

Annual Report 2020

Going forward sustainably

159th Annual Report 2020

[ar2020.llb.li](https://www.llb.li/ar2020)

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The LLB Group in profile

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

First bank in Liechtenstein founded in 1861

Moody's Rating Aa2

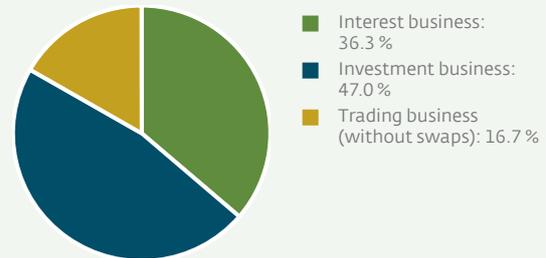
Three banks:
Liechtenstein, Switzerland and Austria

Two competence centres:
Asset Management and Fund Services

Three high-earning market divisions
Operating profit before tax



Diversified income structure
Earnings



Strong in three home markets

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

Outstanding investment competence

- ♦ LLB Equities Dividend Pearls Global (CHF) wins 2020 prestigious Refinitiv Lipper Award
- ♦ Over 40 awards since 2012

Information for shareholders

The LLB share

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

Capital structure

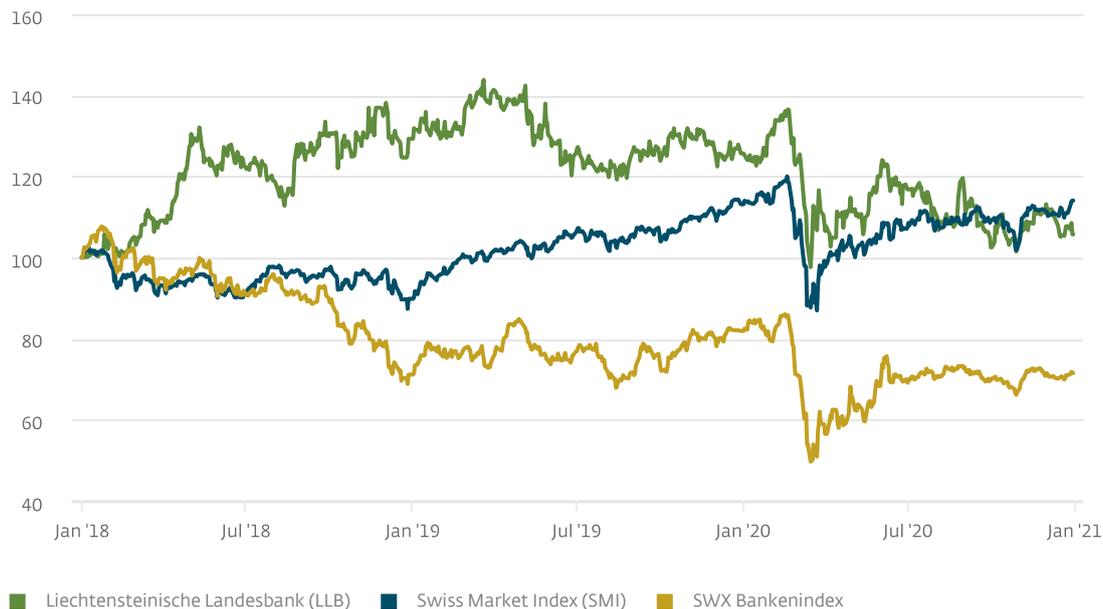
	31.12.2020	31.12.2019	+ / - %
Share capital (in CHF)	154'000'000	154'000'000	0.0
Total of registered shares issued (fully paid up)	30'800'000	30'800'000	0.0
Total shares outstanding, eligible for dividend	30'511'590	30'435'705	0.2
Weighted average shares outstanding	30'493'736	30'560'789	- 0.2

Information per LLB share

	31.12.2020	31.12.2019	+ / - %
Nominal value (in CHF)	5.00	5.00	0.0
Share price (in CHF)	52.50	62.40	- 15.9
Basic earnings per share (in CHF)	3.39	3.77	- 10.0
Price / earnings ratio	15.46	16.54	
Dividend (in CHF)	* 2.20	2.20	

* Proposal of the Board of Directors to the General Meeting of Shareholders on 7 May 2021

Comparison of LLB share Indexed from 1 January 2018



Key figures

Consolidated income statement

in CHF millions	2020	2019	+ / - %
Income statement			
Operating income	430.3	452.7	- 5.0
Operating expenses	- 306.7	- 311.3	- 1.5
Net profit	109.8	123.4	- 11.0
Performance figures			
Cost Income Ratio (in per cent) ^{*/**}	69.8	70.0	
Return on equity attributable to the shareholders of LLB (in per cent)	5.3	6.0	

^{*} Definition available under www.llb.li/investors-apm

^{**} Adjusted to consider market effects (interest rate swaps and price gains) the Cost Income Ratio stood at 71.5 per cent for 2020 and at 72.1 per cent for 2019.

Consolidated balance sheet and capital management

in CHF millions	31.12.2020	31.12.2019	+ / - %
Balance sheet			
Total equity	2'138	2'060	3.8
Total assets	23'575	22'662	4.0
Capital ratio			
Tier 1 ratio (in per cent) [*]	21.6	19.6	
Risk-weighted assets	7'927	8'351	- 5.1

^{*} Corresponds to the CET ratio 1 because the LLB Group has solely hard core capital

Additional information

in CHF millions	2020	2019	+ / - %
Net new money [*]	3'274	4'142	- 21.0

in CHF millions	31.12.2020	31.12.2019	+ / - %
Business volume (in CHF millions) [*]	92'892	89'283	4.0
Assets under management (in CHF millions) [*]	79'662	76'322	4.4
Loans (in CHF millions)	13'230	12'961	2.1
Employees (full-time equivalents, in positions)	1'064	1'077	- 1.2

^{*} Definition available under www.llb.li/investors-apm



Gabriel Brenna (Group CEO) and Gabriela Nagel-Jungo (Vice Chairwoman of the Board of Directors)

Going forward sustainably

Dear shareholders

2020 – What a year! Now it is history, but it will remain with us for a long time to come: as a year that is forever linked to the corona pandemic and its repercussions for the countries of the world, the global economy, society and each and every one of us. As a year that also saw many of our plans destroyed and made many things, which we had previously taken for granted, suddenly become impossible.

Furthermore, it showed us what was really important and what was feasible. For the LLB Group as well, 2020 was not a lost year but rather a year that, thanks to our solid foundation and our clear strategy, we skilfully utilised to take advantage of our strengths and further consolidate them.

Solid result despite the corona pandemic

In 2020, the business volume reached a new record level at CHF 92.9 billion. Loans to clients rose by 2.1 per cent to CHF 13.2 billion. Further high net new money inflows of CHF 3.3 billion, as well as the recovery of the financial markets following their lowest levels in March, led to an expansion in client assets under management. At CHF 79.7 billion, these climbed by 4.4 per cent above the previous year to reach a new record and thus confirm our sustainable growth. We are particularly proud that we again achieved net new money inflows in all three market divisions.

Following the LLB Group's extraordinarily successful year in 2019, net profit in the year under report at CHF 109.8 million (minus 11 %) was indeed somewhat lower due to clearly identifiable causes, but our earnings situation remained stable and balanced. Earnings were adversely affected by increased risk provisions for credits, the collapse of USD interest rates, and the negative interest rate environment in Switzerland and Europe. In 2019, performance-related fees helped us to achieve added revenues. At CHF 306.7 million (minus 1.5 %), operating expenses were below those in the previous year. This was largely attributable to a decline in personnel expenses.

In spite of the major challenges we faced due to the Covid-19 pandemic in 2020, we again achieved a solid result.

Resilient daily business

The LLB Group proved its reliability during the corona pandemic not just in safeguarding the development of business, but also in ensuring the smooth running of daily banking operations. To provide the most effective protection possible for our clients and our staff, we immediately implemented all the official measures and recommendations. If no personal meetings with our clients were possible, we strove to look after them by making in-depth telephone calls. Furthermore, they were able to take advantage of our broad range of digital services to carry out their bank transactions. We made great efforts to increase the working mobility of our employees. Within a very short time, almost all our employees were able to work from home. Where working from home was not possible, we implemented other measures to protect our staff, such as splitting teams into shifts.

In summary, we can say that the bank's operations were ensured at all times and that the major challenges we faced in operative daily business during the crisis were dealt with calmly and efficiently.

Reliable partner

During this challenging time, we were pleased to fulfil our economic responsibilities as the LLB Group. In Liechtenstein and Switzerland we were able to make available urgently required liquidity to many companies – quickly and unbureaucratically. In total, the LLB Group provided CHF 71 million in bridging liquidity. In addition, we were also able to support our corporate clients by deferring interest or amortisation payments.

Furthermore, we participated in various social projects in all three of our domestic markets – Liechtenstein, Austria and Switzerland – to mitigate the effects of the corona pandemic for people who were hit particularly hard. For example, in collaboration with the Liechtenstein Bankers Association, we were able to bring some joy to 5'100 children in the form of free holiday offers. Through the donations made by its Future Foundation, in 2020 as in previous years, LLB supported various social and charitable organisations.

We are proud that we were able once again to demonstrate that we can be depended on as a reliable partner for our clients and other stakeholders, in times of crisis as well.

Security and stability

With its almost 160-year history, LLB is the longest established financial institute in Liechtenstein. Tradition, security and stability are the values that define us. In the year under report, the rating agency Moody's again confirmed our Aa2 rating. The Liechtensteinische Landesbank therefore ranks among the top tier of Liechtenstein and Swiss banks, and is one of the highest rated financial institutes in the world.

All these values and qualities, once again came to the fore in 2020 during the corona crisis. Our clients, shareholders and other stakeholders appreciate the added value that this enables us to offer them.

Going forward sustainably

In 2020, we made rapid progress in formulating a strict sustainability strategy. As an important step, in summer the LLB Group signed the UN Principles for Responsible Investment initiative, thereby underlining our commitment to the core sustainability principles in the environmental, social and corporate governance fields. During the summer we also successfully launched a sustainable gold investment fund in Liechtenstein. Overall, within the scope of its sustainable investment concept at the beginning of 2021, the LLB Group has not only transformed all its bond funds but also all its asset management mandates into sustainable investment platforms. Its equity and strategy funds are to follow in spring.

It is particularly pleasing that both LLB AG and Bank Linth are also represented in the newly launched sustainability index of the SIX Swiss Stock Exchange. This confirms our positioning as a company committed to sustainability.

Attractive employer

How does the saying go? Employees are a company's most valuable resource. That is also how we see it at the LLB Group. Our staff's satisfaction is extremely important to us. Accordingly, we regularly hold extensive surveys of employee satisfaction. In the year under report we did so again and the results were very positive. In the area of commitment – the most important factor for corporate success – we have again improved in comparison with 2017 and now are among the highest rated companies in the comparison group. The "Swiss Employer Award" is awarded on the basis of the survey results. With their 6th place ranking, Bank Linth and Liechtensteinische Landesbank were again among the top 10 employers in Switzerland and Liechtenstein.

Moreover, LLB was the first bank in Liechtenstein to be awarded the "Friendly Work Space" label. This certifies that we fulfil the highest standards in the areas of health promotion, corporate governance and personnel management. The two awards again underline the LLB Group's attractiveness as an employer and confirm that it is well positioned in the competitive struggle to attract the best employees.

High quality of advisory services

Our very high standard of advisory services has again been confirmed by external parties. In the independent comparison test held by the Fuchsbriefer publishing house in the German-speaking region, Liechtensteinische Landesbank was rated very highly. On the permanent list of best vendors, we come in third place and are therefore among the leading private banking providers in the German-speaking region. LLB was awarded the rating "extremely good". In addition, our expertise in sustainability was assessed as very high. These excellent results reinforce us in our commitment to continually provide further training and business education for our client advisers. For example, in spite of the difficult circumstances due to the corona pandemic, we continued the certification process of our advisers according to the standards of the Swiss Association for Quality (SAQ). For the major proportion of employees having client contact this programme has now been completed. In order to meet our stricter standards in relation to sustainability in our advisory services as well, since October 2020, we are offering our staff a corresponding multi-level training programme.

The satisfaction of our clients is of vital importance to us. Accordingly, we carried out an extensive client survey at our Liechtenstein booking location in 2020. We were very pleased at the especially positive results obtained in the areas of referrals and overall satisfaction.

Innovation and digitalisation

The trend towards the digitalisation of banking business was boosted in 2020 as a result of the corona pandemic. At the LLB Group, the continual expansion of digital channels and services has been a core strategy project for several years already. In 2020, we streamlined our online and mobile banking programmes for clients by adding new functions while making them even more user-friendly. Since the beginning of this year, in addition to clients in Liechtenstein and Switzerland, those also in Austria and Germany can now open an account using video identification. The increased functionality brought even more added value, especially during the lockdown when physical client contact was no longer possible. Thanks to its successful migration to Avaloq, the groupwide core banking software system, LLB Österreich can now also benefit from many common offers and services. This will now enable synergies to be exploited throughout the Group.

We are particularly proud of LiPay, a digital innovation from our own internal innovation team. This contactless payment services enables payments to be requested or transferred simply and quickly using the LLB Mobile Banking app. LiPay was launched in spring earlier than planned during the first corona wave in order to satisfy an increased client requirement for a contactless payment possibility.

In the institutional clients segment we introduced a new digital feature during the year under report: the so-called intermediary cockpit. This includes a virtual workplace with extensive analysis possibilities and a form centre. Thanks to the intuitive user navigation and the clear structure of the cockpit, we have reduced the time and effort required by our business partners significantly.

Attractive dividend policy

As shareholders, you have been able to benefit from our long-term dividend policy for many years. This has produced a dividend yield that is very attractive for investors. The Board of Directors will propose to the General Meeting of Shareholders on 7 May 2021 a stable dividend of CHF 2.20. This corresponds to a pleasing dividend yield of over 4 per cent.

Elections at the General Meeting

We deeply regret that, due to the corona situation, once again the physical participation of our shareholders at the 2021 General Meeting will not be possible. As was the case last year, voting will therefore be carried out by post or electronically. In addition to voting on the dividend, the General Meeting must also decide on the composition of the Board of Directors. Georg Wohlwend will again be nominated as Chairman. The Board members Thomas Russenberger and Richard Senti are also standing for re-election.

Furthermore, the Board of Directors proposes to the General Meeting that KPMG (Liechtenstein) AG be appointed as the new statutory auditors. For the past 22 years, this function has been exercised by PricewaterhouseCoopers. In accordance with the best practice rules of corporate governance, a change is now indicated after this long period. We would like to express our thanks to PwC for their valuable support over these many years.

Change in operative management

In January, Group CEO Roland Matt decided to leave the LLB Group. He joined Liechtensteinische Landesbank AG in 2002 and made a decisive contribution to the development of the LLB Group. The Board of Directors would like to thank Roland Matt for his valuable services to the company. The Board of Directors has named Gabriel Brenna as his successor from 1 March 2021. Since 2012, he has been the Head of the Private Banking Division and a member of the Executive Boards of the bank and the LLB Group. He is also Chairman of the Supervisory Board of Liechtensteinische Landesbank (Österreich) AG and a member of the Boards of Directors of LLB Asset Management AG and Bank Linth LLB AG. During two strategy phases, Gabriel Brenna has driven forward the expansion of the private banking business and contributed greatly to the growth of the LLB Group. Up to the nomination of the new CEO, Urs Müller, Vice Group Chief Executive Officer and Head of the Retail and Corporate Banking Division took over the function of Group CEO temporarily. The Board of Directors would like to express its sincere thanks to Urs Müller for taking over this task and thus ensuring a smooth transition.

Strategic priorities for 2021

The repercussions of the Covid-19 pandemic have clearly shown the validity of our strategic course: the LLB Group's business model is broadly based and geared towards our traditional strengths of stability, innovation and sustainability. Our solid equity capital base promotes trust and confidence. We shall therefore continue to adhere to our StepUp2020 strategy and extend it for one year. The formulation of our follow-up strategy has already commenced and we shall present this in autumn.

Accordingly, in 2021, growth, profitability, innovation and excellence will again form the core strategic elements of our corporate development. We shall continue to pursue strict cost discipline and the achievement of earnings objectives in order to improve the Cost Income Ratio. The foundation for further profitable growth has been laid. We shall endeavour to achieve a solid business result again in order to offer our shareholders a sustainable, attractive dividend.

Thank you for your trust

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

Yours sincerely



Gabriel Brenna
Group CEO



Gabriela Nagel-Jungo
Vice Chairwoman of the Board of Directors

Highlights 2020

January

- LLB Österreich migrates successfully to the LLB Group's core banking system.



Gold für Anlagekompetenz



February

- LLB wins Refinitiv Lipper Fund Award 2020 for its investment expertise.

April

- LiPay – LLB launches its own new contactless payment solution.



April / May

- Bank Linth and LLB AG hold their 2020 General Meetings of Shareholders without shareholders being physically present.

June

- ♦ LLB launches first Liechtenstein gold fund for sustainable investing.
- ♦ LLB redesigns bank office in Eschen and strengthens client contact on site.



August

- ♦ LLB signs UN Principles for Responsible Investment.
- ♦ LLB successfully issues CHF 150 million bond.

September

- ♦ LLB Invest KAG ranks first on Austrian investment fund market.
- ♦ LLB is the first bank in Liechtenstein to offer SARON mortgages.



October

- ♦ LLB is awarded "Friendly Work Space" label.

November

- LLB and Bank Linth are again recognised as top employers.
- Investing sustainably – LLB delivers convincing performance in Fuchsbriefe test.
- LLB expands its online offering for private and institutional clients.
- Grants by the Future Foundation of Liechtensteinische Landesbank



Strategy and organisation

A clear vision, an ambitious strategy and a value-oriented corporate culture make the LLB Group a trusted partner for its clients, investors and employees. As a universal bank steeped in tradition and whose history goes back almost 160 years, we also have a strong private banking and institutional banking business. The core elements of growth, profitability, innovation and excellence are thereby central to our actions.

Structure and organisation of the LLB Group

Business model

The structure of the LLB Group follows a clear strategic pattern:

- ♦ a bank each in Liechtenstein, in Switzerland and in Austria
- ♦ a focused business model with three market divisions: Retail & Corporate Banking, Private Banking and Institutional Clients
- ♦ two competence centres: Asset Management and Fund Services
- ♦ a stable, long-term ownership structure
- ♦ a very solid capital base

The three market divisions

The LLB Group's business model is based on three profitable market divisions:

- ♦ Private and Corporate Clients comprises the universal banking business in the home markets of Liechtenstein and Switzerland (see chapter "[Private and Corporate Clients](#)"). It provides the full range of universal bank services to private and corporate clients. As the market leader in Liechtenstein, LLB has a strong competitive position. Bank Linth is the largest regional bank in eastern Switzerland.
- ♦ Private Banking comprises investment advice, asset management, asset structuring as well as financial and pension planning (see chapter "[Private Banking](#)"). Its focus is on the onshore markets of Liechtenstein, Switzerland and Austria, on the traditional cross-border markets in Germany and the rest of Western Europe, and on the growth markets of Central and Eastern Europe as well as the Middle East.
- ♦ Institutional Clients comprises the intermediary and fund business as well as the Asset Management Business Area of the LLB Group (see chapter "[Institutional Clients](#)"). Clients include fiduciaries, lawyers, asset managers, fund promoters, insurance companies, pension funds and public institutions. With our Asset Management, the largest investment team in Liechtenstein, we have multiple award-winning investment expertise. Under the umbrella of our fund powerhouse, we bring together four fund management companies in three jurisdictions, making us a leading fund provider in the market regions of Liechtenstein, Austria and Switzerland.

Management structure

The management structure of the LLB Group is divided into divisions:

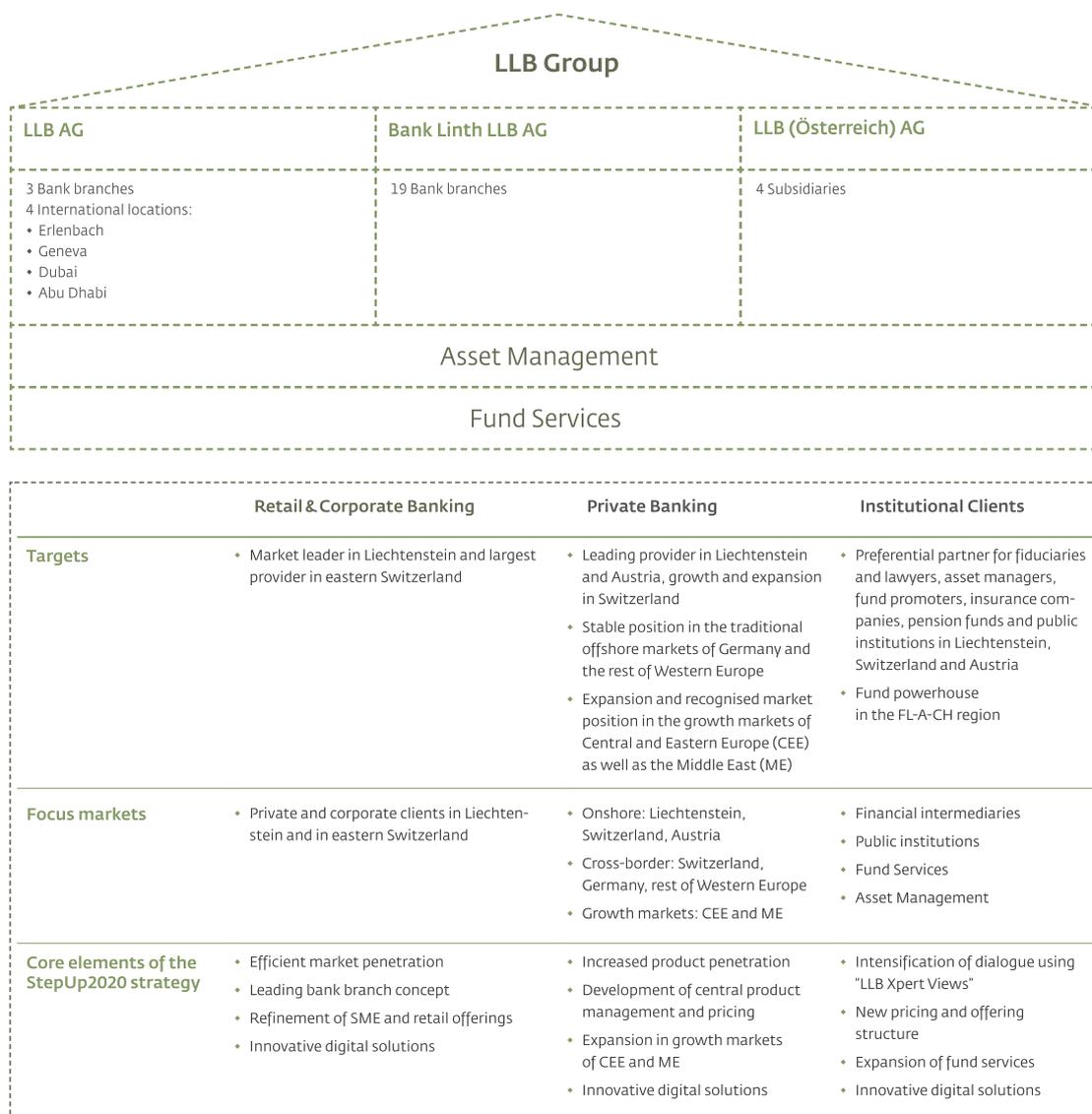
- ♦ The Board of Directors is responsible for overall supervision and control. It defines the strategic, organisational and financial basis for corporate governance (see chapter "[Corporate governance](#)").
- ♦ The Group Executive Board comprises the heads of the six divisions – three market divisions and Group CEO, Group CFO and Group COO (see [organisational structure](#)).

Group structure

The LLB Group has a presence through an independent bank in each of the market regions of Liechtenstein, Switzerland and Austria. These are Liechtensteinische Landesbank AG, Bank Linth LLB AG and Liechtensteinische Landesbank (Österreich) AG. With LLB Asset Management AG and LLB Fund

Services AG, our Group has two competence centres in the areas of asset management and fund services respectively.

Group Structure



StepUp2020 strategy

With the StepUp2020 strategy, we initiated in 2016 a phase of sustainable, profitable growth. The difficult environment during the reporting year caused by the effects of the Covid-19 pandemic has served to show that the strategic direction of the LLB Group is right.

The focus of our Group's efforts was thus again in 2020 on sustainable, profitable growth.

Strategic success factors

The LLB Group's success is based on a number of factors, the most important being:

- ♦ a clear strategy with high-quality implementation
- ♦ a client-oriented business model
- ♦ a strong competitive position
- ♦ innovative, client-oriented products and services
- ♦ security and stability
- ♦ a stable management structure

- ♦ highly effective employees
- ♦ efficient processes
- ♦ the interplay of digitalisation and personal contact
- ♦ a unique corporate culture

The four core elements

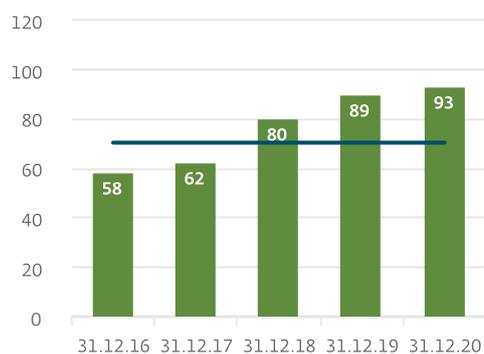
Always with an eye to the clients, we will concentrate on our strengths. In doing so, we will focus thereby on four core elements:

- ♦ **Growth:** We want to achieve this in two ways. Firstly, we want to grow organically by building on our own strengths. To this end, we will increase resources available for client advisory services. Secondly, we will target acquisitions in our home markets of Liechtenstein, Switzerland and Austria.
- ♦ **Profitability:** We intend to increase our margins by offering outstanding products and services. Efficient market penetration will help to generate profitable income. Maintaining strict cost management will be key.
- ♦ **Innovation:** We will invest in the future in a targeted manner. On the one hand, we will develop pioneering digital solutions and, on the other, we will provide our clients with an optimised and personalised service. We will automate standard business and individualise trust-based business. The investment volume amounts to more than CHF 100 million, of which CHF 30 million were earmarked for digital solutions for our clients during the last five years.
- ♦ **Excellence:** We will continually improve processes throughout the organisation using lean management principles. Our aim is to increase the benefit to clients and boost added value. Given increasing regulation, we will strive to maintain strict compliance standards.

Growth and financial targets

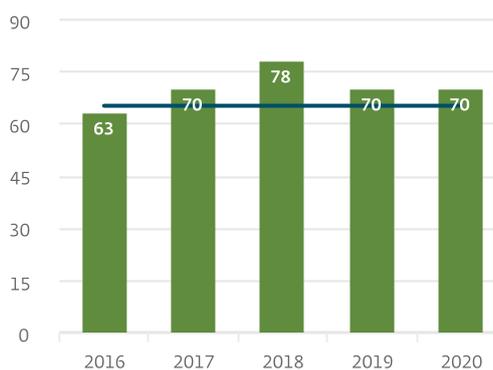
Under the StepUp2020 strategy, the LLB Group set itself four clear and measurable targets. These are: a business volume of more than CHF 70 billion, a Cost Income Ratio of under 65 per cent, a Tier 1 Ratio of over 14 per cent and a cumulative Group net profit of more than CHF 500 million. We achieved or exceeded three of the set targets in the originally planned strategy period, namely those for business volume, the Tier 1 ratio and cumulative Group net profit (see table). The target set for the Cost Income Ratio has not been reached yet. This is primarily due to adverse interest rate developments.

Business volume



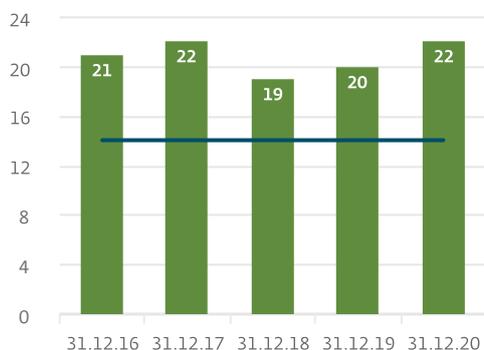
- Actual value in CHF billions
- Target value > CHF 70 billions

Cost Income Ratio



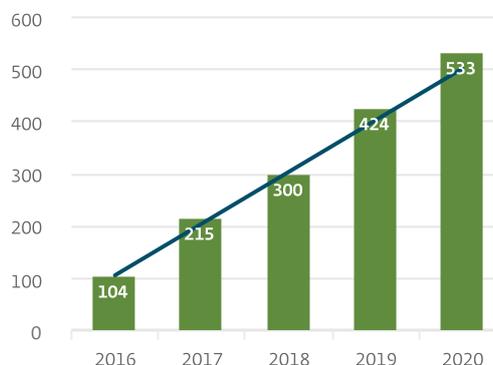
- Actual value in per cent
- Target value < 65 per cent

Tier 1 Ratio



■ Actual value in per cent
■ Target value > 14 per cent

Cumulative Group net profit



■ Actual value in CHF millions
■ Target value > CHF 500 millions

Extending the strategy period by a year

Due to considerable general uncertainty during the reporting year caused by the coronavirus pandemic, we have decided to extend our StepUp2020 strategy by a year. The LLB Group will present a follow-up strategy and new financial targets in the autumn of 2021. We will therefore continue in 2021 to focus on the strategic core elements of growth, profitability, innovation and excellence. Maintaining cost discipline and achieving income targets will be central to improving the Cost Income Ratio. We want to maintain our growth path. In order to continue to deliver a sustainable, attractive dividend, we will strive to achieve a solid business result again in 2021.

Corporate culture

Vision and guiding principles

Besides strategy and structure, the culture of a company is one of the most important factors in its success. The LLB Group is committed to a concept of banking with a binding system of values. Our vision is thus encapsulated in the motto:

"We set standards for banking with values."

Our vision of banking is based on the idea of managing material values with a clearly defined value system. The guiding principles derived from this are based on four binding values:

- ♦ **integrity** – We create clarity and stand by our word.
- ♦ **respectfulness** – We believe in partnership and hold both clients and colleagues in high esteem.
- ♦ **excellence** – We set standards through performance and passion.
- ♦ **pioneering** – We play an active role in creating a sustainable future.

Vision, guiding principles, strategy and targets drive our thinking and our actions within the LLB Group in a sustainable way. We take various measures to ensure that our vision and guiding principles are firmly established in the minds of the employees and managers. To this end, we launched, among other things, the hashtag "#wertvollhandeln". It is aimed at encouraging the employees to live the corporate values. And also the cultural journey started in 2018 is intended to make employees question their actions, exchange views and rethink processes. The LLB Group continued the cultural journey in the reporting year. The core topics of the cultural journey were addressed and developed further on the intranet, at employee appraisals and through offerings for managers. The topic of "Ownership and delegation" was an element in the target agreements for all employees. For each person, what issues they champion and which overarching topics they take ownership of and promote was recorded (see chapter "[Values and corporate management](#)").

Code of Conduct

We believe that responsible, forward-looking management practices are critical to our success. As a trustworthy and respectful partner, we want to be measured by our vision, our guiding principles and our Code of Conduct.

Precisely because of our regional roots, we have our finger on our clients' pulse. That is why we set high standards when it comes to responsibility – both for us as a company and for every individual. The Code of Conduct lays down these standards in a binding set of guidelines. It reflects our values and clarifies what we expect of the Boards of Directors, the Group Executive Board, the managers and the employees. It shows how to handle potential issues or difficult situations that affect our business practices or our dealings with each other.

The LLB Group is present in many countries – where the laws, regulations and rules of conduct are as different as the history, language and culture. The Code of Conduct helps us to implement our company's values Group-wide in our target markets and thereby strengthen the trust of our clients, investors and partners. Further information can be found at www.llb.li/codeofconduct.

Finance and risk management

Assuming risk goes hand in hand with the business of banking. Sustainable and methodical finance and risk management is essential to ensure the risks remain calculable. Our integrated approach has proven itself.

Sustainable finance management and anticipatory risk management: we attach very great importance to these at all levels of the organisation. As part of an integrated approach, risk management at the LLB Group includes dealing with legal and compliance risks as well as information security. The competences for the different areas of finance and risk management are bundled in the Group CFO Division.

Financial management

The aim of our financial management is to create transparency at all levels of management in order that costs and income can be managed in line with corporate strategy and in an efficient and timely manner. The key instruments are medium-term planning, the annual budgeting process, the Group's management information system and the planning and management of capital and liquidity.

Financial management includes the preparation of the financial statements in accordance with local laws and International Financial Reporting Standards (IFRS) as well as regulatory reporting.

Risk management

The LLB Group has a prudent approach to risk, which is essential for protecting reputation, maintaining excellent financial strength and securing sustainable profitability. Our risk management is based on risk policy and encompasses the systematic identification and assessment, reporting, management and monitoring of credit risks, market risks, liquidity risks and operational risks as well as asset liability management (ALM). The LLB Group applies an appropriate organisational and methodological framework for assessing and managing risk (see chapter "Risk management" in the financial section).

Combating money laundering and the financing of terrorist or criminal activities as well as minimising regulatory risks, especially in cross-border business, are given highest priority in the LLB Group as part of risk management.

Liquidity management

The LLB Group has in place robust strategies, policies, processes and systems that enable it to identify, measure, manage and monitor liquidity risk. The internal liquidity adequacy assessment process (ILAAP) is set down in inhouse regulations and guide-lines and is reviewed annually. Within the framework of the ILAAP, the liquidity coverage ratio (LCR), as a binding regulatory liquidity reference figure, represents a material indicator both for liquidity risk assessment as well as liquidity risk management. The LCR ensures that credit institutions can cover their liquidity requirements in the case of a liquidity stress scenario within 30 calendar days. For the LLB Group, a minimum regulatory requirement of 100 per cent applies. With an LCR of 149.3 per cent (2019: 157 %), its ratio was substantially higher than that required under the regulations.

The Group-wide treasury manages the risks in the banking book that arise from banking activities, specifically liquidity, interest rate and foreign currency risks.

Capital management

The LLB Group has in place sound, comprehensive and effective processes to assess and maintain on an ongoing basis adequate equity capital. The internal capital adequacy assessment process (ICAAP) is a

key risk management instrument. The ICAAP is documented in the internal regulations and guidelines and is reviewed and revised annually on the basis of overall bank stress tests.

Solid equity base

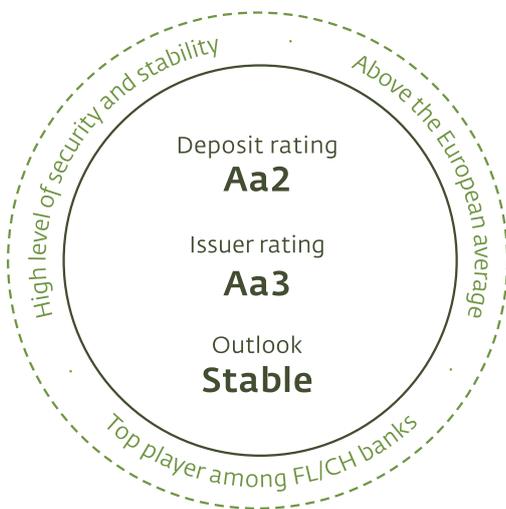
A good equity base not only protects its reputation, but is also part of the financial management and credibility of a bank. Having a sufficiently high-quality equity base at its disposal is part of the LLB Group's identity. Its financial strength shall remain, as far as possible, unaffected by fluctuations in the capital markets.

LLB is considered to be of systemic importance to the Liechtenstein economy and subject to a regulatory minimum capital adequacy ratio of 12.5 per cent. We are targeting a Tier 1 ratio of over 14 per cent as a strategic objective. As at the end of 2020, the LLB Group had CHF 2.1 billion in equity capital (31.12.2019: CHF 2.1 billion). At 21.6 per cent (31.12.2019: 19.6 %), its Tier 1 ratio is well above the regulatory requirement and above its target of 14 per cent.

The LLB Group continues to enjoy a high level of financial stability and security on account of its solid equity base, which consists entirely of hard core capital. The comfortable capital situation gives it leeway to make acquisitions.

Rating confirms financial strength

Liechtensteinische Landesbank has had a deposit rating of Aa2 from rating agency Moody's since 2016. This means, according to Moody's, that it is one of the highest-rated banks in the world, is among the top range of Liechtenstein and Swiss banks and ranks well above the average of European financial institutions. The rating underlines LLB's stability and financial strength and is proof of our prudent finance and risk management.



Credit management

We accompany private individuals, companies, small businesses and public institutions to finance their plans for the future.

At CHF 11.7 billion, the lion's share of loans made during the reporting year, namely 89 per cent (31.12.2019: 87 %), comprised credits secured by mortgages. We have managed to continually grow our market share of loans to customers. At the end of 2020, the volume of loans had increased to CHF 13.2 billion (31.12.2019: CHF 13.0 billion). We extend mortgages primarily within the market regions of Liechtenstein, north-eastern Switzerland and the region of Zurich.

The LLB Group is aware of its special economic position in Liechtenstein and in eastern Switzerland. For this reason, it was important to us to provide bridging loans quickly and with a minimum of bureaucracy during the corona pandemic. In addition, we gave targeted support to our corporate clients in the form

of interest or amortisation deferrals where, despite a sustainable business model, the liquidity situation was tight. Each individual case was examined according to specific defined criteria. The total volume of liquidity assistance provided by the LLB Group in Switzerland and in Liechtenstein amounts to a good CHF 71 million.

Increased loan default risk through corona

The risk of loan defaults has risen due to the corona pandemic. The LLB Group has taken this development into account. We have subjected our credit positions to an additional systematic risk-based analysis and increased risk provisioning. Overall, the state of the credit portfolio is very robust. The further development of risk provisioning will depend on how and when the economy starts to recover. We are monitoring the situation very closely and remain in close contact with our corporate clients.

High standards of lending

The LLB Group pursues a conservative credit risk policy. It includes the individual and differentiated evaluation of loan applications, the conservative assessment of collateral values, the individual calculation of affordability as well as compliance with standard equity requirements. The differentiated control processes help us to reliably fulfil our performance mandate (see chapter "[Responsibilities for the economy, society and environment](#)") and to take appropriate account of risks.

For real estate financing, we observe the Ordinance on Banks and Investment Firms (FL-BankV), which governs risk management in accordance with Art. 7a and Art. 21c ff of the Liechtenstein Banking Act. For mortgage financing in Switzerland, we observe the minimum requirements drawn up by the Swiss Bankers Association (SBA) and approved by the Swiss Financial Market Supervisory Authority (FINMA). We also apply the EU guidelines on assessing, evaluating and processing mortgage secured loans.

Independent credit decisions

Within the LLB Group, credit competences are assigned according to the knowledge and experience of the decision-makers and the appropriate level and credit type. With the exception of standard business transactions, the authority to grant credit lies with the back office, i.e. the Group Credit Management and the superordinate Credit Committees. Credit decisions are thus made independently of market pressures and market targets. In this way, we are able to avoid conflicts of interest and objectively and independently assess risk in individual cases.

Compliance risks

As part of the risk management of the LLB Group, the compliance organisation focuses not only on handling legal risks but also on three areas in particular:

- ♦ the fulfilling of legal obligations in connection with combating money laundering and terrorist financing;
- ♦ the implementation of tax compliance within the framework of the automatic exchange of information (AEOI), FATCA and QI as well as the withholding tax regime with Austria;
- ♦ the complying with regulatory requirements (among other things, in the areas of MiFID and cross-border) and the monitoring of employee transactions.

Compliance risks are seen as part of risk management at the LLB Group. It is based on the internationally recognised three lines of defence model:

- ♦ The first line of defence covers all the functions that are involved in conducting day-to-day business operations and, as a rule, have results-based objectives.
- ♦ The second line of defence – this includes the LLB Group's compliance organisation – carries out, independently of the market and the results, monitoring and control functions, and is responsible for ensuring compliance with applicable internal and external regulations.
- ♦ In the third line of defence, the internal audit ensures the effectiveness of the controls.

Combating money laundering and terrorist financing

The risks of money laundering and terrorist financing are addressed as part of a strict, IT-supported process when establishing new or monitoring existing business relationships. The monitoring of transactions is performed on a systematic and risk-oriented basis.

Besides the activities in our onshore markets of Liechtenstein, Switzerland and Austria, we restrict our cross-border business to selected markets that are strategically and economically significant to LLB. This means the markets of Germany and the rest of Western Europe, the growth markets of Central and Eastern Europe as well as the Middle East.

The LLB Group's internal rulings and training ensure that employees are regularly trained on regulatory changes, sensitised to indications of possible money laundering, and know and comply with the regulations of the respective target country when en-gaging in cross-border activities.

Rules of conduct

We expect our corporate bodies and employees to comply with the applicable laws, regulations and guidelines, professional standards and our rules of conduct. These stipulate which transactions in financial instruments are not permitted for employees and corporate bodies. They also set out the general principles for employee transactions. How business relationships are supported by employees and corporate bodies is also clearly regulated, as is the acceptance of inducements and the exercise of secondary employment.

Dealing with cyber risks

Protection against cyber attacks has a very high priority for LLB and is ensured through IT systems and trained and aware employees. The principles and guidelines of the information security programme are set out in directives that are binding throughout the Group. Our data is protected by robust processes and advanced systems. Specialists continuously analyse new cyber threats and, depending on the risk, take appropriate countermeasures. External comparisons and penetration tests guarantee a consistently good and recognised level of security.

