the interim financial reporting. Goodwill, intangible assets, pension plans and fair value measurements for financial instruments are all areas which leave large scope for estimate judgements. Assumptions and estimates made with them could be material to the financial statement. Explanations regarding this point are shown under note 11 and note 14 in the 2016 consolidated interim financial reporting and under note 19, note 36 and note 41 of the 2015 consolidated financial statement.

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 2015 annual financial statement were adjusted accordingly in the 2016 interim financial reporting. The Personnel Pension Fund Foundation of LLB AG reduced the conversion rate for the pension plan. In the first half of 2016, this led to a one-time reduction in personnel expenses of CHF 10.2 million.

Numerous new IFRS standards, amendments and interpretations of existing IFRS standards were published, which were to become effective for financial years starting 1 January 2016 or later. The following new or revised IFRS standards or interpretations are of importance to the LLB Group:

- IFRS 9 "Financial Instruments" – IFRS 9 is divided into three phases: Classification and Measurement, Impairment and Hedge Accounting. The classification and measurement of financial instruments are made on the basis of the business model of the bank for the management of financial instruments and the contractual cashflow characteristics of the financial assets. The financial instruments are classified in the "Hold" business model and measured at amortised cost, if the purpose of the financial instrument is to generate interest earnings and payment of the principal upon maturity. If the financial instruments are held for liquidity management reasons, i.e. for the purpose of holding and sale, then the instruments are to be recognised at fair value through other comprehensive income. Gains and losses from this business model are booked to the statement of other comprehensive income and equity. On the basis of IFRS 9, impairments are to be recognised at an early stage (expected loss model). The amount of the impairment is determined on the basis of the classification of the financial instrument in one of the following three stages. In stage 1 there is no significant deterioration in credit quality and impairments amounting to the cash value of a 12-month expected credit loss are to be recognised. If there is no objective indication of an impairment, but a significant increase in credit risk has occurred, the impairment is to be recognised in the expected life-time credit loss (stage 2). In stage 3, there must be an objective indication of an impairment and a single allowance (life-time expected loss) is to be made for this financial instrument. These three stages are to be reviewed on every balance sheet key date. In addition, IFRS 9 regulates hedge accounting, whereby it seeks to standardise risk management and accounting. Hedges are to be better reflected in the financial accounts. The new standard comes into effect on 1 January 2018. The previous year does not have to be adjusted. The first-time adjustments will be made via the opening equity capital per 1 January 2018. The LLB has split its analysis of the effects of these changes into three parts, equivalent to the three stages of the IFRS. Up to the completion of the IASB project dealing with macro hedge accounting, the LLB can continue with its macro hedge accounting under IFRS 9 unchanged. The new rules regarding the classification and valuation of financial instruments will have no material influence on the LLB Group because the current classification and valuation of financial instruments remains largely unchanged. With respect to the third phase of IFRS regarding impairments (expected loss model), the LLB Group has formulated a concept (validation of scope) for the systematic calculation of periodic impairments. In this connection, the LLB Group will introduce a standard IT tool throughout the Group during the first half of 2017.

- IFRS 15 "Revenue from Contracts with Customers" – In May 2014, the IASB, together with the FASB, issued new regulations for the recognition of revenue, which completely replace the existing US-GAAP and IFRS rulings for the recognition of revenue. The recognition requires that revenue be shown as goods or services transferred to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 contains a 5-step model to calculate the revenue, whereby the type of transaction or the industry, in which the company operates is irrelevant. The standard envisages additional disclosures. The new standard comes into effect on 1 January 2018. The effects of these changes on the LLB Group's financial reporting are currently being analysed.
- IFRS 16 "Leasing" – The new standard regulates the recognition and disclosure of leasing contracts. Leasing contracts are understood to be contracts that convey the right to use an asset for a period of time in exchange for a consideration. This can be, for example, the leasing of premises or equipment. The IFRS 16 contains no material threshold values for when a leasing contract is to be recognised as an asset, rather all substantial leasing contracts are basically to be entered in the accounts. The entering of leasing contracts in the financial accounts leads to a balance sheet extension, which basically has a negative impact on the regulatory required equity and also on the corresponding regulatory key figures, such as the tier 1 ratio. The standard comes into effect on 1 January 2019. The effects of these changes on the LLB Group's financial reporting are currently being analysed.
- Disclosure Initiative of the IASB – The IASB has started a project to explore how disclosures in IFRS financial reporting can be improved. This envisages a fundamental revision of IAS 1 ("Presentation of Financial Statements"), IAS 7 ("Statement of Cash Flows") and IAS 8 ("Accounting Policies, Changes in Accounting Estimates and Errors"). In addition, a general revision is to be made of appendix instructions in existing standards. The objective is to improve the materiality of disclosures in financial statements such as relevance and use of the figures for the reader, as well as increased company-specific disclosures.