Given the increased cyber risks due to the corona pandemic, we regularly raised the awareness of staff, advisers and clients to the threat of cyber crime and specific fraud schemes during the reporting year in order to keep alertness to the risks high.

Within the digital-liechtenstein.li initiative, where LLB has a seat on the board, we are actively involved in developing a national cyber security strategy for Liechtenstein.

Internal control system

The internal control system (ICS) contributes to increasing risk transparency within the company as an integral part of our Group-wide risk management by monitoring the risks in the relevant business processes through effective control processes. The LLB Group applies standards that are customary in the banking industry to this sub-system of risk management.

Business continuity management (BCM)

A crisis or catastrophe requires critical decisions to be made, but cannot be done with the resources ordinarily available to management. Business continuity management (BCM) comes into play whenever preventative measures defined in the risk management processes do not work and the level of damage from an event could assume a scale that threatens the existence of the company. It identifies business-critical processes within the whole LLB Group, establishes BCM crisis management teams, draws up emergency plans and keeps senior management up to date with regular reports. This was the case during the reporting year with the corona pandemic. Through the pandemic, the LLB Group's BCM has been shown to be crisis-proof, efficient and comprehensive (see chapter "[Corporate Center](#)").

Economic environment

The corona pandemic plunged the global economy into a severe recession during the year under report. However, governments and central banks succeeded in cushioning the shock. According to estimates of the OECD, gross domestic product is predicted to attain pre-crisis levels again only by the end of 2021.

International perspectives

The repercussions of the Covid-19 pandemic left deep scars in the global economy in 2020. Although the developed economies improved sharply during the summer months following the plunge in spring, the losses incurred in the first half year could not be compensated for. The situation was exacerbated by the second corona wave. The pandemic will also largely define the development of the global economy in 2021. In addition, the trade conflict between the USA and China will continue to smoulder. No rapid resolution of this conflict is to be expected even with the new Biden administration in the US.

USA

The corona pandemic pushed the US economy into a crisis in spring 2020, millions of people lost their jobs. Although the economy began to recover quickly after the lockdown, it again stalled on account of the resurgence of the pandemic and the loss of real household income towards the end of 2020. A recovery package totalling USD 900 billion will provide the economy with robust support during the coming quarters. The boost to growth this will generate for 2021 / 22 is estimated at 1.7 and 0.7 percentage points respectively. Since the democrats now also have a slight majority in the senate, a further stimulus programme is generally expected. The Fed has also announced that it will do everything in its power to support the upswing and maximise employment, even permitting a temporary "overshooting" of inflation.

Euro zone

The euro zone was hit particularly hard by the corona pandemic. Whereas the US economy fell by 10 per cent in the first half year, in the euro zone the decrease was 15 per cent. Acting from necessity, the various governments reacted to the crisis with extraordinary efforts. The EU temporarily suspended fiscal rules and announced a reconstruction fund amounting to EUR 750 billion to support the member states. The epidemiological conditions will improve in spring and the swiftly progressing vaccination campaign should lead to an improvement in economic activities from the second quarter of 2021. Fiscal policy in the euro zone is likely to remain very expansive.

Switzerland / Liechtenstein

In contrast to other countries, the employment market in Switzerland and Liechtenstein remained extremely robust during the corona crisis. Nevertheless, here too, there were salary reductions due, for example, to short-time work. It remains to be seen what effects the pandemic will have on long-term wage growth.

For small, open economies, such as those like Switzerland and Liechtenstein, the recovery will largely depend on how demand among their most important trading partners develops. These countries' economies should also benefit from the fiscal impulses in the US and the euro zone. In general, it is assumed that value creation could again attain its pre-crisis level by the end of 2021.

Liechtenstein financial centre

The corona pandemic caused distortions in the real economy. However, the repercussions for the Liechtenstein financial sector remained limited in 2020. Although client assets under management fell significantly in the first quarter, they had largely recovered by the end of the year. The rate of non-

performing loans increased marginally. In comparison with other European banks, the Liechtenstein financial institutes are still well capitalised and have a low loan loss ratio. However, the number of defaulted loans could climb in 2021. The additional challenges facing the Principality lie in the already well-known areas of digitalisation, negative interest rates and geopolitical conflicts.

From the viewpoint of financial stability, however, Liechtenstein is still well prepared for the future challenges thanks to its solid fiscal data and the high capitalisation of the financial sector.

Interest rates

An end to the expansive monetary policy of the central banks is still not to be expected. In addition to the Anglo-Saxon central banks, those in the developing countries have also reduced interest rates. Furthermore, purchases of securities have again been expanded. For example, the European Central Bank (ECB) expanded the scope of purchases of securities in accordance with the Pandemic Emergency Purchase Programme (PEPP) by EUR 500 billion to a total of EUR 1'850 billion in December. The Swiss National Bank (SNB) also retained its expansive monetary policy. Moreover, it stressed that it would continue to consider intervening on foreign exchange markets – even though in December 2020 the SNB was officially designated as a "currency manipulator" by the US. No increases in interest rates are to be expected before the end of 2022. Both the ECB and Fed have stated this in their forward guidance, in which they announce their future monetary policy intentions.

Currencies

Above all, the falling exchange rate of the US dollar caused a stir in 2020. In fact, the currency is still regarded as the number one lead currency, which investors turn to especially in times of crisis. However, in the middle of the worst global recession since the 1930s, the US dollar lost more than 8 per cent of its value against the currencies of its most important trading partners within just a few months. There are several reasons for the dollar's weakness. These include the Fed's expansive monetary policy against the backdrop of the Covid-19 pandemic, the US's high level of government debt and the increased readiness to take risks on the financial market.

Whereas the US dollar largely forfeited its significance as a safe haven in the year under report, the Swiss franc was still in demand for just this function and will continue to be so in 2021. Consequently, further interventions by the Swiss National Bank may be necessary to mitigate the upward pressure on the value of the Swiss franc; this above all in relation to the euro. The value of the franc will be determined by the ECB's monetary policy. Although the EU's common currency also gained substantially in value in 2020, the Swiss franc continues to be overvalued. Accordingly, a euro exchange rate of CHF 1.20 continues to be unrealistic.

Equity markets

2020 will be remembered and as an exceptionally difficult year on the stock markets. On account of the great uncertainty in connection with the corona crisis, substantial price losses were incurred in February / March of the year under report. Thanks to robust support from monetary policy coupled with low interest rates and massive purchases of securities, as well as government fiscal packages of a previously unknown magnitude, prices largely recovered over the following months – although the pandemic left deep scars in the real economy. By the end of the year, positive vaccination news and the clear outcome of the US presidential election further reduced the number of uncertainty factors. Since the central banks will continue to pursue their expansive monetary policies for a long time to come, the investment crisis will persist. Consequently, equities will continue to represent a good alternative in 2021. However, in spring 2020, it was clearly shown again that equity investments can diminish in value sharply in the short term.

Retail & Corporate Banking

Thanks to their extensive offering for retail and corporate clients, LLB and Bank Linth are successfully positioned as the leading universal banks for Liechtenstein and eastern Switzerland. Closeness to clients is our cardinal principle. In interacting with our clients, tradition is just as important to us as innovation.

Regionally anchored

Founded almost 160 years ago, Liechtensteinische Landesbank is the longest established financial institute in Liechtenstein. Its very large market share of retail and corporate banking business confirms that the Landesbank is firmly anchored in the region and makes a major contribution to the economy of the Principality. It is the only bank in Liechtenstein with several branches and an extensive network of cash machines. Many clients are also shareholders of the bank (see "[The LLB share](#)"). Bank Linth (founded in 1848) also has a rich tradition and is well known for its proximity to clients and to the market. Around 10'400 shareholders form the foundation of the bank and actively participate in its development.

Banking for personal and corporate clients is a local and regional business. Therefore our client advisers are at home in their market regions and can assess the needs of our clients (see chapter "[Employees](#)"). To underline this closeness to our clients and our home region, the division has been renamed the Personal and Corporate Client Division.

A reliable partner during the crisis

For the Personal and Corporate Client Division as well, the 2020 business year was largely shaped by the repercussions of the corona pandemic. In spite of the challenging situation, we were able to maintain our close contacts with clients, and in some cases, to even intensify them. We were able to achieve this by implementing strict safety concepts and intensifying the use of telephone and digital channels. We were also able to fulfil the increased demand of our clients for contactless payments by raising the limits on Maestro cards and bringing forward the launch of our own LiPay digital payment system. We supported our corporate clients through this difficult time by providing bridging loans and additional advisory services. We are proud of the important contribution we have made in this manner to the economic stability of our domestic markets, and to have again proven to be a reliable partner in a time of crisis.

Markets and services

The personal and corporate client business of Liechtensteinische Landesbank and its subsidiary Bank Linth comprises the deposits and financing business in the domestic markets of Liechtenstein and Switzerland. In addition, we have very diverse relationships with cross-border clients from the Austrian province of Vorarlberg. In these market regions we offer the complete spectrum of banking and financial services for private and corporate clients. Our 360-degree range of advisory services is unique in that it provides solutions for every phase of life and stage of the business cycle – from birth to estate planning, and from the setting up of a company to succession planning.

Successful lending and mortgage business

Lending business is an important area of banking for the LLB Group, especially in such a difficult operating environment as the one in the year under report. We pursue a prudent credit policy, which focuses on the lender's creditworthiness and ability to repay a loan (see chapter "[Finance and risk management](#)"). In its home market Liechtenstein, LLB is the market leader in mortgage lending business with a market share of 50 per cent. As the largest regional bank in eastern Switzerland, Bank Linth is also one of the largest credit providers in this business area. Since the former LIBOR central benchmark

interest rate is being discontinued and replaced, LLB and Bank Linth have already been offering an alternative solution since 2020. Clients can choose money market mortgages based on the SARON Swiss benchmark interest rate for their properties. In Liechtenstein LLB is the first bank to offer SARON mortgages to its clients.

Bank branch and ATM network

LLB is the only bank in Liechtenstein to offer

3 bank branches and
24 ATM locations

In the Swiss cantons of St. Gallen, Zurich, Schwyz and Thurgau Bank Linth operates a total of

19 bank branches / advisory points and
23 ATM locations

Reliable partner bank for SMEs

In recent years, LLB and Bank Linth have increasingly positioned themselves as partner banks for small and medium sized enterprises (SMEs) in Liechtenstein and eastern Switzerland. With a market share of 70 per cent, LLB is the market leader in Liechtenstein. Bank Linth is one of the largest service providers in eastern Switzerland.

In addition to attractive basic product packages, LLB and Bank Linth offer corporate clients a broad and comprehensive range of services from the setting up of a business to the transfer of the company to the next generation.

Liquidity support during Covid-19

Our close relationships with SMEs have proven their worth especially during the corona crisis, with both LLB and Bank Linth assuming an active role as partner banks for these companies. Both banks participated in the government programmes to provide Covid-19 bridging loans. Companies, which ran into financial difficulties as a result of the corona crisis, had thus the opportunity to obtain liquid funds in a simple and unbureaucratic manner. We were able to approve the corresponding applications for around 750 companies. In total, during the corona pandemic, the LLB Group has provided companies with around CHF 71 million in bridging liquidity (see chart Bridging financing).

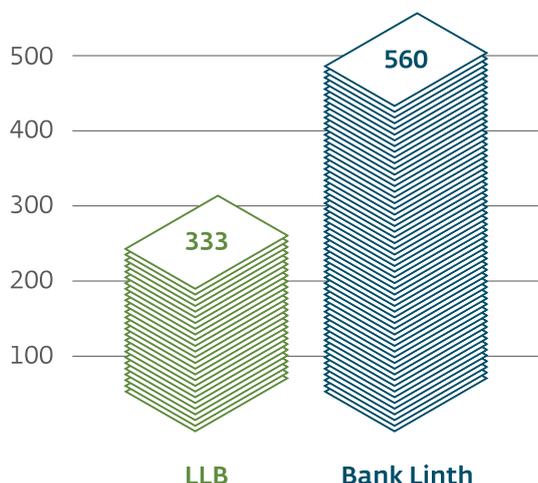
One criterion was the primary factor for the issuing of the loans: the procedure had to be fast, unbureaucratic and simple. There were clear rules for the granting of the loan facilities; basically, whoever fulfilled the official criteria was granted a loan. At LLB AG, we carried out a rudimentary credit check on the basis of the submitted financial statement. In Liechtenstein the lending limit amounted to a maximum of 20 per cent of personnel expenses and was basically fixed at 300'000 Swiss francs. In Switzerland the maximum credit limit was set at 500'000 Swiss francs. We only had to reject those applications, which did not meet the criteria of the Liechtenstein government or the Swiss Federal Council – for example, in the case of domiciliary companies or if the company was not entitled.

Both at LLB and Bank Linth the bridging loans were completely covered by the relevant state guarantees. Furthermore, Bank Linth also issued so-called Covid-19-Plus bridging loans, which covered credit volumes of over CHF 500'000. In these cases, Bank Linth bears 15 per cent of the risk.

Indeed, over and above the government bridging financing programmes, our contacts with corporate clients during the corona crisis were very intensive. Our advisers spoke with clients about their concerns and problems; together they sought individual solutions where this was necessary.

Bridging financing

Number of loan applications



Lending volume used (in CHF millions)



Payments, savings and deposits

In Liechtenstein LLB is the clear market leader in payment services and account management. From birth almost every resident has an account at the Landesbank. Our "LLB Combi / Bank Linth Combi" package enables private clients to design their individual banking relationship themselves. An interactive online configurator helps our clients to put together a service package that fits their requirements, and also reveals the cost of every module to provide full transparency. The specific investment advice and asset management for clients having available assets of up to CHF 0.5 million are also components of personal and corporate banking business. Under the designation "Compass", we offer a 360-degree spectrum of advisory services, which provides solutions for every phase of life and stage of the business cycle. At LLB and Bank Linth, corporate clients receive various attractive basic products in our "SME box", which also offers transparent services and conditions.

Individual pension provisioning solutions

We are the only bank in Liechtenstein offering clients individual pension fund solutions through the LLB Pension Fund Foundation for Liechtenstein (see chapter "[Responsibilities for the economy, society and environment](#)"). Measured in terms of the number of persons insured and the assets managed, the LLB Pension Fund Foundation is the largest collective foundation in Liechtenstein and the only one in the country whose members can choose between two investment strategies. In the year under report, the foundation administered assets with this strategy of over one billion Swiss francs. At the end of 2020, it administered 7'478 actively insured persons in 838 affiliated companies.

Omni-channel concept: closeness to clients through digitalisation

Covid-19 has again accelerated the importance of digital channels. Even before the pandemic, we noted that, in personal and corporate client business, more and more of our clients were utilising e-channels whereas over-the-counter business was declining. In 2020, more than 2.7 million transactions (2019: 2.5 million) were carried out via our online and mobile banking channels. Card transactions using LLB cards also increased from 3.3 million in the previous year to 3.5 million.

Our contactless LiPay payment application, launched early in spring 2020 due to the corona pandemic, was also well received by the market. In the first few months, our payment service was used several thousand times. In Liechtenstein there are already around 60 venues that accept the payment system.

Even if over-the-counter business is declining, this does not mean that our bank branches have become superfluous. On the contrary, the scope and intensity of advisory discussions and meetings have increased. Therefore we are investing not just in technology but also in the advanced training of our bank branch teams. Our branch counter staff are becoming client adviser, who have completed the

certification programme according to the standards of the Swiss Association for Quality (SAQ) (see chapter "Employees"). By the end of 2020, 128 client advisers of the Personal and Corporate Client segment had successfully completed the certification programme.

Bank branches focused on advising clients

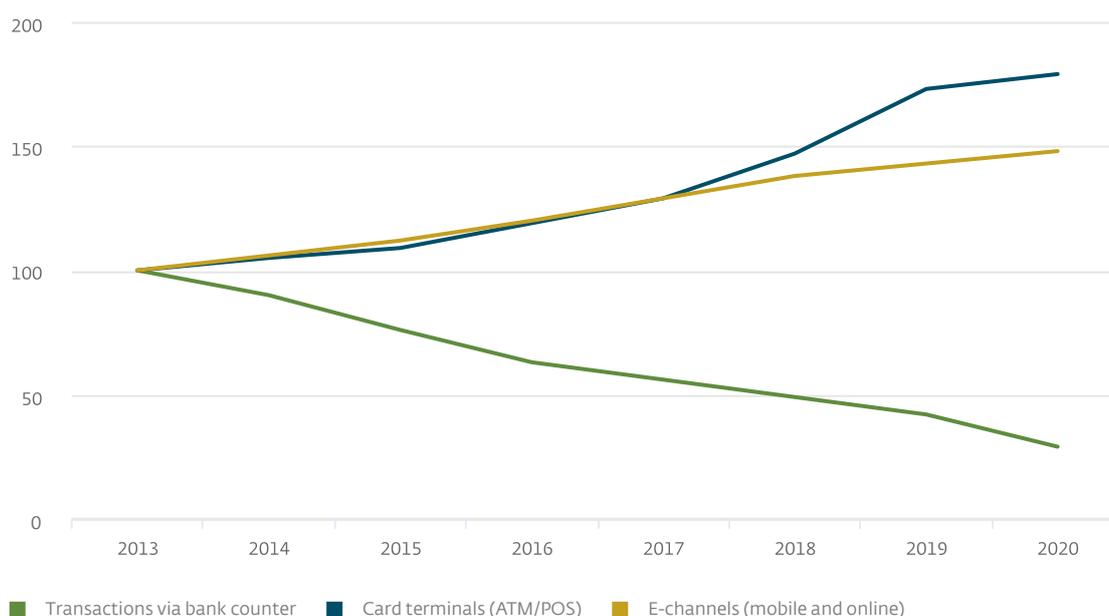
The trend in the bank branches is away from transaction business and towards personal advice provided on the spot. Increasingly, all generations of clients are carrying out standard transactions, such as in and out payments, themselves at ATMs or using e-channels. As a consequence of Covid-19 the frequency of contactless payments and the basic acceptance of digital media by clients have intensified.

Conversely, our branch staff have more time for personal meetings and discussions, and to support clients in the use of e-banking; a service that is much appreciated. This adds to the atmosphere in our redesigned bank branches, offering our clients an inspiring experience and enabling them to feel comfortable and at ease.

We are successively redesigning our bank branches. Following the remodelling of the branch in Balzers, in June 2020 LLB reopened its redesigned branch in Eschen. A special feature of the Eschen branch is the Community Zone, which can be used for events and presentations. For example, from 2021 a concept involving financial coaches is planned as a guide to young people in how to deal properly with money. This will be held in collaboration with the Liechtenstein Bankers Association and the Liechtenstein Department of Education. The primary aim of the redesigned bank branches in Liechtenstein is to create an experience for clients. A "pension planning" application has been added to our unique "Bankorama" experience. Bankorama helps make LLB bank products simple and interactive. The remodelling of the bank's headquarters in Vaduz will commence in April 2021 and take 18 months.

On its way to becoming the "the bank of the future", Bank Linth opened its first redesigned branches in 2015. In the meantime, eighteen of nineteen branches have been modernised according to the new standard to comply with changed client requirements. In future the focus will be on providing advice – and infrequently desired services will no longer be provided at all locations. Thanks to mobile work places and adjustments to infrastructure, all 19 branches can offer clients the choice of flexible appointment planning in future.

Number of transactions via bank counter, ATMs, card terminals (POS), e-channels (mobile and online)



E-Channels

We are one of the few banks to have designed our entire digital offering as a one-stop shop. Designed in accordance with the latest security and technological standards, our digital offering is constantly expanding. In 2020, our online bank programme was further expanded for both LLB and Bank Linth. Users now benefit from new functions and improved user-friendliness.

Within the scope of our "Novus" digitalisation programme, we are investing CHF 30 million during the current strategy period in the continual development of our digital channels (see chapter "[Corporate Center](#)").

Digitalisation steps in payment systems

By introducing various new offers, we are making the payment and issuing of invoices more efficient, simple and clear:

- ♦ **LiPay:** In spring we brought our own contactless payment app on to the market. Due to the corona crisis, the launch took place earlier than planned. In contrast to established instant payment systems in Switzerland and Liechtenstein, LiPay uses direct "account-to-account" payments, accelerated by instant push messages. We are currently working on adding to the LiPay functions.
- ♦ **QR billing:** The launch of QR billing in June 2020 represents a further step towards the automation of payment processes. It simplifies the issuing and payment of invoices for our clients and, after a transition period, will replace the orange and red payment slips. The introduction was successful, with it being well received by our clients. During the transition phase, we are supporting our clients by providing specific offers.
- ♦ **eBill:** Our eBill application has also been welcomed on the market. This service makes it easier for our clients to receive, check and release invoices for payment via LLB's Online Banking. Electronic and paperless processing also save costs and protect the environment.
- ♦ **LLB Connect:** For companies having a very large number of payment orders we offer an attractive and convenient solution in the form of LLB Connect. This interface solution enables companies to submit payments, stock market and foreign exchange orders via their usual software environment quickly, securely and efficiently to LLB. The accounting system can be reconciled automatically with accounts receivable and accounts payable.
- ♦ **EBICS:** We also offer our corporate clients the Electronic Banking Internet Communication Standard. EBICS has become established in various SEPA (Single Euro Payments Area) countries as a multi-bank client / bank communications standard that enables payment transfers to be executed in an encrypted and secure form via the internet. Multi-national companies, in particular, are the target users for this system.

Advisory service centre

As the interface between online and offline services, our advisory service centre is the central hub for around 60'000 clients. It offers them a comprehensive service for all banking transactions. In recent years more and more demands have been made on our dedicated team at the advisory service centre, especially in response to the plethora of different regulatory provisions applying to our clients from around 80 countries. In 2020, the advisory team answered about 126'000 telephone calls, responded to around 35'000 e-mails and 7'200 bank messages. It also dealt with 82'000 enquiries and questions. The team is also responsible for providing first-level support for questions relating to our digital channels.

Client requirements front and centre

As part of the StepUp2020 strategy, the LLB Group set itself the goal of investing more time in the individual care of its clients and enhancing the quality of advice it gives them. For us it is therefore vital to keep up with the needs and wishes of our clients so that we can respond to them as quickly as possible.

In the year under report, we therefore carried out another client survey. This revealed very positive results for the Personal and Corporate Client segment. The investments made in physical and digital channels and, especially, the closeness to clients that we practice through our bank branches, advisers and infrastructure are much appreciated by clients. Areas in which the client survey showed potential for improvements are being carefully analysed and monitored.

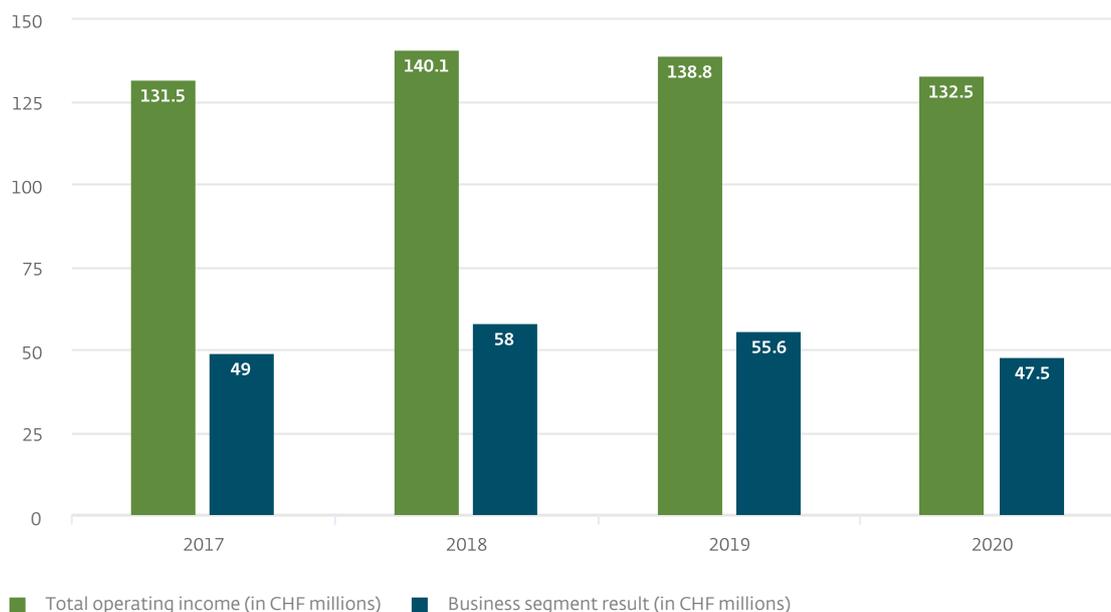
Premium partner of the Chamber of Commerce

LLB is well networked with the local business community. We are premium partners of the Liechtenstein Chamber of Commerce – a collaboration which is constantly being extended. In addition to our tried and tested services for members of the Chamber of Commerce, we offer events and training activities, particularly in relation to digitalisation. In the year under report, for example, as part of the Chamber's training platform, we organised several meetings and events in relation to the introduction of QR billing. These received a very positive echo. Unfortunately, due to the corona pandemic, other planned events could not be held. As soon as the situation permits, these activities will be reinstated including the awarding of the LLB sponsored SME award.

Business segment result

Interest differential business, which comprises the largest part of earnings in retail and corporate banking business, posted a stable development despite the persisting pressure on margins and, at CHF 91.2 million, remained at the same level as in the previous year. In the year under report, risk provisioning had to be increased, which led to a lower segment profit before tax. Both personnel and general and administrative expenses were reduced. The business volume rose by 4.4 per cent to CHF 20.8 billion. The increase was attributable to net new money inflows of 8.0 percent, or CHF 745 million, as well as continued growth in mortgage lending business. The segment attained net new money inflows and lending business growth in both the home markets of Switzerland and Liechtenstein.

Business segment result: Retail & Corporate Banking



Segment reporting

in CHF thousands	2020	2019	+ / - %
Net interest income	91'216	93'151	- 2.1
Expected credit losses	- 4'120	731	
Net interest income after expected credit losses	87'096	93'882	- 7.2
Net fee and commission income	33'059	31'806	3.9
Net trading income	10'092	10'921	- 7.6
Other income	2'258	2'208	2.3
Total operating income	132'504	138'817	- 4.5
Personnel expenses	- 27'224	- 28'698	- 5.1
General and administrative expenses	- 1'572	- 1'924	- 18.3
Depreciation	0	0	
Services (from) / to segments	- 56'252	- 52'575	7.0
Total operating expenses	- 85'049	- 83'197	2.2
Segment profit before tax	47'455	55'620	- 14.7

Performance figures

	2020	2019
Gross margin (in basis points) *	67.3	69.6
Cost Income Ratio (in per cent) *	62.2	60.3
Net new money (in CHF millions) *	745	240
Growth of net new money (in per cent)	8.0	2.8

* Definition available under www.llb.li/investors-apm

Additional information

	31.12.2020	31.12.2019	+ / - %
Business volume (in CHF millions) *	20'800	19'915	4.4
Assets under management (in CHF millions) *	9'912	9'280	6.8
Loans (in CHF millions)	10'888	10'635	2.4
Employees (full-time equivalents, in positions)	183	182	0.5

* Definition available under www.llb.li/investors-apm

Private Banking

Stability and security, high product and service quality, as well as acknowledged investment performance are the hallmarks of the Private Banking segment. We gain the trust of our clients additionally thanks to first-class advisory competence, innovative digital applications and fair conditions.

Stability and security

The LLB Group has been one of the most secure and best capitalised universal banks in the world for many years. With its Aa2 deposits rating from Moody's, it belongs to the absolute top rank of financial institutes in Liechtenstein and in Switzerland (see chapter "[Finance and risk management](#)"). Its almost 160-year history makes LLB the longest established bank in Liechtenstein. Furthermore, with the Principality of Liechtenstein as its majority shareholder, it can rely on a solid ownership structure. Liechtenstein is one of the very few countries in the world to possess an AAA rating with stable outlook from Standard & Poor's. This excellent country rating for the entire Liechtenstein financial centre is an indicator of stability and reliability.

International presence – strong local ties

The Private Banking Division is internationally active and maintains strong local ties through its brands "Liechtensteinische Landesbank" and "Bank Linth". The LLB Group operates three booking centres and has a bank each in Liechtenstein, in Switzerland and in Austria. Our focus lies on the home markets of Liechtenstein, Switzerland and Austria, on our traditional cross-border markets of Germany and other parts of Western Europe, as well as on the growth markets of Central and Eastern Europe and the Middle East.

Clients meeting tax compliance requirements and the observance of prevailing local and international regulations are core elements of our cross-border banking. By providing intensive training, we ensure that our employees fulfil the regulations of the target countries and observe tax compliance rules within the scope of their cross-border activities.

One bank group – three home markets

Liechtenstein, Switzerland and Austria, as financial centres, possess a high potential to attract investors who are seeking security and stability for their investments. Consequently, for years we have posted very pleasing inflows of client assets in private banking from our three home regions – a development which continued impressively during the year under report despite the corona pandemic. At a local level, we are represented by three LLB bank branches in Liechtenstein, nineteen Bank Linth business locations in eastern Switzerland and one bank in Vienna, Austria.

Traditional cross-border markets

Germany – Europe's largest private banking market – and other selected western European markets continue to be important for our asset management. We benefit here from our extensive experience and our clients' trust in the quality of our services and the good performance of our asset management.

Central and Eastern Europe

Our Private Banking also looks after clients from the Central and Eastern European EU states, Russia and selected CIS states. These markets are covered specifically from our business locations in Zurich-Erlenbach, Geneva, Vaduz and Vienna. Especially in economically and politically uncertain times such as these, the stability and competence of the LLG Group offer clients from these regions great added value. In the year under report, we again increased the client assets we manage from these strategic target markets.

Middle East

The LLB Group has maintained a representative office in Abu Dhabi since 2005. In 2008, this was followed by our business base in Dubai. In recent years we have strengthened and significantly expanded our business presence in the Middle East. In order to better exploit the opportunities offered by this attractive market, we moved to the Dubai International Financial Centre (DIFC) in summer 2019. Since then we have available much larger offices and also much more scope for our business operations.

Outstanding level of product and service quality

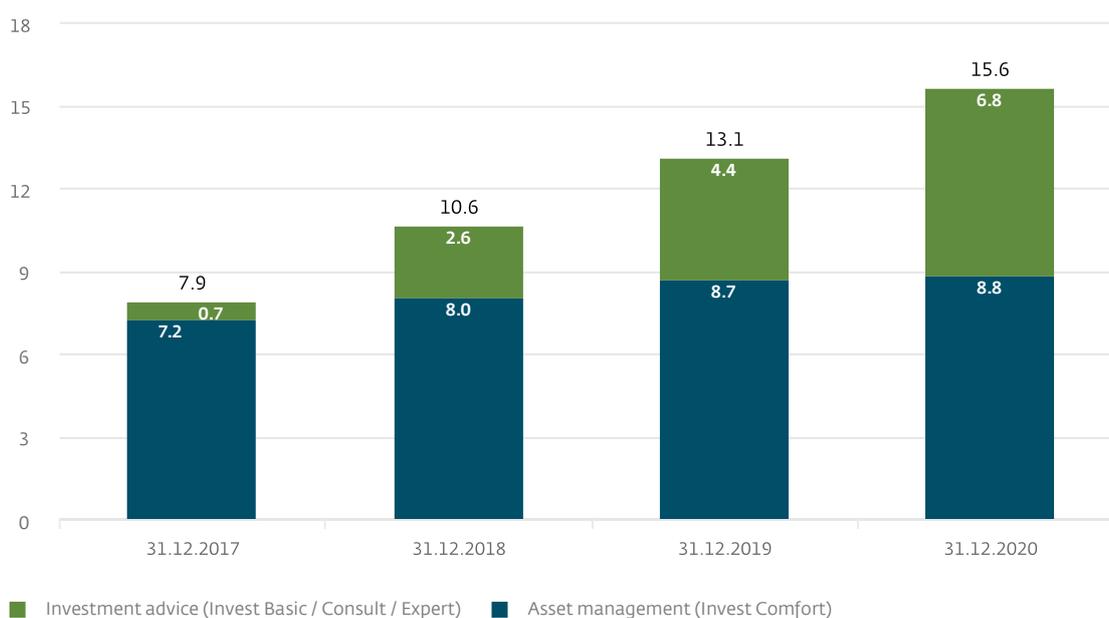
Following the migration of LLB Österreich to the Avaloq banking software, since the beginning of 2020 all the banks in the Group now operate a common core banking application. This has enabled us to make further progress in the automation of our processes and, at the same time thanks to the centralisation of administration procedures, to take advantage of synergies. In addition to the clients of LLB and Bank Linth, those of LLB Österreich can now also take advantage of the whole range of LLB Group products and services, including Online and Mobile Banking, the innovative "LLB Invest" investment advisory and asset management app, as well as "LLB Portfolio Analysis", the ground-breaking technological portfolio information system.

Asset management and investment advisory

Irrespective of whether clients prefer to delegate the management of their assets or actively make investment decisions themselves, with "LLB Invest" and "Bank Linth Invest" private and institutional clients can find a product offering tailored to suit their requirements at LLB. Depending on their requirements, our clients can decide what scope of service they wish to receive from us. This ranges from basic to expert solutions.

Various options are also available to them when it comes to investment strategies. In 2020, we added the "Sustainable" investment strategy to our range of offers. Using technology-supported continual monitoring of the portfolios, our private banking client advisers ensure the security of the investments and deliver performance in line with the selected strategy. This service has been very well received by our clients. Since the introduction of "LLB Invest" in 2016, the volume of asset management and investment advisory mandates has risen steadily (see chart). In 2020, we again succeeded in increasing the proportion of our LLB Invest services. From 2021, these services will also be offered at LLB Österreich. Furthermore, we are planning on introducing "LLB Invest" in the Middle East.

LLB Invest (in CHF billions)



Suitable products for every phase of life

With our "LLB Compass" and "Bank Linth Compass" services, we support private clients and entrepreneurs at all stages of life or the business cycle to help them achieve their future financial goals. LLB and Bank Linth therefore cover all the important themes such as wealth planning, financing facilities, retirement provisioning, real estate, taxation, estate planning and succession (see chapter "[Responsibilities for the economy, society and environment](#)").

Fair and transparent pricing

LLB AG and Bank Linth forego retrocessions both in the provision of investment advisory and asset management services, i.e. LLB does not accept commissions from external fund vendors for the distribution of their products to the bank. We transfer 100 per cent of these payments to our clients. We employ performance-related fees with various funds, as well as with asset and discretionary management mandates, which are only payable if a positive return is achieved. Our interest-related fees are another innovative feature, which takes into account the prevailing low level of interest rates. LLB's tariff structures are simple and clear, costs are visible at a glance (see chapter "[Responsibilities for society and the environment](#)").

Tested advisory quality

We regularly receive awards for the high level of our advisory competence. Once again this year, in the independent comparison test carried out for the "Fuchsbriefe" publishing house, our client advisers attained top results. In addition to the "very good" advisory quality, the test experts underlined our sustainability expertise in their assessment. In their opinion this was "exceptionally strong". On the permanent list of best vendors, we came in third place and are therefore among the leading private banking providers in the entire German-speaking region.

LLB Österreich was chosen as the best private bank in Austria by the professional journal "Börsianer". In the overall ranking for "Banks" it was placed third among fifty financial institutes. It was therefore able to prevail against the largest players on the market, once again true to its claim of being the leading asset management bank in Austria.

To ensure the quality of our advisory services, we continually invest in the training and professional education of our staff. Our client advisers must complete the certification programme according to the standards of the Swiss Association for Quality (SAQ). In Austria, we provide training in line with the "European Investment Practitioner" (EIP) certificate programme recognised throughout the EU. We have added our own oral examination to this programme, thus upgrading it to comply with the LLB certificate and therefore the level of the SAQ certification (see chapter "[Employees](#)").

We have developed and launched a special training programme in relation to sustainable investments for our client advisers. This will ensure that all our client advisers have the necessary know-how in this business so that they can keep pace with our expanded range of products and services (see chapter "[Sustainability in banking business](#)").

Highly sophisticated digital services

In continually analysing and monitoring client portfolios, our client advisers and analysts are supported by the latest technology. Highly sophisticated algorithms calculate the risk and return of individual financial instruments in order to enhance portfolio performance. Individual objectives and restrictions are automatically considered. If the risk / return characteristics of an investment do not fulfil the client's criteria, the software flags up an alert. In 2020, we further expanded the functions of mobile and online banking applications. Clients of the LLB Group now have an overview of their assets everywhere and at all times. Numerous banking activities can now be carried out digitally and conveniently. The parallel offer of high quality personal advice together with digital services has proven its worth. An extensive client survey held in the year under report revealed a very positive assessment of both services.

Excellent investment performance

The Private Banking Division is supported by the specialists of LLB Asset Management, whose investment performance in competitive comparison is outstanding. This is confirmed by the international awards, which LLB regularly receives (see chapter "[Institutional Clients](#)"). The investment selection process for the portfolios follows the proprietary, multi-award-winning LLB quantitative

investment concept, which we are continually refining and enhancing. As active managers, our Asset Management specialists are guided by benchmarks – with the goal of exceeding them in our own numerous funds and mandates. This applies in both asset management and for investment funds. As a further means of assuring quality, we continually invest in technology and the training of our investment experts.

In the year under report, the LLB Group further expanded and adapted its range of offers. For example, our asset management clients can now select from five different implementation types with "LLB Comfort". Depending on the client's wishes investments can be made with a focus on Switzerland, global, alternative, sustainable or passive investments.

Focus on clients

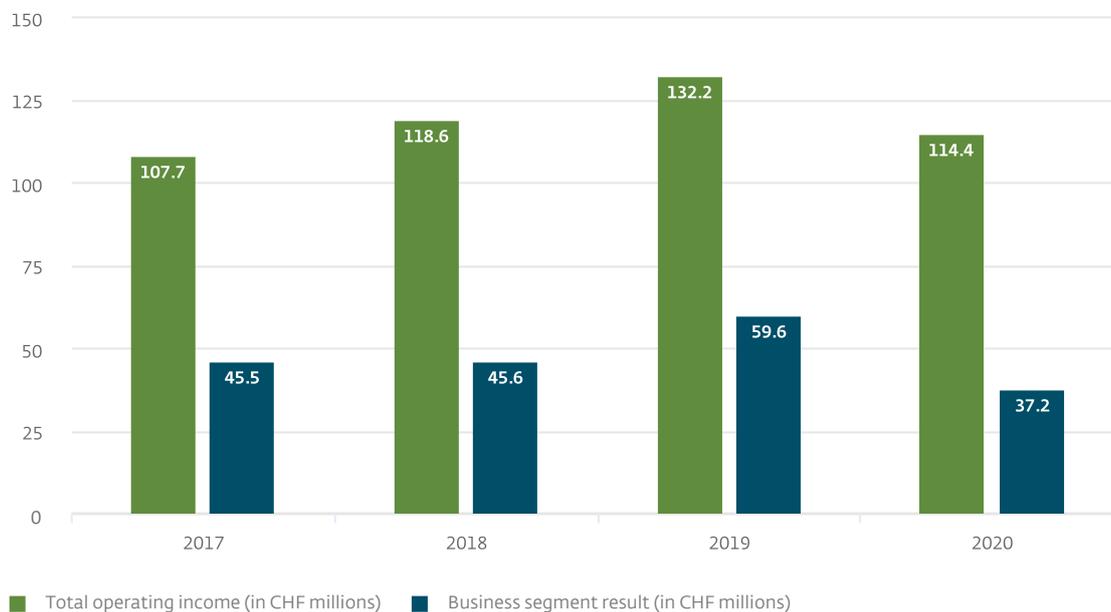
In order to find out how satisfied our clients are with our product and service offering, as well as our advisory services, we carried out a broadly based client survey for LLB in Liechtenstein in the year under report. The results revealed that our clients are very satisfied with both asset management and advisory services. Nine out of ten respondents certified that our advisory services were first class. Ninety per cent were also very satisfied with our online banking. Knowing what our clients need and expect is especially important so that we can develop and adapt the appropriate products, services and channels. The results of the survey also provide us with a basis to explore possibilities for improvements.

The bond with our clients is always the central focus of the LLB Group. We were able to demonstrate this especially during the first months of the year under report, when there was great uncertainty due to the corona pandemic. We intensified our contacts with our clients, advised them and supported them as a reliable partner, in a time of crisis as well.

Business segment result

At CHF 37.2 million, the profit before tax of the Private Banking segment was lower than the previous year's result. This was attributable, on the one hand, to lower earnings in interest differential business due to the plunge in US dollar interest rates, and on the other, to the allocation of provisions for expected credit losses. In contrast, income from trading developed positively thanks to increased trading activity. Operating expenses climbed to CHF 77.2 million. In the previous year, the release of provisions had a positive effect on the business result. Adjusted to take into consideration these effects, operating expenses were stable compared with the equivalent period in the previous year. The segment posted gratifying net new money inflows particularly in the two growth markets of Central and Eastern Europe and the Middle East. Thanks to the net new money inflows totalling CHF 616 million, client assets expanded to CHF 17.4 billion.

Segment reporting: Private Banking



Segment reporting

in CHF thousands	2020	2019	+ / - %
Net interest income	25'739	40'299	- 36.1
Expected credit losses	- 4'365	486	
Net interest income after expected credit losses	21'374	40'785	- 47.6
Net fee and commission income	81'102	82'973	- 2.3
Net trading income	11'906	8'460	40.7
Other income	3	2	77.9
Total operating income	114'384	132'220	- 13.5
Personnel expenses	- 36'484	- 37'238	- 2.0
General and administrative expenses	- 2'478	1'837	
Depreciation	- 128	- 134	- 4.6
Services (from) / to segments	- 38'087	- 37'072	2.7
Total operating expenses	- 77'177	- 72'608	6.3
Segment profit before tax	37'207	59'612	- 37.6

Performance figures

	2020	2019
Gross margin (in basis points) *	65.0	72.4
Cost Income Ratio (in per cent) *	64.6	58.7
Net new money (in CHF millions) *	616	89
Growth of net new money (in per cent)	3.7	0.5

* Definition available under www.llb.li/investors-apm

Additional information

	31.12.2020	31.12.2019	+ / - %
Business volume (in CHF millions) *	19'289	18'743	2.9
Assets under management (in CHF millions) *	17'401	16'859	3.2
Loans (in CHF millions)	1'887	1'884	0.2
Employees (full-time equivalents, in positions)	186	185	0.6

* Definition available under www.llb.li/investors-apm

Institutional Clients

The LLB Group is a reliable partner for financial intermediaries and institutional clients. We offer outstanding investment competence with our specialised and innovative services and our broadly based investment fund powerhouse. Comprehensive expertise and personal service are our hallmarks.

Specialised in serving professional clients

Irrespective of whether they are fiduciaries, asset managers, fund promoters, family offices, insurance companies, pension funds or public institutions, one thing they all have in common is that they should manage and increase the capital entrusted to them as effectively as possible. As a partner, the LLB Group offers optimum conditions for this purpose. Highly specialised contact persons are readily available to listen to client concerns and provide competent advice. Our client advisers have completed a certification programme according to the standards of the Swiss Association for Quality (SAQ) and they are regularly tested and recertified.

We offer every client, who commissions us to manage his assets, excellent investment and advisory competence, as confirmed by the many awards we have received from various, independent institutions (see paragraph "[Asset Management](#)"). We not only want to offer our clients the best possible service today, we also want to learn about their future requirements. For this purpose we regularly carry out client surveys. In the most recent survey in the year under report, our clients confirmed their great satisfaction with our advisory services and, at the same time, they praised our digital app. These regular surveys also enable us to explore improvement potentials and develop them for the benefit of our clients.

Digitalisation for closer relations with clients

By providing them with innovative digital apps, our professional clients in particular can structure their interaction with us in a more efficient, personal and convenient manner. With this aim in mind, we once again expanded our digital channels and features in the year under report.

These efforts have proven their worth especially during the corona crisis in the year under report. For example, despite the restricted personal contact possibilities, we were still able to maintain close contacts with our clients and satisfy their needs and concerns without any reduction in quality. The duality of our services – personal advice coupled with digital services – is appreciated by our clients and utilised where appropriate for the individual case.

Fund powerhouse

Investment fund business is an important earnings pillar of the LLB Group offering great growth potential. In the year under report, our investment fund business attained a growth in volume of CHF 2.1 billion (2019: CHF 6.0 billion). The fund assets it manages reached a volume of CHF 38.7 billion (2019: CHF 36.6 billion).

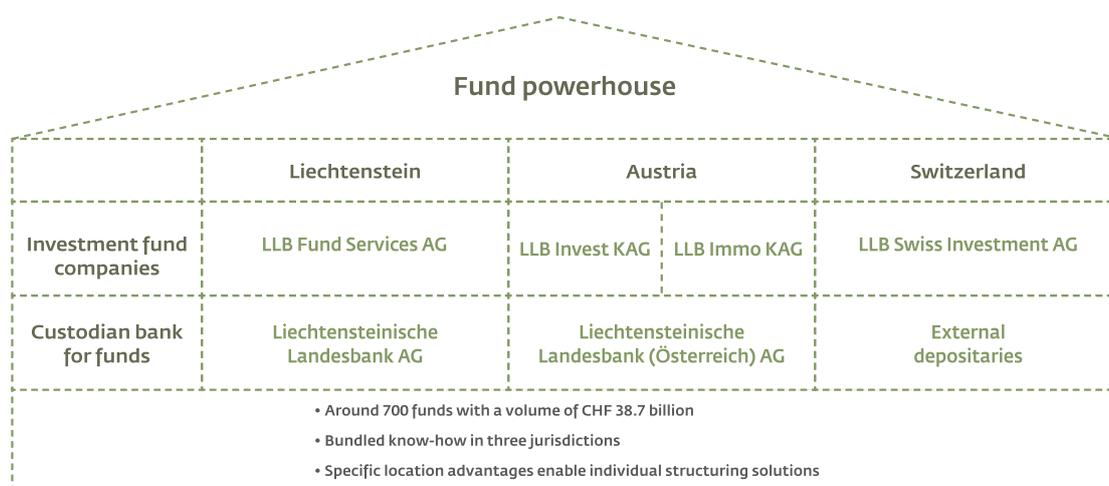
Our four investment fund companies in three countries offer clients access both to the European and the Swiss economic areas. This makes us one of the most versatile fund vendors in Europe: added value that our clients seek, appreciate and use more and more often.

Our fund management companies focus on providing private label fund solutions (known in Austria as special funds or "Master-KAG" solutions), which can be structured very flexibly. They enable large volumes of assets to be efficiently managed and structured. In line with our "all in one shop" concept, we offer our home markets all the products and services involved in private label fund business. This creates the maximum degree of flexibility to enable us to fulfil our clients' wishes. We plan and set up made-to-

measure funds, both in-house and for independent asset managers, family offices and other promoters. We structure and manage these vehicles and ensure modern, state-of-the-art risk management. At our business locations in Vaduz and Zurich, we complement our services by assuming a representative function for foreign funds. In Liechtenstein and Austria, we take over the function of custodian bank / depositary.

In 2020, we intensified the marketing of our fund powerhouse. Thanks to our redesigned website and new brochures, our products and services are clearly and comprehensively presented. Our aim here is to anchor our range of products and services more firmly, especially in our home markets.

Fund services of the LLB group



Fund business in Liechtenstein and Switzerland

Through LLB Fund Services AG we operate a fund management company in Vaduz which – based on its holistic and needs-oriented advisory approach – covers the entire spectrum of private label fund services ranging from the setting up of a fund, to the initial issuing of units, all the way to the provision of services throughout the life cycle of the fund. Thanks to its membership of the EEA and its customs agreement with Switzerland, Liechtenstein offers unrestricted access to two economic areas – to Switzerland and the European Union – and thus complete flexibility (see chapter "[Values and corporate governance](#)").

Through LLB Swiss Investment AG in Zurich the LLB Group has access to the Swiss growth market. LLB Swiss Investment AG offers its clients tailor-made, efficient fund management, as well as compliance and risk management services according to Swiss law. In addition, it takes over the representative function for foreign funds in Switzerland.

Family offices in Switzerland, in particular, are discovering the many advantages, from the withholding tax perspective, of a Swiss investment fund solution for Swiss equities, supplemented by funds according to Liechtenstein law to cover the remaining investment universe. This business area posted a net new money inflow of CHF 948 million in Liechtenstein and in Switzerland in 2020. In comparison with the previous year, we were able to increase the fund volume by 7 per cent to CHF 19.3 billion. At the end of 2020, we managed or held in custody a total of 322 investment funds.

Fund business in Austria

With its two capital investment companies, LLB Österreich is one of the leading vendors of investment and real estate funds in the Austrian market. In 2020, LLB Invest Kapitalanlagegesellschaft recorded another very strong year. Measured in terms of the number of managed funds, it came in first place for the first time on the Austrian investment fund market.

For more than fifteen years, LLB Immo KAG has been very successful in real estate funds business and is the innovation leader in this business in the Austrian market. It manages a public fund, a large-scale investor fund and two special funds. LLB Immo KAG invests directly in high-yield real estate in the stable Austrian and German markets. It pays special attention to the profitable management of properties and the continual, qualitative growth of its portfolios. One of the key priorities of LLB Immo KAG is the consideration of sustainability criteria in its management of the real estate funds. One of its funds was awarded the Austrian eco-label, the highest sustainability certification for real estate funds. It obtained an ÖGUT (Austrian Society for the Environment and Technology) assessment for two other real estate funds to verify the sustainable orientation of the two products. Real estate funds are generally regarded as a first-class diversification possibility for portfolios and, especially in the persisting low interest rate environment, as a stable earnings generator.

In comparison with the previous year, the Institutional Clients Austria business segment increased its fund volume by 4 per cent. The net new money inflow amounted to CHF 628 million.

LLB as custodian bank for funds

As a pioneer in custodian bank business for funds, LLB has successfully enhanced its market leader position in Liechtenstein. More and more clients appreciate and utilise our acknowledged expertise in the management and administration of complex fund mandates having various strategies and asset classes. In this context in 2020, we attained a new record with 57 new funds. This success is underpinned by our high service quality, our comprehensive product offering and our acknowledged experience. Another prime factor is the Liechtenstein investment fund centre, which we want to promote more intensively in other countries. We are therefore actively participating in the roadshows organised by the Liechtenstein Investment Fund Association in the German-speaking region and, in fact, taking a leading role.

LLB Österreich also offers its clients all custodian services from one source. In this business area it not only looks after the bank's own securities and real estate capital investment companies, but also those of external fund management companies in Austria and non-EU investment funds. In the year under report, the number of funds was increased to 362, the volume of booked assets expanding by over EUR 800 million to a total of EUR 17.9 billion.

Financial intermediaries

We are passionate about looking after professional clients. In close cooperation with our outstanding Asset Management team and our investment fund specialists, we can offer our clients made-to-measure investment solutions, as well as comprehensive execution-only services. The direct contact with our clients is of cardinal importance to us. To facilitate their work, we are continually investing in digital user interfaces and functions for our clients. The results of the client survey carried out in the year under report confirm the validity of our approach.

Expansion of digital services for our clients

Financial intermediaries depend on efficient, end-to-end solutions with their bank. Standard processes have to be fast and unbureaucratic, so that they have more time for their clients. The LLB Group supports intermediaries with personal advice and user-friendly digital tools. Our digital form centre, which was introduced during the second half of 2020, represented a quantum leap in this context. Thanks to its intuitive user navigation and clear structure, the client onboarding process is simplified and the time and effort required by intermediaries are reduced substantially. The provision of an electronic signature means that the process can be completed digitally in future, making it even faster. The digital signature possibility is already in operation for individual bank forms. Further applications are continually being evaluated and realised.

In the year under report, we also optimised our Online Banking. Navigation and a specially designed dashboard were introduced for our professional clients and supplemented with "Pro Modus". The latter enables spread sheets to be filtered, sorted and comprehensively analysed. An export function makes the configured contents available for downloading. The positive feedback from our clients to this offering confirms for us that we are on the correct course.

Our innovative "LLB Portfolio Analysis" tool is now also available at LLB Österreich, as well as for the clients of the parent bank and Bank Linth. This enables intermediaries to analyse portfolios, compare them with selected benchmarks and place stock market orders directly.

Business compliance function

The regulatory requirements for financial service providers are becoming increasingly extensive and complex. Among the top three services expected from a bank in the future mentioned in our client survey was assistance with regulatory issues. This trend was already identified several years ago and a business compliance function was set up to provide our financial intermediaries with the best possible support. Our specialists advise them in complex business cases, they carry out preliminary clarifications and support them through internal bank processes. Our clients greatly appreciate this service. The ever more complex requirements facing our clients have induced us to deploy substantially more resources to this function.

Asset management

For many years the market environment for investments has been very challenging. Accordingly, it requires great experience and expertise to be able to make the right decisions here. The LLB Group's Asset Management team combines these qualities. Our specialists have extensive experience in fulfilling the investment needs of private and institutional clients. All three market divisions call on this vast expertise in their individual target regions (see chapter "[Strategy and organisation](#)"). The Asset Management team therefore plays a central role within the entire Group.

Around fifty LLB investment funds are actively managed by experienced fund managers and are usually licensed for distribution in Liechtenstein, Switzerland, Austria and Germany.

Our Asset Management has been GIPS certified for almost twenty years. These international quality standards are based on complete and correct disclosure, as well as comparable presentation of investment results. They ensure that clients receive fair and transparent reports.

Sustainable investment products

The market for sustainable investments is growing exponentially. For the LLB Group's Asset Management this development has been a priority for many years. The sustainability Group project launched in the year under report is another clear sign of the intensification of our activities in this area. We offer sustainable asset management for both portfolios composed of individual securities and investment fund portfolios. In addition, we have converted the majority of fixed interest LLB funds into sustainable investments. In 2021, we will continue with the conversion of our range of products. Our sustainability concept will also be applied to the strategic orientation of LLB equity funds and when launching new strategy funds. Our goal is to develop investment products and services, which strive to achieve a financial return while also satisfying the highest ecological, social and ethical criteria. By committing to the UN financial initiative relating to Principles for Responsible Investment (UN PRI) in summer 2020, we underlined our efforts to encourage the responsible management of capital investments.

Sustainable investment concept

When selecting sustainable investments, our Asset Management is supported by a systematic concept, which combines negative exclusion and positive selection criteria. Excluded are investments in companies, which violate important national or international standards or which derive a substantial part of their turnover from controversial industries and sectors. Investments are made in companies, which predominantly consider the three ESG themes (environment, social and governance).

Furthermore, in the year under report, LLB together with the University of Liechtenstein launched a research project on sustainable investments. The project will receive funding for two and a half years from Innosuisse and is also being co-financed by the Liechtenstein government. The scientifically based innovation results derived from the project should show up new practical ways of managing sustainably oriented investment funds.

When making investments, in addition to their extensive experience and expertise, our asset managers can call on our own concept: the "LLB Multi-Factor Model". This provides a broadly based quantitative

analysis of large investment universes and therefore a sound basis for the selection of the most attractive securities. The use of the LLB Multi-Factor Model in our range of equity funds enables us to generate clear added value for our clients. For many years, our investment products have achieved top positions in industry-wide comparisons and competitions. In 2020, the LLB Group was again the recipient of the prestigious Refinitiv Lipper Awards. Our LLB Equities Dividend Pearls Global (CHF) fund won in the category "Equity Global Income". This the third time in succession that this fund won an award; in 2020, the award was for its performance over ten years.

Asset management

Client requirements are always at the forefront at the LLB Group. To enable clients to invest their assets according to their investment horizon and their personal risk tolerance, we offer six different investment strategies. These range from "Fixed Interest" to "Equities" in the reference currencies CHF, EUR and USD. In implementing their investment strategy, our clients can now select from five different models. For example, with the "LLB Comfort Offering", depending on the client's wishes, investments can be made in the categories: global active, in Switzerland, alternative, sustainable or global passive. In addition, with its total return concept, LLB Österreich offers a mandate focusing on value preservation.

The volume of assets under management at the end of 2020 stood at CHF 8.8 billion (2019: CHF 8.7 billion).

Partner-like dialogue and transfer of knowledge

The transfer of knowledge and the strong networking with external partners is particularly important for intermediaries. We encourage this exchange of views, opinions and knowledge using various channels.

Our "LLB Xpert Views" online platform is a central point of contact for fiduciaries, independent asset managers, investment fund managers and fund promoters. Via this online platform we can make available our know-how in the areas of asset management, as well as law and taxation to our clients. Moreover, "LLB Xpert Views" supports our professional clients in complying with the latest regulatory provisions.

The personal exchange of views and experience is also very important to us. We therefore organise exclusive round-table discussions several times a year with intermediaries. Within the context of these discussions, LLB internal experts and investment specialists regularly inform clients about current practical issues. On account of the corona crisis we were unable to hold any round-table discussions in the year under report. As soon as the general situation permits, we shall offer these events regularly, especially because, in addition to the transfer of knowledge, our clients particularly appreciate the opportunity to exchange personal views and opinions.

Moreover, we maintain very close contacts with various associations and financial centre players so that we can learn from them which issues are currently of importance and which may become so in the future. This enables us to actively participate in shaping the framework conditions, which determine our business model.

Partnerships with financial centre players

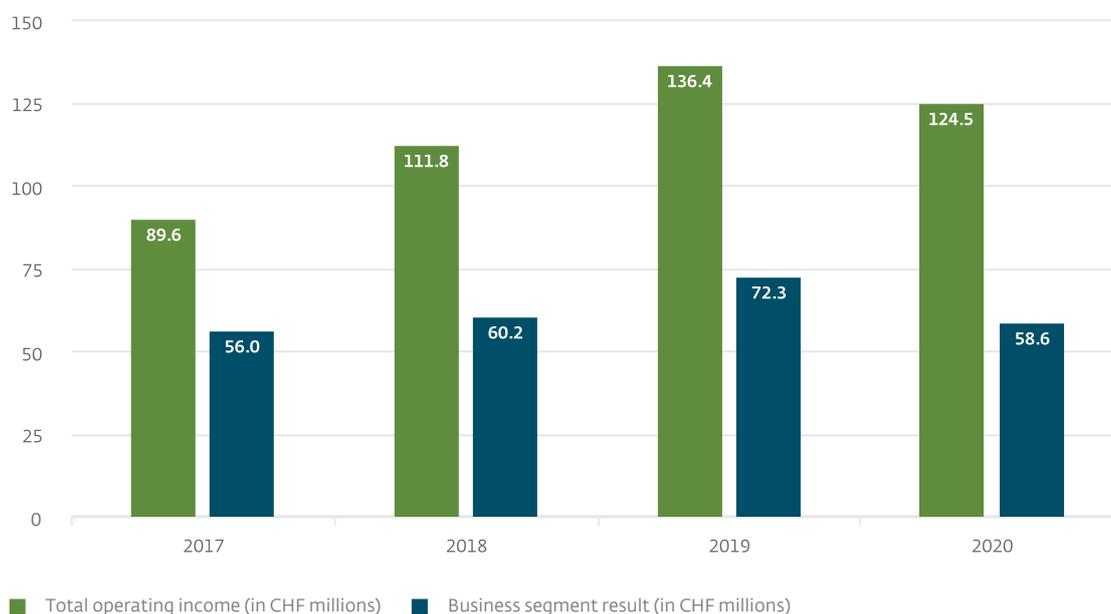
LLB participates actively in various networks and thus secures an audience in the financial services sector for its views. The Group company, LLB Asset Management AG, is a member of the Liechtenstein Association of Independent Asset Managers and a committed partner in the development of the financial 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, 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 – the umbrella association of all Austrian administration companies and all Austrian real estate capital investment companies. In January 2021, it also became a member of the Austrian Society for Sustainable Real Estate Management.

In Zurich, LLB Swiss Investment AG is a member of the Swiss Funds & Asset Management Association, the representative trade association of the Swiss investment fund and asset management industry.

Business segment result

At CHF 58.6 million, the operating income of the Institutional Clients segment was below the result of the previous year. The plunge in US dollar interest rates as well as the increase in provisions for credit risks adversely affected interest income. In the previous year, the segment had benefitted in addition from higher performance-related earnings in fee and commission business. In contrast, on account of higher trading activity, trading income developed positively and was CHF 4.5 million above the previous year's figure. Operating expenses climbed to CHF 65.9 million. The release of provisions was included in the equivalent period for the previous year. Adjusted to consider this effect, operating expenses were slightly below the previous year's levels. With high net new money inflows of CHF 1.9 billion, the segment reconfirmed the positive development of recent years.

Business segment result: Institutional Clients



Segment reporting

in CHF thousands	2020	2019	+ / - %
Net interest income	14'943	21'310	- 29.9
Expected credit losses	- 3'155	- 215	
Net interest income after expected credit losses	11'788	21'095	- 44.1
Net fee and commission income	98'088	105'195	- 6.8
Net trading income	14'620	10'149	44.1
Other income	2	- 3	
Total operating income	124'499	136'436	- 8.7
Personnel expenses	- 31'687	- 32'650	- 2.9
General and administrative expenses	- 6'568	- 1'127	482.6
Depreciation	- 381	- 377	1.0
Services (from) / to segments	- 27'309	- 29'979	- 8.9
Total operating expenses	- 65'946	- 64'133	2.8
Segment profit before tax	58'553	72'303	- 19.0

Performance figures

	2020	2019
Gross margin (in basis points) *	26.2	28.8
Cost Income Ratio (in per cent) *	50.6	50.4
Net new money (in CHF millions) *	1'916	3'813
Growth of net new money (in per cent)	3.8	9.0

* Definition available under www.llb.li/investors-apm

Additional information

	31.12.2020	31.12.2019	+ / - %
Business volume (in CHF millions) *	52'836	50'694	4.2
Assets under management (in CHF millions) *	52'348	50'182	4.3
Loans (in CHF millions)	488	512	- 4.6
Employees (full-time equivalents, in positions)	179	172	4.0

* Definition available under www.llb.li/investors-apm

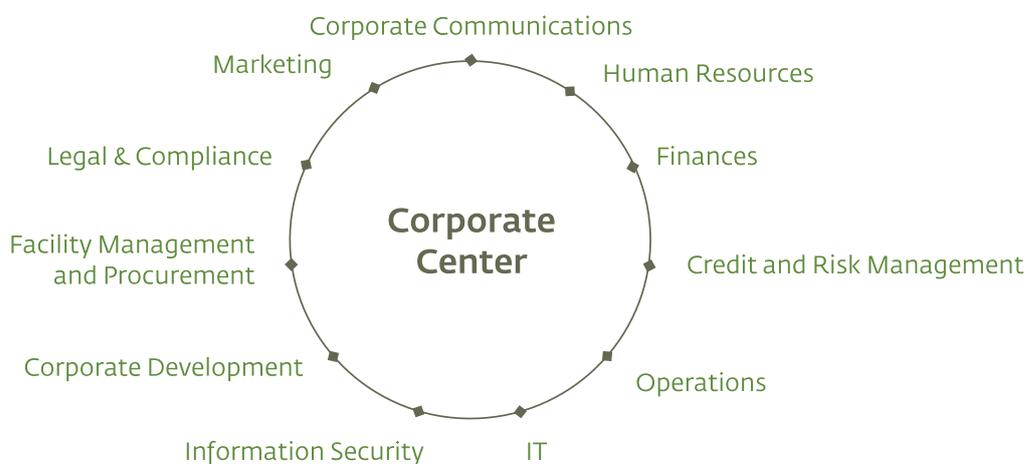
Corporate Center

To ensure the smooth flow of daily banking business a central steering and coordination unit is required: the Corporate Center. It steers, controls and bundles the central functions within the LLB Group. The paramount goal of all the tasks and responsibilities of the Center is to improve the efficiency of processes, safeguard corporate development, as well as to expand and improve the quality of our services.

Service provider within the Group

The Corporate Center contains the Group CEO (see chapter "Strategy and organisation"), Group CFO (see chapter "Finance and risk management") and Group COO Divisions. This segment encompasses all the departments which coordinate and monitor group-wide business activities, processes and risks.

The Corporate Center bundles eleven central areas of activity of the LLB Group:



The Corporate Center focuses fully on the requirements of the market divisions and thereby makes a direct contribution to the value added by the LLB Group. It plays a key role in the realisation of the StepUp2020 strategy. In 2020, the priorities were placed on the migration of the Austrian subsidiary to the central core banking system, the digitalisation of banking business, the further development of innovation management, as well as the crisis management with the Group during the Covid-19 pandemic.

Shared Service Centers

Within the LLB Group shared services are provided centrally from one source. This enables, for example, efficient processing of payment transfers, as well as stock market and securities transactions. Since January 2020, LLB Österreich has also been benefitting from this service. Our Austrian subsidiary now contributes 30 per cent of the transaction volume in stock market trading. This substantial expansion in capacity is being carried out without any increase in personnel resources or costs, which testifies to the great scalability of the Shared Service teams.

Thanks to the high level of automation and the standardisation of transaction processing, we have successfully enhanced efficiency and significantly improved the speed of throughput times for trading securities and payment transactions.

Digitalisation of banking business

The trend towards the digitalisation of banking business was boosted in 2020 as a result of the corona pandemic. At the LLB Group, right from the start of the current strategy period, we have pursued a group-wide project amounting to CHF 30 million for the expansion of digital channels and services. In this manner, we are complying with changed client requirements and positioning LLB as a modern, innovative financial institute. In the year under report we realised more digitalisation steps to make further progress with this project.

Investments in Online and Mobile Banking

In constantly refining and enhancing our LLB Online and Mobile Banking programmes, we are guided by the latest technical standards in relation to security, functionality, user-friendliness and design. As part of the expansion of the LLB Online Banking programme in the year under report, we provided client users with a revised navigation function and a new dashboard with specific views and functions. Our institutional clients also benefit from a cockpit, which enables them to directly manage and analyse their clients' portfolios. A form centre also provides new clients with advantages when opening an account. LLB Online Banking therefore offers both private and institutional clients a comprehensive and integrated banking application, which is available 24/7 and complies with the highest security standards.

The LLB's own LiPay instant payment application has been added to our Mobile Banking programme. This permits users to employ our Mobile Banking app to transfer and request payments conveniently, quickly and contactless (see paragraph "[Innovation management](#)").

Further progress with internal digitalisation

Within the scope of the "team@work" Group project, we are working on the comprehensive renewal of our digital infrastructure, the optimisation of work processes and the implementation of modern digital tools. In response to the corona pandemic during the year under report, this primarily meant that the possibility of working from home had to be, and was, extended to all personnel within the shortest time. At the same time, banking operations and the safety of bank staff were ensured at all times (see paragraph "[Crisis management during corona](#)").

As planned, in 2020 "Skype for Business" was introduced. This provides our staff in Liechtenstein and Switzerland with the possibility of using video conferencing and desktop-sharing conveniently from their own workplace in addition to telephoning and chat functions. In the first quarter of 2021, Skype for Business will also be introduced at LLB Österreich.

The replacement of the IBM Notes applications and databases has also commenced according to plan. This is part of the project to upgrade and expand a SharePoint-based digital workplace. This includes the replacement of the current LLB intranet with a modern collaboration platform.

Generating further significant synergy effects

In spite of its substantial complexity, in 2020, the "Danube Waltzer+" Group project was successfully completed on time and within the budget approved by the Group Board of Directors. The migration of LLB Österreich to the Avaloq core banking system used by the rest of the Group generates significant synergy effects. Internal processes are simplified and the clients of LLB Österreich can take advantage of all the products and services offered by the Group. These include our Online and Mobile Banking programmes and, from 2021, our "LLB Invest" investment advisory and asset management applications.

Innovation management

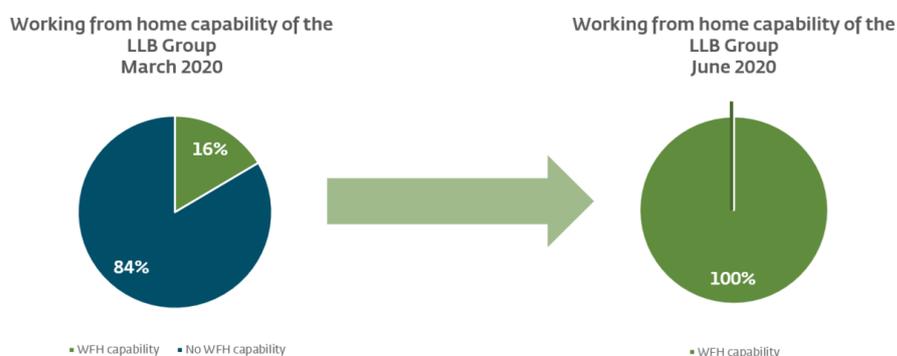
Driven by new technologies and innovative companies, the market conditions in the financial services sector are changing rapidly. Our aim is not just to keep pace with developments, but rather to bring ground-breaking digital solutions on to the market. In April 2020, we launched our first LLB innovation, LiPay, on the market – created and developed by staff at the bank's headquarters and tested internally. As a result of the corona pandemic, we decided to bring forward the roll out of this payment service in

Liechtenstein in order to satisfy an increased client requirement for a contactless payment possibility. LiPay is integrated in our Mobile Banking app. Both private individuals and companies can use this contactless payment system to transfer or request money quickly, simply and at any time and place. Contrary to other established instant payment solutions in Switzerland and in Liechtenstein, LiPay utilises direct "account-to-account" payments, accelerated by instant push messages. Our own payment service has had a satisfactory start. In the first few months, around 60 acceptance locations in Liechtenstein have already signed up and the function was used several thousand times. We are currently working on an expansion of the LiPay functions. Currently, within the scope of a collaboration consortium with other banks in Switzerland and with several prominent representatives of the digital and stationary commerce sector, a cross-bank "account-to-account" instant payment application is being developed.

Successful crisis management during the corona pandemic

The corona pandemic and its repercussions determined large parts of our operative banking business in 2020. To ensure the smooth running of business at all times an effective crisis management organisation under the leadership of the COO Division was set up within the LLB Group. This body assumed responsibility for the organisation, planning and implementation of the various measures, as well as the coordination with the crisis management team – consisting of members of the Group Executive Management and the CEOs of Bank Linth and LLB Österreich. Accordingly, the protection of our employees and clients, as well as the seamless operation of our daily banking business was ensured at all times. Expanding the possibility of mobile working represents a core element in safeguarding our business continuity and the smooth functioning of internal procedures. Within just a few weeks, thanks to the efforts of Group IT, the possibility of mobile working for our staff was boosted from under twenty per cent to almost one hundred per cent (see chart).

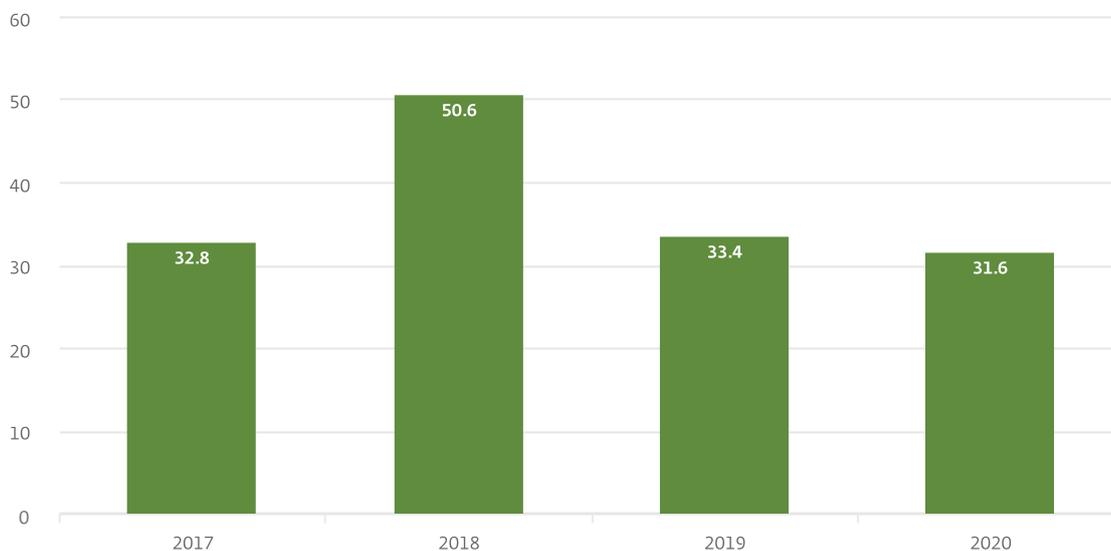
Expansion of mobile working activity



Business segment result

The LLB Group reports the structural contribution from interest business, the value of interest rate hedging instruments, and income from financial investments under the Corporate Center. Operating income rose by CHF 13.6 million to CHF 58.9 million. The increase was mainly attributable to the higher structural contribution in interest business and the higher valuation of interest rate hedging instruments measured on the reporting date. Operating expenses fell by 14.1 per cent to CHF 78.5 million. Personnel expenses decreased to CHF 85.6 million due also to the lower headcount.

Investments



■ Investments and project costs (in CHF millions)

Segment reporting

in CHF thousands	2020	2019	+ / - %
Net interest income	22'199	- 3'496	
Expected credit losses	0	0	
Net interest income after expected credit losses	22'199	- 3'496	
Net fee and commission income	- 13'112	- 10'818	21.2
Net trading income	47'676	49'376	- 3.4
Net income from financial investments	- 556	4'049	
Other income	2'712	6'165	- 56.0
Total operating income	58'919	45'275	30.1
Personnel expenses	- 85'645	- 94'274	- 9.2
General and administrative expenses	- 72'753	- 75'332	- 3.4
Depreciation	- 41'742	- 41'413	0.8
Services (from) / to segments	121'648	119'626	1.7
Total operating expenses	- 78'492	- 91'394	- 14.1
Segment profit before tax	- 19'573	- 46'119	- 57.6

Additional information

	31.12.2020	31.12.2019	+ / - %
Employees (full-time equivalents, in positions)	517	539	- 4.0

Responsibilities for the economy, society and environment

The LLB Group is a reliable partner for the economy, society and the environment. Sustainability is one of the principles guiding our company's actions and is also reflected in our values. At the same time, a broad social commitment has always been an essential part of our corporate identity.

Performance mandate and sustainability

Liechtensteinische Landesbank, whose roots go back almost 160 years, understands the special responsibility it has for taking a long-term approach. Sustainable business management is part of its performance mandate and its corporate identity. We have a legal obligation to our majority shareholder, the Principality of Liechtenstein, to promote Liechtenstein's economic development while at the same time taking ethical and environmental factors into account. We fulfil this special obligation by offering a diverse portfolio of products and services, applying environmental standards to our offerings, our infrastructure and procurement, and engaging broadly in society.

Sustainability as a strategic goal

The LLB Group is convinced that sustainability is not only indispensable for preserving an intact environment and society, but is also increasingly becoming a decisive competitive factor.

The pillars of our sustainability strategy

As a financial institution with a long-term orientation, we are committed to leaving an intact environment and stable social conditions to the coming generations. Our guiding principles in the context of sustainability have four central elements:

- ♦ **Corporate management** – Our values form the basis for the ethical corporate management of our company and the integrity of the actions of all employees. We are perceived in the market as a secure, sustainable and innovative bank.
- ♦ **Product range** – Sustainability is an integral part of our banking products. We inform our clients about our offerings in a fully transparent manner in a personal consultation.
- ♦ **Employees** – In the area of human resources, we continually promote training and professional education, diversity and the compatibility of family and career. We ensure work processes are sustainable in terms of, among other things, energy use and mobility management.
- ♦ **Commitment** – We participate in industry initiatives and contribute to sustainability in the financial sector. Furthermore, as a corporate citizen, we promote sustainable social and environmental development.

We aim through this strategy to be perceived as a stable, sustainable and innovative bank and to differentiate ourselves clearly from our competitors. However, we are not starting from scratch. For some years now, we have offered our clients sustainable asset management mandates and investment strategies with a special focus on ESG criteria. These describe the three sustainability-related areas of responsibility of companies: **Environment**, **Social** and **Corporate Governance**.

Special products complement our sustainable offering (see chapter "[Sustainability in banking](#)"). For example, in 2020, we launched the LLB Gold Fund, the first Liechtenstein fund that is backed by physical gold and invests in sustainably produced and transported gold. We will gradually bring our product range into line with our sustainability strategy. We have used the Global Reporting Initiative (GRI) Standards as the framework for our sustainability reporting for many years.

Governance

To reflect the growing importance of the sustainable finance megatrend, and that not only in the investment field, we revised our criteria for sustainable corporate governance in the reporting year. We decided to establish a Group-wide Sustainability Council and to create the position of a Sustainability Officer. In future, they will coordinate and lead sustainability efforts across the whole LLB Group. In a transitional phase, set to last until summer 2021, this work will be carried out as part of a Group project.

Roadmap

Based on the new sustainability strategy and responsibilities, LLB will implement an ambitious roadmap over the next few years focused on the following areas:

Regulations

Financial institutions face a host of sustainability-related regulations driven by the EU Commission, the overarching aim of which is to slow down global warming. In order to achieve this, global capital flows are being redirected towards more sustainable investments. The LLB Group is following developments closely and making appropriate adjustments in its areas of activity (see section "[Regulatory framework and developments](#)").

Sustainable asset management and funds

With regard to its products, the LLB Group has developed a comprehensive definition of sustainability under which it understands responsible investing with high ethical, social and environmental standards. For many investors, the question of impact, i.e. the direct effects of an investment, is also becoming increasingly important. We provide clients with active and competent support in identifying appropriate investments (see chapter "[Sustainability in banking](#)").

Further development of staff competences

Our employees are a key factor in the success of our sustainability strategy. We offer them appropriate training or professional education so as to stay up to date with changing regulatory requirements and our product range (see chapter "[Employees](#)").

Commitment and transparency

Our membership of international financial initiatives such as the UN Principles for Responsible Investing (UN PRI) underpins our commitment to greater sustainability in finance (see chapter "[Industry initiatives and corporate citizenship](#)").

Material topics

Sustainability to the LLB Group means that it creates long-term added value for its clients, shareholders, employees and other stakeholder groups. To provide the best possible transparency for our stakeholder groups and to meet the requirements of Liechtenstein's Persons and Companies Act (PGR) for corporate social responsibility (CSR) reporting, LLB's sustainability reporting is prepared in accordance with the Global Reporting Initiative (GRI) Standards. The thematic focus of our sustainability reporting is based on the materiality matrix from 2019. To ensure our reporting meets the needs of our key stakeholder groups and to evaluate strategically relevant topics, LLB carried out a comprehensive materiality analysis, the last in 2019. The material topics were determined on the basis of the requirements of Liechtenstein's Persons and Companies Act (PGR) and the GRI Standards. The relevance of potentially material topics was evaluated from different perspectives, i.e. at workshops with LLB managers and through interviews with representatives from key stakeholder groups, internal analysis and expert opinion. Our approach is detailed in the Annual Report 2019 (GRI 102 - 46, 102 - 47).

Materiality matrix

Relevance for stakeholders	extremely high	<ul style="list-style-type: none"> ▪ Fair marketing and fair competition 	<ul style="list-style-type: none"> ◆ Client focus ◆ Dedicated, hard working employees ◆ Ethics and integrity 	<ul style="list-style-type: none"> ◆ Economic performance ◆ Compliance ◆ Risk and reputation management ◆ Digitalisation and data protection ▪ Prevention of financial crime ▪ Corporate governance and company structure ● Tax compliance
	high	<ul style="list-style-type: none"> ▪ Workplace health promotion 	<ul style="list-style-type: none"> ◆ Attractive working conditions ▪ ESG integration in asset management ● Sustainable products and services ● Economic role and regional employer 	<ul style="list-style-type: none"> ▪ Diversity and equal opportunity
	medium	<ul style="list-style-type: none"> ● Energy consumption and CO₂ emissions 		<ul style="list-style-type: none"> ▪ Mobility management ● Social and political commitment
		medium	high	extremely high

Impact on sustainable development

Relevance for business: ● medium ■ high ◆ extremely high

In dialogue with stakeholder groups

For the LLB Group, sustainability as a corporate responsibility also means meeting the expectations of the different internal and external stakeholder groups. We are in regular dialogue – personally, by electronic media, or at information meetings, working sessions or conferences – with the different stakeholders who affect the course of our business and over whom we have influence.

An important instrument is the LLB Group's annual report, which has contained a stakeholders report since 2015. Through it, we highlight our proactive focus on sustainability and social responsibility. For sustainability reasons, we do not print our annual report.

The stakeholder groups are in particular:

- ◆ **Clients:** Their needs are uppermost at every point of contact. Using various channels, we determine the needs and level of satisfaction of our clients. We address them directly through our client advisers as well as more broadly through our marketing communication, our websites and our social media channels.
- ◆ **Principality of Liechtenstein:** The Principality of Liechtenstein is our majority shareholder. We exchange views with representatives of the Landtag (Parliament) and the Government on a regular basis (see chapter "[Corporate governance](#)").
- ◆ **The public:** All our branding and communication measures are high-profile. A key trust-building element in this regard is an intensive exchange with media representatives (see sections "[Media relations](#)").
- ◆ **Partners and non-governmental organisations (NGOs):** Through our membership of associations and organisations, we maintain a dialogue with partners and NGOs (see chapters "[Institutional Clients](#)" and "[Responsibilities for the economy, society and the environment](#)").
- ◆ **Employees:** We reach our employees over our intranet, which is continuously updated, and through our "InSight" staff magazine. There are various events where employees have the opportunity to personally meet and discuss with members of the Group Executive Board (see chapter "[Employees](#)").

Investor relations

As a publicly listed company, we are obliged to publish share-price-relevant facts by means of media communiqués. We inform shareholders, clients, employees and the public simultaneously, comprehensively and regularly about our business performance, value drivers as well as the implementation of our strategy and provide them with an overview of our key financial and operating figures. We maintain an open dialogue with analysts and investors in order to be able to report on the

course of business on an ongoing basis. The aim is to ensure that the price of the LLB share represents the fair value of the company (see chapter "The LLB share").

Media relations

Irrespective of the ad hoc information and the annual media and analyst conference, we are in constant contact with the media and business journalists in our market regions. We make every effort to answer their questions in a transparent and timely manner. The LLB Group was the subject of around 900 media articles in 2020.

Public affairs

Only by constantly seeking dialogue with different decision makers are we able to voice our opinion and be heard. LLB is therefore in regular contact with opinion leaders and selected representatives from the world of politics and economics. We are a member, too, of the key industry associations and organisations such as the Liechtenstein Chamber of Commerce and Industry and the Bankers Association (see chapter "Institutional Clients"). We exchange views with the Liechtenstein Financial Market Authority (FMA) on a regular basis. LLB is obliged to report to its majority shareholder, the Principality of Liechtenstein, on the course of business. Against this backdrop, there is a meeting twice a year of the senior management of the LLB Group and the Liechtenstein Head of Government. Once a year, the Group Board of Directors and the Group Executive Board invite the entire Government to a roundtable discussion.