Within the scope of its annual improvements, the IASB has published further improvements (Annual Improvements to IFRS 2012 – 2014 Cycle), which came into effect on 1 January 2016. The implementation of the amendments has no major influence on the financial statement of the LLB Group.

2 Changes to the scope of consolidation

There were no changes to the scope of consolidation in the first half of 2016.

3 Foreign currency translation

Reporting date rate	30.06.2016	31.12.2015
1 USD	0.9775	0.9989
1 EUR	1.0824	1.0871
1 GBP	1.2962	1.4783

Average rate	First half 2016	First half 2015
1 USD	0.9867	0.9505
1 EUR	1.0938	1.0687
1 GBP	1.4057	1.4554

4 Risk management

In the course of its operating activity, the LLB Group is exposed to financial risks such as market risk, liquidity and refinancing risk, credit risk and operational risk. The interim financial statement contains no risk information. We therefore refer to the risk management information provided in the 2015 annual report. There were no significant changes in comparison with 31 December 2015.

5 Events after the balance sheet date

There have been no material events after the balance sheet date which would require disclosure or adjustment of the consolidated interim financial statement for the first half of 2016.

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, and groupwide product management.
- 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: financial and risk management, legal and compliance matters, trading and securities administration, payment services, human resources management, communication and branding, 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 organizational 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 were executed at standard market conditions.

Since the second half of 2015, the LLB Group has carried out the settlement of services from / to other segments on the basis of a new internal accounting key. This provides a more efficient allocation of costs to the individual segments. The previous year's figures have been restated accordingly.

First half 2016

in CHF thousands	Retail & Corporate Banking	Private Banking	Institutional Clients	Corporate Center	Total Group
Net interest income	41'418	7'327	4'568	14'967	68'279
Credit loss (expense) / recovery	−865	750	−25	0	−140
Net interest income after credit loss expense	40'553	8'077	4'543	14'967	68'138
Net fee and commission income	15'462	31'577	28'046	−3'736	71'349
Net trading income	4'929	4'183	5'062	−14'919	−745
Net income from financial investments at fair value	0	0	0	10'020	10'020
Share of net income of joint venture	0	0	0	9	9
Other income	225	1	2	6'067	6'294
Total operating income *	**61'169**	**43'838**	**37'653**	**12'408**	**155'066**
Personnel expenses	−16'269	−14'647	−8'727	−25'611	−65'253
General and administrative expenses	−851	−1'888	−1'054	−26'472	−30'265
Depreciation and amortisation	−35	0	0	−12'935	−12'969
Services (from) / to segments	−22'401	−13'519	−5'683	41'603	0
Total operating expenses	**−39'556**	**−30'054**	**−15'464**	**−23'415**	**−108'487**
Operating profit before tax	**21'613**	**13'784**	**22'189**	**−11'007**	**46'579**
Tax expenses					−3'553
Net profit					**43'026**

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

First half 2015

in CHF thousands	Retail & Corporate Banking	Private Banking	Institutional Clients	Corporate Center	Total Group
Net interest income	46'354	9'310	4'512	4'738	64'914
Credit loss (expense) / recovery	461	0	−4'730	0	−4'269
Net interest income after credit loss expense	46'815	9'310	−218	4'738	60'645
Net fee and commission income	14'669	34'770	28'565	−2'477	75'527
Net trading income	5'480	4'869	5'784	−5'260	10'873
Net income from financial investments at fair value	0	0	0	−2'135	−2'135
Share of net income of joint venture	0	0	0	−7	−7
Other income	340	2	1'584	−44	1'882
Total operating income *	**67'304**	**48'951**	**35'715**	**−5'185**	**146'785**
Personnel expenses	−16'194	−12'294	−8'033	−19'822	−56'344
General and administrative expenses	−1'519	−1'695	−1'050	−26'227	−30'491
Depreciation and amortisation	−50	0	0	−14'253	−14'303
Services (from) / to segments	−27'986	−12'985	−4'830	45'801	0
Total operating expenses	**−45'749**	**−26'974**	**−13'913**	**−14'501**	**−101'137**
Operating profit before tax	**21'555**	**21'977**	**21'802**	**−19'686**	**45'648**
Tax expenses					−4'850
Net profit					**40'798**

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

Notes to the consolidated income statement

(unaudited)

1 Net interest income

in CHF thousands	First half 2016	First half 2015	+ / − %
Interest income from banks	2'174	5'152	− 57.8
Interest income from loans	84'657	85'587	− 1.1
Loan commissions with the character of interest	1'958	1'580	23.9
Total interest income	**88'789**	**92'320**	**− 3.8**
Interest expenses on amounts due to banks	− 7'727	− 8'770	− 11.9
Interest expenses on amounts due to customers	− 12'783	− 18'636	− 31.4
Other interest expenses	0	0	
Total interest expenses	**− 20'510**	**− 27'406**	**− 25.2**
Total net interest income *	**68'279**	**64'914**	**5.2**

* The net interest income was reduced by CHF thousands 4'530 (previous year: CHF thousands 1'177) due to negative interest, principally from interest rate swaps.