Public relations

We use various channels to engage with the general public. With regular market commentaries and reports in local print media, we prove our expertise in financial matters. We normally strengthen our relationship with the local population by organising or sponsoring various events, but this was possible only limited during the reporting year due to the coronavirus situation.

Digital communication channels

The LLB Group has been consistently investing in the expansion of its digital communication channels for a number of years now. It operates a total of twelve different web portals and microsites that are centrally managed through the same content management system and are in conformity with the brand. We also reach our clients with selected information through mobile and online banking. In addition, we are in direct contact with clients over social media.

This page contains information on the following GRI disclosures: 102-40, 102-42, 102-43, 102-44.

Values and corporate management

Value-based action

The values of "integrity", "respectfulness", "excellence" and "pioneering" (see chapter "Strategy and organisation") form the basis for the corporate management of the LLB Group. Our Code of Conduct provides a reliable guiding framework for the value-based and responsible actions of all employees (see chapter "Employees"). We are guided by the needs of our clients and pay particular attention to meeting their security needs and our data protection standards for the use of the various distribution channels at all times (see chapter "Finance and risk management").

Corporate culture and value basis

The LLB Group's vision is encapsulated in the motto: "We set standards for banking with values." Our managers and employees are motivated to act in line with our values of integrity, respectfulness, excellence and pioneering. By living these values, our managers firmly anchor our value culture throughout the organisation. Our employees also learn more about our value basis through various "Live the brand" measures.

To keep up with changing markets and client needs, we rely on employees who are motivated to think for themselves and have the courage to initiate improvement processes. As part of the "Cultural journey" project, we encouraged our employees again during the reporting year to bring in ideas, to question their actions and to exchange views. The core topics of the cultural journey were addressed and developed further on the intranet, at employee appraisals and through offerings for managers. The topic of "Ownership and delegation" was an element in the target agreements for all employees. For every employee, what issues they champion and which overarching topics they take ownership of and promote was recorded.

Regulatory framework and developments

LLB considers it a top priority in a highly regulated business environment to closely monitor ongoing regulatory developments and, where possible and expedient, to play an active part in shaping developments as well as to prepare for the implementation of new requirements in good time. All of our employees contribute to the implementation of regulatory requirements and thus make an essential contribution to the success of the business and to the good reputation of LLB. The most important regulatory requirements and developments from the reporting year are summarised below. We have focused primarily on regulations that were of particular importance in the reporting year due to their topicality. Other regulatory requirements that are of relevance to the LLB Group can be found in previous annual reports.

Implementation of regulatory frameworks 2009–2020

2009

- ♦ 3rd EU Anti-Money Laundering Directive
- ♦ Liechtenstein Declaration

2013

- ♦ AIFMG Act
- ♦ Complete revision of DDA

2015

- ♦ 4th EU Anti-Money Laundering Directive
- ♦ Refinement of c-border framework
AEOI: Agreement signed by Liechtenstein / EU

2016

- ♦ UCITS V
- ♦ Complete revision of IUA
- ♦ Implementation of AEOI

2017

- ♦ Revision of Due Diligence Act (DDA)

2018

- ♦ Markets in Financial Instruments Directive (MiFID II)
- ♦ General Data Protection Regulation (EU) (GDPR)
- ♦ EU Mutual Assistance Directive

2019

- ♦ Deposit Guarantee Schemes Directive (DGSD)
- ♦ EU Payment Services Directive (PSD2)

2020

- ♦ Implementation project FinSA / FinIA Switzerland

Financial centre strategy

In 2019, the Government published a comprehensive financial centre strategy designed to further enhance the competitiveness of the Liechtenstein financial centre. It reinforces that the path of tax compliance should continue to be pursued. The same applies to compliance with international rules and standards. The focus of the strategy is on unrestricted and equal access to markets and improving the framework conditions for innovative enterprises. In addition, the Government has set four strategic goals in order to meet international expectations in the area of combating money laundering and terrorist financing. Dialogue with key partner countries is to be intensified. Membership of international bodies such as the International Monetary Fund (IMF) is thus to be explored. The Government also attaches great importance to digitalisation and blockchain technology. With the Blockchain Act (Token and TT Service Providers Act, TVTG), Liechtenstein is the first country in the world to develop a legal basis for the token economy.

International tax topics

Disclosure of cross-border tax planning arrangements

According to the OECD, the lack of comprehensive and relevant disclosure about potentially aggressive or abusive tax planning strategies is one of the major challenges facing tax authorities. In this context, the EU, with the amendment to the EU Mutual Assistance Directive (Directive 2011 / 16 / EU – “DAC 6”) which came into effect in 2018, has introduced a disclosure requirement for cross-border tax arrangements directed at EU intermediaries (especially fiduciaries, lawyers, tax advisers and banks).

International cooperation on tax topics

The Principality of Liechtenstein is intent on creating an attractive tax system that takes account of European law and international developments. Hence, the Principality has implemented the international automatic exchange of information with 114 partner or reporting countries since the beginning of 2016. The FATCA agreement with the USA was concluded in 2014.

Plans for a digital tax

The OECD's plans for an internationally unified approach to digital taxation presented in autumn 2019 are not really progressing. It is unclear to what extent they will become more concrete and be realised.

Access to the EU market

Thanks to its membership of the EEA, Liechtenstein has unrestricted access to the internal European market. The internationally oriented fund location benefits in particular from this. It has a legal basis that is focused on clients and investor protection. The investment fund law comprises three pillars: the Act on Certain Undertakings for Collective Investment in Transferable Securities (UCITS Act, 2011), the Law on Alternative Investment Fund Managers (AIFM Act, 2013) and the Investment Undertakings Act (IUA), which was revised in 2016.

Data protection

EU General Data Protection Regulation (EU GDPR)

With the introduction of the EU General Data Protection Regulation, the European Union has harmonised the rules on collecting and processing personal data by companies and public authorities, putting it in a global leadership position. The rules have applied in Liechtenstein, too, since the end of May 2018. LLB has implemented these requirements Group-wide. Content-wise, the EU GDPR provides in particular for the "right to be forgotten", under which a person can have the data controller erase their data from the web. With the one-stop-shop mechanism, a person can notify the data protection authorities in their member state directly of any data breaches, regardless of where the breach occurred. The regulation also includes a right of access for individuals concerning the processing of their personal data and sets out requirements for contractual arrangements in relation to the processing of data by third parties and the transmitting of personal data to EU third countries. LLB has established corresponding rules which are applicable throughout the Group and made the necessary organisational and technical adjustments.

Data protection laws in Switzerland and Dubai (DIFC)

The Swiss Data Protection Act was completely revised in 2020 and partially aligned with the EU GDPR. But it retains its own basic concept. The Federal Council has not yet set the date for the entry into force of the new rules.

In the Dubai International Financial Centre (DIFC), the new Data Protection Law came into force on 1 July 2020. It sets an important benchmark for data protection in the Middle East and largely aligns the legal situation with the EU General Data Protection Regulation, which is gradually becoming an international benchmark.

Protection against money laundering and terrorist financing

Liechtenstein has a zero-tolerance policy towards money laundering and terrorist financing. As a member of the EEA, Liechtenstein has implemented the 4th EU Anti-Money Laundering Directive. The 5th Anti-Money Laundering Directive regulates transparency with regard to beneficial owners as well as risks relating to virtual currencies. It also tightens and harmonises the criteria for assessing high-risk third countries. These international requirements have been implemented domestically through the Due Diligence Act and the Due Diligence Ordinance.

Compliance with international standards

The Financial Intelligence Unit (FIU) serves as the country's central authority for obtaining and analysing information that is necessary to recognise money laundering, predicate offences for money laundering, organised crime and terrorist financing. It represents Liechtenstein in the Committee of Experts on anti-money laundering and terrorist financing in the EU. The current version of the FIU Law of 2017 and the adaptations made to the Due Diligence Act ensure Liechtenstein is fully legally compliant with the international standard.

In 2002, 2007 and 2013/2014, the International Monetary Fund (IMF) and Moneyval (the Council of Europe's Committee of Experts) assessed to what extent the Liechtenstein provisions on anti-money laundering and combating the financing of terrorism meet the standards laid down by the Financial Action Task Force (FATF 40 + 9 Recommendations). The IMF and Moneyval attested positively to Liechtenstein's standards in combating money laundering and financing of terrorism in their last report. Liechtenstein carried out the National Risk Assessments (NRA) in 2016/2017 and updated them in 2020, not least because Moneyval will be conducting its country assessment in autumn 2021 and will be evaluating the effectiveness of measures in preventing money laundering and terrorist financing.

Deposit guarantee schemes and investor compensation

Bank Recovery and Resolution Directive (BRRD)

With the Recovery and Resolution Act (RRA), Liechtenstein has significantly improved its financial stability, in that a statutory mechanism is available to counteract the "too big to fail" risk of large, systemically important banks in a crisis. The EEA country has thus transposed the Directive 2014 / 59 / EU on the recovery and resolution of financial institutions (the Bank Recovery and Resolution Directive (BRRD)) into national law. On 1 January 2017, the Liechtenstein Financial Market Authority (FMA) created an operationally independent organisational unit acting as a resolution authority. Its primary objectives are to avoid significant adverse effects on the stability of the Liechtenstein financial market and to protect client funds and client assets. Systemically important banks in Liechtenstein, of which LLB AG is one, are required to draw up a recovery plan. The recovery plan contains an analysis of measures determined as part of an overall bank stress test that can be taken to restore its financial position under various crisis scenarios.

Deposit Guarantee Schemes Directive (DGSD)

The DGSD requires EEA member states to recognise at least one national guarantee scheme that is responsible for the implementation of the deposit guarantee scheme at banks. All banks must belong to a deposit guarantee scheme which is supervised by a national authority. In Liechtenstein, this function is assumed by the FMA. The new Deposit Guarantee and Investor Compensation Act (DGICA) entered into force in 2019.

In the event of a compensation case, the Deposit Guarantee and Investor Compensation Foundation PCC (EAS) would ensure that the financial consequences for depositors and investors are at least mitigated by covering depositor claims from eligible deposits up to CHF 100'000 and investor claims up to a maximum of CHF 30'000. Eligible deposits are all kinds of account balances as well as call money and time deposits.

Consumer protection

MiFID II / Liechtenstein

The Liechtenstein banking centre and thus also LLB implemented the Markets in Financial Instruments Directive (MiFID II). It simplifies cross-border financial services and allows investment firms, banks and stock markets to offer their services in other EU / EEA member states. Furthermore, they are required to conduct precise client and product analyses as well as disclose information on compensations and commissions. The accompanying Regulation (MiFIR), which has been in force since January 2018, brought significant changes compared to the previously applicable laws. These include the strengthening of investor protection and improving the integrity and transparency of the financial markets. High-frequency trading is subject to regulation and supervisory oversight; position limits in commodities trading are strict. Throughout the EU, consultations at bank branches and consultations by telephone must record and document in a comprehensive manner why a financial product was recommended and how it matches the client's risk profile.

FinSA / Switzerland

In November 2019, Switzerland decided to follow a balanced and modern overall approach to investor protection with the adoption of the Financial Services Act (FinSA) and the Financial Institutions Act (FinIA). A corresponding implementation project is underway. The two acts aim to create a level playing field for financial intermediaries and to improve client protection. The FinSA contains rules of conduct towards clients that financial service providers must comply with. It also provides for prospectus requirements and requires a basic information sheet for financial instruments that is easy to understand. The FinIA essentially standardises the authorisation rules for financial service providers.

Rules of the game in the EU payment systems market

For LLB, the harmonisation and the digitalisation of the European payment systems market are important topics. As an EEA country, Liechtenstein adopted the second EU Payment Services Directive (PSD2) in 2019. The revised Payment Services Act came into force on 1 October 2019. The PSD2 introduces new information and liability rules for payment service providers that are aimed at improving customer protection. It also requires strong customer authentication and limits the scope of previous exemptions. In this connection, two new types of financial intermediary, namely the payment initiation

service provider and the account information service provider, have been created. At LLB, the adjustments required to implement the PSD2 have been made.

EU Mortgage Credit Directive

The Directive 2014 / 17 / EU on credit agreements for consumers relating to residential immovable property has been in force in the EU member states since 2014. It creates a single legal framework for the granting of mortgage credit agreements to consumers in the internal European market. As a member of the EEA, Liechtenstein is obliged to transpose this directive into national law. This will happen with the Mortgage and Real Estate Credit Act, which will enter into force on 1 April 2021. The directive serves to protect consumers taking out loans to buy residential property. Under the directive, the banks are subject to various obligations when granting a loan. These include, in particular, (pre-)contractual information requirements, creditworthiness assessment requirements and qualification requirements for bank employees involved in granting loans.

LLB has implemented the act in a timely manner. The provisions have been incorporated into the relevant processes, with the consultation process being particularly affected.

Capital adequacy requirements

Revision of EU banking regulation

With the Capital Requirements Regulation (CRR) and the revised Capital Requirements Directive (CRD IV), a first part of the Basel III standard was implemented in Europe in 2014. The CRR and the CRD IV entered into force in Liechtenstein in February 2015. The new EU banking package, which was published by European legislators on 20 May 2019, implements further key elements of the Basel III framework, which was essentially completed at the end of 2017, at European level through amendments to the CRR (CRR II) and CRD (CRD V). The CRR II is applicable in the EU from June 2021, while the CRD V had to be implemented by the EU member states by 28 December 2020. It is expected to come into force in Liechtenstein in 2022. With the Bank Recovery and Resolution Directive (BRRD), European legislators have introduced minimum requirements for the recovery and resolution of credit institutions. The BRRD was transposed in Liechtenstein in a timely manner through the Recovery and Resolution Act (RRA). Minimum requirements for own funds and eligible liabilities (MREL) are defined within the framework of the BRRD in a move to increase the liabilities that could be bailed in in the event of resolution (bail-in capital). This should increase the resolution capacity and reduce the risk of having to resort to public funds for resolving banks. Within the framework of the BRRD II, which is part of the current EU banking package, the regulations on resolution and MREL are being updated and expanded. The implementation of the BRRD II and the determination of the MREL are still pending in Liechtenstein.

Transparency Regulation and Taxonomy (Regulation in the sustainability sector)

The EU wants to redirect capital flows towards sustainable investments and anchor sustainability in risk management. These objectives stem from the Sustainable Finance Action Plan adopted by the European Commission in March 2018. This affects LLB AG, LLB Austria, as well as other institutions in Liechtenstein and Switzerland. The background to this is the gradual tightening of requirements in the European Economic Area (EEA) for regulatory realignment to secure EU market access for Swiss financial service providers as well as the growing expectations of all market participants. The LLB Group is following developments closely and taking the steps that are necessary to meet the new requirements. For instance, in the second half of 2020, the "Sustainability" Group project focused, on the one hand, on strategic aspects and, on the other, on regulatory developments in the EU, the EEA and Switzerland. Specifically, the necessary preparatory work was undertaken to implement the requirements of the regulation on sustainability-related disclosures in the financial services sector (SFDR) and the new requirements of the so-called EU Taxonomy Regulation.

Economic value creation

Stability

Liechtenstein is one of only eleven countries worldwide with an AAA rating. In November 2020, the rating agency Standard & Poor's (S&P) reconfirmed its best rating for the country's creditworthiness. According to its report, Liechtenstein retained its top rating primarily on the strength of the healthy state of its public finances. It is considered a stabilising factor especially in difficult times and provides the necessary room for manoeuvre. As a result of the Covid-19 pandemic, Standard & Poor's expects Liechtenstein's economy to slow down significantly, but that its high reserves and income situation will stand it in good stead for the future.

The stable financial and banking centre with strong international connections contributes substantially to the positive position it is in. Almost a quarter of Liechtenstein's gross domestic product is generated by the financial sector.

For the LLB Group, having a very solid capital base is also part of its identity. We exceed the core capital ratio of 13 per cent required under Basel III regulations since 2019 and have done so for many years (see chapter "[Finance and risk management](#)").

The LLB share

The LLB share is a worthwhile investment. Investors have continued to profit from a sustainably attractive dividend yield for years.

Market capitalisation

The LLB share has been listed on the Swiss stock market, SIX Swiss Exchange, since 1993 under the symbol LLBN (security number: 35514757) and assigned to the "International Reporting Standard" segment. In 2020, around 1.9 million LLB shares (2019: 2.2 million) were traded on the SIX Swiss Exchange, corresponding to 6.2 per cent (2019: 7.2 %) of total shares issued. With 30.8 million registered shares issued, the market capitalisation of Liechtensteinische Landesbank AG stood at CHF 1.6 billion (2019: CHF 1.9 billion) as at 31 December 2020. The LLB share has been listed in the MSCI World Small Cap Index since 2018.

Shareholder structure

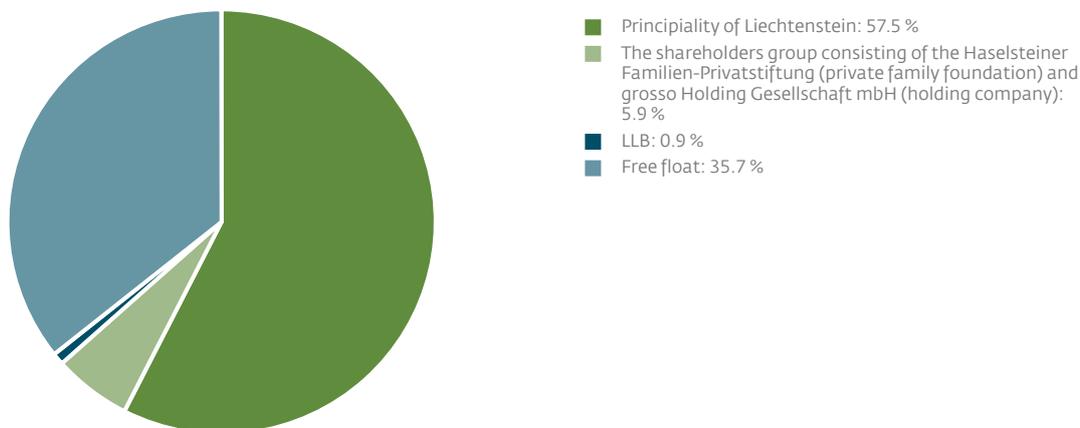
The Principality of Liechtenstein's holding of 17.7 million LLB shares, or 57.5 per cent of the share capital, remained unchanged in 2020. In 2011, the Liechtenstein Government, as the representative of the majority shareholder, adopted the ownership strategy it has been pursuing in regards to the Principality's equity stake in Liechtensteinische Landesbank AG (www.llb.li/en/investors/llb-share). It thereby explicitly supports the stock exchange listing of LLB and retains a majority stake of at least 51 per cent.

5.9 per cent of the shares were owned by the Haselsteiner Familien-Privatstiftung and the grosso Holding Gesellschaft mbH, both of which are domiciled in Austria, as at 31 December 2020 (see chapter "[Corporate governance](#)").

LLB held 0.9 per cent (2019: 1.2 %) of its own shares (treasury shares) as at the end of the reporting year. The remaining registered shares were in free float, whereby none of the other shareholders held more than 3 per cent of the share capital.

Overall 89.8 per cent of the 30.8 million total registered shares were entered in LLB AG's share register as at the end of the reporting year. 10.2 per cent, or 3'142'990 shares, were not registered.

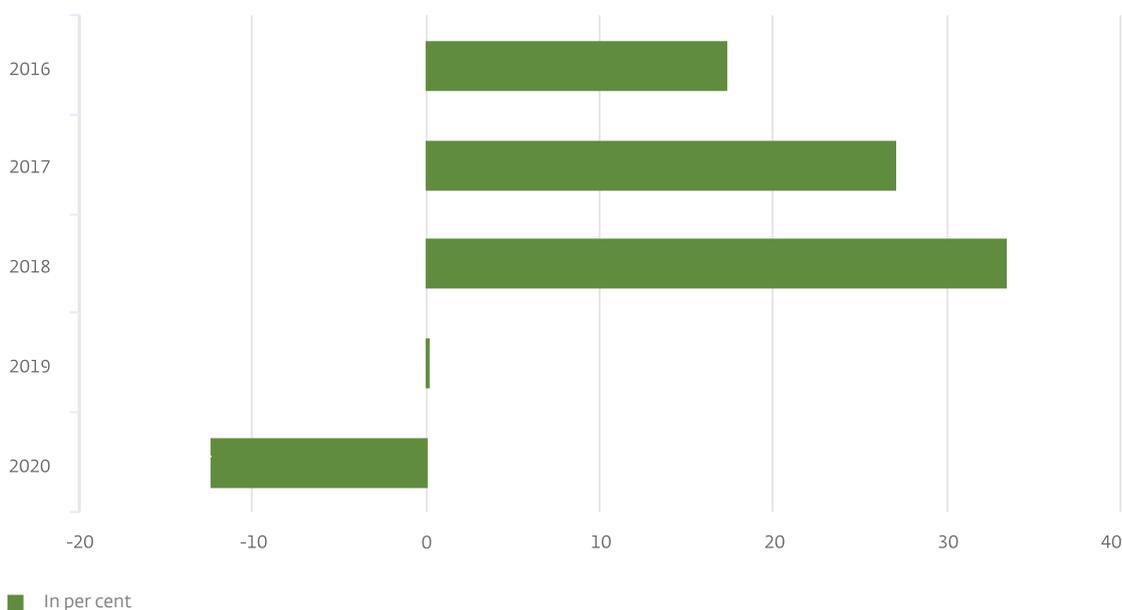
Shareholder structure in per cent



Share price performance

2020 will go down in history as a particularly difficult year for stock markets. Bank shares also suffered significant price losses due to the coronavirus pandemic. The European banking index, for example, fell in September 2020 to its lowest level in almost thirty years. The price of the LLB share stood at CHF 52.50 as at 31 December 2020. Its total return was minus 12.4 per cent. In comparison, the SPI Swiss Banks Index lost 12.6 per cent in the year under report, while the STOXX Europe 600 Banks Index in CHF was down as much as 24.2 per cent on the previous year.

Total return on the LLB share

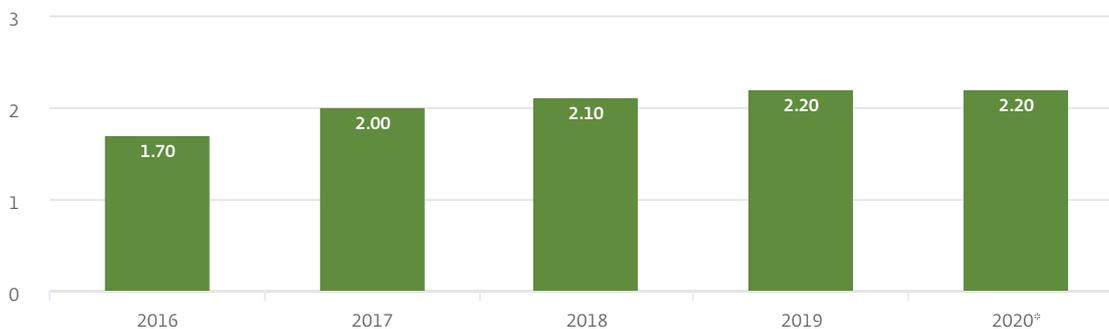


Dividend policy

Liechtensteinische Landesbank pursues an attractive, long-term-oriented dividend policy for the benefit of its shareholders. Furthermore, under the StepUp2020 strategy, the LLB Group is committed to safeguarding its financial security and stability. It intends to keep risk-bearing capital at a Tier 1 ratio of over 14 per cent in accordance with Basel III. Against this backdrop, the payout ratio for shareholders should be 40 to 60 per cent of Group net profit.

The Board of Directors will propose a stable dividend of CHF 2.20 (2019: CHF 2.20) per share at the 29th Ordinary General Meeting of Shareholders on 7 May 2021. Based on the share price as at the end of 2020, this corresponds to a dividend yield of 4.2 per cent. Total dividends to be paid out amount to CHF 67.1 million (2019: CHF 67.0 million). This represents a payout ratio of 61.1 per cent for 2020 (2019: 54.3%).

Dividend per share (2016-2020 in CHF)



* Proposal of the Board of Directors to the General Meeting of Shareholders on 7 May 2021

Analysts' recommendations

"The LLB share is very attractively priced. A dividend yield of 4.0 per cent for 2021 is, in our opinion, also very attractive", wrote Javier Lodeiro, the Zürcher Kantonalbank analyst responsible for monitoring the LLB share, in September 2020. He cites the LLB Group's excellent performance especially on the cost front. Further, he points out that despite allowances credit quality is high. LLB could perform well compared to Swiss asset managers, according to Lodeiro. Consequently, he reaffirmed his "overweight" rating.

Research Partners AG has been covering the LLB share since mid-2016. In a report that came out in October 2020, analyst Rainer Skierka also views the LLB as being attractively priced. Research Partners has left its buy recommendation unchanged. The twelve-month price target has been adjusted to CHF 72.00 (2019: CHF 85.00) to reflect lower estimates and changed market conditions caused by the Covid-19 pandemic.

Communication with the capital market

The LLB Group publishes annual and interim financial results (see chapter "Responsibilities for the economy, society and environment"). Normally, we hold a media and analyst conference on the annual results in Zurich. If, as in the previous year, it cannot take place physically in 2021 due to the coronavirus pandemic, there will be a conference call for analysts, investors and the media instead – like we have for the interim financial results. The LLB Group's annual report and interim financial reporting form the basis respectively. We produce these to a very high standard. Hence, the LLB Group has ranked among the companies with the best results in the overall rating category of the Swiss Annual Report Rating for several years now.

Also at the General Meeting of Shareholders, the Board of Directors and the Board of Management report transparently on the course of business. In 2020, it had to be held for the first time without shareholders being physically present due to the coronavirus pandemic.

We also hold regular discussions with investors, provide information at roadshows and participate in specialist conferences for financial analysts and investors. In the reporting year, however, these activities had to be largely suspended as part of increased safety measures to protect against the spread of the Covid-19 virus.

All publicly accessible information about the LLB Group can be accessed on our website at www.llb.li. Anyone interested is welcome to register at www.llb.li/registration to receive price-relevant facts electronically. Additionally, we publish our information via our social media channels (Facebook,

Twitter). We publish the annual and interim financial reports in a comprehensive online version with numerous additional functions. The Annual Report 2020 in German can be accessed online at gb2020.llb.li and in English at ar2020.llb.li.

The LLB share: facts and figures

in CHF thousands	31.12.2020	31.12.2019
Total of registered shares issued (fully paid up)	30'800'000	30'800'000
Number of shares eligible for dividend	30'511'590	30'435'705
Free float (number of shares)	11'006'590	10'930'705
Free float (in per cent)	35.7	35.5
Year's high (20 February 2020 / 21 March 2019)	68.00	71.40
Year's low (16 March 2020 / 15 August 2019)	45.00	59.20
Year-end price	52.50	62.40
Total return LLB share (in per cent)	-12.4	0.2
Performance SPI (in per cent)	3.8	30.6
Performance SWX Banking Index (in per cent)	-12.6	15.1
Average trading volume (number of shares)	7'566	8'933
Market capitalization (in CHF billions)	1.62	1.92
Basic earnings per share attributable to the shareholders of LLB (in CHF)	3.39	3.77
Dividend per LLB share (in CHF)	* 2.20	2.20
Payout ratio (in per cent)	61.1	54.3
Dividend yield at year-end price (in per cent)	4.2	3.5
Return on equity attributable to the shareholders of LLB (in per cent)	5.3	6.0
Eligible capital per LLB share (in CHF)	55.7	53.2

* Proposal of the Board of Directors to the General Meeting of Shareholders on 7 May 2021

Sustainability in banking

Sustainability Group project

In the reporting year, the LLB Group set up a project to coordinate its sustainability activities. In the first half of the year, the strategic vision and the future organisational structure in the context of sustainability were laid down. In banking, there is an ambition to make traditional banking sustainable in the relevant areas. LLB wants to go beyond this and launch new sustainable products so as to position itself with a strong offering in the market in the medium term. It therefore began already in the reporting year to develop its sustainable investment approach further and to gradually expand its product range of sustainable investment solutions.

LLB also decided to strengthen its support for sustainability, internally and industry-wide. We developed, for instance, a three-stage training concept to increase our employees' knowledge about sustainability. We also signed up to the United Nations Principles for Responsible Investment (UN PRI) in 2020. We will publish a PRI report on our sustainable investment approach for the first time from spring 2022.

In the second half of the reporting year, we turned our focus to regulatory and strategic issues. LLB dealt in particular with political and regulatory developments in the EU, the EEA and Switzerland. For example, it started the necessary preparatory work for the implementation of the future requirements of the EU regulation on sustainability-related disclosures in the financial services sector (SFDR) and the new requirements of the so-called EU Taxonomy Regulation.

The various issues in the context of sustainability will continue to be coordinated within the framework of our Group project until summer 2021. It will then be replaced by a regularly convening Sustainability Council. Group CEO will act as Chair of the Council. Operational project coordination and organisation will be the responsibility of the Sustainability Officer. This position has been created specifically to also anchor sustainability in the LLB Group organisation.

Customer orientation

Banking as an experience for clients

"Integrity" and "respectfulness" are values that are also paramount in the communication and interaction with our clients. Famously, many emotions are associated with financial transactions. We therefore want to make banking an experience that is innovative and pioneering. Only when clients trust their bank, the staff, the products and the technological services and also understand its offerings, do they feel well looked after and respected. This basic philosophy affects all the points of contact with clients. The client's experience is placed centre stage and an emotional value proposition that creates proximity to the client is defined.

Client proximity through systematic surveys

Knowing the needs of clients is the basis for the further development of our channels and offerings. To this end, in spring 2020, we conducted a survey of our clients in all divisions of LLB in Liechtenstein. Our clients gave us top marks for overall satisfaction as well as for willingness to recommend to others and satisfaction with e-banking. The potential for improvement identified in other areas will be analysed in more detail and followed up with high commitment in the individual divisions.

The current survey is part of a customer experience concept, with which LLB wants to anchor customer orientation even more systematically in the company. The aim is to conduct these surveys on a regular basis so as to ensure permanent optimisation and to improve client satisfaction. The next client survey – which includes Bank Linth and LLB Österreich – is scheduled to take place in 2022.

Excellent client advisory services

We also received a particularly good rating from our clients for competence in investment advice and asset management. This very positive verdict was also confirmed by external experts. Liechtensteinische Landesbank achieved a top score in an independent comparison test conducted by the Fuchs | Richter

testing body in the reporting year. It was placed fourth overall in the "TOPs 2021" ranking. With regard to the core topic of sustainability, the testers rated LLB's expertise as well above average.

Sustainable products and services

We have offered sustainable asset management mandates since 2015. As part of the Group project on sustainability, the focus on sustainable finance has, however, been strengthened still further. Our aim is to position ourselves with a comprehensive range of sustainable products and services in the medium term. We took our first steps in this direction in the reporting year. In mid-2020, we launched the LLB Gold Fund, the first Liechtenstein fund that invests in sustainably produced and transported gold and is backed by physical gold.

As part of the sustainable orientation of our product and service range, we converted all bond funds to sustainability by the beginning of 2021. Strategy and equity funds will follow in spring 2021.

That we are on the right track with our products where sustainability is concerned has been attested time and again by external experts. LLB Finanz Immo Kapitalanlagegesellschaft, for example, was certified in the reporting year with the Austrian Ecolabel. It is awarded to ethically oriented products and businesses in the financial sector that generate profits through sustainable investments.

ESG integration in asset management

For the LLB Group, sustainability in asset management means adopting a responsible approach to investing that meets high ethical, social and environmental standards. Furthermore, looking at sustainability aspects brings an additional perspective to risk assessment and as such supports long-term value creation for our clients. As a member of the UN Principles for Responsible Investment (PRI) Finance Initiative, we are committed to the goal of responsible investment management. In this way, we contribute to the fulfilment of the UN's sustainable development goals (SDGs). We also expect that broadly diversified, sustainable investments will yield returns comparable with those from traditional investments. In asset management, too, we will therefore continue to integrate sustainability into our product range.

We have opted to apply a methodologically comprehensive approach to the sustainable investment process. We take into account various sustainability criteria for the individual analysis and also offer balanced model portfolios for all relevant markets.

Under the LLB approach to sustainable investments, we invest up to a quarter of the portfolio in special impact themes such as climate and environmental protection and microfinance. The individual securities and funds are subjected to additional analysis. Here we rely on our internal fund analysis and also on the ESG expertise of renowned agencies such as MSCI and we invest in companies and funds with a high ESG rating.

Sustainable investments

In line with its sustainable investment approach, the LLB Group converted not only all bond funds to sustainability by the beginning of 2021, but also all asset management mandates. With these, only securities with a favourable ESG rating from financial services provider MSCI are considered when constructing a portfolio. Certain sectors such as tobacco, alcohol, nuclear energy and armaments can be excluded from the portfolio if a client so wishes. As demand grows, the investment process is being refined ever further. LLB also offers the inclusion of sustainability aspects for its "LLB Invest" investment advisory packages.

Risk-conscious growth in the mortgage lending business

The development of the real estate and mortgage market plays a key role in the economy. In Liechtenstein, LLB has a leadership position in the mortgage lending business with a market share of around 50 per cent. Bank Linth extends mortgages in eastern Switzerland. This makes us an important partner for private individuals and businesses. For the LLB Group, the quality of the mortgage portfolio is key: growth must be sustainable and risk-conscious and in line with the type of property and the development of the market in the region. In 2020, mortgages accounted for 88.7 per cent (2019: 87.4 %) of loans granted by the LLB Group, corresponding to CHF 11.7 billion (2019: CHF 11.3 billion) (see chapter "Finance and risk management").

Sustainable building

We promote passive houses, new builds and renovations with the Minergie or other comparable energy standard through specially tailored mortgages. Our clients benefit from particularly attractive preferential conditions for a five-year term.

Fair competition

As the bank for the country and the people, being able to offer attractive and innovative price models is important to us. Individual prices and flat-rate price models or on request also performance-dependent conditions underpin our claim to guarantee a fair and transparent tariff structure. For LLB funds, we forego retrocessions (portfolio maintenance commissions), which makes our funds significantly cheaper in comparison to the market. We pass retrocessions received on third-party fund holdings on to our clients in full. Thanks to our simple and easy-to-understand tariff structure, the fees and conditions for clients are visible at a glance.

We also have a very fair approach when it comes to fees for our LLB strategy funds: we are one of the first banks to introduce a performance-based model for strategy funds and a swap-based model for some fixed-income funds, with pricing being linked to the interest rate.

Financial planning for private individuals and businesses

Worries about the future of pension funds, the challenging economic environment and changing legal frameworks make it increasingly difficult for private individuals and businesses to make the right financial decisions. The need for comprehensive, professional advice therefore continues to grow. Our answer to this is the "LLB Compass – the 360° advice for your future". Our holistic financial planning highlights all the important topics such as budgeting, asset structuring, pension planning, real estate and financing as well as taxes and estates and provides our clients with a guide on how they can shape their financial future. In the case of entrepreneurs, our advice always takes account of the individual characteristics of the firm.

LLB Pension Fund Foundation for Liechtenstein

With the LLB Pension Fund Foundation, we are the only bank in Liechtenstein with a collective foundation for Liechtenstein SMEs and that since 2005. Owing to its solid financial position, it is gaining popularity. At the end of 2020, Liechtenstein's youngest collective foundation managed CHF 1.2 billion (2019: CHF 869 million), surpassing the one billion Swiss franc mark for the first time. The LLB Pension Fund Foundation thus manages the largest amount of pension fund assets in Liechtenstein, making it an essential pillar of the domestic pension fund market. At the end of 2020, it had 838 affiliated companies (2019: 514) with a total of 7'478 active insured persons (2019: 5'490) as clients. The liquidity ratio stood at 107 per cent (2019: 107 %). The LLB Pension Fund Foundation has a very good structural ratio: for each pensioner there are 12 active insured contributors (2019: 14 active insured contributors).

In order to be able to actively participate in shaping the legal framework, the LLB Pension Fund Foundation is represented on the Executive Board of the Liechtenstein Pension Scheme Association (LPKV). In this way, it is also instrumental in the expansion of the domestic market.

Risk management

Effective risk management, that means permanent and systematic monitoring to minimise risk, contributes decisively to responsible and transparent corporate governance (see chapter "[Finance and risk management](#)"). By specifying a future-oriented risk strategy, the Board of Directors of the LLB Group establishes the guidelines for dealing with risks. In addition, it continues to develop corporate governance on an ongoing basis (see chapter "[Corporate governance](#)"). The applicable laws, directives, guidelines and market standards as well as supervisory and internal regulations form an essential base. Group Legal & Compliance advises the business areas, identifies and analyses compliance risks, and ensures that all staff comply with the Code of Conduct (see chapter "[Strategy and organisation](#)").

Regulatory development in the context of sustainability

The European Union promotes sustainable development of the economic system and has pledged to meet the goals of the Paris climate agreement and those of the UN's Agenda 2030. With its "Action Plan for Financing Sustainable Growth", the EU aims to reorient capital flows towards a more sustainable economy. Integrating sustainability aspects into risk management and fostering transparency are key

areas of the action plan. Achieving the European Council's goal of climate neutrality by 2050 will require a significant reduction in CO₂ emissions, supported by "green" financing.

Various legislative initiatives following this action plan have been started in the EU. Particularly worthy of mention are:

- ♦ Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector;
- ♦ Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Taxonomy Regulation);
- ♦ Draft Delegated Regulation amending Delegated Regulations 2017/565 and 2017/593 in the MiFID II context;
- ♦ Draft Delegated Regulations amending Delegated Regulations 231/2013 (AIFM) and 2010/43/EU (UCITS).

The subsidiaries of LLB in Austria (bank and investment companies) are directly affected by the EU regulations. The regulations are also relevant to LLB in Liechtenstein through the EEA, although the date of application may vary depending on the law.

The LLB Group started the preparatory work for the implementation of the upcoming legislation in the reporting year, so that the regulatory requirements can be gradually implemented from 2021 onwards. This includes, for example, paying greater attention to sustainability risks both in the bank's own risk management and in investment products under the sustainability approach of LLB Asset Management. Along with the expansion of the product range of sustainable investment solutions, we will be concerned with providing maximum transparency to clients on the classification of products with regard to sustainability. The training of frontline staff began already in 2020.

The LLB Group aims to increasingly integrate the topic of sustainability into its products, its risk management and especially into its client advisory services. We therefore support the efforts of legislators in the sustainability area to create relevant standards and transparency requirements.

Employees

Employees are a company's greatest asset. In order to retain excellent, committed employees and gain new ones, it is essential to create an appealing work environment and to position itself as an attractive employer. The LLB Group has done this successfully for years. It has been recognised both internally and externally for its commitment to its employees.

LLB as employer

As at the end of December 2020, the LLB Group had 1'225 employees (2019: 1'234), who together filled 1'064 full-time positions (2019: 1'077). This makes LLB one of the largest employers in Liechtenstein.

Performance pledge and employee development

As a modern employer, we position ourselves as having the following strengths: We offer a corporate culture based on partnership, interesting work content and plenty of scope for growth. High-achieving employees have excellent development opportunities and prospects. Standardised processes allow both managers and employees to receive regular feedback on their performance and their development potential.

The performance pledge formulated by Group Human Resources was set out in a strategic HR vision (see illustration below). This is an important instrument to raise awareness of the supportive yet demanding work environment.

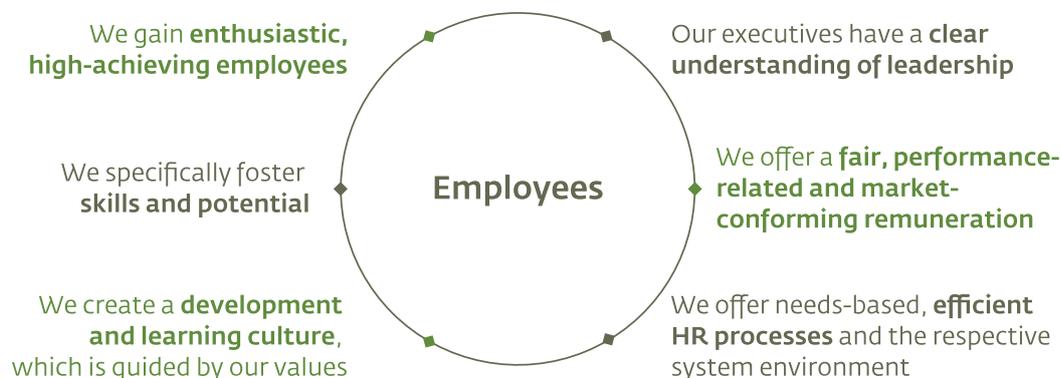
Value-oriented compensation

The LLB Group offers attractive employment conditions. It spent CHF 181.0 million (2019: CHF 192.9 million) on salaries and social contributions in 2020 (see notes to the consolidated income statement).

The LLB Group takes aspects of value orientation into consideration in all areas of the company. We have a modern compensation system that is considered exemplary in the banking sector. For the majority of employees, it includes a variable remuneration component. In 2013, we decided to introduce the Market-Adjusted Performance Indicator (MAPI) so as to be able to make a careful and objective evaluation of the management's performance (see chapter "[Compensation report](#)"). The model was developed in conjunction with FehrAdvice & Partners AG, Zurich, and is based on the results of behavioural economics research carried out by Professor Ernst Fehr from the University of Zurich.

We set great store by fair compensation that explicitly recognises skills and performance. Women and men in the same position and at the same performance level are in the same pay scale and wage model. This is valid for all our business locations.