2 Net fee and commission income

in CHF thousands	First half 2016	First half 2015	+ / − %
Brokerage fees	24'405	26'864	− 9.2
Custody fees	14'766	16'147	− 8.6
Advisory and management fees	20'011	20'617	− 2.9
Investment fund fees	10'379	9'630	7.8
Credit-related fees and commissions	301	426	− 29.3
Commission income from other services	14'419	14'682	− 1.8
Total fee and commission income	**84'282**	**88'367**	**− 4.6**
Brokerage fees paid	− 5'452	− 3'992	36.6
Other fee and commission expenses	− 7'481	− 8'848	− 15.5
Total fee and commission expenses	**− 12'933**	**− 12'840**	**0.7**
Total net fee and commission income	**71'349**	**75'527**	**− 5.5**

3 Net trading income

in CHF thousands	First half 2016	First half 2015	+ / − %
Securities	166	66	152.9
Foreign exchange trading	16'734	22'452	− 25.5
Foreign note trading	705	− 1'335	
Precious metals trading	243	459	− 46.9
Interest rate instruments *	− 18'593	− 10'768	72.7
Total net trading income	**− 745**	**10'873**	

* 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 at fair value through profit and loss

in CHF thousands	First half 2016	First half 2015	+ / − %
Interest income	7'276	8'349	− 12.9
Dividend income	355	337	5.3
Price gains *	987	− 10'821	
Total net income from financial investments at fair value through profit and loss	**8'617**	**− 2'135**	
Realised gain from financial investments available for sale	1'403	0	
Impairment from financial investments available for sale	0	0	
Total net income from financial investments available for sale	**1'403**	**0**	
Total net income from financial investments at fair value	**10'020**	**− 2'135**	

* The realised price gains for the first half 2016 amounted to CHF thousands minus 2'435 (previous year: CHF thousands minus 2'785).

5 Other income

in CHF thousands	First half 2016	First half 2015	+ / − %
Net income from properties	723	696	3.9
Non-period-related and non-operating income	107	− 1'342	
Realised profits from sales of participations	0	1'584	− 100.0
Realised profits from sales of tangible assets *	4'683	− 24	
Income from various services	1'119	1'272	− 12.0
Other ordinary income	− 337	− 304	10.8
Total other income	**6'294**	**1'882**	**234.5**

* Contains income from sales of properties.

6 Personnel expenses

in CHF thousands	First half 2016	First half 2015	+ / − %
Salaries	− 59'239	− 51'709	14.6
Pension and other post-employment benefit plans *	1'859	2'475	− 24.9
Other social contributions	− 5'673	− 5'163	9.9
Training costs	− 550	− 524	5.0
Other personnel expenses	− 1'650	− 1'423	16.0
Total personnel expenses	**− 65'253**	**− 56'344**	**15.8**

* Contains a one-time reduction of the benefit expense due to the decrease in the conversion rates in 2016 of CHF thousands 10'202 and in 2015 of CHF thousands 7'938 as well as due to the closure of LLB (Switzerland) Ltd.

7 General and administrative expenses

in CHF thousands	First half 2016	First half 2015	+/−%
Occupancy	−4'301	−3'575	20.3
Expenses for IT, machinery and other equipment	−8'355	−8'466	−1.3
Information and communication expenses	−6'574	−6'301	4.3
Marketing and public relations	−3'869	−3'620	6.9
Consulting and audit fees	−3'065	−2'187	40.1
Capital tax and other tax	−72	−66	10.1
Provisions for legal and litigation risks	−155	−587	−73.7
Material costs	−503	−476	5.9
Legal and representation costs	−389	−222	75.3
Litigation costs	−72	−1'861	−96.1
Supervision fees	−435	−472	−7.9
Other general and administrative expenses	−2'474	−2'657	−6.9
Total general and administrative expenses	**−30'265**	**−30'491**	**−0.7**

8 Tax expenses

in CHF thousands	First half 2016	First half 2015	+/−%
Current taxes	−5'477	−2'931	86.9
Deferred taxes	1'924	−1'919	
Total tax expenses	**−3'553**	**−4'850**	**−26.7**