Chart on Strategic vision



Communicating with employees

A clear, consistent and transparent approach when addressing employees is essential for successful corporate management. This is all the more so in crisis situations like the corona pandemic, which affected many parts of day-to-day operations in 2020. For this reason, we intensified internal communication yet again during the reporting year. The key tool here was the intranet. We provided information on the latest developments Group-wide – tailored to the individual companies – in the form, for instance, of regular updates on the coronavirus. The Group CEO put out a quarterly newsletter to update employees on current projects and innovations.

The Group Forum, which is an annual Group-wide information event where the Group Executive Board reports on the latest developments in the company, was adapted in 2020 to comply with pandemic requirements. Instead of a physical event with an audience, it was broadcast as a discussion round on the intranet, with all employees being able to participate virtually.

Similarly, LLB (Österreich) AG moved its regular information events to the intranet, where it also posted video messages from members of the Board of Management. Bank Linth, too, conducted employee information events virtually when possible, if they could not be held physically.

In the autumn of 2020, LLB started to upgrade its intranet so as to be able to reach employees in a more targeted and appealing way in the future. It plans not only to use the intranet for communication, but also develop it into a collaboration platform.

Well anchored in the region

It is important to us that our managers understand the mindset and concerns of our clients. And for this reason, almost 100 per cent of the managers and the majority of employees in the main business locations have their roots in their respective region. As a result, they are highly dedicated to the company and have a high level of integrity. They also take a long-term view, which is very much appreciated by the clients. To meet the demand for skilled employees, LLB relies on commuters who travel every day from eastern Switzerland (2020: 263; 2019: 264) and the Austrian state of Vorarlberg (2020: 85; 2019: 85) to Liechtenstein. This makes LLB a major regional employer in the Rhine Valley. Bank Linth recruits almost all of its professionals from the Swiss regions of Lake Zurich, Sarganserland and Winterthur.

Attractive work environment

We continually implement measures to improve the work environment so that we can position ourselves actively in the competition for the best talent. Here we focus in particular on health promotion in the workplace, raising job quality and flexibility of working hours and location.

Flexible work environment

In recent years, the LLB Group has responded to the wish increasingly expressed by its employees for remote mobile working and ramped up its home office capacities. This process was accelerated enormously by the corona pandemic in the reporting year. By the autumn of 2020, the technical

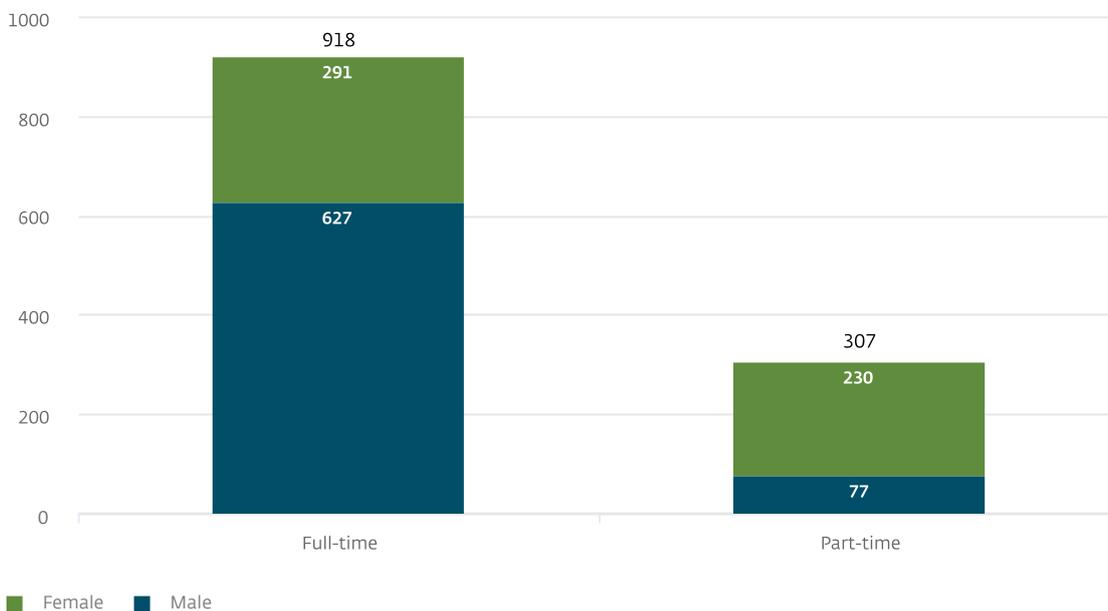
conditions were in place so that almost all employees could work from home. When Covid-19 measures eventually come to an end, we will still offer the option of home office working. Regulations have already been drawn up accordingly.

Compatibility of work and life situation

Enabling a high degree of compatibility between work and private life makes for an attractive employer. In recent years, therefore, we have pushed ahead with projects offering greater flexibility of working hours and location. Most employees work under the trust-based working time model. Under this model, they determine, in consultation with their manager, exactly how their working time is to be structured and different workloads managed. A reduction of working hours from full-time to 80 or 90 per cent is, in consultation with their manager, possible as well – this also applies to management positions.

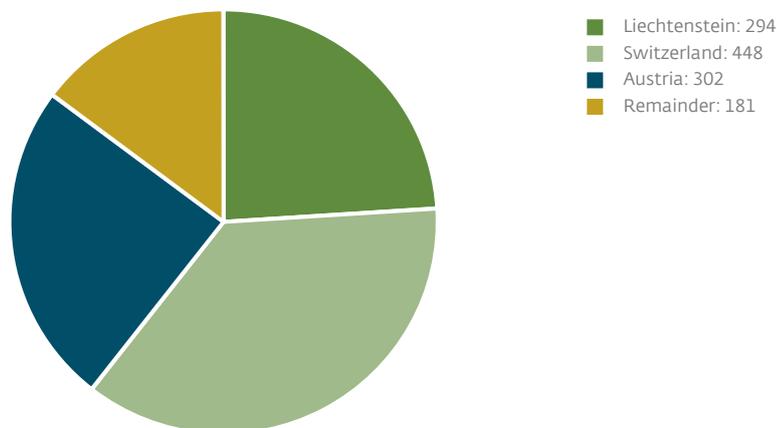
Under the "Freizeit-Kauf" (purchase leisure time) scheme, employees can increase their holiday entitlement by five or ten days and forego a corresponding amount of pay in return. This option is highly appreciated and finding ever greater resonance: in the reporting year, 106 employees (2019: 137) purchased a total of 745 additional leave days (2019: 995). We also support paternity leave and permit our employees care leave in the case of a family emergency. The "Villa Wirbelwind" crèche in Vaduz, which was set up in co-operation with the Liechtenstein Bankers Association, is open to the children of all Liechtenstein bank employees. Long-service employees are rewarded with a sabbatical. 49 employees (2019: 34) with long-service anniversaries of ten, twenty, thirty or forty years went on a sabbatical for up to four weeks in 2020.

Breakdown by employment type *



* Including permanent and temporary employees

Breakdown by nationality *



* Including permanent and temporary employees

Initiative for employees over 50

Rapid digital developments and growing complexity are affecting the workplace, making job profiles more demanding. Staying motivated and up-to-date is a challenge – especially for employees who have been in professional life for a long time. At our Liechtenstein location, 26 per cent of employees are over the age of 50. To ensure they remain fit for the working world of the future, we have developed a special programme. It includes, among other things, offerings to strengthen professional and methodological competence. Training courses and workshops planned for 2020 had to be cancelled due to restrictions introduced in response to the coronavirus pandemic. They will be held again as soon as the situation allows. A new service offering for employees turning 50, namely an analysis of their financial position, was introduced however. This new service offering allows them to receive free financial planning advice for their retirement.

Health and safety

LLB successfully completed an assessment by Gesundheitsförderung Schweiz (Swiss Health Promotion) during the reporting year, and we are now the first bank in Liechtenstein to carry the "Friendly Work Space" label. To be awarded the label, a company must meet a number of criteria. Workplace health management has to be integrated in management systems and be perceived as a management task. Personality- and health-promoting working structures have also to be in place. The external assessors emphasised in their assessment that LLB takes health-related considerations into account with regard to a range of HR processes, employee offerings and infrastructure. This is reflected, for example, in the selection of personnel as well as in the range of opportunities for targeted training and professional education.

We want to reduce the absenteeism rate, which indicates the incidence of accidents and long-term illnesses, through these and other measures. We were able to meet our target of up to 2.5 per cent in the reporting year. In 2020, we registered 133 absences (2019: 149), corresponding to a rate of 1.5 per cent (2019: 2 %).

Support at difficult times

Our aim is to reduce short- and long-term absences and to facilitate the return to work. Mental stress can often result in physical illness and vice versa. Our employees are therefore able to gain free and anonymous access to psychological counselling should they find themselves in difficult work or life situations. We also offer support to employees returning to work after a long absence and to those with serious health problems. Providing practical support enables employees to maintain or regain their productivity.

High employee satisfaction

Employee satisfaction is an indicator of whether it is possible to retain motivated, high-achieving employees in the company. To understand where we stand in this respect, we regularly conduct in-

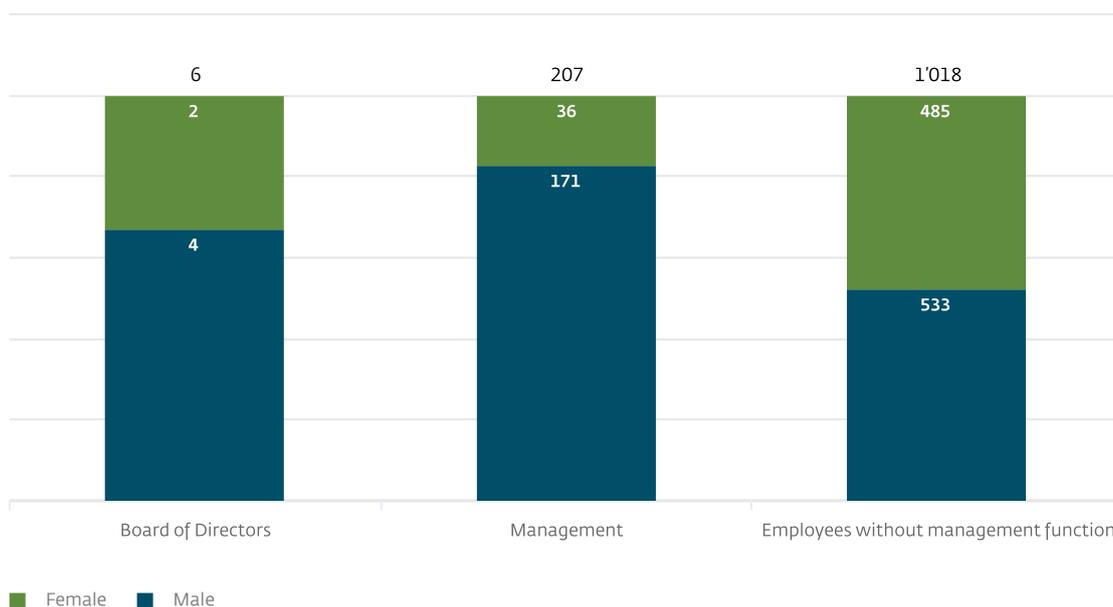
depth employee surveys at the companies of the LLB Group. In the 2020 survey these achieved very good ratings against the main criteria again. They improved upon their result from the last survey in 2017 in the criterion commitment, which is particularly important to the success of a company. LLB AG and Bank Linth thus belong to the top-rated 20 per cent of the comparable group. Results from the survey for the criteria satisfaction and evaluation of the company as an employer were consistent, and that at a high level. LLB AG and Bank Linth consequently also scored very well against the criterion of recommending the company to others. Employees were more critical than they were three years ago in the areas of structures and processes as well as work and leisure. We will, naturally, look into what lies behind this change.

The positive overall rating from the employees led to the two banks being honoured with the Swiss Employer Award at the end of 2020. Overall, they rank among the top 10 employers in Switzerland and Liechtenstein.

Diversity of employees and managers

As various studies have shown, teams that are diverse are more productive and more innovative. People of different nationalities working together has been commonplace at the LLB Group for many years. In 2020, 24 per cent of our employees were Liechtenstein nationals, 37 per cent Swiss nationals and 25 per cent were Austrian nationals. All in all, people from 36 nations work at the LLB Group. We are committed to ensuring that our client base is reflected in our employee mix. This also applies to our traditional cross-border markets in Germany and the rest of Western Europe as well as to the growth markets of Central and Eastern Europe and the Middle East.

Breakdown by gender *



* Including permanent and temporary employees

The proportion of women working for the LLB Group is relatively high at 43 per cent, though they are still under-represented in leadership positions. The first woman was appointed to the Group Executive Board in 2016 (see chapter "Corporate governance").

Women in management positions:

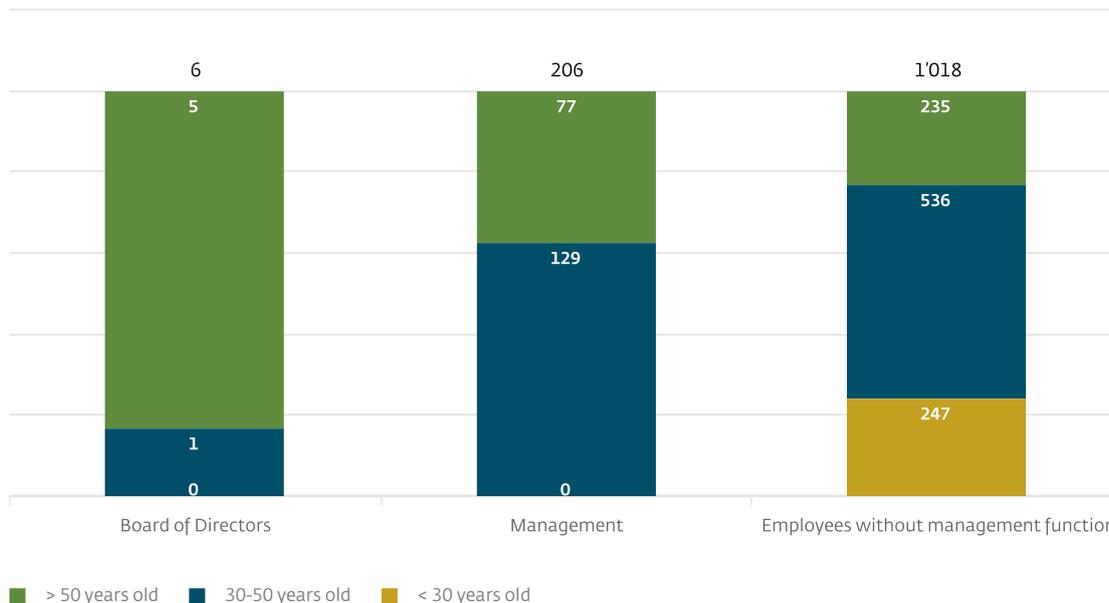
- ♦ Executive management: 5 men, 1 woman
- ♦ Senior management: 25 men, 1 woman

The Board of Directors of LLB, which is publicly listed, has been characterised by an above-average proportion of women since 2014. At the end of 2020, with two out of the six members women, they

represented a third (33 per cent) * of the board members. 91 employees were assigned to the "Potential Pools", from which, among other things, future managers are recruited internally; of these, 27 were female.

* In November of the reporting year, there was a change in the Board of Directors. As a result, the board temporarily consisted of six instead of seven members. Without this special effect, the proportion of women on the Board of Directors would be 29 per cent.

Breakdown by age group *



* Including permanent and temporary employees

Staff development

For the LLB Group, training and professional education is an important instrument for increasing its competitiveness. In 2020, we invested CHF 1.4 million (2019: CHF 1.7 million) in the targeted development of managers, talent and competences. By doing so, we were able to fill 63 per cent (2019: 59 %) of management positions that became vacant internally in the reporting year. To give existing employees an overview of their individual development paths, we rolled out the "Career Planning" project. The development-oriented job profiles defined under it show the different levels of professionalism. It enables us to explain to our employees what the prospects are in their current job and beyond.

Measuring the success of staff development

The LLB Group has established various processes in recent years to support the systematic further development of its staff and internal pool of specialists and experts. Based on regular assessments of performance and development potential as well as strategic staffing needs within the Group, concrete action plans can be developed and implemented for all employees. There are, among other things, so-called "Potential Pools". 91 individuals, or 10.3 per cent of employees (2019: 95 individuals, 8.9 %), were assigned to one of five "Potential Pools" in 2020.

Digitalisation of personnel management

The LLB Group has had a digital portal for some years now that offers employees and managers a uniform platform for a variety of different HR applications, ranging from tools for learning management to onboarding new employees. At the same time, two management-intensive processes (performance management and people development) were also system supported and automated, improving and facilitating performance measurement and employee development. The HR portal also enables employees to network more closely internally over a collaboration platform. What is more, they can

store personal information such as an emergency contact, language skills and education and training on it. The information can then be retrieved and used as required.

We are increasingly using digital tools for recruitment purposes, too. The focus is on recruiting via our social media channels, i. e. LinkedIn, Instagram and Xing.

Client adviser certification

With mandatory SAQ client adviser certification, we are ensuring the outstanding advisory competence of the LLB Group for the long term according to uniform quality criteria. Despite more difficult circumstances due to Covid-19 measures, we pushed ahead with the certification of our clients advisers in 2020 and so the first tranche of employees with client contact successfully completed the programme – in all, this corresponds to around 80 per cent of all client advisers. Others will follow in the coming years. The SAQ certification also complies with the regulatory requirements arising from the European Markets in Financial Instruments Directive (MiFID II) and the Swiss Financial Services Act (FinSA). In 2020, we invested CHF 176'000 (2019: CHF 318'000) in training programmes in accordance with the standards of the Swiss Association for Quality (SAQ).

Professional training

Liechtensteinische Landesbank lives up to its responsibility as one of the largest providers of training in Liechtenstein. In the reporting year, 30 apprentices (2019: 34) at the LLB Group benefited from high-quality dual professional training, which combines theory and practice. The classic basic training remains the main pillar of the development programme for our junior employees. We believe that the provision of a broad education is a key task, especially as through the Federal Vocational Baccalaureate (FVB) it allows young adults to keep their options open to go to a university of applied sciences or a traditional university.

Bachelor, work and study, and master programmes

Since 2014, the LLB Group has had a greater focus on university graduates. There are three different programmes available for candidates: practical-based direct entry for graduates (2020: 4 participants); a work and study programme for postgraduates in the final phase of their studies (2020: 2 participants); and a trainee programme for postgraduates (2020: 4 participants). Talented young people get to know our company in-depth from the inside as part of an eighteen-month on-the-job trainee programme covering three areas of work.

The participants of these three programmes are in contact with top management, are involved in day-to-day business from their very first day of work and profit from the comprehensive spectrum of tasks of a universal bank. Those who demonstrate performance and commitment are recommended for a permanent position.

In order to enhance its profile as an attractive employer, the LLB Group is regularly present at the Universities of Liechtenstein and St. Gallen, FHS St. Gallen University of Applied Sciences and Zurich University of Applied Sciences (ZHAW) in Winterthur. This is a response, among other things, to its ongoing high demand for employees with a higher education. As a result, the level of qualifications of new entrant employees and managers has increased significantly in recent years: at the end of 2020, 61 per cent of newly recruited employees had graduated from a university or a university of applied sciences or completed higher professional training.

Representation of employees

As a fair and responsible employer, it is important to us that employees have a body to whom they can turn should they encounter problems at work and which represents their interests vis-à-vis the Group Executive Board. The Representation of Employees (Arbeitnehmervertretung) at LLB's parent bank holds a regular dialogue with the Group Executive Board. The Representation of Employees has a say in various issues such as staff pension plans, rationalisation projects and staff retrenchment. It also represents the viewpoint of the employees in various working groups such as the Mobility Commission and the Working Atmosphere and Health Commission. The Group Executive Board is obliged to inform the Representation of Employees of all matters that are relevant to employees.

Personnel Pension Fund Foundation

In the reporting year, 707 employees of our corporate Group who work in Liechtenstein were covered by the retirement, life and disability insurance plans of the autonomous Personnel Pension Fund Foundation of Liechtensteinische Landesbank. The pension fund and its defined contribution scheme offer three attractive savings plans that go beyond the requirements of the law (Occupational Pension Act (OPA)). In addition, LLB's contributions as an employer amount to two-thirds of the financing of the fund.

To safeguard pension benefits, the Board of Trustees decided to reduce the pension conversion rate further to 4.82 per cent by 2027. In addition, the principle of sustainability was added as an investment criterion. As at the end of 2020, 64 per cent of the investment assets complied with the new LLB sustainability criteria. This proportion is to be steadily increased. The liquidity ratio increased in the reporting year to 110.5 per cent (2019: 108.1 %) thanks to a strong fourth quarter. The return on investment was approximately 4.2 per cent (2019: 8.2 %). The retirement assets of the active insured persons bore interest of 2 per cent as at the end of the year. The fluctuation reserve increased to CHF 34.3 million (2019: CHF 25.4 million). The Personnel Pension Fund Foundation of Liechtensteinische Landesbank is thus well positioned for the future.

LLB Group headcount statistics

	2020	2019	2018	2017	2016
Employees					
Number of employees (full-time equivalents)	1'064	1'077	1'086	867	858
Full-time employees	918	930	953	769	767
Part-time employees	307	304	280	218	207
Apprentices	30	34	33	36	38
Young talents*	10	9	13	4	11
Employee retention					
Staff turnover rate in per cent	11	12	11	11	10
Average length of service in years	9	9	9	10	10
Average age in years	41	41	41	40	40
Diversity and equal opportunities					
Number of nations	36	38	38	36	39
Share of women in per cent	43	42	43	43	42
Training and professional education					
Training costs in CHF thousands	1'300	1'655	1'802	1'384	1'570
of which SAQ certification costs in CHF thousands	176	318	410	244	239

* Includes all working students in master's studies, trainees with master's degree and direct entrants with bachelor's degree. All young talents have temporary employment contracts.

Corporate environmental and climate protection

As a responsibly operating company, it is important to us to contribute to the reduction of greenhouse gas emissions and to the conservation of natural resources. We fulfil this responsibility by taking environmental aspects into account in our capital investments (see chapter "[Sustainability in banking](#)") as well as by implementing measures in our own operations. Thanks to our ambitious mobility management and the improved energy efficiency of our IT infrastructure and buildings, we have made progress in reducing our CO₂ footprint over the past few years.

Mobility management

The volume of traffic has increased massively in Liechtenstein over the past few years. The LLB Group is committed to keeping the environmental pollution caused by business and commuter traffic as low as possible. We have an incentive scheme to encourage our staff to use public or non-motorised transport or form car pools to get to work. Here, on the one hand, we subsidise the cost of season tickets on public transport and offer a bonus in return for foregoing a parking space. And, on the other hand, we levy parking charges – there are four charge bands and the charge levied depends on the distance to work. We promote the use of non-motorised transport by providing changing facilities and showers with towel services as well as 45 company bicycles at our business locations. We also contribute CHF 50.00 towards the purchase of a bicycle helmet and motivate our employees to take part in the competition run by the Verkehrs-Club Liechtenstein (VCL) "Radfahren für Ihre Gesundheit" (Cycling for your health) and the one by the Liechtenstein Chamber of Commerce and Industry "Mit dem Rad zur Arbeit" (Cycling to work).

These measures are having an effect: out of all LLB employees in Liechtenstein, 295 (2019: 293) now come to work by bus, bike or on foot; this corresponds to 41 per cent.

We have installed nine electric charging points in all at six locations in Liechtenstein in an effort to promote electromobility. The charging points are primarily available for use by our employees who drive to work in an electric car, but they can also be used by our clients.

Energy-efficient buildings

The organisational unit Facility Management identifies potential energy savings and evaluates the effect of efficiency measures. We continue to improve the energy efficiency of our properties through renovating and refurbishing. An example of this is our "Green Datacenter", which not only corresponds to the highest security standards, but also has an excellent energy balance. Since two of our business premises in Vaduz (our headquarters and Haus Wuhr Ost) are equipped with photovoltaic (PV) systems, we generate a small part of our electric power in an environmentally friendly manner. In 2020, the PV systems produced 8'820 kilowatt-hours (2019: 8'560 kWh).

In the reporting year, the coronavirus pandemic, among other things, led to a decrease in energy consumption as many employees worked from home for a time (see table).

Energy consumption and greenhouse gas emissions ¹

	2020	2019
Energy consumption (in MWh)	6'860	7'280
Electricity ²	4'973	5'427
District heating ³	602	577
Total heating fuels	818	797
Heating oil ⁴	111	114
Natural gas	707	683
Total motor fuels	467	479
Diesel (vehicles and emergency power generator testing) ⁵	277	332
Petrol (vehicles)	190	147
CO₂ emissions (in tCO₂ e) ⁶	1'000	1'095
Scope 1 total ⁷	300	298
Heating fuels	175	170
Motor fuels	122	126
Volatile gases (refrigerants)	4	2
Scope 2 total ⁸	699	797
Electricity ⁹	566	669
District heating	134	128

- 1) Includes the LLB locations in Liechtenstein and Austria as well as Bank Linth. Some consumption data at the Vienna location was estimated based on the previous year's consumption.
- 2) The reduction in electricity consumption compared to 2019 is due, among other things, to the pandemic-related work of a large part of the staff from the home office. In addition, there were several changes at the system boundary at Bank Linth (new branch office in Meilen, changed energy reference areas in various branch offices). However, the influence of these changes on total electricity consumption is negligible.
- 3) The increase in district heating consumption compared to 2019 is due to a property in Liechtenstein that was heavily affected by the pandemic-related home office measures. In order to maintain the required room temperature, a higher heating demand was necessary.
- 4) The data collection on heat consumption for Bank Linth is partially incomplete and will be optimised.
- 5) The significant reduction in diesel consumption is due to the reduced use of diesel vehicles at LLB Austria. Part of this reduction was compensated for in 2020 by increased petrol consumption.
- 6) The greenhouse gas emissions were calculated according to the guidelines of the Greenhouse Gas Protocol. Due to the update of the emission factors in the reporting year, the electricity-related CO₂ emissions for 2019 were subsequently adjusted downwards by around 7 %. Without this adjustment, the electricity-related emissions in 2019 amounted to around 669 tCO₂e.
- 7) Greenhouse gas emissions from own heating boilers, fuels and air conditioning
- 8) Greenhouse gas emissions resulting from the production of purchased electricity and district heating.
- 9) Reported using location-based approach following Greenhouse Gas Protocol Scope 2 Guidance

Partner to climate foundations

LLB is a partner of the independent non-profit LIFE Climate Foundation Liechtenstein (since 2009) and the Swiss Climate Foundation (since 2012). It thus belongs to a group of partner firms that pool their resources to support small and medium-sized enterprises (SMEs) in Switzerland and Liechtenstein. The companies do this in an uncomplicated and efficient manner and, through their activities, help to protect the climate. LLB refunds of CO₂ contributions from Liechtenstein made to the Climate Foundation are used to promote climate-friendly products and technological developments as well as energy-saving projects. SMEs that contribute to climate protection also benefit from this.

Industry initiatives and corporate citizenship

The legal performance mandate of LLB defines the promotion of Liechtenstein as a workplace as its core task. The LLB Group is further committed, as part of various industry initiatives, to a sustainable banking centre and supports various environmental, social and cultural projects (see section "[Sponsoring](#)"). We contribute in this way actively to the prosperity of the population and to the sustainable development of Liechtenstein (see chapter "[Retail & Corporate Banking](#)").

Economic contribution

The LLB Group bases its business policy on market conditions and strives to generate a reasonable profit, all the while respecting ethical and environmental principles. After all, the LLB Group plays an important role in Liechtenstein's economy: its contribution – dividends and direct taxes – amounted to CHF 47.2 million in 2020 (2019: CHF 49.3 million). LLB receives no financial support for its banks or Group companies in Liechtenstein, Switzerland or Austria from any government. As a bank of systemic importance, it is subject to particularly strict financial market regulation and high capital adequacy requirements. With the implementation of the Capital Requirements Directive (CRD IV) and the establishment of the Deposit Guarantee and Investor Compensation Foundation (EAS), Liechtenstein has a modern guarantee system, which guarantees an adequate equity base and protection of client deposits (see chapter "Values and corporate management"). The state guarantee for savings account deposits and medium-term notes (cash bonds) was revoked by mutual agreement of the Landtag (Parliament) and the Government on 1 July 2019.

Major employer in the region

It is important to the LLB Group that its managers understand the mindset and concerns of its clients. And for this reason, almost all of the managers and the majority of employees in the main business locations have their roots in their respective region. As a result, they are highly dedicated to the company and have a high level of integrity. They also take a long-term view, which is very much appreciated by the clients.

To meet the demand for skilled employees, LLB AG relies on commuters who come every day from eastern Switzerland and the Austrian state of Vorarlberg to Liechtenstein. This makes LLB a major regional employer in the Rhine Valley. Bank Linth recruits almost all of its professionals from the Swiss regions of Lake Zurich, Sarganserland and Winterthur.

Participation in industry initiatives

The LLB Group derives from its corporate values and its guiding principles a strong commitment to responsible banking. By participating in various industry initiatives, we bring our ideals to the financial industry and also advance our goals; this applies not least to the area of sustainability.

As an active member of the Liechtenstein Bankers Association (LBA), LLB AG is committed to making Liechtenstein a sustainable financial centre. It has long worked within the framework of the LBA towards making sustainable finance an important pillar of the banking centre's strategy. Behind this is the understanding that the financial industry is crucial in the transformation towards a more sustainable economy. In addition, the LBA became involved during the coronavirus crisis in the "Freude schenken" (Spreading joy) campaign, which helped families and children particularly affected by the

pandemic. LLB not only participated in this initiative financially, but also wholeheartedly backed the idea behind it.

Following our membership in summer 2020 of the UN Principles for Responsible Investment (UN PRI) Finance Initiative, we are committed to the goal of responsible investment management. Social and environmental issues are central to this.

LLB has set up a research project together with the University of Liechtenstein to look at sustainable investment. The purpose of this science-based innovation is to provide new ways of managing sustainability-oriented funds in practice.

Sponsoring

When it comes to the positioning and visibility of the LLB Group, the area of sponsoring and events plays a central role. The aim of our sponsoring strategy is to gain stakeholders as brand ambassadors. We observe thereby the following principles:

- ♦ We want our four values (integrity, respectfulness, excellence and pioneering) to be experienced on an emotional and professional level through our activities.
- ♦ We strengthen and enable platforms and partnerships which fit us best.
- ♦ We coordinate partnerships and our own events Group-wide using a new management tool.
- ♦ We explain what the LLB Group stands for simply, using topic pyramids.

The focus of our sponsoring commitments is on the thematic areas of sports, culture and competence. In these areas, we support various projects and organisations. For example, as part of a long-standing partnership, we provide backing to the junior talent of FC Vaduz. As a partner to the Liechtenstein Olympic Committee, we are the main sponsor of the "Nacht des Sports" (Night of Sports), at which the "LLB Sport Award" is also presented. And we are a presenting partner at the "Olympic Day", a sporting event held annually for all fourth- and fifth-grade school classes in Liechtenstein. To emphasise our strong links to the local economy, we present the "LLB SME Award" in cooperation with the Liechtenstein Chamber of Commerce. This award is normally presented every two years and supports small and medium-sized enterprises. These events could either not take place or took place in a different format in the reporting year because of the coronavirus pandemic. We will, however, continue to be there as a partner in future. We were able though to present the "LLB Business Day Award" as planned. With this award, the LLB Group honours successful women entrepreneurs on the Business Day for Women in Vaduz.

Bank Linth also supports a range of organisations, with a similar focus on the three thematic areas of sports, culture and competence. Among other things, it supports the Walensee stage in Walenstadt and Knie's Kinderzoo in Rapperswil, and is a financial partner of the WIN4 Campus in Winterthur.

LLB Österreich makes donations to numerous organisations engaged in the areas of art, culture and community service. It is also a member of various friends or supporters associations, including those of the Burgtheater, the Leopold Museum and the Albertina. In 2020, the year of the coronavirus pandemic, the bank additionally supported and promoted local Austrian institutions (including the Vienna Boys' Choir) and traditional companies.

The charitable nature of sponsoring undertaken by the LLB Group is placed to the fore. The projects and institutions supported are independent in terms of content and organisation. In 2020, LLB made awards worth CHF 385'000 (2019: CHF 391'000) in Liechtenstein, and Bank Linth awards worth CHF 342'000 (2019: CHF 350,000) in Switzerland. LLB Österreich spent around EUR 100'000 (2019: EUR 150'000) on donations and membership fees in Austria.

Through our many commitments, we contribute significantly to the implementation of the sustainability strategy of the LLB Group. We report comprehensively on these as part of our sustainability reporting in accordance with the internationally used GRI standards.

The non-profit Future Foundation

The "Zukunftsstiftung der Liechtensteinischen Landesbank AG" (the Future Foundation of Liechtensteinische Landesbank AG), which was founded in 2011 as part of our 150th anniversary

celebrations, supports commitment to social and ecological sustainability in everyday life. We support organisations and non-profit projects that improve living and working conditions and promote self-responsibility. Besides this, we promote projects dedicated to environmental protection. We focus on innovations in the areas of knowledge transfer as well as the integration and implementation of social entrepreneurship.

Trust, responsibility and reliability are important to the LLB Group. The company is closely connected to the people and the economy of Liechtenstein and the other home markets of the LLB Group. In addition to project-specific contributions amounting to CHF 29'000, the Future Foundation contributed to society by donating a total of CHF 85'500 to 24 social organisations in 2020. The Future Foundation is a member of the network of the "Vereinigung liechtensteinischer gemeinnütziger Stiftungen" (Association of Liechtenstein Non-Profit Foundations), which aims to promote the idea of entrepreneurial philanthropy.

Projects in 2020

Through its annual donations to a set circle of social institutions in Liechtenstein, the Future Foundation helps to maintain healthy social structures in the country. Providing additional funding to individual projects helps innovative ideas in the area of social and ecological development in the LLB Group's market regions to be realised in practice.

Over the past ten years, the Future Foundation has made almost 190 donations and contributions to roughly 60 projects, in all totalling over CHF 1.3 million. The projects receiving funding contributions are targeted and located in the market regions of LLB and Bank Linth (Liechtenstein and eastern Switzerland) as well as LLB Österreich. In 2020, the Future Foundation supported the following projects:

- ♦ **Verein Ackerschaft:** The "GemüseAckerdemie" (Vegetable Academy) is an educational programme for primary schools, kindergartens and day nurseries from the Ackerschaft association. It puts gardening on the curriculum and through it children learn not only about how things are connected in nature but also about healthy nutrition.
- ♦ **Zukunft.li Foundation:** LLB has been backing this think tank, which addresses economic and socio-political topics relevant to the sustainable development of Liechtenstein and the securing of its future, for the past seven years.
- ♦ **pepperMINT:** The MINT Initiative Liechtenstein is a social foundation that offers children and young people the chance to experience and learn mathematics, computer science, natural science and technology in a fun way.

Organisational structure

on 1 January 2021

Position	Surname Name	
Board of Directors	Gabriela Nagel-Jungo, Vice Chairwoman * Patrizia Holenstein Urs Leinhäuser	Thomas Russenberger Richard Senti Karl Sevelda
Group Internal Audit	Patrick Helg	
Group Executive Board	Roland Matt, Group CEO Urs Müller, Vice Group CEO Gabriel Brenna	Natalie Flatz Patrick Fürer Christoph Reich
Group CEO	Roland Matt	
Group Corporate Communications & Sustainability	Cyrill Sele	
Group Marketing	Michaela Alt	
Group Human Resources	Bernd Moosmann	
CEO Bank Linth	David B. Sarasin	
Retail & Corporate Banking	Urs Müller	
Retail & Corporate Banking Liechtenstein	Eduard Zorc	
Retail & Corporate Banking Switzerland	Luc Schuurmans	
Private Banking	Gabriel Brenna	
Private Banking Liechtenstein / Schweiz	Martin Heutschi	
Private Banking Switzerland	Luc Schuurmans	
Private Banking Germany / Austria	Boris Wistawel	
Private Banking Austria	Robert Löw	
Private Banking Middle East	Ludovic Pernot	
Private Banking Central Eastern Europe	Jean-Marie Deluermoz	
Group Produkt Management	Ivan Ziegler	
Institutional Clients	Natalie Flatz	
Financial Intermediaries	Norman Marxer	
Fund Services	Bruno Schranz	
Asset Management	Markus Wiedemann	
Institutional Clients Austria	Harald Friedrich	
Group CFO	Christoph Reich	
Group Finance	Markus Schifferle	
Group Credit & Riskmanagement	Martin Kaindl	
Group Legal & Compliance	Roger Dornier	
CFO Bank Linth	Martin Kaindl	
CFO LLB AT	Gerd Scheider	
Group COO	Patrick Fürer	
Group Corporate Development	Jan-Friedrich Brünings	
Group IT	Stefan Alder	
Group Operations & Services	Sascha Strazzer	
COO LLB AT	Selim Alantar	

* Following the resignation of Chairman Georg Wohlwend, Gabriela Nagel-Jungo has taken over as Chairwoman of the Board of Directors until the Annual General Meeting in May 2021.

Group companies

on 1 January 2021

Liechtensteinische Landesbank (Österreich) AG (100 %)

- ♦ Gabriel Brenna, Chairman
- ♦ Christoph Reich, Vice Chairman
- ♦ Natalie Flatz
- ♦ Patrick Fürer
- ♦ Roland Matt
- ♦ Bernd Moosmann
- ♦ Ewald Nageler
- ♦ Bernhard Ramsauer
- ♦ Franz-Erwein Nostitz-Rieneck (delegated by the works council)
- ♦ Karin Leeb (delegated by the works council)
- ♦ Willibald Katzenschlager (delegated by the works council)
- ♦ Hans-Georg Tuschek (delegated by the works council)

Board of Management

- ♦ Robert Löw, Chairman
- ♦ Harald Friedrich, Vice Chairman
- ♦ Gerd Scheider
- ♦ Selim Alantar

LLB Asset Management AG (100 %)

- ♦ Natalie Flatz, Chairwoman
- ♦ Gabriel Brenna, Vice Chairman
- ♦ Christoph Reich
- ♦ Urs Müller

Board of Management

- ♦ Markus Wiedemann, Managing Director
- ♦ Christian Zogg

Bank Linth LLB AG (74.9 %)

- ♦ Urs Müller, Chairman
- ♦ Ralph Peter Siegl, Vice Chairman
- ♦ Gabriel Brenna
- ♦ Karin Lenzlinger Diedenhofen
- ♦ Christoph Reich

Board of Management

- ♦ David Sarasin, CEO
- ♦ Luc Schuurmans, Vice CEO
- ♦ Martin Kaendl, CFO

LLB Fund Services AG (100 %)

- ◆ Natalie Flatz, Chairwoman
- ◆ Stefan Rein, Vice Chairman
- ◆ Peter Meier

Board of Management

- ◆ Bruno Schranz, Managing Director
- ◆ Silvio Keller
- ◆ Patric Gysin

LLB Swiss Investment AG (100 %)

- ◆ Natalie Flatz, Chairwoman
- ◆ Bruno Schranz, Vice Chairman
- ◆ Hans Stamm

Board of Management

- ◆ Dominik Rutishauser, CEO
- ◆ Ferdinand Buholzer

Corporate Governance

Corporate governance is an essential part of the LLB Group's corporate policy. It ensures efficient collaboration between the management bodies and a clear balance between responsibilities and controls.

Basis

Our responsibly minded management, which is focused on long-term added value, is characterised by efficient cooperation between the Group Executive Board and the Board of Directors, by transparent accounting and reporting as well as by good shareholder relations.

The principles and directives defining corporate governance are laid down in two laws: "the law concerning the control and supervision of public companies" (ÖUSG) of 19 November 2009 and the Law on the Liechtensteinische Landesbank (LLBG) of 21 October 1992. In addition, they are laid down in the statutes and rules of procedure of the LLB. These documents are based on the directives and recommendations of the "Swiss Code of Best Practice for Corporate Governance" issued by the Swiss Business Federation (economiesuisse).

On 22 November 2011, the Liechtenstein Government as the representative of the principal shareholder, the Principality of Liechtenstein, adopted – with reference to the ÖUSG Law – a so-called participation strategy for Liechtensteinische Landesbank AG. This strategy defines how the Principality intends to deal with its majority shareholding in the medium and long term and therefore also provides minority shareholders with certainty in planning.

The Government commits itself to the stock exchange listing of the LLB and a majority participation of at least 51 percent. The Government represents the shareholder interest of the Principality at the General Meeting of Shareholders pursuant to the rights afforded to it by stock corporation law. It observes corporate autonomy as well as the rights and obligations resulting from the stock exchange listing. At the same time, as a shareholder it also respects the decision-making authority of the Board of Directors concerning corporate strategy and corporate policy. In accordance with Art. 16 of the ÖUSG Law, the participation strategy was adopted after consultation with the LLB's Board of Directors. Further information can be found at www.llb.li/participation-strategy.

The Board of Directors of the LLB Group has held the "Best Board Practice" label of the Swiss Association for Quality and Management Systems (SQS) and the Liechtenstein Association for Quality Assurance Certificates (LQS) since December 2010. Both SQS and LQS reconfirmed on 28 January and 21 February respectively that the business activities and organisation of the LLB Board of Directors exhibit a constantly high level of quality and consistently fulfil the Best Board Practice criteria. On the basis of this, the label was awarded again for a further three years.

The following corporate governance report complies with the requirements of the Corporate Governance Directive (RLCG) of the SIX Swiss Exchange Regulation, status 20 June 2019, as well as the fully revised guidelines of the Six Exchange Regulation regarding the RLCG of 10 April 2017. If information required by the RLCG is disclosed in the notes to the financial statement, a corresponding reference is shown.

This corporate governance report reflects the status per 31 December 2020. Any significant changes that may have taken place between the balance sheet date and the editorial deadline for the annual report are disclosed in the chapter "Important changes since the balance sheet date", or in a clearly designated manner next to the relevant point.

1 Group structure and shareholders

1.1 Group structure

1.1.1 Description of the operative structure

The Liechtensteinische Landesbank is a public company ("Aktiengesellschaft") according to Liechtenstein law. It is the parent company of the LLB Group, which is based on a parent company structure.

The LLB Group has a divisional management structure which is divided into six divisions. Besides the three market divisions "Retail & Corporate Banking", "Private Banking" and "Institutional Clients", the management structure encompasses the functions of Group Chief Executive Officer (Group CEO), Group Chief Financial Officer (Group CFO) and Group Chief Operating Officer (Group COO).

The rules of procedure adopted by the Board of Directors, in particular, the functions diagram in the appendix ensure the proper conduct of business, the appropriate organisation, as well as the uniform management of the LLB Group. In accordance with the functions diagram, the Board of Directors, the Chairman of the Board of Directors, the committees of the Board of Directors, the Group CEO and the Group Executive Board are decision-making authorities.

The functions of the Board of Directors and the Group Executive Board of the LLB Group are combined with those of the Board of Directors and the Board of Management of the LLB parent company. Within the scope of the duties and powers defined by the rules of procedure and the functions diagram, the above-mentioned authorities can make decisions and issue rulings that are binding for both the parent company and the LLB Group companies – but taking into consideration the provisions of current local law applicable to the individual Group companies.

The members of the Group Executive Board are represented on the Boards of Directors of the consolidated companies. A member of the Group Executive Board serves as the Chairman of the Board of Directors of a subsidiary company.

The organisational structure of the LLB Group as at 1 January 2021 can be found [here](#). The detailed segment reports are shown [here](#).

1.1.2 Listed companies included in the scope of consolidation

The Liechtensteinische Landesbank, with its headquarters in Vaduz, is listed on the SIX Swiss Exchange. As at 31 December 2020, its market capitalisation stood at CHF 1'617.0 million (30'800'000 registered shares at a nominal value of CHF 5.00 at a year-end price of CHF 52.50).

Bank Linth LLB AG, with its headquarters in Uznach, in which the Liechtensteinische Landesbank holds a majority equity stake of 74.9 percent, is also listed on the SIX Swiss Exchange. As at 31 December 2020, its market capitalisation stood at CHF 406.7 million (805'403 registered shares with a nominal value of CHF 20.00 at a year-end price of CHF 505.00).

1.1.3 Unlisted companies included in the scope of consolidation

Details of the unlisted companies included in the scope of consolidation (company, registered office, activities, share capital and equity interest) can be found in the notes to the consolidated financial statement of the LLB Group in the table "[Scope of consolidation](#)".

1.2 Major shareholders

The Principality of Liechtenstein is the major shareholder of the Liechtensteinische Landesbank. The Law on the Liechtensteinische Landesbank states that – in terms of capital and voting rights – the Principality of Liechtenstein must hold at least 51 per cent of the shares. These may not be sold.

At the end of 2020, the Principality's equity stake in the shares of the Liechtensteinische Landesbank remained unchanged at 57.5 percent. Detailed information about the development of this equity stake can be found at www.llb.li/capital+structure.

At 31 December 2020, the Haselsteiner Familien-Privatstiftung, Ortenburger Strasse 27, 9800 Spittal / Drau, Austria, and grosso Holding Gesellschaft mbH, Walfischgasse 5, 1015 Vienna, Austria, held 1'805'000 shares, or a share of 5.9 per cent of the capital and voting rights of LLB (<https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html#notificationId=TBI6P00024>). The Haselsteiner Familien-Privatstiftung and grosso Holding Gesellschaft mbH constitute a shareholder group. The voting rights will be exercised in mutual agreement between the parties.

The remaining registered shares were in free float, whereby none of the other shareholders held more than 3 per cent of the share capital.

Liechtensteinische Landesbank AG held, directly or indirectly, a total of 288'410 of its own registered shares (0.9 % of the share capital) at 31 December 2020. No shares were cancelled so that the capital structure remained the same. The repurchased shares are to be used for the purpose of future acquisitions or for Treasury management purposes.

Less than 0.4 per cent of the share capital was held by members of the Board of Directors and the Group Executive Board. There are no binding shareholder agreements.

1.3 Cross participations

There are no cross participations between Liechtensteinische Landesbank AG and its subsidiaries or third parties.

Company	Reg. office	Listed on	Market capitalisation (in CHF thousands)	Stake (in %)	Segment	Security number	ISIN number
Liechtensteinische Landesbank AG	Vaduz	SIX Swiss Exchange	1'617'000		International Reporting Standard	35514757	LI0355147575
Bank Linth LLB AG	Uznach	SIX Swiss Exchange	406'729	74.9	Swiss Reporting Standard	130775	CH0001307757

2 Capital structure

2.1 Capital

The share capital of the Liechtensteinische Landesbank comprised 30'800'000 registered, fully paid shares with a nominal value of CHF 5.00 each and therefore amounted to CHF 154.0 million.

2.2 Conditional and approved capital

On the balance sheet date, the Liechtensteinische Landesbank had no conditional capital and no approved capital.

2.3 Changes to capital

The share capital amounts to CHF 154 million and has not changed during the last three years. The LLB Group's equity totalled CHF 2'010 million on 31 December 2018 and CHF 2'060 million on 31 December 2019 and CHF 2'138 million on 31 December 2020.

See table "[Consolidated statement of changes in equity](#)" for the composition and changes to capital during the last two report years.

in CHF thousands	31.12.2020	31.12.2019	31.12.2018
Share capital	154'000	154'000	154'000
Share premium	- 13'177	- 22'432	- 21'157
Treasury shares	- 18'663	- 23'574	- 8'195
Retained earnings	1'902'316	1'866'121	1'815'053
Other reserves	- 20'911	- 44'803	- 53'388
Total	2'003'565	1'929'312	1'886'313
Non-controlling interests	134'028	130'785	123'391
Total equity	2'137'593	2'060'097	2'009'705

2.4 Shares and participation certificates

As at 31 December 2020, the share capital amounted to 30'800'000 fully paid registered shares with a nominal value of CHF 5.00. With the exception of the LLB shares held by the Liechtensteinische Landesbank and its subsidiaries (288'410 shares), all the shares are eligible for dividend. As at 31 December 2020, share capital eligible for dividend therefore amounted to CHF 152.6 million. In principle, all LLB shares are eligible for voting according to the principle of "one share, one vote". However, on account of the regulations concerning the purchase of own shares (Art. 306a ff. PGR / Liechtenstein Person and Company Law), the shares held by Liechtensteinische Landesbank and its subsidiaries are not eligible for voting. There are no priority rights or similar entitlements. Shareholders have a subscription right with the issue of new shares, which entitles them to subscribe to new shares in proportion to the number of shares they already hold.

Liechtensteinische Landesbank AG has not issued participation certificates.

2.5 Profit-sharing certificates

Liechtensteinische Landesbank AG has no outstanding profit-sharing certificates

2.6 Transfer limitations and nominee registrations

The registered shares of Liechtensteinische Landesbank are fully transferable, whereby the Principality of Liechtenstein holds at least 51 per cent of the capital and voting rights, and may not sell this equity stake.

The Liechtensteinische Landesbank maintains a share register containing the names of the owners of registered shares. Upon request, the purchasers of registered shares are entered in the share register as shareholders having a voting right provided that they expressly render a declaration that they have purchased these shares in their own name for their own account. If the purchaser is not prepared to render such a declaration, the Board of Directors can refuse to enter the shares with voting rights in the register. Pursuant to Art. 5a of the Statutes (www.llb.li/statutes), the Board of Directors has specified that nominee registrations without the above-mentioned declaration are generally to be made without a voting right. The legal refusal of registration in the share register on important grounds remains reserved.

2.7 Convertible bonds and options

As at 31 December 2020, the Liechtensteinische Landesbank had no convertible bonds or options on its own shares outstanding.

On 7 May 2019, LLB made a fixed interest bond issue totalling over CHF 150 million. The term to maturity amounts to seven years and the yield on maturity will be 0.07 per cent. The bond has been listed on the SIX exchange since 27 May 2019 (ISIN: CH0419041204) and is traded on the secondary market.

On 4 September 2019, LLB made a further fixed interest bond issue totalling CHF 100 million. The term to maturity amounts to ten years and the yield on maturity will be -0.16 per cent. The bond has been listed on the SIX exchange since 27 September 2019 (ISIN: CH0419041527) and is traded on the secondary market.

On 27 August 2020, LLB made a fixed interest bond issue totalling over CHF 150 million. The term to maturity amounts to ten years and the yield on maturity will be 0.29 per cent. The bond has been listed on the SIX exchange since 23 September 2020 (ISIN: CH0536893255) and is traded on the secondary market.

3 Board of Directors

a) Name, nationality, education and professional career

Name	Year of birth	Profession	Nationality
Gabriela Nagel-Jungo *	1969	Professor of financial management	CH
Patrizia Hostenstein	1957	Lawyer	CH
Urs Leinhäuser	1959	Business economist	CH
Thomas Russenberger	1975	Head of Group Human Resources	FL
Richard Senti	1964	Business economist	FL
Karl Sevelda	1950	Bank manager (ret.)	AT

* The Vice Chairwoman Gabriela Nagel-Jungo took over the duties and responsibilities of the Chair of the Board of Directors on 4 November 2020, and she will continue in this role until the General Meeting on 7 May 2021. In accordance with the special legal regulations pertaining to Liechtensteinische Landesbank, the responsibility for electing the Chair of the Board of Directors lies with the General Meeting of Shareholders. On 3 November 2020, Georg Wohlwend stood down as Chairman of the Board of Directors of Liechtensteinische Landesbank. The reason for this step was the preliminary judicial investigations initiated against him by the Liechtenstein Public Prosecutor's Office over suspicions of insider trading. The proceedings were not connected to his activities on behalf of the LLB Group. To avoid any adverse effect on LLB, Georg Wohlwend immediately announced his resignation from the Board of Directors. In mid December 2020, the public prosecution service ceased its preliminary investigations. The Board of Directors of LLB is very pleased that the facts of this case have been completely clarified and that the proceedings against Georg Wohlwend have been discontinued. The Board therefore proposes to the General Meeting on 7 May 2021 that he be re-elected as Chairman of the Board of Directors.

b) Executive / non-executive members

All members of the Board of Directors of Liechtensteinische Landesbank AG are non-executive members. Pursuant to Art. 22 of the Liechtenstein banking law in connection with Art. 10 of the Law on the Liechtensteinische Landesbank, various special bodies must be constituted for the direction, supervision and control of a bank, on the one hand, and for the Board of Management or Group Executive Board, on the other hand. No member of the Board of Directors is allowed to be a member of the Board of Management or Group Executive Board.

c) Independence

All members of the Board of Directors are independent within the context of the Swiss Exchange "Directive Corporate Governance" concerning corporate governance information. In 2020, as well as in the three previous years, no member of the Board of Directors was a member of the Group Executive Board or the Board of Management of the Liechtensteinische Landesbank or a Group company. No member of the Board of Directors had significant business relationships with the Liechtensteinische Landesbank or a Group company. In accordance with Art. 12 of the Liechtenstein law concerning the control and supervision of public companies, all contracts with the members of the Board of Directors must be in writing and they must be approved by the Board of Directors. The same conditions apply to contracts concluded with third parties.

3.1 Member



Gabriela Nagel-Jungo

Vice Chairwoman, Professor of financial management
1969, CH

Education:

- ♦ Licentiate in economics, University of Zurich, 2001
- ♦ Teaching diploma in business subjects, 2004
- ♦ Dr. oec. publ., University of Zurich, 2007
- ♦ Professor of Financial Management, awarded by ZFH, 2011
- ♦ Dipl. Digital Transformation Officer, 2019

Professional career:

- ♦ Semester assistant at the Chair for Business Administration, Swiss Federal Institute of Technology (ETH) Zurich, 1998 – 1999
- ♦ Head of Financial Accounting and Payroll, netto-netto AG, Wetzikon, 2002 – 2005
- ♦ Assistant at the Institute for Accounting and Controlling (Prof. Dr. C. Meyer), University of Zurich, 1999 – 2007
- ♦ Lecturer and project leader, Zurich University of Applied Sciences, since 2007
- ♦ Head of the Centre for Accounting & Controlling, Zurich University of Applied Sciences, since 2010 (2016 upgraded to "Institute for Financial Management")
- ♦ Deputy Head of the Department of Banking, Finance, Insurance, Zurich University of Applied Sciences, since 2011



Patrizia Holenstein

Lawyer
1957, CH

Education:

- ♦ Licentiate in law, University of Zurich, 1980
- ♦ Dr. iur. University of Zurich, 1981
- ♦ Admitted to the Zurich bar, 1985
- ♦ LLM, London School of Economics, 1989

Professional career:

- ♦ Lecturer at the University of Zurich, 1981 – 1984
- ♦ Clerk, District Court of Zurich and Supreme Court of the Canton of Zurich, 1981 – 1985
- ♦ Lawyer, Haymann & Beglinger, Zurich, 1985 – 1988
- ♦ Lawyer, Clifford Chance London (Banking Department), London 1989 – 1990
- ♦ Holenstein Brusa AG, Zurich, Founder and Managing Partner, since 1990



Urs Leinhäuser
Business economist
 1959, CH

Education:

- ♦ Business economist HWV, 1983
- ♦ IMD Lausanne, SSE 1998

Professional career:

- ♦ Tax inspector, Tax Office of Canton Schaffhausen, 1983 – 1986
- ♦ Deputy Head of Tax Department, Refidar Moore Stephens AG, Zurich, 1986 – 1988
- ♦ Group Controller and Managing Director Cerberus Denmark (1992) at Cerberus AG, Männedorf, 1988 – 1994
- ♦ Head of Group Controlling and CFO of Piping Systems Division, Georg Fischer AG, Schaffhausen, 1995 – 1999
- ♦ CFO and Member of the Group Executive Board, Mövenpick Holding AG, Adliswil, 1999 – 2003
- ♦ CFO and Head of Corporate Center and Member of Corporate Management, Rieter Holding AG, Winterthur, 2003 – 2011
- ♦ CFO and Deputy CEO and Member of Corporate Management, Autoneum Holding AG, Winterthur, 2011 – 2014
- ♦ Businessman, since 2014
- ♦ Managing Partner of ADULCO GmbH, Schaffhausen, since 2016



Thomas Russenberger
Personnel manager
 1975, FL

Education:

- ♦ Bachelor of Science, Business Information Systems, University of Liechtenstein, 2004
- ♦ Master of Business Administration (MBA) in Entrepreneurship, University of Liechtenstein, 2007

Professional career:

- ♦ thyssenkrupp Presta AG, Eschen, Project Head Organisational Development, 2000 – 2005
- ♦ thyssenkrupp Presta AG, Eschen, Head HR Services for the Technical and Commercial Divisions, 2005 – 2010
- ♦ thyssenkrupp Presta AG, Eschen, Head HR Services, 2010 – 2013
- ♦ thyssenkrupp Presta AG, Eschen, Global Head of Human Resources tk Steering Group, since 2013



Richard Senti
Business economist
1964, FL

Education:

- ♦ Degree in economics, University of St. Gallen, 1989
- ♦ Dr.oec. HSG, University of St. Gallen, 1994

Professional career:

- ♦ Assistant at the University of St. Gallen, 1988 – 1990
- ♦ Controller in the Drilling Systems Division, Hilti AG, Schaan 1991 – 1994
- ♦ Head of Controlling of the Direct Fastening Business Unit, Hilti AG, Schaan 1994 – 1998
- ♦ Head of Finances, Logistics and Human Resources of Hilti CR s.r.o., Prague 1998 to 2000
- ♦ Head of Finance and Accounting (CFO) of the Infratec Division, Von Roll Infratec Holding AG, Zurich 2000 – 2003
- ♦ CFO of the Hoval Group, Vaduz 2003 - 2020
- ♦ Chairman of the Board of Directors of the Hoval Group, since September 2020



Karl Sevelda
Bank manager (retired)
1950, AT

Education:

- ♦ Licentiate in social and economic sciences at the Vienna University of Economics and Business, 1973
- ♦ Assistant at the Economic Policy Institute and freelance research at the Federal Ministry of Science and Research, Vienna, 1973 – 1976
- ♦ Doctorate in social and economic science from the Vienna University of Economics and Business, 1980

Professional career:

- ♦ Adviser for commercial credits and export financing at the Creditanstalt-Bankverein, 1977 – 1983
- ♦ Head of economics at the Office of the Federal Minister of Trade, Commerce and Industry, 1983 – 1985
- ♦ Creditanstalt-Bankverein London and New York, 1985
- ♦ Various management functions at the Creditanstalt-Bankverein (Senior Head of the Export Financing Department, Deputy Head of the Financing Division, Head of the international Corporations and Insurance Division, Head of the Corporate Clients Division), 1986 – 1997
- ♦ Member of the Executive Board responsible for corporate client business and worldwide corporate, trade and export finance at the Raiffeisen Zentralbank Österreich AG, 1998 – 2013
- ♦ Deputy CEO, Raiffeisen Bank International AG, 2010 – 2013
- ♦ CEO, Raiffeisen Bank International AG, 2013 – 2017
- ♦ Chairman of the Supervisory Board, Semper Constantia Privatbank AG, 2017 – 2018

3.2 Other activities and commitments

- ♦ **Gabriela Nagel-Jungo** is a Member of the Board of Directors of Ruetschi Technology AG, Muntelier, and of the GVZ Building Insurance Institute of Canton Zurich.
- ♦ **Patrizia Holenstein** is a Member of the Board of Directors of Argos Holding AG, Sarnen, as well as of Oase Holding AG, Baar und Bellerive Estates AG, Zurich.
- ♦ **Urs Leinhäuser** is a Member of the Board of Directors of Burckhardt Compression Holding AG, Winterthur, of Ammann Group Holding, Berne, of VAT Group, Haag, of Pensador Partner AG, Zurich, as well as Chairman of the Board of Directors of AVESCO AG, Langenthal.
- ♦ **Thomas Russenberger** is Chairman of the Foundation Board the "Presta Stiftung" pension fund, Eschen.
- ♦ **Karl Sevelda** is a member of the Supervisory Board of SIGNA Development Selection AG and SIGNA Prime Selection AG, Vienna / Innsbruck, as well as a member of the Board of Directors of RHI Magnesita NV, Arnhem (NL) / Vienna. Furthermore, he is a member of the Foundation Board of CUSTOS Privatstiftung, Graz, Chairman of EcoAustria Economic Research Institute, Vienna, and Chairman of the Austrian Financial Reporting Enforcement Panel.

Otherwise the Members of the Board of Directors are not involved in the management or supervisory boards of important Liechtenstein, Swiss or foreign private or public law corporations, establishments or foundations, nor do they exercise any permanent management or consultancy functions for important Liechtenstein, Swiss or foreign interest groups, nor do they perform official functions or hold political office.

3.3 The number of permitted activities

Liechtensteinische Landesbank AG is not subject to the Swiss ordinance against excessive compensation in listed public companies (OaEC). Liechtensteinische Landesbank AG has not issued any regulations on the number of permitted activities.

3.4 Election and term of office

In accordance with the Law on the Liechtensteinische Landesbank of 21 October 1992, the Board of Directors of the Liechtensteinische Landesbank is composed of five to seven members, who are elected individually by the General Meeting of Shareholders for a term of office of three years; whereby a year corresponds to the period from one ordinary General Meeting of Shareholders to the next. Members can be re-elected for a further two terms. After three terms of office, the Chairman of the Board of Directors can – in justified cases – be re-elected for an extraordinary term of office of at most two years.

The "Group regulation concerning the Group Nomination & Compensation Committee" (see point "[Composition of all Board of Directors' committees, their duties and individual competences](#)") stipulates that the Board of Directors aims at continuity through the orderly renewal of the Board, succession planning, as well as through the appropriate staggering of the terms of office (no complete renewal) pursuant to current corporate governance provisions.

The Chairman of the Board of Directors is elected by the General Meeting of Shareholders. The Vice Chairman is elected from among the members of the Board of Directors by its members. New members or the Chairman of the Board of Directors elected as substitutes shall be elected for a full term of office of three years. The General Meeting of Shareholders can dismiss members of the Board of Directors on important grounds.

Georg Wohlwend was Chairman of the Board of Directors until 3 November 2020. Gabriela Nagel-Jungo, Vice Chairwoman since 2018, took over the duties and responsibilities of the Chair of the Board of Directors on 4 November 2020, and she will continue in this role until the General Meeting on 7 May 2021. Cyrill Sele has been Secretary (recorder of the minutes) since April 2013.

3.4.1 First-time election and remaining term of office

Name	First-time appointment	Elected until
Gabriela Nagel-Jungo	2014	2023
Patrizia Holenstein	2013	2022
Urs Leinhäuser	2014	2023
Thomas Russenberger	2018	2021
Richard Senti	2018	2021
Karl Sevelda	2019	2022

3.5 Internal organisation

Name	Function	Committee memberships
Gabriela Nagel-Jungo	Vice Chairwoman	Group Audit Committee * Group Nomination & Compensation Committee Group Strategy Committee *
Patrizia Holenstein	Member	Group Audit Committee Group Risk Committee
Urs Leinhäuser	Member	Group Audit Committee Group Risk Committee Group Strategy Committee
Thomas Russenberger	Member	Group Nomination & Compensation Committee *
Richard Senti	Member	Group Risk Committee * Group Nomination & Compensation Committee
Karl Sevelda	Member	Group Strategy Committee

* Chair

3.5.2 Composition of all Board of Directors' committees, their tasks and terms of reference

In accordance with the statutes, the Board of Directors may according to its discretion appoint committees. To support it in performing its tasks, the Board has so far implemented four standing committees: the Group Nomination & Compensation Committee, the Group Audit Committee, the Group Risk Committee and the Strategy Committee. The Board of Directors elects the committee members from among its members and appoints the chairmen. The Chairman of the Board of Directors can principally not be elected to the Group Audit Committee or the Group Risk Committee. Each committee is composed of at least three members. As preparatory bodies, these committees deal in detail with the tasks assigned to them, submit the results of their work to the Board of Directors and make proposals if decisions are required.

The committee members must possess the expertise for the tasks and duties they have taken on. All committee members must be independent.

Terms of office on committees correspond to the length of terms of office on the Board of Directors. Committee membership also ends when members step down from the Board of Directors

The Board of Directors has issued separate regulations for the three standing committees, the Group Nomination & Compensation Committee, the Group Audit Committee, the Group Risk Committee, which stipulate their duties and individual competencies.

The committees can invite outside persons as experts and entrust LLB staff, in particular, with administrative duties.

Group Audit Committee

Das Group Audit Committee ist im Sinne von Art. 22 Abs. 2a BankG aufgesetzt und unterstützt den The Group Audit Committee is set up pursuant to Art. 22, Para. 2a of the Banking Law and supports the Board of Directors in fulfilling the duties and responsibilities vested in it by banking law with respect to its duty of overall direction of the company, as well as supervision and control (Art 23 banking law).

The Group Audit Committee regulation lays down the organization, as well as the competencies and responsibilities of the Committee, in so far as these are not prescribed by law, the statutes or the rules of procedure. The following persons are members of the Group Audit Committee:

Name	Function
Gabriela Nagel-Jungo	Chairwoman
Patrizia Holenstein	Member
Urs Leinhäuser	Member

According to Appendix 4.3 of the Banking Ordinance, "Guidelines concerning internal controls according to Art. 7a and Art. 21c ff. of the Banking Law", the Group Audit Committee mainly concerns itself with

the methodology and quality of the external auditors, the quality of financial reporting, as well as the collaboration between the internal and external auditors and their independence.

The Group Audit Committee assesses the quality and integrity of the financial reporting including the structure of the financial accounting function, the financial controlling and financial planning.

This includes:

- ♦ Petitioning the Board of Directors about whether the LLB Group's Consolidated Annual Report and the financial statement of the parent bank can be presented to the General Meeting of Shareholders and published; and whether the Consolidated Interim Financial Report can be published;
- ♦ Monitoring and assessing the suitability and effectiveness of the internal control system in the area of financial reporting;
- ♦ Assessing the documentation regarding forthcoming amendments of the accounting principles;
- ♦ Evaluating the budgeting process as well as the budget proposal of the Group Executive Board for the following year and submitting a proposal to the Board of Directors as the approval body.

Group Risk Committee

The Group Risk Committee is set up pursuant to Art. 22, Para. 2a of the Banking Law and Art. 21e of the Banking Ordinance and supports the Board of Directors in fulfilling the duties and responsibilities vested in it by banking law with respect to its duty of overall direction of the company, as well as supervision and control (Art 23 banking law).

The Group regulation concerning the Group Risk Committee lays down the organization, as well as the competencies and responsibilities of the Committee, in so far as these are not prescribed by law, the statutes or the rules of procedure. The following persons are members of the Group Risk Committee:

Name	Function
Richard Senti	Chairman
Patrizia Holenstein	Member
Urs Leinhäuser	Member

The Group Risk Committee has the following risk-related tasks:

- ♦ The provision of advice to the Board of Directors on the current and future overall risk tolerance and strategy of the LLB Group;
- ♦ The supporting of the Board of Directors in monitoring the implementation of the risk strategy by the Group Executive Board;
- ♦ The monitoring of the integrity and suitability of the risk management in the LLB Group, which is based on risk policy, in particular, in regard to market, credit and liquidity risks, as well as operational risks;
- ♦ The assessment of the integrity and suitability of the internal control system in regard to the identification, measurement, limitation and monitoring of risks. In the areas of compliance and risk control this includes, in particular, the assessment of the precautions that are to ensure the observance of the legal (e.g. capital adequacy, liquidity and risk distribution regulations) and bank-internal (e.g. risk policy framework) provisions. In the area of operational risk management this encompasses, in particular, the annual review of the OpRisk Assessment of the LLB Group, which is based on the risk taxonomy;
- ♦ The supporting of the Board of Directors to formulate and implement the risk-relevant Group rulings and directives issued by it as well as the relevant guidelines and processes that are set down in these rulings and directives;
- ♦ The assessment, at least on an annual basis, of the Groupwide policy on risks (e.g. risk policy framework). In doing so, the concerned authorities are to be consulted and the suggestions and proposals of the Group Executive Board are to be considered. A proposal is then to be made to the Group Board of Directors as the approving authority. All risk-relevant Group rulings and directives that have to be approved by the Group Board of Directors are to be treated accordingly;
- ♦ The assessment of the results of the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy process (ILAAP);
- ♦ The examination of the risk propensity within the scope of the risk-bearing capacity statement. This is performed both from the perspective of the going concern and also of the gone concern. Based on

the risk appetite, the Group Risk Committee can propose adjustments to the limits system to the Board of Directors;

- ♦ The assessment of the overall risk situation and supervising adherence to the limits set by the Board of Directors;
- ♦ The discussion and assessment of the annual risk report of the LLB Group and the submission of a proposal to the Group Board of Directors as the approving authority;
- ♦ The discussion and assessment of the annual legal and compliance risk report of the LLB Group and the submission of a proposal to the Group Board of Directors as the approving authority;
- ♦ The examination of whether the pricing of the investments and liabilities takes into reasonable consideration the business model and the risk strategy of the LLB Group and, if this is not the case, the submission of a plan of appropriate measures;
- ♦ The examination of whether the incentives offered in the compensation system take into consideration risk, capital, liquidity and the probability and timing of earnings.

Group Nomination & Compensation Committee

The Group Nomination & Compensation Committee is set up pursuant to Art. 22, Para. 2a of the Banking Law and Art. 29b of the Banking Ordinance, as well as Appendix 4.4.2 of the Banking Ordinance "Compensation Committee and Risk Committee". It supports the Board of Directors in fulfilling the duties and responsibilities vested in it by banking law with respect to its duty of overall direction of the company, as well as supervision and control (Art 23 Banking Law).

The Group regulations concerning the Group Nomination & Compensation Committee regulate the organisation, working methods, as well as the competences and responsibilities of the committee, in so far as these are not prescribed by law, the statutes or the rules of procedure. The following persons are members of the Group Nomination & Compensation Committee:

Name	Function
Thomas Russenberger	Chairman
Gabriela Nagel-Jungo *	Member
Richard Senti	Member

* Following the resignation of Georg Wohlwend as Chairman of the Board of Directors, Gabriela Nagel-Jungo has been a member of the Group Nomination & Compensation Committee in his place since 4 November 2020.

On behalf of the Board of Directors and the Group Executive Board, the Group Nomination & Compensation Committee strives to achieve the following goals while complying with the applicable principles of corporate governance:

- ♦ A balanced composition of the bodies taking into consideration the professional knowledge and skills, diversity and personal suitability required by the bank;
- ♦ Continuity thanks to planned renewal and succession as well as a reasonable staggering of terms of office (no complete renewal);
- ♦ The smooth transfer of functions and official responsibilities thanks to a systematic introduction to the specific tasks and operations of the bank.

Furthermore, the Group Nomination & Compensation Committee is responsible for the following tasks and duties:

- ♦ The annual evaluation of the structure, size, composition and performance of the Board of Directors and the Group Executive Board and, if necessary, the recommendation of changes;
- ♦ The annual evaluation of the knowledge, abilities and experience of the individual members of the Board of Directors and the Group Executive Board, as well as its bodies;
- ♦ The submission of the evaluation to the Board of Directors and the Group Executive Board;
- ♦ The review of the procedure adopted by the Board of Directors in selecting and appointing the Group Executive Board, as well as submission of recommendations to the Board of Directors;
- ♦ The review of the remuneration of the members of the Group Executive Board and senior executives in the areas of risk management and compliance;
- ♦ The ensuring that the decision-making process of the Group Executive Board and the Group Board of Directors cannot be influenced by an individual person or a group of persons in a manner detrimental of the LLB Group's interests;
- ♦ The formulating of compensation regulations for the parent bank and the LLB Group;

- ♦ The preparation of decisions regarding the compensation of the members of the Board of Directors and the Group Executive Board, as well as of other employees, in so far as their compensation is to be determined by the Board of Directors in accordance with the compensation regulations and taking into consideration the long-term interests of stakeholders, investors and other parties;
- ♦ The establishment of the guidelines for the human resources policy.

The Group Nomination & Compensation Committee ensures an expedient and smooth procedure for the nomination, election and re-election of the members of the Board of Directors. It is responsible, in particular, for the following tasks:

- ♦ The development of criteria for the selection, election and re-election of candidates;
- ♦ the selection and evaluation of candidates as well as the submission of election proposals to the Board of Directors for submission to the General Meeting of Shareholders in accordance with the developed criteria;
- ♦ The development of succession plans and the periodic review of them, both in the case of the end of a term of office and in the case of an early stepping down of members;
- ♦ Ensuring the further training of the entire Board of Directors;
- ♦ Planning the introductory phase for new members.

The Group Nomination & Compensation Committee ensures an expedient and smooth procedure for the election and re-election of the members of the Group Executive Board, as well as for the appraisal of their performance. It is responsible, in particular, for the following tasks:

- ♦ The development of criteria for the selection and appointment of candidates for the attention of the Board of Directors;
- ♦ The selection and evaluation of candidates as well as the submission of proposals to the Board of Directors at the request of the Group CEO in accordance with the developed criteria;
- ♦ The development and application of criteria for the performance appraisal of the Group Executive Board in corpore as well as of individual members;
- ♦ The development of succession plans and the periodic review of them, both in the case of the age-related or contingency stepping down of members of the Group Executive Board;
- ♦ Ensuring the further training of the members of the Group Executive Board.

The Group Nomination & Compensation Committee ensures an expedient and smooth procedure for the appointment of the Head of Group Internal Audit, as well as for the appraisal of his performance. It has the following tasks in particular:

- ♦ The development of criteria for the selection and appointment of candidates for the attention of the Board of Directors;
- ♦ The selection and evaluation of candidates as well as the submission of proposals to the Board of Directors in accordance with the developed criteria;
- ♦ The development and application of criteria for the performance appraisal of the Head of Group Internal Audit, this in collaboration with the Chairman of the Board of Directors and the Chairman of the Group Audit Committee;
- ♦ The development of succession plans and the periodic review of them, both in the case of the age-related or contingency stepping down of the Head of Group Internal Audit, this in collaboration with the Chairman of the Board of Directors and the Chairman of the Group Audit Committee.

The nomination of delegates in the Board of Directors' committees of the LLB Group and associated companies should ensure the implementation of the Group strategy and a uniform external perception of the LLB Group.

The Group Nomination & Compensation Committee is responsible for fulfilling the tasks defined in the Group regulation "Fit & Proper – assessment of the members of the Group Executive Board, the Board of Directors and the holders of key functions".

The Group Nomination & Compensation Committee has the following tasks, in particular, in relation to compensation:

- ♦ the formulation of recommendations, both for the definition of basic principles and for the stipulating of regulations, regarding the compensation policy of the members of the Board of

Directors, of the Group Executive Board and of other employees of the bank for submission to the Board of Directors;

- ♦ the formulation of proposals for the annual review of the compensation of the members of the Board of Directors, of the Group Executive Board and of the Head of Group Internal Audit for submission to the Board of Directors in accordance with the existing principles and regulations;
- ♦ the annual review of the Group regulation "Compensation standards", the LLB AG regulation of the same name, as well as the Group regulation "Fit & Proper – assessment of the members of the Group Executive Board, the Board of Directors and the holders of key functions" for submission to the Board of Directors;
- ♦ the annual review of the compensation of the members of the Board of Directors, the Group Executive Board, the Head of Group Internal Audit and senior executives in risk management and compliance in accordance with the Group regulation "Compensation standards" and the parent bank regulation of the same name for submission to the Board of Directors in accordance with the existing principles and regulations.

The Group Nomination & Compensation Committee has the following responsibilities in relation to strategic human resources management:

- ♦ the stipulation and periodic review of the principles of human resources strategy;
- ♦ the review of the processes for the systematic development of employees and executives.

Strategy Committee

It is one of the tasks of the Board of Directors to formulate and periodically evaluate the LLB Group's strategy. In this task it is supported by the Strategy Committee. The members of the committee are:

Name	Function
Gabriela Nagel-Jungo *	Chairwoman
Urs Leinhäuser	Member
Karl Sevelda	Member

* Following the resignation of Georg Wohlwend as Chairman of the Board of Directors, Gabriela Nagel-Jungo has been a member of the Group Nomination & Compensation Committee in his place since 4 November 2020.

Representation in foundations

Thomas Russenberger and Richard Senti have seats on the Board of Trustees of the Personnel Pension Fund Foundation of Liechtensteinische Landesbank AG as employer representatives. Thomas Russenberger has been Chairman of the Board of Trustees since December 2018.

3.5.3 Working methods of the Board of Directors and its committees

Board of Directors

A meeting of the Board of Directors is convened by invitation of its Chairman as often as business requires, but at least four times a year. Together with the written invitation, the members of the Board of Directors also receive the agenda for the meeting, the minutes of the last meeting and other important documentation required for the meeting at least five business days prior to the date set for the meeting. Meetings of the Board of Directors can also be called with a shorter period of notice if there is a pressing matter. It is within the discretion of the Chairman to determine the urgency of that matter. Board meetings are chaired by the Chairman. A quorum of the Board of Directors is constituted when a majority of the members is present. Resolutions shall be passed by a simple majority of votes. In the case of a tie, the Chairman shall have the casting vote. In urgent cases, resolutions may be passed by circular. Unanimity is required for resolutions to be dealt with by circular. A resolution passed by circular are just as binding as resolutions passed at a Board of Directors meeting. The Chairman of the Board of Directors shall promptly inform the other Board members about the outcome of the circular vote.

Meetings of the Board of Directors can be held where the members are physically present, or as telephone or video conferences. Minutes will be taken of meetings held as telephone or video conferences as well as the resolutions passed in the same manner as at meetings where members are physically present.

The members of the Board of Directors are to regulate their personal and business matters in such a manner that, as far as possible, actual or potential conflicts of interest are avoided. The members of the

Board of Directors are obliged to inform the Chairman in cases of real or potential conflicts of interest. This is regardless of whether the real or potential conflicts of interest are of a general nature or related to a matter to be discussed at a meeting. The Chairman of the Board of Directors shall decide whether there are grounds for a recusal of the member. In such a case, that member may participate in the discussion of the matter in question but may not vote on it.

During the 2020 business year, the Board of Directors of Liechtensteinische Landesbank AG held a total of eleven ordinary and five extraordinary meetings. The meetings lasted between 0.75 and 7.00 hours. A closed meeting lasting half a day was conducted by the Board of Directors in collaboration with the Group Executive Board following the ordinary meeting in June 2019. The closed meeting focused on the annual strategy review of StepUp2020, as well as the IT and sustainability strategy. The subjects of the extraordinary board meetings were the corona pandemic and the resignation of the Chairman of the Board of Directors.

Date	Meeting	Attendance	Duration in h
21 February 2020	ordinary	all	6.20
09 March 2020	ordinary	all, excepting Urs Leinhäuser	0.75
18 March 2020	extraordinary	all	1.25
27 March 2020	ordinary	all	3.75
29 April 2020	ordinary	all	4.50
29 May 2020	ordinary	all	3.75
22 June 2020	ordinary	all	4.25
22 June 2020	closed meeting	all	2.75
21 August 2020	ordinary	all	4.75
23. September 2020	ordinary	all	4.75
27 October 2020	ordinary	all	4.00
01 November 2020	extraordinary	all	1.75
02 November 2020	extraordinary	all	1.75
03 November 2020	extraordinary	all	1.75
16 November 2020	extraordinary	all	3.50
24 November 2020	ordinary	all	6.00
18 December 2020	ordinary	all	7.00

Group Audit Committee

The members of the Group Audit Committee meet at least four times a year. These ordinary meetings are convened by the Chairman. An agenda is compiled prior to each meeting, which is sent together with the necessary information and the minutes of the last meeting to the meeting's participants at least five days prior to the date of the meeting. The members of the Group Audit Committee, the Group CEO, the Group CFO, the external auditors, the Head of Group Internal Audit can request the Chairman of the Group Audit Committee to convene extraordinary meetings. To deal with specific issues, the Group Audit Risk Committee can also invite other persons, such as members of the Group Executive Board, the Chairman of the Group Risk Committee, other staff of the LLB Group companies, representatives of the external auditors or external consultants. The Group CEO, the Group CFO and the Head of Group Internal Audit usually participate in the meetings in an advisory capacity. The other members of the Board of Directors, who are not members of the Group Audit Committee, are entitled to participate in the meetings.

During the 2020 business year, the members of the Group Audit Committee met for eight meetings. No external experts were called in during the business year.

Date	Attendance	Duration in h
22 January 2020	all	1.25
21 February 2020	all	3.75
28 April 2020	all	1.00
28 May 2020	all	3.00
15 July 2020	all	1.50
20 August 2020	all	2.50
24 November 2020	all	0.25
17 December 2020	all	3.25

Group Risk Committee

The members of the Group Risk Committee meet at least four times a year. These ordinary meetings are convened by the Chairman. An agenda is compiled prior to each meeting, which is sent together with the necessary information and the minutes of the last meeting to the meeting's participants at least five days prior to the date of the meeting. The members of the Group Risk Committee, the Group CEO, the Group CFO, the external auditors, the Head of Group Internal Audit and the Head of Group Credit and Risk Management can request the Chairman of the Group Credit & Risk Committee to convene extraordinary meetings. To deal with specific issues, the Group Risk Committee can also invite other persons, such as members of the Group Executive Board, the Chairman of the Group Risk Committee, other staff of the LLB Group companies, representatives of the external auditors or external consultants. The Group CEO, the Group CFO, the Head of Group Internal Audit and the Head of Group Credit & Risk Management usually participate in the meetings in an advisory capacity. The other members of the Board of Directors, who are not members of the Group Risk Committee, are entitled to participate in the meetings.

During the 2020 business year, the Group Risk Committee held four ordinary meetings. No external experts were called in during the business year.

Date	Attendance	Duration in h
20 February 2020	all	2.00
28 May 2019	all	4.50
20 August 2020	all	3.50
17 December 2020	all	4.50

Group Nomination & Compensation Committee

The Group Nomination & Compensation Committee convenes as often as business requires, but at least twice a year. The meetings are convened by the Chairman. He compiles an agenda prior to each meeting, which is sent together with the necessary information and the minutes of the last meeting to the meeting's participants at least five days prior to the meeting.

To deal with specific issues, the Group Nomination & Compensation Committee can also invite other persons, such as members of the Group Human Resources Department, representatives of the external auditors or external consultants. The Group CEO usually participates in the meetings in an advisory capacity; except when topics are discussed that particularly concern the business area of Group Internal Audit or the performance assessment of the Group CEO and the establishment of his compensation. Furthermore, the Head of Group Human Resources and the Head of Group Internal Audit usually participate in the meetings in an advisory capacity. The members of the Board of Directors, who are not members of the Group Nomination & Compensation Committee, have the right to attend the meetings.

During the 2020 business year, the Group Nomination & Compensation Committee held seven meetings.

Date	Attendance	Duration in h
28 January 2020	all	3.00
26 May 2020	all	2.50
25 August 2020	all	2.00
09 November 2020	all	2.50
23 November 2020	all	2.25
07 December 2020	all	1.50
15 December 2020	all	0.50

The Strategy Committee

The Strategy Committee held five meetings in 2020 at which preparations were made for the meetings of the Board of Directors with Group Executive Management to discuss organic and inorganic growth options, as well as the relevant parameters for the development of the follow-up strategy to StepUp 2020.