9 Earnings per share

	First half 2016	First half 2015	+/−%
Net profit attributable to the shareholders of LLB (in CHF thousands)	42'282	37'666	12.3
Weighted average shares outstanding	28'832'635	28'821'798	0.0
Basic earnings per share (in CHF)	**1.47**	**1.31**	**12.2**
Net profit attributable to the shareholders of LLB (in CHF thousands)	42'282	37'666	12.3
Net profit for diluted earnings per share attributable to the shareholders of LLB (in CHF thousands)	42'282	37'666	12.3
Weighted average shares outstanding	28'832'635	28'821'798	0.0
Weighted average shares outstanding for diluted earnings per share	28'832'635	28'821'798	0.0
Diluted earnings per share (in CHF)	**1.47**	**1.31**	**12.2**

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

10 Financial investments at fair value through profit and loss

in CHF thousands	30.06.2016	31.12.2015	+/–%
Financial investments at fair value through profit and loss			
Debt instruments			
listed	768'733	776'407	–1.0
unlisted	0	0	
Total debt instruments	**768'733**	**776'407**	**–1.0**
Equity instruments			
listed	3	1	144.0
unlisted	365'360	366'028	–0.2
Total equity instruments	**365'363**	**366'029**	**–0.2**
Total financial investments at fair value through profit and loss	**1'134'095**	**1'142'436**	**–0.7**
Financial investments available for sale			
Debt instruments			
listed	136'442	236'238	–42.2
unlisted	59'147	59'935	–1.3
Total debt instruments	**195'589**	**296'172**	**–34.0**
Total financial investments available for sale	**195'589**	**296'172**	**–34.0**
Total financial investments at fair value	**1'329'684**	**1'438'608**	**–7.6**

11 Goodwill and other intangible assets

As of 30 June 2016, the LLB Group carried goodwill for the following segment:

in CHF thousands	30.06.2016	31.12.2015
Retail & Corporate Banking	55'620	55'620
Total	**55'620**	**55'620**

Goodwill impairment testing

Goodwill is tested twice a year for impairment – in the first quarter as a basis for the interim financial reporting at 30 June and in the third quarter as a basis for the annual financial reporting at 31 December. In order to determine a possible impairment, the recoverable amount of each cash generating unit, which carries goodwill, is compared with its balance sheet value. According to the calculations made, the recoverable amount of a cash generating unit always corresponds to the value in use. The balance sheet value or carrying value comprises equity before goodwill and intangible assets, as well as goodwill and intangible assets from the underlying purchase price allocation of this cash generating unit.

On the basis of the impairment testing carried out, management reached the conclusion that for the half year ended on 30 June 2016, the total goodwill of CHF 55.6 million allocated to the cash generating unit Retail & Corporate Banking remains recoverable. No impairment needs to be recognised because the recoverable amount exceeds the balance sheet value.

Recoverable amount

For determining the value in use, which corresponds to the recoverable amount of the respective cash generating units, the LLB Group employs a discounted cash flow (DCF) valuation model. The DCF model used by the LLB Group takes into consideration the special characteristics of banking business and the financial services sector, as well as the regulatory environment. With the aid of the model, and on the basis of the financial planning approved by management, the cash value of estimated free cash flow is calculated. If regulatory capital requirements exist for the cash generating unit, these capital requirements are deducted from the estimated free cash flows for the respective period and are available to the cash generating unit for distribution. This amount then corresponds to the theoretical sum that could be paid out to the shareholders. For the assessment of the forecasted earnings, management employs approved financial plans covering a period of five years. The results of all periods after the fifth year are extrapolated from the forecasted result or the free cash flow of the fifth year together with a long-term growth rate corresponding to the long-term inflation rate in Switzerland and Liechtenstein. Under certain circumstances, the growth rates may vary for the individual cash generating units because the probable developments and conditions in the respective markets are taken into account.

Assumptions

As far as possible, the parameters, on which the valuation model is based, are coordinated with external market information. In this context, the value in use of a cash generating unit is most sensitive to changes in the forecasted earnings, changes to the discount rate and changes in the long-term growth rate. The discount rate is determined on the basis of the capital asset pricing model (CAPM), which contains a risk-free interest rate, a market risk premium, a small cap premium, as well as a factor for the systematic market risk, i.e. the beta factor.

The long-term growth rates outside the five-year planning period (terminal value), on which the impairment tests for the interim financial reporting per 30 June 2016 were based and which were used for extrapolation purposes, as well as the discount rates for the individual cash generating units were unchanged from the parameters used at 31 December 2015. The parameters used are explained in note 19 of the 2015 annual report.

The discount rate is directly influenced by the fluctuation of interest rates. On account of the unchanged, historically low interest rate levels on the market, the discount rate of the cash generating units has not changed in comparison with the previous year. In a longer-term comparison, the present interest rate environment is also reflected in substantially lower interest income as well as corresponding lower annual earnings and free cash flows distributable to shareholders. On account of the fact that the discount rate is linked to current interest rate levels, when the latter rise, basically the discount rate, and interest income, will also rise. The cash generating units are exposed to only a limited level of risk because they operate in a local market, and only in retail and private banking with a limited risk profile.