Date	Attendance	Duration in h
20 April 2020	all	2.00
15 May 2020	all	0.75
10 September 2020	all	2.50
20 November 2020	all	1.50
10 December 2020	all	3.25

Resolutions at the committee meetings

The committees carry out solely preparatory or advisory tasks on behalf of the Board of Directors. Resolutions at the meetings are passed with an absolute majority of the members present. The attendance of more than half of the members is required for a quorum. Only the members of the committees are eligible to vote. In the case of a tie, the Chairman has the casting vote. The subjects dealt with and resolutions passed are recorded in the corresponding minutes. The minutes are circulated to the meeting's participants and the members of the Board of Directors. The Chairmen of the committees inform the Board of Directors about the agenda dealt with at the last committee meeting and submit proposals for those points requiring resolutions. Furthermore, they submit an annual activity report to the Board of Directors, which contains a summary of their activities and of pending matters.

Self-evaluation

In general, the Board of Directors evaluates its own performance annually and also that of the committees. This evaluation serves to determine whether the Board of Directors and the committees are functioning appropriately. The results of the self-evaluation are recorded in writing.

In mid 2020, the Board of Directors carried out a self-evaluation on the basis of a questionnaire. The consolidated responses were discussed at the meeting in June. The overall evaluation was very positive. The collaboration between the board members is very good. The culture of open and frank discussions is constructive and effective. The interdisciplinary composition of the Board and the range of ages are regarded as very positive. In addition to the many items on the agenda to be reviewed and assessed, in future the Board of Directors would like to deal more frequently with creative and formative elements.

3.6 Definition of areas of responsibility

The Board of Directors is responsible for the direction, supervision and control of the LLB Group. It is ultimately responsible for the success of the LLB Group as well as for attaining sustained value for both shareholders and employees, as well as protecting the Group's reputation. It makes decisions concerning the LLB Group's corporate strategy and assumes final responsibility for monitoring the conduct of business. It stipulates the risk policy of the LLB Group and monitors compliance with it. Furthermore, the Board of Directors monitors compliance with applicable legal provisions and regulations. At the request of the Group Executive Management, the Board of Directors determines the financial and human resources required to implement the corporate strategy. The Board of Directors must keep itself informed in an appropriate manner about the financial and risk situation of the LLB

Group. This also applied to the decisions made within the Group companies, which in practice have an effect on the business activity of the LLB Group.

Within the scope of the duties and responsibilities defined in the Statutes, the Board of Directors has the following tasks:

- ♦ Strategy and management;
- ♦ Organisation;
- ♦ Financial management;
- ♦ Risk policy and management.

In relation to strategy and management, the Board of Directors is responsible, in particular, for the following tasks:

- ♦ Specifying the corporate mission statement and values;
- ♦ Specifying the strategy and its periodic review;
- ♦ Specifying the management structure;
- ♦ Deciding on important structural changes;
- ♦ Deciding about expanding into important new business areas or the withdrawal from existing important business areas;
- ♦ Approving the acquisition or sale of participations in other companies as well as the establishment or liquidation of LLB Group companies and the nomination of their Boards of Directors;
- ♦ Approving the purchase or sale of real estate having a purchase price of more than CHF 20 million (or equivalent);
- ♦ Assignment of tasks and responsibilities to the Group Executive Management;
- ♦ Approving all business matters and business decisions that exceed the authority of the powers delegated by the Board of Directors;

Concerning the organization of business activities of the LLB Group and the required concomitant issuing of rulings and directives, the Board of Directors is, in particular, responsible for:

- ♦ The regular monitoring of corporate governance principles and management structures laid down in the rules of procedure;
- ♦ The issuing of rulings and directives that are binding Group-wide, subject to respective applicable local law and the declaration of their binding character for the respective Group company, as well as the regulations of LLB;
- ♦ The organisation and management of Group Internal Audit including the issuing of the "Group Internal Audit» Group regulation, approval of the annual auditing plan and the annual auditing objectives, discussion of the reports submitted by Group Internal Audit and the external auditors, and approval of the reports concerning measures implemented on the basis of audit reports and their monitoring;
- ♦ The selection, appointment and dismissal of the Group CEO, the Vice Group CEO, the other members of the Group Executive Board and the Head of Group Internal Audit, the review of their performance, including succession planning;
- ♦ The supervision of the Group CEO and the other members of the Group Executive Board with regard to compliance with legal provisions, statutes and regulations;
- ♦ The appointment of the for the committees of the Board of Directors from among its members and the appointment of the Chairman;
- ♦ The regularization of the compensation principles within the LLB Group;
- ♦ The specification of a process for selecting and evaluating the suitability of candidates for key functions;
- ♦ The issuing of a code of conduct for employees and corporate bodies in relation to dealing with conflicts of interest, as well as rules to prevent the use of confidential information;
- ♦ The issuing of a code of conduct for employees and monitoring compliance with it;
- ♦ The approval of the composition of the Boards of Directors in the Group companies with the exception of LLB AG;
- ♦ Deciding about, or approving, the avocational activities of members of the Group Executive Board and the Head of Internal Audit;
- ♦ The preparation of the General Meeting of Shareholders and the implementation of its resolutions.

Concerning the ultimate liability for the organization of accounting, financial control and financial planning of the LLB Group, the Board of Directors is, in particular, responsible for:

- ♦ The approval of the applicable accounting standards;
- ♦ The approval of medium-term planning and budgeting;
- ♦ The overall supervision of the complete equity and liquidity management system;
- ♦ The approval of the Consolidated Annual Report with the consolidated financial statement and the consolidated management report;
- ♦ The approval of the Consolidated Interim Reporting;
- ♦ The ensuring of regular reporting on the course of business and extraordinary occurrences;
- ♦ The stipulation of the competence to authorize expenditure;
- ♦ The supervision of the Group's business development.

Concerning the ultimate responsibility for risk policy and management, the Board of Directors is, in particular, responsible for:

- ♦ The definition of the risk policy framework as well as the regular review of the strategies and principles for the acceptance, management, monitoring and mitigation of the risks, to which the LLB Group is exposed;
- ♦ The issuing of Group regulations concerning the fundamentals of risk management, determination of risk appetite, risk control as well as accountability and the processes for the approval of risk-related transactions, whereby interest fluctuation, credit, counterparty, cluster, liquidity, market price and operational risks, as well as legal and reputational risks, in particular, are to be identified, controlled, reduced and monitored;
- ♦ The definition of the risk-bearing capacity and decision on the maximum ceiling of the risk cover amount;
- ♦ The definition of a maximum debt ratio;
- ♦ The definition and monitoring of the maximum market risk to be borne;
- ♦ The responsibility for an adequate market and liquidity risk management as an integral part of the risk policy;
- ♦ The approval of the recovery plan;
- ♦ The approval of the capital plan within the scope of medium-term planning;
- ♦ The stipulation of overall and individual limits at least once a year;
- ♦ The approval of quarterly reports, including comments on the risk situation;
- ♦ The issuing of a Group regulation concerning the fundamentals of a compliance organisation within the LLB Group for the purpose of creating and implementing a common understanding of compliance;
- ♦ The stipulation of credit competences and the regulation of transactions for the account of corporate bodies and employees as well as resolutions regarding large commitments including cluster risks;
- ♦ The evaluation of the effectiveness of the internal control system;
- ♦ The ensuring of the prompt provision of information in the event of imminent risks or losses having significant implications;
- ♦ The decision concerning capital market refinancing through the borrowing of outside capital;
- ♦ The approval of the initiation of legal actions involving claims of over CHF 10 million, as well as judicial and extrajudicial settlements involving amounts of over CHF 10 million;
- ♦ The protection of the LLB Group's reputation.

The Group Executive Board, under the leadership of the Group CEO, is responsible for the management of the LLB Group. It is composed of six members, the three heads of the market divisions: Retail & Corporate Banking, Private Banking and Institutional Clients, as well as the Group CFO, the Group COO and the Group CEO. The Group Executive Board meets as often as business requires, but at least once a month.

The LLB Group conducts its business within a framework of the three market-oriented divisions: Retail & Corporate Banking, Private Banking and Institutional Clients as well as the shared service functions of the Group CFO and Group COO. The heads of the divisions are responsible for the operative management of the divisions.

The heads of the market-oriented divisions are responsible for the cross-divisional collaboration of their business areas and they represent the LLB Group vis-à-vis the general public and other stakeholders in their relevant markets, and vis-à-vis the relevant client groups. Together with the heads of the Group CFO and Group COO Divisions and the heads of the business areas, they implement and coordinate the strategy of their divisions.

The heads of the divisions create the organisational prerequisites in order to manage the business areas assigned to their divisions over all the LLB Group companies. They actively coordinate all business activities with each other.

Taking into consideration prevailing local law, the Group Executive Board issues the regulations necessary for the operation and management of the divisions, provided this does not lie within the competence of the Board of Directors. These regulations may be binding for individual or several divisions of LLB Group companies.

In addition to the powers and duties set forth in the statutes, the Group Executive Board is responsible, in particular, for:

- ♦ Operative management;
- ♦ Implementation of the strategy;
- ♦ Risk management.

The Group Executive Board:

- ♦ Implements the Group regulations and the resolutions of the Board of Directors;
- ♦ Informs the Board of Directors and its committees, but in particular, its Chairman regularly about the course of business and important events;
- ♦ Issues further regulations for the management of business;
- ♦ Coordinates the LLB Group's range of products as well as specifying the pricing policy and the terms and conditions for the products and services offered;
- ♦ Approves the setting up and closing of business offices, bank branches and representative offices, provided this is explicitly envisaged in the strategy;
- ♦ Is authorised to approve investments for personnel expenses and general and administrative expenses of more than CHF 0.25 million up to CHF 1 million in specific cases, and investments of from CHF 0.5 million up to CHF 3 million (with prior notification of the Chairman of the Board of Directors) which are not included in the budget adopted by the Board of Directors. In such a case, the Chairman decides about any matters to be presented to the Board of Directors;
- ♦ Continuously monitors the developments within the divisions and business areas, as well as initiating problem-solving measures;
- ♦ Continuously monitors the financial reporting and risk situation.

The Group Executive Board:

- ♦ Submits suggestions concerning the organisation of business activities of the LLB Group in general and proposals for specific business matters of the LLB Group to the Board of Directors and the responsible committees, provided these matters exceed the scope of authority of the Group Executive Board, in particular, with respect to:
 - ♦ The definition and periodic review of the LLB Group's corporate strategy as well as the allocation of resources to implement the strategy and attain corporate objectives;
 - ♦ Participations, Group companies, business offices, branches and representative offices; medium-term planning;
 - ♦ Medium-term planning;
 - ♦ Annual expenditure and income budget;
 - ♦ Financial reporting and the annual report;
- ♦ Setting the objectives for business activities and the course of business as it executes the strategy approved by the Board of Directors; thereby ensuring that decision-making is timely and of a high quality as well as monitoring the implementation of the decisions made.

The Group Executive Board:

- ♦ Implements an efficient structure and organisation and an effective internal control system for the prevention and limitation of risks of all types;

- ♦ Within the risk policy framework of the LLB Group has the following tasks, in particular:
 - ♦ Implementing and reviewing compliance with the risk policy and risk regulations approved by the Board of Directors;
 - ♦ Managing all significant risks;
 - ♦ Ensuring a reasonable valuation of assets;
 - ♦ Using external and internal models to manage and monitor key risks;
 - ♦ Ensuring comprehensive reporting to the Board of Directors regarding the risk situation in accordance with the provisions of risk policy;
 - ♦ Deciding on the composition of the Risk Committee of the LLB Group.

The Group CEO is the highest authority within the LLB Group management structure. He is, in particular, entirely responsible for the development and implementation of the corporate strategy of the LLB Group and the divisions as approved by the Board of Directors. The Group CEO represents the Group Executive Board vis-à-vis the Board of Directors and externally.

The Group CEO

- ♦ Ensures the coherent management and development of the LLB Group as well as the implementation of the strategy that is stipulated and periodically monitored by the Board of Directors;
- ♦ Sets objectives for business activities and the course of business;
- ♦ Ensures high-quality and timely decision-making;
- ♦ Ensures that the objectives set by the members of the Group Executive Board comply with management objectives;
- ♦ Submits recommendations to the Board of Directors concerning compensation principles within the LLB Group;
- ♦ Monitors the implementation of any decisions that are made;
- ♦ Monitors the implementation of the resolutions made by the Board of Directors and its committees;
- ♦ Is responsible – in coordination with the Chairman of the Board of Directors – for concrete succession planning within the Group Executive Board and submits proposals to the Board of Directors regarding the nomination of members of the Group Executive Board with the exception of the Group CEO.

3.7 Information and control instruments vis-à-vis the Group Executive Board

The Chairman of the Board of Directors is informed about the agenda of Group Executive Board meetings and receives the minutes. He participates in its meetings in an advisory capacity as required. The purpose of this is for both parties to update each other and form their opinions on important topics.

Basically, the Board of Directors, the individual committees and especially the Chairman of the Board are kept informed about the activities of the Group Executive Board by the Chairman of the Group Executive Board. The members of the Group Executive Board report to the Group CEO for the attention of the Board of Directors. The Group CEO ensures that the Chairman of the Board of Directors and the Board of Directors as well as its committees are informed in a timely and appropriate manner. The Group CEO regularly reports to the Board of Directors about current business developments and important business issues, including all matters that fall within the remit of the Board of Directors.

The Group CEO generally attends the meetings of the Board of Directors in an advisory capacity, informs it about the development of business as well as about extraordinary occurrences and provides additional information on request. The Group CFO regularly informs the Board of Directors about finances and risk management as well as about the proper implementation of the Bank's risk policy. The other members of the Group Executive Board attend meetings when matters involving them are dealt with. The Group CEO and the Group CFO usually participate in the meetings of the Group Audit Committee and the Group Risk Committee in an advisory capacity.

If required, the Group CEO can inform the Chairman of the Board of Directors outside of meetings of the Board of Directors about the course of business and special occurrences. The Chairman of the Board of Directors informs the other Board members about important events.

During meetings, each member of the Board of Directors can request information about all matters relating to the LLB Group. Outside of meetings, each member of the Board of Directors can also request information about the course of business from members of the Group Executive Board and, with the approval of the Chairman of the Board of Directors, also about individual business transactions.

Internal supervision and control

The LLB Group has standardized bank management systems that generate quantitative and qualitative data for the Group Executive Board and in a summarized form for the Board of Directors. This enables the Board of Directors to inform itself about significant business developments, such as the course of business, earnings situation, budget utilisation, balance sheet development, liquidity, risk situation and the fulfilment of equity requirements. The Board of Directors discusses and approves the annotated reports on finances and risk management on a quarterly basis.

In exercising its supervision and control functions, the Board of Directors is also assisted by Group Internal Audit, which is subordinate directly to the Chairman of the Board of Directors. Group Internal Audit has open, direct and unrestricted access to the Chairman of the Boards of Directors of the LLB Group companies, as well as to the Group Audit Committee and the Group Risk Committee. It is independent in its reporting and is not subject to any directive or other limitations, and within the LLB Group, it has an unrestricted right to peruse all information and documents. Group Internal Audit assumes the function of the internal auditor for all Group companies that are required to prepare a consolidated statement of accounts and submits the reasons for its decision to the Board of Directors or the respective Board of Directors of the Group company as to whether there exists an effective internal control system and whether risks are being adequately monitored. If a Group company has in place its own internal audit function, this is functionally subordinate to the Head of Group Internal Audit. Group Internal Audit provides independent, objective and systematic reporting services regarding:

- ♦ The effectiveness of processes for defining the strategy and principles of risk policy as well as the general compliance with the approved strategy;
- ♦ The effectiveness of governance processes;
- ♦ The effectiveness of the risk management, including the evaluation of whether risk identification and management are adequate;
- ♦ The effectiveness of internal controls, in particular, whether these are adequate in relation to the risks taken;
- ♦ If necessary, the effectiveness and sustainability of measures for reducing and minimizing risks;
- ♦ The reliability and completeness of financial and operational information (that is, whether activities are correctly and fully documented) as well as the quality of the underlying data and models;
- ♦ Compliance with legal and regulatory requirements as well as with internal rulings and directives and agreements.

The powers and duties of Group Internal Audit are stipulated in a special set of regulations. The planning of annual auditing is carried out on the basis of the evaluation of risks and controls and is guided by a long-term auditing plan.

To avoid duplication of work and to optimize controls, the auditing plans are coordinated with the statutory auditors. The auditing plan and the personnel requirement plan are reviewed by the Group Audit Committee and submitted to the Board of Directors for approval.

The results of every examination are recorded in a written audit report. The audit reports of the parent bank and all Group companies are sent to the Chairman of the Board of Directors, the members of the Group Audit Committee and the Group Risk Committee, the Group Executive Board, the Head of Group Credit & Risk Management, as well as to the Head of Group Legal & Compliance and the external auditors. The Head of Group Internal Audit compiles a report on a quarterly basis for submission to the Group Audit Committee and the Group Executive Board as well to the responsible committees of the other banks of the LLB Group. He also compiles a written activity report annually for submission to the Board of Directors. Particular findings that need to be dealt with immediately are communicated to the Chairman of the Board of Directors without delay by the Head of Group Internal Audit. In addition, Group Internal Audit regularly monitors the rectification of any deficiencies found and the implementation of its recommendations; it submits reports about this procedure to the Group Audit Committee.

Risik management

The proactive approach towards risks is an integral part of the LLB Group's corporate strategy and ensures the Group's risk-bearing capacity. The LLB Group attaches great importance to proactive and comprehensive opportunity / risk management. As part of the risk policy, the Board of Directors issues guidelines and regulations concerning the principles of risk management. In this way, the Board of Directors sets qualitative and quantitative standards for risk responsibility, risk management, risk reduction and risk control.

The LLB Group manages risks according to strategic objectives. It evaluates and manages risks through the application of detailed, qualitative and quantitative standards for risk responsibility, risk management and risk control. The LLB Group utilises the "Internal Capital Adequacy Assessment Process" (ICAAP) and "Internal Liquidity Adequacy Assessment Process" (ILAAP) to deal with equity capital and liquidity issues, both of which are extremely important factors for banks. These processes ensure that adequate capital and liquidity to cover all essential risks are always available.

The Group Credit & Risk Management Business Area is responsible for the risk management function. It monitors the risks to which the LLB Group is exposed, or could be exposed, including risks arising from the macro-economic environment. Group Credit & Risk Management is independent of the operative business areas and, within the regulatory framework, it has an unrestricted right to all information and documents. The Head of the Group Credit & Risk Management Business Area has direct access to the Group Risk Committee and reports directly to the Group CFO. Its principal duties and responsibilities are:

- ♦ Ensuring a complete overview of the entire risk spectrum, especially of the character of the existing types of risk and the risk situation;
- ♦ Formulation of the risk policy as well as the preparation and analysis of all important decisions regarding risk management;
- ♦ Identification and measurement of significant risks as well as reporting to the Board of Directors and the Group Executive Board;
- ♦ Continual checking of the effectiveness of risk management measures.

The Group Risk Committee invites the persons responsible for risk management to a quarterly discussion of the risk status. Their reports are summarised every six months in an overall risk report of the LLB Group, which is submitted to the Board of Directors. Further details of risk management can be found in the chapter "[Financial and risk management](#)", as well as in the notes to the consolidated financial statement of the LLB Group.

Compliance

The employees of the LLB Group are obliged to comply with all legal, regulatory and internal regulations as well as to observe common market standards and professional codes of conduct. The Board of Directors is responsible for organising and ensuring Group-wide compliance. For this purpose, it has issued a Group regulation entitled "Compliance management at the LLB Group" dealing with the essentials of compliance organisation for the purpose of creating and implementing a common understanding of the principles of compliance. The Group Executive Board is responsible for the implementation and observance of compliance. In doing so, it is supported by the compliance functions within the LLB Group. These functions are led by the Head of the Group Legal & Compliance Business Area, and are independent of the operative business areas. The Head of Group & Compliance has direct access to the Group Risk Committee. He compiles an annual written activity report for the Group Risk Committee and the Board of Directors, and submits a risk analysis to them twice a year with an estimate of the most significant compliance risks and the measures and recommendations to be considered as a result. Outside the ordinary reporting periods, he promptly informs the Group Risk Committee about serious infringements of compliance regulations, and about issues of great economic or other significance, and supports it in implementing the appropriate instructions or measures (see chapter "[Financial and risk management](#)").

4 Group Executive Board

4.1 Members

The LLB Group's organisational structure is consistently geared towards client and market needs. For this purpose the Retail & Corporate Banking, Private Banking as well as Institutional Clients Market Divisions are represented at the Group Executive Management level. The Group Chief Financial Officer, the Group Chief Operating Officer, as well as the Group Chief Executive Officer are also members of the Group Executive Board.



Roland Matt*
Group Chief Executive Officer
1970, FL

Entry into Group Executive Board:
2009

Education:

- ♦ Business economist FH, 1995
- ♦ Federally qualified financial analyst and asset manager, 1999
- ♦ Federally qualified finance and investment expert, 2002

Professional career:

- ♦ Head of Research, VP Bank AG, Vaduz, 1999
- ♦ Head of Asset Management Division, VP Bank AG, Vaduz, 2000 – 2001
- ♦ Family Office Project Head, VP Bank AG, Vaduz, 2002

Liechtensteinische Landesbank:

- ♦ Head of Investment Services, 2002 – 2006
- ♦ Head of Domestic Clients Division, 2007 – 2008
- ♦ Member of the Group Executive Board and the Board of Management, since 2009
- ♦ Head of Domestic Market and Institutional Market Divisions, 2009 until March 2011
- ♦ Head of International Market Division, April 2011 until January 2012
- ♦ Vice Chairman of the Group Executive Board and the Board of Management, April 2011 until January 2012
- ♦ Group Chief Executive Officer, since January 2012

Board of Directors mandates in Liechtensteinische Landesbank Group companies:

- ♦ Liechtensteinische Landesbank (Österreich) AG, (Member)

Other functions:

- ♦ Vice Chairman of the Liechtenstein Bankers Association
- ♦ Member of the Board of the Liechtenstein Chamber of Commerce and Industry
- ♦ Member of the Board of Trustees of the Personnel Pension Fund Foundation of Liechtensteinische Landesbank AG
- ♦ Chairman of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"



Urs Müller**
Head of Retail & Corporate Banking Division, Vice Group Chief Executive Officer
1962, FL / CH

Entry into Group Executive Board:
2011

Education:

- ♦ Licentiate in law, University of St. Gallen (HSG), 1993

Professional career:

- ♦ Auditor, Unterrheintal District Court and Associate Court Clerk, Oberrheintal District Court, 1993 – 1995

Liechtensteinische Landesbank:

- ♦ Legal counsel, 1995 – 1998
- ♦ Head of Legal & Compliance, 1998 – 2006
- ♦ Head of Institutional Clients Division, 2007 until April 2011
- ♦ Member of the Group Executive Board and the Board of Management, since April 2011
- ♦ Head of Domestic Market and Institutional Market Divisions, April 2011 until June 2012
- ♦ Head of Institutional Clients Division, July 2012 until June 2016
- ♦ Head of Retail & Corporate Banking Division since July 2016
- ♦ Vice Group Chief Executive Officer, since July 2012

Board of Directors mandates in Liechtensteinische Landesbank Group companies:

- ♦ Bank Linth LLB AG (Vice Chairman)
- ♦ LLB Asset Management AG (Member)
- ♦ LLB Berufliche Vorsorge AG, Lachen (Chairman)

Other functions:

- ♦ Member of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"



Gabriel Brenna***
Head of Private Banking Division
1973, CH / I

Entry into Group Executive Board:
2012

Education:

- ♦ M. Sc., Electrical Engineering, Ecole polytechnique fédérale de Lausanne, 1998
- ♦ Ph.D., Electrical Engineering, Semiconductors, Swiss Federal Institute of Technology (ETH) Zurich, 2004

Professional career:

- ♦ Project Leader, Philips Semiconductors, Zurich, 1998 – 1999
- ♦ Research and instruction, ETH Zurich, 2000 – 2004
- ♦ Senior Project Leader, Advanced Circuit Pursuit, Zollikon, 2002 – 2004
- ♦ McKinsey & Company, Zurich and London; most recently, Partner and Head of Swiss Private Banking and Risk Management Practice, 2005 until September 2012

Liechtensteinische Landesbank:

- ♦ Member of the Group Executive Board and the Board of Management, since October 2012
- ♦ Head of Private Banking Division, since October 2012

Board of Directors mandates in Liechtensteinische Landesbank Group companies:

- ♦ Liechtensteinische Landesbank (Österreich) AG, (Chairman)
- ♦ Bank Linth LLB AG (Member)
- ♦ LLB Asset Management AG (Vice Chairman)
- ♦ LLB Services (Schweiz) AG (Chairman)

Other functions:

- ♦ Member of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"



Natalie Flatz
Head of Institutional Clients Division
1977, AT

Entry into Group Executive Board:
2016

Education:

- ♦ Mag. iur., University of Innsbruck, 2000
- ♦ Executive Master of European and International Business Law, University of St. Gallen, 2006
- ♦ Diploma of Advanced Studies (DAS) in Banking, 2017

Professional career:

- ♦ Legal assistant at the Liechtenstein Bankers Association, 2003 – 2005
- ♦ Private labelling client adviser at the Liechtenstein Fund Management Company IFOS, 2006 – 2007
- ♦ Member of senior management at the Liechtenstein Fund Management Company IFOS, 2008 – 2011

Liechtensteinische Landesbank:

- ♦ Head of the Institutional Clients Business Unit, 2011 until June 2012
- ♦ Head of Fund Services Business Area, July 2012 until June 2016
- ♦ Member of the Group Executive Board and the Board of Management, since July 2016
- ♦ Head of the Institutional Clients Divisions, since July 2016

Board of Directors mandates in Liechtensteinische Landesbank Group companies:

- ♦ LLB Fund Services AG (Chairwoman)
- ♦ LLB Swiss Investment AG (Chairwoman)
- ♦ LLB Asset Management AG (Chairwoman)
- ♦ Liechtensteinische Landesbank (Österreich) AG (Member)
- ♦ LLB Invest KAG (Member)
- ♦ LLB Invest AGmvK (Member)

Other functions:

- ♦ Member of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"



Patrick Fürer
Group Chief Operating Officer
1965, CH

Entry into Group Executive Board:
2019

Education:

- ♦ Licentiate in economics at the University of St. Gallen, 1990
- ♦ Dr. oec. HSG, University of St. Gallen, 1993

Professional career:

- ♦ IT Project Controller and Head of Controlling of the IT Division at the Union Bank of Switzerland, Zurich, 1991 – 1994
- ♦ Chief of Staff, Trading & Sales at the Union Bank of Switzerland, Zurich, 1995 – 1998
- ♦ COO at WestLB Panmure, London, 1998 – 2002
- ♦ CEO at WestLB Panmure, London, 2002 – 2003
- ♦ Group Head of Operations at WestLB AG, Düsseldorf, London, 2003 – 2006
- ♦ Member of the Executive Board and Head of IT and Processing at Raiffeisen Bank, Switzerland, St. Gallen, 2007 – 2008
- ♦ Member of the Executive Board and COO at Morgan Stanley Bank AG, Zurich, 2009 – February 2016
- ♦ CEO of Morgan Stanley Bank AG, Zurich, March 2016 – June 2017
- ♦ CFO at Notenstein La Roche Privatbank AG, St. Gallen, July – September 2017
- ♦ CEO at Notenstein La Roche Privatbank AG, St. Gallen, October 2017 – December 2018

Liechtensteinische Landesbank:

- ♦ Member of Executive and Group Executive Boards since January 2019
- ♦ Group Chief Operating Officer, since January 2019

Board of Directors mandates in Liechtensteinische Landesbank Group companies:

- ♦ Liechtensteinische Landesbank (Österreich) AG (member)

Other functions:

- ♦ Member of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"



Christoph Reich
Group Chief Financial Officer
1974, CH

Entry into Group Executive Board:
2012

Education:

- ♦ Federally qualified licentiate in economics, FHS St. Gallen, 1999
- ♦ Executive MBA, University of St. Gallen (HSG), 2009

Professional career:

- ♦ Commercial apprenticeship, St. Galler Kantonalbank, Buchs (SG), 1990 – 1993
- ♦ Investment advisor for private clients, St. Galler Kantonalbank, Wil (SG), 1994 – 1996
- ♦ Senior consultant, KPMG Consulting (from October 2002, Bearing Point), Zurich, 1999 until mid-2003
- ♦ Team manager Budget and Management Services, Asian Development Bank, Manila / Philippines, 2003 – 2006
- ♦ Partner at Syndeo AG, Head of Accounting and controlling for Banks, Horgen / ZH, end of 2006 until October 2010

Liechtensteinische Landesbank:

- ♦ Head of Group Finance & Risk Department, November 2010 until January 2012
- ♦ Member of the Group Executive Board and the Board of Management, since January 2012
- ♦ Chief Financial Officer, January 2012 until June 2012
- ♦ Group Chief Financial Officer, since July 2012

Board of Directors mandates in Liechtensteinische Landesbank Group companies:

- ♦ Liechtensteinische Landesbank (Österreich) AG (Vice Chairman)
- ♦ Bank Linth LLB AG (Member)
- ♦ LLB Asset Management AG (Member)
- ♦ LLB Verwaltung (Schweiz) AG (Chairman)
- ♦ LLB Holding AG (Chairman)

Other functions:

- ♦ Member of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"
- ♦ Member of the Liechtenstein Deposit Protection and Investor Compensation Foundation (EAS)

° Group CEO Roland Matt decided on 25 January 2021 to leave the LLB Group and accept a new professional challenge. He has resigned from his office with immediate effect.

°° Urs Müller, Deputy Group CEO and Head of the Private and Corporate Clients Division, held the position of Group CEO on an interim basis from 26 January to 28 February 2020.

°°° Gabriel Brenna has been appointed by the Board of Directors as the new Group CEO as of 1 March 2021. He will continue to lead the Private Banking Division until further notice.

4.2 Other activities and commitments

Apart from the mandates specified under 4.1 the members of the Group Executive Board are not involved in the management or supervisory boards of important Liechtenstein, Swiss or foreign private or public law corporations, establishments or foundations, nor do they exercise any permanent management or consultancy functions for important Liechtenstein, Swiss or foreign interest groups, nor do they perform official functions or hold political office.

4.3 Number of permitted activities

Liechtensteinische Landesbank AG is not subject to the Swiss ordinance against excessive compensation in listed public limited companies (OaEC). Liechtensteinische Landesbank AG has not issued any regulations on the number of permitted activities.

4.4 Management contracts

The Liechtensteinische Landesbank has not concluded any management contracts.

5 Compensation, participations and loans

Details concerning compensation, participations and loans can be found in the [compensation report](#).

6 Shareholders' participation rights

6.1 Voting right limitation and representation

At the Liechtensteinische Landesbank's General Meeting of Shareholders, each share carries one vote. In accordance with Art. 306a ff. of person and company law, the LLB shares held by the Liechtensteinische Landesbank itself and its subsidiaries (288'410 shares as at 31 December 2020) are not eligible to vote. Otherwise there are no voting rights restrictions.

Each shareholder has various possibilities of participating in the General Meeting of Shareholders. At the General Meeting of Shareholder he can vote his own shares or authorise a third party in writing to vote them, or have them voted by another shareholder eligible to vote. The Chairman of the General Meeting shall decide whether the authorisation is valid. A person acting as a representative may act on behalf of more than one shareholder and vote differently for the various shares he represents. Shareholders may also vote their shares in writing by post or by means of electronic communication prior to the General Meeting. On account of the many different voting possibilities, the Liechtensteinische Landesbank has decided not to designate an independent proxy in accordance with Art. 18, para.1 of the Statutes (www.llb.li/statutes). The LLB is not subject to the pertaining provision of the ordinance against excessive compensation by listed companies.

6.2 Statutory quorum

At the General Meeting of Shareholders, a quorum is present if half of the share capital is represented. The Board of Directors can decide to permit shareholders to vote their shares by post or by means of electronic communication prior to the General Meeting. If a shareholder votes his shares in this manner prior to the General Meeting, his share capital is regarded as being represented for the purpose of constituting a quorum. If a quorum is not constituted, a further General Meeting of Shareholders has to be convened within two weeks that makes decisions irrespective of the represented shares, unless otherwise prescribed by mandatory laws and statutes.

Provided that legal provisions do not stipulate to the contrary, the General Meeting passes its resolutions and decides its elections by an absolute majority of the votes cast.

6.3 Convening of the General Meeting of Shareholders

The Board of Directors convenes an ordinary General Meeting of Shareholders with a period of notice of 30 days. The meeting must be held within six months following the end of a business year. The invitation to the General Meeting is to be publicised on the company's website as well as, if necessary, in other media to be designated by the Board of Directors. The invitation must contain the information required by law, especially the agenda to be dealt with at the meeting, the proposals of the Board of Directors and, in the event of elections, the names of the proposed candidates.

An extraordinary General Meeting may be convened by the Board of Directors if this is in the urgent interest of the Liechtensteinische Landesbank or at the written request – stating the reason for convening the extraordinary General Meeting – of shareholders representing ten per cent of the share capital.

6.4 Agenda

The Board of Directors specifies the agenda for the General Meeting of Shareholders in accordance with Art. 14 of the Liechtensteinische Landesbank's statutes (www.llb.li/statutes). The General Meeting can only deal with items which are listed in the agenda, with the exception of a proposal for the convening of an extraordinary General Meeting.

Shareholders, who together hold at least 5 per cent of the share capital represented, can request that an item be placed on the agenda to be dealt with by the General Meeting. Requests for items to be placed on the agenda must be received, at the latest, 21 days prior to the date of the General Meeting. The Board of Directors shall publicise the amended agenda at least 13 days prior to the date of the General Meeting.

Shareholders, who together hold at least 5 per cent of the share capital represented, have the right, prior to the General Meeting, to add proposals or supplements to items on the agenda. Moreover, every shareholder can add proposals to items on the agenda during the General Meeting.

6.5 Registration in the company's share register

The Liechtensteinische Landesbank has exclusively issued registered shares. It maintains a share register containing the names of the owners of registered shares. Upon request, the purchasers of registered shares are entered in the share register as shareholders having a voting right provided that they expressly render a declaration that they have purchased these shares in their own name for their own account. If the purchaser is not prepared to render such a declaration, the Board of Directors can refuse to enter the shares with voting rights in the register. Pursuant to Art. 5a of the Statutes (www.llb.li/statutes), the Board of Directors has specified that nominee registrations without the above-mentioned declaration are generally to be made without a voting right. In order for the right to vote to be exercised at the General Meeting of Shareholders, entry in the share register must be made at the latest three working days prior to the date of the General Meeting. Accordingly, the deadline for entry in the share register for the General Meeting on Friday, 7 May 2021 was fixed at 5 p.m. on Monday, 3 May 2021. From 4 May to 7 May 2021 no entries will be made in the share register.

7 Change of control and defensive measures

The Liechtensteinische Landesbank is a banking institute licensed under Liechtenstein law with its registered office in the Principality of Liechtenstein. As a Liechtenstein bank listed on SIX Swiss Exchange, Liechtensteinische Landesbank AG must in addition to complying with Liechtenstein law also comply with various Swiss regulatory requirements. Since 1 January 2016, the provisions regarding the disclosure of significant shareholders are regulated in the Financial Market Infrastructure Law and in the Financial Market Infrastructure Ordinance and also apply to the LLB.

Shareholders attaining, falling below or exceeding the threshold percentages of 3, 5, 10, 15, 20, 25, 33.33, 50 or 66.67 of voting rights must notify SIX and the LLB (www.llb.li/thresholds).

The Liechtensteinische Landesbank's statutes contain no regulations comparable with the Swiss provisions regarding opting out or opting up. Likewise, there are no changes of control clauses in favour of the members of the Board of Directors and / or the members of the Group Executive Board or other senior executives.

Pursuant to the Law on the Liechtensteinische Landesbank, the Principality of Liechtenstein holds at least 51 per cent of the capital and votes.

8 Independent auditors

8.1 Duration of mandate and term of office

8.1.1 Date of acceptance of existing auditing mandate

Every year, the General Meeting of Shareholders appoints one or more natural or legal entities as the independent auditors in accordance with the legal provisions. The independent auditors examine the company's adherence to the legal provisions, the statutes and the other regulations.

PricewaterhouseCoopers AG, St. Gallen, has served as the independent auditors of the Liechtensteinische Landesbank according to company and banking law since 1998. Pursuant to person and company law and banking law, the independent auditors were elected by the General Meeting of Shareholders on 8 May 2020 at the proposal of the Board of Directors for a period of one year.

8.1.2 Term of office of the auditor in charge of the current auditing mandate

Claudio Tettamanti has been the responsible auditor in charge since 2014. The auditor in charge changes every seven years.

8.2 Audit fees

In the 2020 business year, PricewaterhouseCoopers AG invoiced the companies of the LLB Group for CHF thousands CHF 1'301 (2019: CHF thousands 1'129) in respect of audit fees. These fees include the work carried out as required by the respective regulatory authorities. In addition, in the 2020 business year, PricewaterhouseCoopers AG received CHF thousands 233 (2019: CHF thousands 263) for services in connection with our own investment funds.

The Group Audit Committee oversees the fees paid to PricewaterhouseCoopers AG for their services.

8.3 Additional fees

For other services in 2020, PricewaterhouseCoopers AG invoiced the LLB Group companies CHF thousands 250 (2019: CHF thousands 342).

Audit fees and additional fees

in CHF thousands	2020	2019
Audit fees	1'301	1'129
Additional fees	250	342
Corporate finance	55	0
Taxation advice	185	333
Legal and other advice	10	9

8.4 Information instruments of the external auditors

The Group Audit Committee fulfils a supervisory, control and monitoring function, which also extends to the internal and external auditors. It is responsible, among other tasks, for:

- ♦ Discussing and taking note of the risk analysis made by the external auditors, the auditing strategy derived from it and the respective risk-oriented auditing plan;
- ♦ The discussion of major problems identified during the auditing process with the external auditors;
- ♦ the monitoring of the implementation of recommendations put forward by the external auditors and Group Internal Audit to eliminate problems;
- ♦ The evaluation of the audit reports submitted by the external audit and Group Internal Audit to the Board of Directors;
- ♦ The assessment of the qualification, quality, independence, objectivity and performance of the external and Group Internal Audit;
- ♦ The discussion of the annual activity report and annual planning including risk analysis of Group Internal Audit with assessment of whether this business unit has adequate resources and competences and submission of a proposal for approval to the Board of Directors;
- ♦ The examination of the compatibility of external auditors' auditing activities with possible consulting mandates as well as the evaluation and discussion of their professional fees;
- ♦ The evaluation of the collaboration between the external auditors and Group Internal Audit;
- ♦ The submission of a proposal to the Board of Directors for the attention of the General Meeting regarding the appointment or dismissal of the external auditors (appointed according to banking law

and person and company law). The Group Audit Committee is responsible for defining the procedure to appoint new external auditors.

The external auditors perform their work in accordance with the legal provisions, and according to the principles of the profession in the respective country of domicile of the Group company, as well as according to the "International Standards on Auditing". The independent auditors regularly report to the Board of Directors, the Group Audit Committee and the Group Executive Board about their findings and submit suggestions for improvements to them. The most important report is the audit report on the LLB Group required by banking law. This summarized report is submitted in writing to the Board of Directors once a year. In addition, the responsible auditor in charge of the external auditors presents a report at one meeting of the Group Audit Committee. All reports from the internal and external auditors concerning all Group companies are submitted to the Group Audit Committee.

Important findings in the reports of the internal and external auditors since the last meeting and all reports concerning the Group companies are addressed at the next meeting of the Group Audit Committee. The Head of Group Internal Audit is responsible for providing the relevant information and reports directly to the Group Audit Committee. He is appointed by the Board of Directors and is subordinate to the Board's Chairman.

Representatives of the external auditors participated in six meetings of the Group Audit Committee but did not attend any meetings of the Board of Directors during the report period. The Head of Group Internal Audit attended all the meetings of the Group Audit Committee and all the meetings of the Board of Directors. The external auditors submit periodic reports dealing with the audit planning based on risk analysis, the current audit reporting, the annual activity report as well as on a comparison of actual with budgeted fees.

The Group Audit Committee annually evaluates the performance of the external and internal auditors in their absence. The following criteria are applied in assessing the performance of the external auditors and their professional fees (auditing and additional fees): comparison of fees and budgeted fees as well as the previous year's fees, feedback from the departments audited, quality of the auditors' findings, structured assessment of the auditors' expertise. The independence of the external auditors is evaluated on the basis of the information concerning independence provided in the annual report of PricewaterhouseCoopers AG and an assessment of their conduct. The cost planning and its observance are also reviewed and discussed annually. Furthermore, the Group Audit Committee periodically reviews alternatives and submits a proposal to the full Board of Directors for the attention of the General Meeting regarding the appointment of the external Group auditors.

Additional orders are placed on the basis of offers from competitors taking into consideration the level of expertise. The Group Audit Committee bases its assessment of the placing of orders for additional services on the periodic reports it receives from Group Internal Audit regarding reliability, scope and relation to audit fees.

The Group Audit Committee reports to the full Board of Directors once a year concerning the activities of the external auditors and the assessment of their performance.