Sensitivities

During the periodic preparation and execution of impairment tests, all the parameters and assumptions, on which the testing of the individual cash generating units is based, are reviewed and – if necessary – adjusted. A change in the risk-free interest rate has an influence on the discount rate, whereby a change in the economic situation, especially in the financial services industry, also has an impact on the expected or estimated results. In order to check these effects on the value in use of the individual cash generating units, the parameters and assumptions employed with the valuation model are subjected to a sensitivity analysis. For this purpose, the forecasted free cash flow attributable to shareholders is changed by 10 percent, the discount rate by 10 percent and the long-term growth rates by 10 percent. A reduction in the long-term growth rates of 10 percent or a reduction of the free cash flow of 10 percent would not lead to any impairment in the Retail & Corporate Banking segment. Likewise, an increase in the discount rate of 10 percent would not result in any impairment of goodwill.

In view of the challenging situation in the financial services industry, which is expected to persist in the future, the management estimates that an impairment of the goodwill in the Retail & Corporate Banking segment in the coming business years is not improbable. However, thanks to the relative strength in comparison with competitors as well as the realised and planned cost-cutting and efficiency improvement measures, a positive development of the segment is expected over the medium to long-term.

If the estimated earnings and other assumptions in future business years deviate from the current outlook due to political or global risks in the banking industry – such as for example due to uncertainty in connection with the implementation of regulatory provisions and the introduction of certain legislation, or a decline in general economic performance – this could result in an impairment of the goodwill in the future. This would lead to a reduction in the income statement of the LLB Group and a decrease in the equity attributable to shareholders and net profit. Such an impairment would not, however, have an impact on cash flows or on the Tier 1 ratio because – in accordance with Liechtenstein equity capital ordinance – goodwill must be deducted from capital.

12 Debt issued

in CHF thousands	30.06.2016	31.12.2015	+ / – %
Medium-term notes *	461'304	443'244	4.1
Shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	778'910	770'000	1.2
Total debt issued	**1'240'214**	**1'213'244**	**2.2**

* The average interest rate per 30 June 2016 was 0.64 percent and per 31 December 2015 was 0.73 percent.

13 Provisions and contingent liabilities

in CHF thousands	Provisions for legal and litigation risks	Provisions for other business risks and restructuring	Total 2016	Total 2015
As at 1 January	24'036	1'318	25'354	33'330
Reclassification	−1'415	1'415	0	0
Provisions applied	−63	−294	−357	−4'555
Increase in provisions recognised in the income statement	590	0	590	2'216
Release of provisions recognised in the income statement	−435	0	−435	−783
Changes due to the deconsolidation of Group companies	0	0	0	−4'854
As at 30 June 2016 / 31 December 2015	**22'713**	**2'439**	**25'152**	**25'354**

The provisions for restructuring relate to the Focus2015 strategy announced by the LLB Group in March 2013 and the StepUp2020 strategy announced in October 2015. As per 30 June 2016, provisions amounting to CHF 0.8 million for restructuring, covering estimated rebuilding and restoration costs and expenses for social plans were allocated. No further significant provisions or restructuring costs are to be expected in connection with the announced strategies.

Within the scope of its normal business operations, the LLB Group is involved in various legal proceedings. It sets aside provisions for ongoing and threatened proceedings when, in the opinion of the competent specialists, payments or losses on the part of Group companies are likely and the amounts can be estimated.

As per 30 June 2016, the LLB Group was involved in various litigation and proceedings, which could have an impact on its financial reporting. The LLB Group endeavours to disclose the claims for damages, the scope of legal proceedings and other relevant information in order for the reader to be able to estimate the possible risk for the LLB Group.

The LLB Verwaltung (Switzerland) AG, formerly Liechtensteinische Landesbank (Switzerland) Ltd., is among the category 1 banks which must achieve an individual solution with the US authorities to resolve the US taxation dispute. LLB Verwaltung (Switzerland) AG, formerly Liechtensteinische Landesbank (Switzerland) Ltd., with its register- ed office in Zurich-Erlenbach, is responsible for the proceedings. LLB (Switzerland) Ltd. ceased its banking operations at the end of 2013 and since October 2014 is no longer subject to supervision by the Swiss Federal Financial Market Authority (FINMA). LLB Verwaltung (Switzerland) AG is cooperating closely with the US authorities and is working with them to achieve a final settlement of the issue, while complying with the prevailing legal regulations. As per 31 December 2012, in cooperation with our lawyers, on the basis of talks with the US authorities, and taking into consideration differing probabilities, various scenarios were discussed in relation to a possible outflow of resources. On the basis of these discussions, the management reached the conclusion that it is not unlikely that an outflow of resources will occur. Therefore, based on the simulated scenarios and a legal analysis as per 31 December 2012, a provision was set aside for a possible outflow of resources in connection with the investigation being carried out by the US authorities and the resulting possible payment or settlement to the latter. In the opinion of the management the legal risk of an outflow of resources in connection with the possibility that LLB Verwaltung (Switzerland) AG may not have complied with US law, especially US tax law, was still not unlikely as per 30 June 2016. Based on the calculation criteria applied in the non-prosecution agreement between LLB AG, Vaduz, and the US authorities, as well as the latest information and payments made by other banks, the provision for LLB Verwaltung (Switzerland) AG was reviewed as per 30 June 2016.

A provision amounting to CHF 18.1 million was allocated as per 30 June 2016 for a possible outflow of resources in connection with payments in this regard to the US authorities, as well as for lawyers' fees, which may be incurred in this case for the provision of legal advice and support. The Management believes the provision set aside per 30 June 2016 is sufficient.

At the start of 2015, LLB Verwaltung (Switzerland) AG, formerly Liechtensteinische Landesbank (Switzerland) Ltd., received two legal claims in connection with an investment project. Several persons, who have no connection with LLB Verwaltung (Switzerland) AG, had endeavoured to persuade an investor to invest a sum in an investment project. The investment project did not exist and the persons acting fraudulently were able to embezzle a part of the investment sum. The claimants have lodged claims against LLB Verwaltung (Switzerland) AG for the payment of damages in respect of a part of the embezzled amount plus interest. LLB Verwaltung (Switzerland) AG denies that the actions of a former employee of LLB Verwaltung (Switzerland) AG led to the loss. Based on the facts of the case and on information from its external legal adviser, the management of LLB Verwaltung (Switzerland) AG currently believes that it can successfully defend itself against both claims. Consequently, management believes that no provisions need to be allocated as per 30 June 2016 for the claims for damages. LLB Verwaltung (Switzerland) AG has received an insurance commitment with respect to the costs of defending itself against the claims, so that management is of the opinion that no provisions need to be set aside for this purpose as per 30 June 2016.

The LLB Group had no contingent liabilities, either per 30 June 2016 or per 31 December 2015.

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 are 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 measured at fair value are categorised into one of the following three fair value hierarchies:

Level 1

The fair value of listed securities and derivatives 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 models or models based on market prices are available. Our own valuation methods or models with our own inputs are employed to measure the fair value of 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 and financial liabilities from insurance contracts. 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 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 methods and techniques as well as the following inputs:

	Valuation model	Inputs	Significant, non-observable inputs
Level 2			
Own investment funds	Market to Model	Market prices of the underlying assets	
Derivative financial instruments	Option model	Underlying assets of future contracts	
OTC Structured Product	Discounted par value of capital protection based on discount rate	Market interest rates, prices of comparable assets	
Level 3			
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.

Measurement of fair values by active markets or valuation techniques

The following table shows the classification of fair value hierarchies of financial and non-financial assets and liabilities of the LLB Group. All assets and liabilities are measured at fair value on a recurring basis in the financial statement. As per 30 June 2016, 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 2016 there were no significant transfers between Level 1 and Level 2 financial instruments.

in CHF thousands	30.06.2016	31.12.2015	+/–%
Level 1			
Trading portfolio assets	412	2'198	–81.3
Derivative financial instruments	0	0	
Financial investments at fair value through profit and loss	768'736	776'408	–1.0
Financial investments available for sale	136'442	236'238	–42.2
Total Level 1	**905'589**	**1'014'844**	**–10.8**
Level 2			
Trading portfolio assets	5	252	–97.9
Derivative financial instruments	88'683	62'013	43.0
of which for hedging purpose	131	392	–66.6
Financial investments at fair value through profit and loss	365'360	366'028	–0.2
Financial investments available for sale	59'147	59'935	–1.3
Total Level 2	**513'196**	**488'227**	**5.1**
Level 3			
Trading portfolio assets	0	0	
Derivative financial instruments	0	0	
Financial investments at fair value through profit and loss	0	0	
Financial investments available for sale	0	0	
Investment property	16'018	16'240	–1.4
Total Level 3	**16'018**	**16'240**	**–1.4**
Total assets	**1'434'803**	**1'519'311**	**–5.6**
Level 1			
Financial liabilities at fair value	0	0	
Derivative financial instruments	0	0	
Total Level 1	**0**	**0**	
Level 2			
Financial liabilities at fair value	0	0	
Derivative financial instruments	206'434	151'593	36.2
of which for hedging purpose	8'457	531	
Total Level 2	**206'434**	**151'593**	**36.2**
Level 3			
Financial liabilities at fair value	0	0	
Derivative financial instruments	0	0	
Total Level 3	**0**	**0**	
Total liabilities	**206'434**	**151'593**	**36.2**

Measurement of assets and liabilities classified as Level 3

For the recurring measurement of the fair value of financial and non-financial assets and liabilities for which significant non-observable inputs have been used and which are classified as Level 3, the effects on the income statement as per 30 June 2016 are immaterial and therefore they are not shown. The measurement and valuation had no influence on other comprehensive income for the first half of 2016.

The measurement process to determine the fair value of recurring and non-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.

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. Changes in the inputs, on which the measurement of the fair value is based, can lead to significant changes in it. It cannot be quantified to what extent changes influence the fair value and the sensitivity of fair value, because the valuation of a property is based on an individual measurement, which is influenced by various assumptions. Consequently, a significant change in the fair value can occur, which is not quantifiable. Investment properties do not diverge to highest and best use.

Structured products (OTC market)

Among its financial investments, the LLB Group has structured products with capital protection until final maturity, whose market value is estimated by the LLB Group with the aid of valuation models.

Structured products with capital protection until final maturity are periodically valued on the basis of an internal cash value model. On the basis of their characteristics up to maturity, the products correspond to zero coupon bonds. To calculate the discount interest rate in the cash value model, assumptions are made regarding the interest rate components, which are estimated periodically on the basis – among other criteria – of the market data of other bond issuers. Since no public market exists, assumptions are made regarding the redemption fees of issuers. These assumptions are periodically reviewed on the basis of data from various market participants and information from issuers regarding internal liquidity management.

Changes on the bond markets, for example due to monetary policy measures or the creditworthiness and internal liquidity of issuers, could lead, in the event of redemption during the life of the instrument, to changes in the valuation, especially in the bid / ask spread.

15 Non-current assets held for sale

One property, which is fully owned by a Group company and currently accommodates a branch of the bank and rental apartments, is to be sold. The transfer of ownership is to take place in the third quarter of 2016. The bank shall continue to use the bank branch on a rental basis. It is assumed the sale of the property, which is recognized per 30 June 2016 at a book value of CHF 2.1 million, will result in a profit of around CHF 3 million.

16 Off-balance sheet transactions

in CHF thousands	30.06.2016	31.12.2015	+/−%
Contingent liabilities	61'485	60'106	2.3
Credit risks	170'344	284'097	−40.0
Contract volumes of derivative financial instruments	9'773'154	9'650'207	1.3
Fiduciary transactions	1'121'174	1'073'540	4.4
Securities received as collateral or borrowed within the scope of securities lending or borrowing transactions, or securities received in connection with reverse repurchase agreements, which are capable of being resold or further pledged without restrictions	1'016'816	1'143'165	−11.1

Locations and addresses

Headquarters

Liechtensteinische Landesbank AG
Städtle 44 · P.O. Box 384 · 9490 Vaduz · Liechtenstein
Telephone + 423 236 88 11 · Fax + 423 236 88 22
Internet www.llb.li · E-mail llb@llb.li

Branches

Balzers
Höfle 5 · 9496 Balzers · Liechtenstein
Telephone + 423 388 22 11 · Fax + 423 388 22 22

Eschen
Essanestrasse 87 · 9492 Eschen · Liechtenstein
Telephone + 423 377 55 11 · Fax + 423 377 55 22

Representative Offices

Zurich-Erlenbach
Seestrasse 57 · 8703 Erlenbach · Switzerland
Telephone +41 58 523 91 61 · Fax +41 58 523 91 62

Geneva
12 Place de la Fusterie · 1204 Geneva · Switzerland
Telephone +41 22 737 32 11 · Fax +41 22 737 32 22

Dubai
Gold & Diamond Park, Building no. 4 · Office no. 205 / 206
P.O. Box 30774 · Dubai · U. A. E.
Telephone +971 4 402 80 00 · Fax +971 4 323 79 71

Abu Dhabi
27th floor (CH) · H.E. Sheikh Sultan Bin Zayed Bld · Corniche Rd.
P.O. Box 48230 · Abu Dhabi · U. A. E.
Telephone +971 2 665 56 66 · Fax +971 2 665 52 22

Group Companies

Liechtensteinische Landesbank (Österreich) AG
Wipplingerstrasse 35 · 1010 Vienna · Austria
Telephone + 43 1 533 73 83-0 · Fax + 43 1 533 73 83-22
Internet www.llb.at · E-mail llb@llb.at

Bank Linth LLB AG
Zürcherstrasse 3 · P.O. Box 168 · 8730 Uznach · Switzerland
Telephone + 41 844 11 44 11 · Fax + 41 844 11 44 12
Internet www.banklinth.ch · E-mail info@banklinth.ch

LLB Asset Management AG
Städtle 7 · P.O. Box 201 · 9490 Vaduz · Liechtenstein
Telephone + 423 236 95 00 · Fax + 423 236 95 06
Internet www.llb.li/assetmanagement
E-mail assetmanagement@llb.li

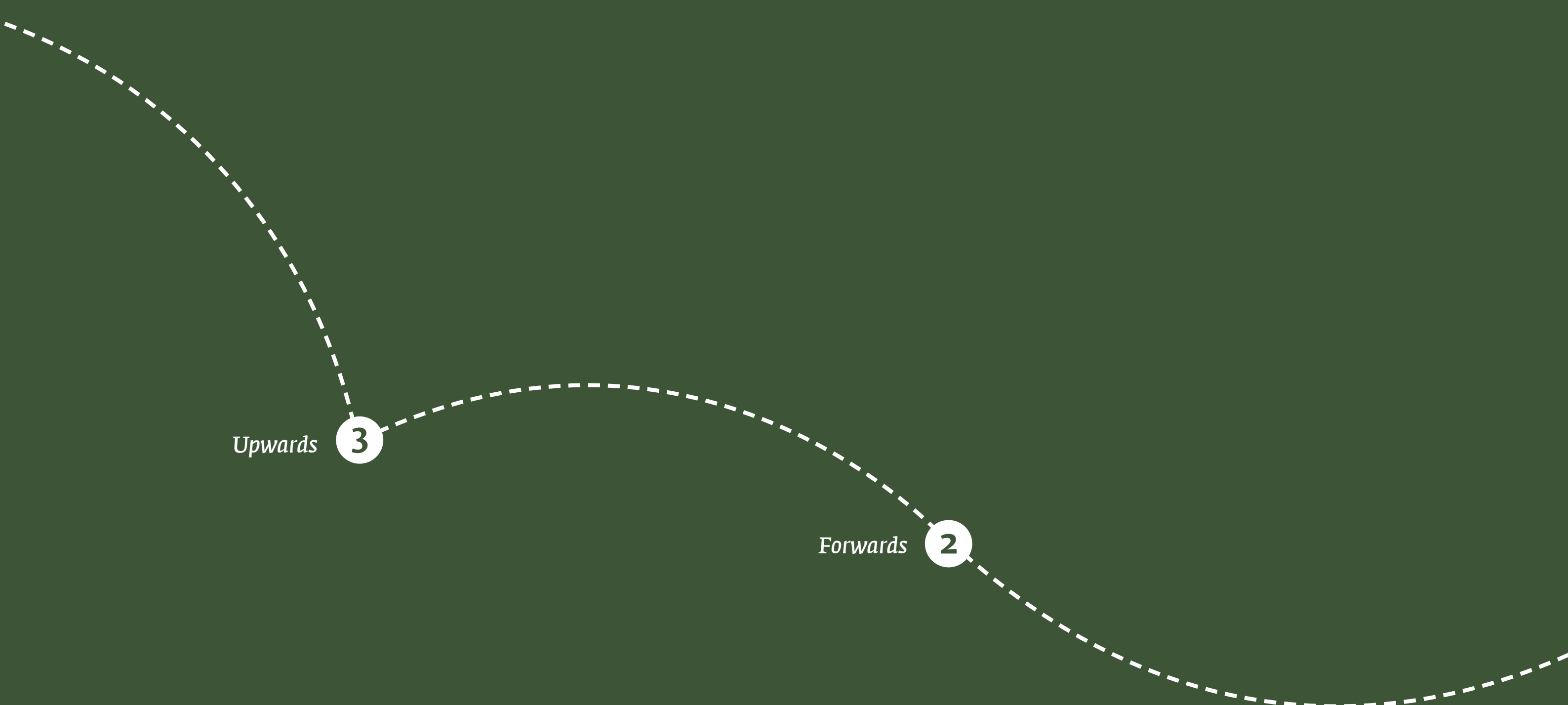
LLB Fund Services AG
Äulestrasse 80 · P.O. Box 1238 · 9490 Vaduz · Liechtenstein
Telephone + 423 236 94 00 · Fax + 423 236 94 06
Internet www.llb.li/fundservices · E-mail fundservices@llb.li

MIX
Paper from responsible sources
FSC® C013308
www.fsc.org

Swiss Climate
climateneutral printing
SC2016082301 • www.swissclimate.ch

Publishing information
Published by: Liechtensteinische Landesbank AG, 9490 Vaduz, Liechtenstein · **Design and Layout:** Eclat AG, 8045 Zurich, Switzerland
Printed by: BVD Druck + Verlag AG, 9494 Schaan, Liechtenstein · **Paper:** Printed on Lessebo 1.3 White

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


Upwards
3
Forwards
2