The external auditors have direct access to the Board of Directors at all times. The primary point of contact for the external auditors is the Group Audit Committee. They hold regular discussions with the Chairman of the Board of Directors and the Chairman of the Group Audit Committee.

9 Information policy

The Liechtensteinische Landesbank simultaneously, comprehensively and regularly provides its shareholders, clients, employees and the general public with information. This ensures that all stakeholder groups are treated equally. Equality of opportunity and transparency are ensured through institutionalizing and nurturing these ties as well as establishing and preserving relationships that are based on trust with the financial community, on the one hand, and with the media and all other interested recipients of information, on the other.

The most important information media of the Liechtensteinische Landesbank are its web site (www.llb.li) as well as its annual and interim reports, media communiqués, its media and financial analysts conference and the conference call for media and analysts, and its General Meeting of Shareholders.

As a listed company, the Liechtensteinische Landesbank is obliged to publish information about potential share price-relevant facts (ad hoc publicity, Art. 72 of the exchange listing regulations). To receive ad hoc announcements in accordance with the directives for ad hoc publicity automatically, an interested party can register at www.llb.li/registration. Ad hoc announcements are published under the link www.llb.li/mediacommuniques.

If you have any questions, please contact the following person who is responsible for investor relations:

Dr. Cyrill Sele
Head Group Corporate Communications & Sustainability
Städtle 44 / P. O. Box 384
9490 Vaduz
Phone + 423 236 82 09
Mail cyrill.sele@llb.li

Date	Time	Event
	7.00 a.m.	Publishing of 2020 business result at www.llb.li ; release of online Annual Report 2020 at ar2020.llb.li
11 March 2021	10.30 a.m.	Financial reporting and analyst conference
12 March 2021		2020 business result advertisement in the "Liechtensteiner Vaterland" and the "Liechtensteiner Volksblatt"
09 April 2021		Printed edition of short report 2020
07 May 2021	6.00 p.m.	General Meeting of Shareholders
11 May 2021		Ex-dividend date
12 May 2021		Dividend record date
13 May 2021		Dividend payment date
	7.00 a.m.	Publishing of interim financial statement 2021; publication of printed interim financial statement 2021 and release of online interim financial statement 2021 at www.llb.li
24 August 2021	10.30 a.m.	Conference Call
25 August 2021		2021 interim financial result advertisement in the "Liechtensteiner Vaterland" and the "Liechtensteiner Volksblatt"

10 Important changes since the balance sheet date

The Board of Directors proposes to the 29th ordinary General Meeting of Shareholders on 7 May 2021, that Georg Wohlwend be elected as Chairman of the Board of Directors, and that Thomas Russenberger and Richard Senti be re-elected as members of the Board of Directors for a term of office of three years.

PricewaterhouseCoopers AG, St. Gallen, has been the external auditor of the LLB Group since 1998. For corporate governance reasons, and with a view to the imminent introduction of the mandatory rotation of the auditor in charge, the Board of Directors believes that, after this long period, a change in the external auditors would be appropriate. It proposes to the General Meeting 2021 that KPMG (Liechtenstein) AG be appointed as the new external auditors.

Group CEO Roland Matt decided on 25 January 2021 to leave the LLB Group to pursue a new professional challenge. He stood down from his function with immediate effect. Urs Müller, Vice Group Chief Executive Officer and Head of the Retail & Corporate Banking Division took over the function of Group CEO temporarily from 26 January 2021. Urs Müller, Deputy Group CEO and Head of the Private and Corporate Clients Division, held the position of Group CEO on an interim basis from 26 January to 28 February 2021. Gabriel Brenna has been appointed by the Board of Directors as the new Group CEO as of 1 March 2021. He will continue to lead the Private Banking Division until further notice.

Compensation report

The LLB Group has a progressive compensation system that has been recognised by the Swiss Institute of Directors. It is based on the results of behavioural economics research carried out by Prof. Ernst Fehr from the University of Zurich. It focuses, in particular, on sustainable, long-term-oriented action.

Introduction

Pursuant to the "Ordinance against Excessive Compensation with respect to Listed Stock Corporations" (OaEC), Swiss public companies whose shares are listed on an exchange in Switzerland or abroad must publish details about the compensation of the members of their governing bodies in a compensation report. The details to be reported are set out in Art. 13 to 16 of the OaEC.

According to the Regulatory Board Communiqué No. 2 / 2014 of 1 September 2014, No. II, all companies listed on the SIX Swiss Exchange shall have to disclose the same information on corporate governance. Issuers that are not subject to the regulations of the OaEC have, therefore, to publish details about the compensation of the members of the Board of Directors and the Board of Management in the same manner as Art. 14 to 16 of the OaEC. By publishing this compensation report, Liechtensteinische Landesbank AG is fulfilling this obligation.

The following report deals with the compensation policy, the basis and elements of the compensation, the responsibilities and methods of determining compensation. The compensation paid during the 2020 business year is also presented.

Compensation policy

On 18 August 2011, the Board of Directors issued the Group regulation "Compensation standards" for Liechtensteinische Landesbank AG and its Group companies (revised on 1 February 2020). The Group regulation is based on: the current version of the Ordinance on Banks and Investment Firms (Banking Ordinance) of 22 February 1994, in particular Appendix 4.4; EU Directive 2013 / 36 / EU (CRD IV) of 26 June 2013; Regulation No. 575 / 2013 (CRR) of 26 June 2013; Delegated Regulation No. 527 / 2014 of 12 March 2014; Delegated Regulation No. 604 / 2014 of 4 March 2014; Delegated Regulation No. 2016 / 861 of 18 February 2016; and EBA Guideline "EBA / GL / 2015 / 22" of 27 June 2016. These legal provisions are applied to the LLB Group in a way and to a degree that is commensurate with its size and internal organisation as well as the type, scope and complexity of its business.

The Group regulation "Compensation standards" regulates the framework for the Group-wide compensation policy, in particular in regard to its alignment to risk management. It stipulates the basis, values and objectives and sets out the minimum requirements for the design of the compensation systems. In addition, it regulates Group-internal and Group-external reporting as well as related responsibilities. The Group regulation applies particularly to those persons who are identified as risk takers in a process that is carried out annually. To implement the Group regulation "Compensation standards" at Liechtensteinische Landesbank AG, the Board of Directors has also issued the separate regulation "Compensation standards" (revised on 1 February 2020).

As a company exempt from Art. 12, Para. 2 of the OaEC, Liechtensteinische Landesbank has not stipulated any regulations concerning compensation, participation and loans. The Group companies issue company-specific compensation guidelines that take into consideration the applicable (special) legal regulations. Deviations from the Group regulation are only permitted if they stem from prevailing law or special legal regulations.

The compensation policy is in line with the business strategy as well as with the targets and values of the LLB Group and is based on the following principles:

- ♦ **Sustainability and risk adjustment:** Compensation practices must contribute to long-term corporate development. They must support risk management and the pursuit of both lasting increases in the company's value and longterm client and employee retention. Compensation policy has to offer incentives in a manner that allows for adequate risk behaviour by individual persons in order to counteract any conflicts of interest.
- ♦ **Foundation of trust:** The design of the compensation regulations and processes is based on a mutual foundation of trust between employees and employers. This is necessary because there are time differences between the provision of the performance and the acceptance of responsibility on the one hand, and the payment of the compensation on the other. Furthermore, a performance appraisal has subjective elements. Accordingly, the voluntary nature of the payment of the variable component must be ensured and attention must be drawn to the scope of discretion in this respect.
- ♦ **Performance and success orientation:** Compensation practices also have to reward both individual performance and companyrelated performance. The focus on the Group's success promotes, and is in line with, the LLB Group's longterm interests. Acknowledging individual performance serves performance motivation, the management of individual performance contributions towards achieving company targets as well as the retention of top performers.
- ♦ **Simplicity, clarity and comprehensibility:** The compensation regulations and models are to be kept simple, clear and comprehensible. Employees as well as third parties should be able to easily understand the basic concepts.
- ♦ **Fair compensation in accordance with responsibilities and management level:** The determination of compensation also has to consider the workload as well as the degree of responsibility and reflect the different management level requirements in a clear and fair manner.
- ♦ **Group orientation:** Compensation has to promote Group orientation. It aims to further commitment towards Group success and increased identification with the Group through employee participation in the long-term development of value and in shared ownership by means of an appropriate share option scheme.
- ♦ **Freedom from discrimination:** All decisions concerning the employment relationship, including decisions on compensation, are based on the qualifications, the performance and the conduct of the individual or on other legitimate, objective corporate considerations.

The compensation policy forms the basis for the compensation standards stipulated in appropriate regulations and for the compensation model. The compensation standards set out the objectives, processes and requirements for the design of the compensation. They also contain rules for the alignment between compensation and risk management. For employees who receive a variable component of compensation, the compensation model specifies the ratio between fixed and variable portions and the allocation mechanism for the variable portion.

Elements of compensation

The compensation model of the LLB Group

The LLB Group's compensation model aims at ensuring that compensation is performance-linked. Among other elements, this means that an above-average performance has a positive and a below-average performance a negative effect on the amount of compensation. In accordance with the compensation policy, the compensation model focuses on sustainable, long-term-oriented action.

The LLB Group's compensation model was developed in conjunction with FehrAdvice & Partners AG, Zurich. It is based on the results of behavioural economics research carried out by Prof. Ernst Fehr from the University of Zurich. A key performance indicator is the so-called MarketAdjusted Performance Indicator (MAPI). The MAPI captures the company as holistically as possible, which means it reveals not only shortterm successes but also longterm effects. The MAPI gives an undistorted, holistic view of management performance. This is done by comparing the long-term stock return of a company (total shareholder return (TSR)) with the TSR of a tailored, relevant comparable group and allows external market effects to be factored out. The difference between the TSR of the company and that of the comparable group gives an indication of the actual performance of the company's management.

In March 2017, the LLB Group's compensation model was honoured by the Swiss Institute of Directors as the best salary model in 2016 of all companies listed on the Swiss stock exchange. The jury of experts

described the compensation model as «exemplary». The three main criteria by which it was judged were internal fairness, external fairness and performance-related fairness.

The compensation system of the LLB Group

The compensation system is essentially based on the following approaches:

- ♦ **Clear performance incentives, performance orientation and transparency:** A target compensation (total compensation or total target compensation) is defined for each employee. A bonus/malus logic ensures that employees earn more or less than their target compensation depending on whether they exceed or do not attain their objectives. Compensation depends on performance and not on corporate results that can be affected by market conditions. Acknowledging individual performance serves performance motivation, the management of individual performance contributions towards achieving company targets as well as the retention of top performers.
- ♦ **Uniform focus on the structure of the LLB Group:** The compensation system across the whole Group follows a uniform logic and is in accordance with the management structure.
- ♦ **Fair compensation in accordance with responsibilities and management level:** The determination of compensation considers the workload as well as the degree of responsibility and reflects the different requirements in a clear and fair manner.
- ♦ **Objective orientation:** The variable component of the target compensation depends on the salary model and the attainment of objectives, which are determined during the annual objectives setting process and reflect the orientation of and change in the bank. The focus on the MAPI promotes, and is in line with, the LLB Group's longterm interests. The fulfilment of basic tasks is shown through the function level and thus in the assignment of the reference compensation curve.
- ♦ **Fairness and freedom to act:** The variable salary component is a significant part of the target compensation. Internal transfers and departures are possible at any time and calculated fairly on a pro rata basis.
- ♦ **Integrity and trust:** Mutual trust between employees and employers is necessary because there are time differences between the provision of the performance and the acceptance of responsibility on the one hand, and the payment of the compensation on the other. Furthermore, a performance appraisal always has subjective elements. As a reliable employer, the LLB Group also stands by its employees in difficult times.

These approaches should ensure the understanding of the functioning of the compensation system and fairness for the employees.

Target compensation

Around 40 per cent of employees receive a fixed compensation without a variable component. For around 60 per cent of employees, the target compensation consists of a fixed and a variable component. The fixed component encompasses all contractually agreed or statutory compensation, which is already stipulated prior to the provision of any performance. The variable component includes, in particular, those elements of compensation which vary depending on various criteria, such as the business success of the company, the individual performance of the employee or the results attained by the organisational unit. In general, the amount and payment of the variable component is at the free discretion of the employer.

Fixed component of target compensation

The fixed component must be reasonably proportionate to the variable component. This proportionate relationship is specified in the individual compensation guidelines of Liechtensteinische Landesbank AG and of the LLB Group companies. Depending on the salary model, it varies from 67 to 100 per cent of the target compensation.

Variable component of target compensation

The variable component of the target compensation is paid in cash and / or in the form of an entitlement to acquire LLB shares, which is subject to a blocked period of three years. Other financial instruments, such as options or bonds, are not considered. The variable component may not exceed 100 per cent of the fixed component of the total compensation for each person.

A clawback ruling applies to the blocked portion of the variable compensation, which is largely governed by the individually attained performance and the risks taken. If a significant change occurs in the

assessment of performance and risks during the blocking period (for example, inadequate due diligence, untrustworthy business management or incurring excessive risks), the acquired share entitlements are to be reduced accordingly. The body which determines the amount of the variable compensation during the annual compensation process will decide about the reduction of the share entitlements. Moreover, the share entitlement in the year concerned will be forfeited if the average Group net profit in the last three years is negative.

A guaranteed variable compensation, for example in the form of a minimum bonus, may only be promised in exceptional circumstances and must be limited to the first working year. As a basic principle, no severance compensation and no additional voluntary annuity payments will be made to employees who leave the company.

The fixed compensation component and the variable target compensation are insured in the staff pension scheme for old age, death and invalidity. The employees of the LLB Group receive fringe benefits in the form of preferential conditions on bank products as customary in the industry as well as a limited preferential interest rate for mortgage loans and on credit balances.

Group Internal Audit is responsible for reviewing the implementation of the Group regulation "Compensation standards" once a year. The results of this review are reported in writing to the Board of Directors. The compensation of senior executives in the areas of risk management and compliance at the parent bank and at the LLB Group companies is reviewed once a year by the relevant Board of Directors or by the Compensation Committee (if such a body exists in the Group company). The Group Nomination & Compensation Committee carries out these tasks for the Group functions.

Compensation of the Board of Directors and the Group Executive Board

Board of Directors

The Board of Directors stipulates the amount of compensation of its members in accordance with their duties and responsibilities. The members of the Board of Directors receive a fixed compensation, which includes the participation in (ordinary and extraordinary) meetings and the General Meeting of Shareholders. Activities in committees are compensated by a fixed amount per committee per year; no additional attendance fees are paid. The compensation is paid out in cash and in the form of entitlements for the acquisition of LLB shares. The number of LLB shares for the entitlement is calculated on the basis of the average share price in the last quarter of the business year. The entitlement to acquire LLB shares is subject to a blocked period of three years.

The members of the Board of Directors do not receive any variable compensation. They also do not profit from the additional benefits for staff (fringe benefits) or from their preferential conditions on bank products. Business relations with them are subject to the same conditions that apply to comparable transactions with third parties. On account of legal provisions, no severance payment may be made in the event of the termination of a mandate (Art. 21, Para. 2 of the law concerning the control and supervision of public companies).

Compensation in 2020 was determined on the basis of a compensation benchmark, which was comprised of 20 companies from the banking and investment services industry in Liechtenstein and Switzerland that have a comparable business model, carried out by Hostettler & Company in 2019. Their business performance, balance sheet total and employees (FTEs) are all within a range of about 50 to 250 per cent of the size of LLB. Applying equal weighting to the financial variables, LLB is positioned close to the market median of the defined comparable companies.

Group Executive Board

A target compensation is defined for each member of the Group Executive Board. It consists of a fixed compensation (67 %) and a variable target compensation (33 %). The target compensation corresponds to the compensation attributable to the member of the Group Executive Board if the TSR of the LLB share corresponds to the TSR of the peer group.

The compensation model also contains a bonus-malus provision. The members of the Group Executive Board receive more or less than their target compensation depending on whether they exceed, partly attain or do not attain the annual objectives. The maximum bonus possible is 200 per cent of the

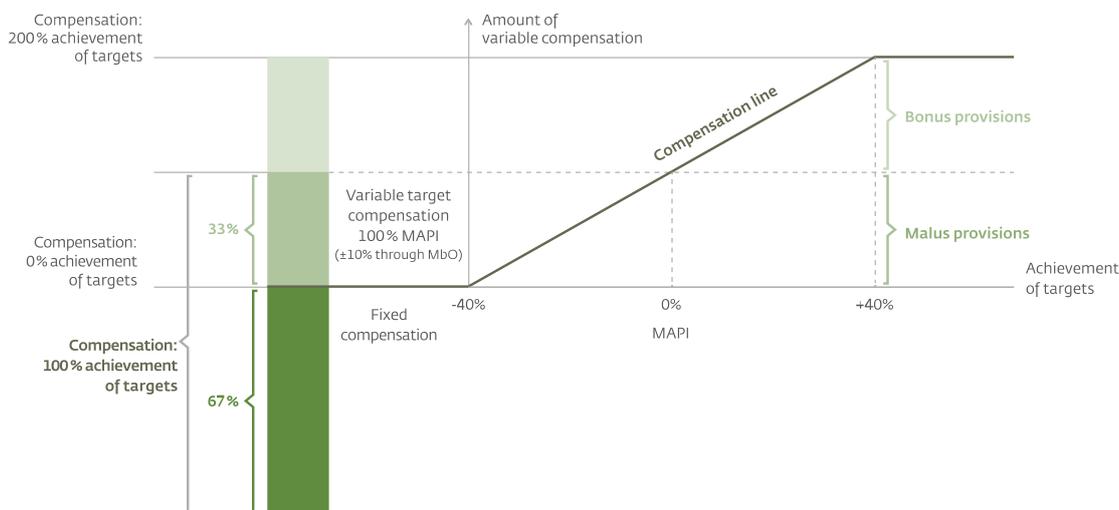
variable target compensation and the maximum malus possible is 0 per cent of the variable target compensation. This means that the variable compensation is limited to the total amount of the fixed compensation.

The fixed compensation in relation to the functions of the Group Executive Board in 2020 was determined on the basis of a compensation analysis carried out by the Kienbaum Consultants International company in 2018. It comprised between 20 and 24 comparable banks and between 24 and 31 comparable positions per function represented on the Group Executive Board. The comparable groups included in particular financial institutions that are of a similar size to LLB. This means that companies with a size of up to plus / minus 50 per cent were used in the comparison. Relevant for the determination of size was the number of people employed on the one hand, and the balance sheet total on the other. In the case of significantly larger companies, comparable positions with a similar scope of responsibility, which are typically found at lower hierarchical levels, were used. In addition, the determination of comparable functions was – where possible – based on the function value.

The amount of the variable compensation is determined by the Group performance. This is measured using relative total shareholder return (TSR), i. e. the so-called MarketAdjusted Performance Indicator (MAPI). This is done by comparing the TSR of the LLB share in relation to the TSR of a peer group. The peer group is broadly diversified and comprises a group of 26 banks. These were selected on the basis of comprehensible decision criteria (size, business area, region and statistical correlation). Since the 2017 business year, the peer group has been composed exclusively of banks from the LLB Group's three home markets of Liechtenstein, Switzerland and Austria. Its composition is discussed and evaluated annually by the Group Nomination & Compensation Committee. A thorough empirical review is conducted every three years.

The Board of Directors can adjust the variable compensation, based on the individual performance within the framework of the Management by Objectives (MbO) process, by plus / minus 10 per cent of the variable target compensation.

Compensation model: Group Executive Board



Geographic distribution of the 26 banks in the peer group*

Liechtenstein	1
Switzerland	20
Austria	5

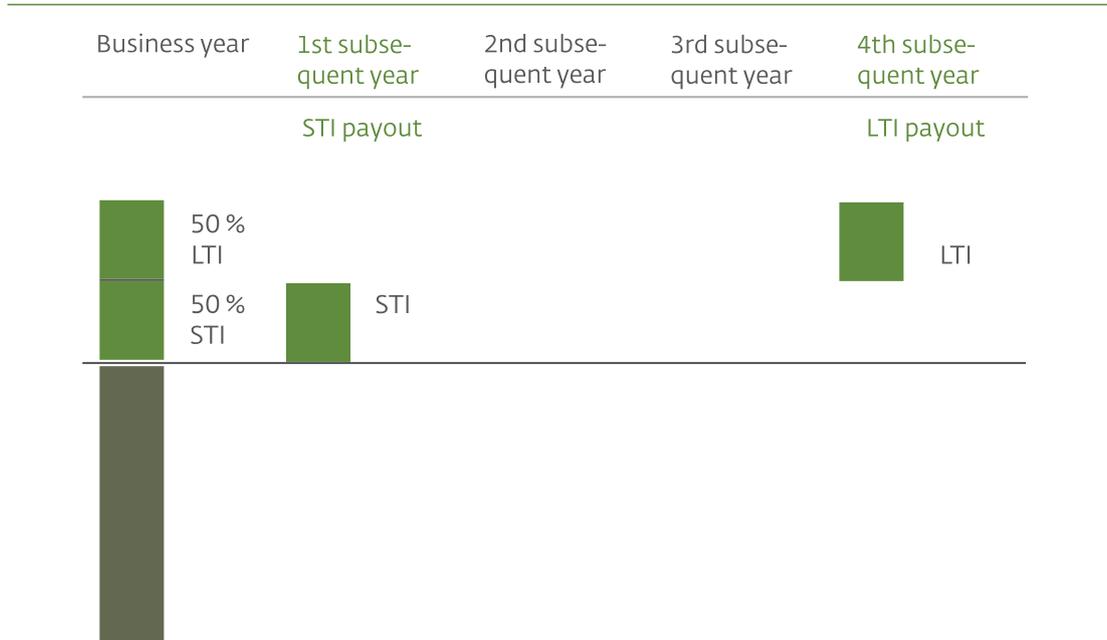
* The peer group is generally reviewed every three years by FehrAdvice & Partners AG. A review was carried out in summer 2019 at regular intervals, which resulted in an increase of the peer group by two banks as of 1 January 2020. Due to the acquisition of Semper Constantia Privatbank AG and its merger with LLB Österreich to form Liechtensteinische Landesbank (Österreich) AG in 2018, the peer group was expanded by two Austrian banks to a total of 26 banks (2019: 24 banks).

The MAPI compares the management's performance with that of a comparable group of banks. Market effects can be eliminated from the performance indicator by comparing performance with a peer group. The MAPI is therefore free of external market effects. It is calculated annually by FehrAdvice & Partners AG.

If the MAPI is 0 per cent, which means that the TSR of the LLB share corresponds to the TSR of the peer group, the members of the Group Executive Board receive their variable target compensation. The variable compensation is linearly dependent on the MAPI. No variable compensation is paid if the MAPI is minus 40 per cent or less. If the MAPI is 40 per cent or more, the maximum variable compensation is paid, which is capped at 200 per cent of the variable target compensation.

The fixed compensation is paid out in cash every month, the variable component is provided in the first quarter of the following year. The variable compensation comprises a shortterm incentive (STI) and a longterm incentive (LTI). The STI is paid in cash and the LTI is paid in the form of an entitlement to acquire LLB shares. The distribution between the STI (50 %) and the LTI (50 %) is statutorily fixed. The number of LLB shares for the LTI is calculated on the basis of the average share price in the last quarter of the business year. The LTI is subject to a blocked period of three years. The three-year period remains in force even after termination of employment. After three years, the entitlement to acquire shares is transformed into a right to the transfer of the corresponding LLB shares. The share entitlement can be withdrawn or reduced if – during the threeyear period – there are significant changes in the assessment of performance and / or risk behaviour of the member of the Group Executive Board. Moreover, the share entitlement in the year concerned will be forfeited if the average Group net profit in the last three years is negative. At the end of the threeyear period, the Group Nomination & Compensation Committee examines whether the prerequisites for the entitlement have been met. The Committee submits its decision to the Board of Directors for a final decision.

LTI with clawback mechanism



- Variable compensation
- Fixed compensation

The employment relationship of the members of the Group Executive Board is stipulated in individual employment contracts. The period of notice is four months. The contracts of employment do not contain any special clauses, such as, for example, severance compensation following the termination of employment or even in the event of a change in control.

The fixed compensation component and the variable target compensation are insured in the staff pension scheme for old age, death and invalidity. The members of the Group Executive Board are subject to the same conditions in relation to fringe benefits as apply to other employees of the LLB Group. The preferential conditions on bank products as customary in the industry largely consist of a limited preferential interest rate for mortgage loans and on credit balances.

Responsibilities and methods of determining compensation

The Group Nomination & Compensation Committee (see point "[Composition of all Board of Directors' committees, their tasks and terms of reference](#)", chapter "[Corporate governance](#)") advises the Board of Directors in all aspects concerning compensation. Its tasks include:

- ♦ The formulation of recommendations for the stipulation of principles and the establishment of regulations for the compensation policy concerning the members of the Board of Directors, the members of the Group Executive Board and the other employees of the bank for submission to the Board of Directors;
- ♦ The formulation of proposals for the compensation of members of the Board of Directors and of the Group Executive Board as well as the Head of Group Internal Audit for submission to the Board of Directors in accordance with existing principles and regulations;
- ♦ The annual review of the Group regulation "Compensation standards", the LLB AG regulation of the same name as well as the Group regulation "Fit & Proper – Assessment of the suitability of members of the Board of Management, the Board of Directors and key function holders" for submission to the Board of Directors;
- ♦ The annual review of the compensation of the members of the Board of Directors, members of the Group Executive Board, the Head of Group Internal Audit and senior executives in the areas of risk management and compliance pursuant to the Group regulation "Compensation standards" and the LLB AG regulation of the same name for submission to the Board of Directors in accordance with existing principles and regulations;
- ♦ The annual review of the compensation of the members of the Board of Directors and the Group Executive Board, the Head of Group Internal Audit as well as senior executives in the areas of risk management and compliance in accordance with the Group regulations "Compensation Standards" and the regulations of LLB AG of the same name for the attention of the Board of Directors - this in accordance with existing principles and regulations.

The Board of Directors approves the principles and regulations governing compensation and specifies annually the amount of the compensation for the members of the Board of Directors and the members of the Group Executive Board, which reflects their professional experience and the organisational responsibility they bear in the company. The decision regarding the amount of the compensation of the members of the Board of Directors and the members of the Group Executive Board is made at the discretion of the Board of Directors and is based on their duties and responsibilities. The amount of variable compensation of the Board of Management is dependent on the individual fixed compensation from the compensation model. The Chairman of the Group Executive Board has a right of proposal concerning the compensation of the other members of the Board of Management. The members of the Group Executive Board are not present at the discussion and the decision concerning the amount of their compensation. Pursuant to Art. 12, Para. 2 of the Law on the Liechtensteinische Landesbank, the Board of Directors must inform the Government about the compensation ruling specified for it. Liechtensteinische Landesbank does not submit the total compensation of the Board of Directors and the Group Executive Board to the General Meeting of Shareholders for approval. It also does not hold an advisory vote on the question of compensation.

Compensation in 2020

For the 2020 business year, the members of the Board of Directors received a fixed compensation of CHF thousands 952. Contributions to benefit plans and other social contributions amounted to CHF thousands 105. The fixed compensation was paid in cash (CHF thousands 783) as well as in the form of an entitlement to acquire LLB shares (CHF thousands 169). The entitlement to acquire LLB shares is subject to a blocked period of three years.

In comparison with the previous year, the total compensation of the members of the Board of Directors increased by CHF thousands 32 or 3.1 per cent. The higher compensation expense in 2020 was attributable mainly to the fact that up to the General Meeting of May 2019 the Board of Directors was

composed of six members. Up until the resignation of Georg Wohlwend as the Chairman of the Board of Directors at the beginning of November 2020, the Board consisted of seven members. Since then, it has had six members.

For the 2020 business year, the members of the Group Executive Board received a fixed compensation of CHF thousands 3'570 and a variable compensation of CHF thousands 1'470. Contributions to benefit plans and other social contributions amounted to CHF thousands 1'183. The fixed compensation was paid in cash. The variable compensation was paid in cash (50 %) as well as in the form of an entitlement to acquire LLB shares (50 %), which is subject to a blocked period of three years. The number of shares for the share-based compensation is calculated from the average share price of the last quarter of 2020 (CHF 53.80). The variable compensation for the members of the Group Executive Board was, on average, approximately 41.2 per cent of the fixed compensation or 23.6 per cent of total compensation.

The total compensation of the members of the Group Executive Board in 2020 increased by CHF thousands 90 or 1.5 per cent. This increase (plus CHF thousands 186) was primarily the result of the salary adjustments effective as of 1 January 2020. There was also an increase in contributions to benefit plans and other social contributions of CHF thousands 49. The variable compensation, on the other hand, decreased by CHF thousands 144 or 8.9 per cent. The performance of the LLB share was worse in the 2020 business year than the performance of the comparable group. The total shareholder return (TSR) of LLB was minus 12.3 per cent and thus below the TSR of the peer group (minus 5.3 %). The relative MAPI was therefore minus 7.0 per cent (previous year: minus 2.5 %). Consequently, the degree of objective attainment for the variable target compensation is 82.5 per cent (previous year: 93.7 %).

The total compensation of the members of the Board of Directors and the members of the Group Executive Board for the 2020 business year is reported on an accrual basis. The variable compensation was charged to the 2020 income statement. Payment of the STI to the members of the Group Executive Board will be made in the first quarter of 2021. The entitlement to acquire LLB shares by the Group Executive Board (LTI) and the Board of Directors is subject to a blocked period of three years.

Details of the compensation and the participations of the members of the Board of Directors and the Group Executive Board, as well as loans to them are shown in the following table.

Compensation of key management personnel

in CHF thousands	Fixed compensation		Variable compensation		Contribution to benefit plans and other social contributions		Entitlements		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Members of the Board of Directors										
Georg Wohlwend, Chairman * until 03.11.2020	275	300	0	0	73	80	37	40	385	420
Gabriela Nagel-Jungo, Vice Chairwoman	154	123	0	0	14	12	32	30	200	165
Patrizia Holenstein, Member	70	70	0	0	7	8	20	20	97	98
Urs Leinhäuser, Member **	81	82	0	0	0	0	20	20	101	102
Thomas Russenberger, Member	71	64	0	0	5	5	20	20	96	89
Richard Senti, Member	76	76	0	0	6	6	20	20	102	102
Karl Sevelda, Member since 04.05.2019	56	36	0	0	0	0	20	13	76	49
Total	783	751	0	0	105	111	169	163	1'057	1'025
Members of the Board of Management ***										
Roland Matt, Group CEO	804	737	167	186	231	220	167	186	1'369	1'329
Other members of the Board of Management	2'766	2'647	568	621	952	915	568	621	4'854	4'804
Total	3'570	3'384	735	807	1'183	1'135	735	807	6'223	6'133

* Georg Wohlwend stepped down from the Board of Directors on 3 November 2020. The duties of the Chairmanship have been taken over by Vice Chair Gabriela Nagel-Jungo.

** The compensation was paid to Adulco GmbH.

*** The Board of Management comprises six members.

Shareholdings of related parties

	Registered shares	
	31.12.2020	31.12.2019
Members of the Board of Directors		
Georg Wohlwend, Chairman * until 03.11.2020		640
Gabriela Nagel-Jungo, Vice Chairwoman	1'634	1'137
Patrizia Holenstein, Member	1'935	1'438
Urs Leinhäuser, Member	1'649	1'152
Thomas Russenberger, Member	0	0
Richard Senti, Member	300	300
Karl Sevelda, Member since 04.05.2019	0	0
Total	5'518	4'667
Members of the Board of Management		
Roland Matt, Group CEO	20'912	16'392
Urs Müller, Vice Group CEO	26'358	21'381
Gabriel Brenna	24'712	20'951
Natalie Flatz	4'315	2'546
Patrick Fürer	8'000	8'000
Christoph Reich	16'105	11'735
Total	100'402	81'005
Other related companies and parties		
Related parties	4'550	4'550
Total	4'550	4'550

* Georg Wohlwend stepped down from the Board of Directors on 3 November 2020. Vice President Gabriela Nagel-Jungo has taken over the task of chairing the Board.

No member of the Board of Directors or the Board of Management owns more than 0.1 per cent of the voting rights.

Loans to key management personnel

in CHF thousands	Fixed mortgages		Variable mortgages		Total	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Members of the Board of Directors						
Georg Wohlwend, Chairman * until 03.11.2020		0		0		0
Gabriela Nagel-Jungo, Vice Chairwoman	400	400	0	0	400	400
Patrizia Holenstein, Member	0	0	0	0	0	0
Urs Leinhäuser, Member	0	0	0	0	0	0
Thomas Russenberger, Member	0	0	0	0	0	0
Richard Senti, Member	575	575	93	93	668	668
Karl Sevelda, Member since 04.05.2019	0	0	0	0	0	0
and related parties	0	0	0	0	0	0
Total	975	975	93	93	1'068	1'068
Members of the Board of Management						
Roland Matt, CEO	2'000	1'000	1'000	0	3'000	1'000
Other members of the Board of Management **	1'560	1'560	0	0	1'560	1'560
and related parties ***	0	0	0	0	0	0
Total	3'560	2'560	1'000	0	4'560	2'560

* Georg Wohlwend stepped down from the Board of Directors on 3 November 2020. Vice President Gabriela Nagel-Jungo has taken over the task of chairing the Board.

** In addition there is a surety limit of CHF thousands 84 for a member of the Board of Management.

*** There is a surety limit of CHF thousands 84.

At 31 December 2020, the maturities of the fixed mortgages for the members of the Board of Directors and related parties ranged between 3 and 63 months (previous year: between 15 and 63 months) at standard market client interest rates of 0.95 to 1.65 per cent per annum (previous year: 0.95 to 1.65 %). One variable mortgage was granted at standard market conditions. The remaining term is 1 month with an interest rate of 0.95 per cent (previous year: remaining term of 1 month with an interest rate of 0.95 per cent).

At 31 December 2020, the maturities of the fixed mortgages for the members of the Board of Management ranged between 1 and 118 months (previous year: between 0 and 73 months) at interest rates of 0.46 to 1.80 per cent per annum (previous year: 0.60 to 1.80 %). This includes two newly granted fixed mortgages. Two variable mortgages were also granted at standard market conditions. The remaining term is 1 month with an interest rate of 0.65 per cent (previous year: none).

The fair value of the collateral for the newly issued mortgages amounted to CHF thousands 3'142.

Of the total amount for mortgages for the members of the Board of Management, CHF thousands 1'500 (previous year: CHF thousands 1'000) are granted at the preferential interest rate for staff, the remainder is subject to the standard market client interest rate. Other loans to the Board of Management were not granted (previous year: none).

No allowances for loans and other credits to management were necessary. LLB issued guarantees to third parties on behalf of management or related parties totalling CHF thousands 168 (previous year: CHF thousands 168).

Compensation, loans and credits to related parties pursuant to Art. 16, OaEC

Liechtensteinische Landesbank AG paid no compensation to persons pursuant to Art. 16, OaEC. Loans and credits to related parties pursuant to Art. 16, OaEC were granted at standard market conditions.



GRI Content Index

Find here our [Management Approaches \(PDF, German\)](#).

Find here the [Facts and Figures on the LLB Group's engagement for the environment, society and good governance \(PDF\)](#).

Universal standards

GRI 101: 2016 - Foundation

GRI 102: 2016 - General disclosures

Organisational profile

	GRI Standards and Disclosures	Information
102-1	Name of the organization	Liechtensteinische Landesbank AG
102-2	Activities, brands, products, and services	
102-3	Location of headquarters	Vaduz, Liechtenstein
102-4	Location of operations	
102-5	Ownership and legal form	
102-6	Markets served	
102-7	Scale of the organization	
102-8	Information on employees and other workers	
102-9	Supply chain	
102-10	Significant changes to the organization and its supply chain	none
102-11	Precautionary principle or approach	
102-12	External initiatives	
102-13	Membership of associations	

Strategy

	GRI Standards and Disclosures	Information
102-14	Statement from senior decision-maker	

Ethics and integrity

	GRI Standards and Disclosures	Information
102-16	Values, principles, standards, and norms of behavior	

Governance

	GRI Standards and Disclosures	Information
102-18	Governance structure	

Stakeholder engagement

	GRI Standards and Disclosures	Information
102-40	List of stakeholder groups	
102-41	Collective bargaining agreements	none
102-42	Identifying and selecting stakeholders	
102-43	Approach to stakeholder engagement	
102-44	Key topics and concerns raised	

Reporting practice

	GRI Standards and Disclosures	Information
		The annual report includes all companies in which the Group holds a 100 percent stake as well as Bank Linth LLB AG, unless explicitly stated otherwise.
102-45	Entities included in the consolidated financial statements	
102-46	Defining report content and topic Boundaries	
102-47	List of material topics	
		Subsequent corrections to previous year's figures are explained at the appropriate location in the report.
102-48	Restatements of information	
102-49	Changes in reporting	None
102-50	Reporting period	Calendar year 2020
102-51	Date of most recent report	March 2020
102-52	Reporting cycle	annually
102-53	Contact point for questions regarding the report	berit.pietschmann@llb.li
		This report has been prepared in accordance with the GRI Standards: Core option.
102-54	Claims of reporting in accordance with the GRI Standards	
102-55	GRI content index	
102-56	External assurance	none

Topic-specific standards

GRI 200 – Economic topics

GRI 201: 2016		Economic Performance	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 6	
201-1	Direct economic value generated and distributed		
201-3	Defined benefit plan obligations and other retirement plans		
201-4	Financial assistance received from government		

GRI 202: 2016		Market Presence	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 13	
202-2	Proportion of senior management hired from the local community		

GRI 203: 2016		Indirect Economic Impacts	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 13	
203-2	Significant indirect economic impacts		

GRI 205: 2016		Anti-corruption	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 5	
205-1	Operations assessed for risks related to corruption	MA, p. 5	
205-2	Communication and training about anti-corruption policies and procedures	MA, p. 5	
205-3	Confirmed incidents of corruption and actions taken	MA, p. 5	

GRI 206: 2016		Anti-competitive Behavior	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 4	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	MA, p. 4	

Risk and Reputation Management			
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 8	

Tax Compliance			
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 5	

Customer Orientation

	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 6	

Sustainable Products and Services

	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 7	
FS7	Monetary value of products and services designed to deliver a specific social benefit		
FS8	Monetary value of products and services designed to deliver a specific environmental benefit		

ESG-Integration in Asset Management

	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 8	

Corporate Governance and Corporate Culture

	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 3	

Ethics and Integrity

	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 3	

GRI 300 – Environmental topics

GRI 302: 2016		Energy	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 12	
302-1	Energy consumption within the organization		
302-4	Reduction of energy consumption		

GRI 305: 2016		Emissions	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 12	
305-1	Direct (Scope 1) GHG emissions		
305-2	Energy indirect (Scope 2) GHG emissions		
305-5	Other indirect (Scope 3) GHG emissions		

Mobility Management			
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 12	

GRI 400 – Social topics

GRI 401: 2016		Employment	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 9	
401-1	New employee hires and employee turnover		

GRI 402: 2016		Labor/Management Relations	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 10	
402-1	Minimum notice periods regarding operational changes		Not applicable

GRI 403: 2018		Occupational Health and Safety	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 11	
403-1	Occupational health and safety management system	MA, p. 11	
403-2	Hazard identification, risk assessment, and incident investigation	MA, p. 11	
403-3	Occupational health services	MA, p. 11	
403-4	Worker participation, consultation, and communication on occupational health and safety	MA, p. 11	
403-5	Worker training on occupational health and safety	MA, p. 11	
403-6	Promotion of worker health	MA, p. 11	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	MA, p. 11	
403-9	Work-related injuries		
403-10	Work-related ill health		

GRI 404: 2016		Training and Education	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 10	
404-2	Programs for upgrading employee skills and transition assistance programs		
404-3	Percentage of employees receiving regular performance and career development reviews		

GRI 405: 2016		Diversity and Equal Opportunity	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 10	
405-1	Diversity of governance bodies and employees		

GRI 406: 2016		Non-Discrimination	
	GRI Standards and Disclosures	Information	Omission

GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 10	
406-1	Incidents of discrimination and corrective actions taken	MA, p. 10	

GRI 413: 2016		Local Communities	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 14	
413-1	Operations with local community engagement, impact assessments, and development programs		
FS13	Access points in low-populated or economically disadvantaged areas		

GRI 415: 2016		Public Policy	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 14	
415-1	Political contributions	MA, p. 14	

GRI 417: 2016		Marketing and Labeling	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 4	
417-1	Requirements for product and service information and labeling		
417-3	Incidents of non-compliance concerning marketing communications	MA, p. 4	

GRI 418: 2016		Customer Privacy	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 5	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	MA, p. 5	

GRI 419: 2016		Socioeconomic Compliance	
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 3	
419-1	Non-compliance with laws and regulations in the social and economic area	MA, p. 3	

The issue of tax compliance, mentioned under the economic topics, refers to the prevention of evasion of applicable tax obligations by LLB clients. For this reason, the GRI Standard 207, which predominantly relates to the tax practices of the reporting company, is not applied in this report.

Unless otherwise stated, the references in this index refer to this report. In some cases, disclosures are provided in our online document on management approaches to sustainability. In these cases, the relevant references are marked with "MA".

For the Materiality Disclosures Service, the GRI Services Team verified that the GRI Content Index is clearly presented and the references for disclosures 102–40 to 102–49 agree with the corresponding parts of the report.

Consolidated financial statement of the LLB Group

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**Liechtensteinische Landesbank
Aktiengesellschaft**
Vaduz

Report of the statutory auditor
to the General Meeting

on the consolidated financial statements 2020



Report of the statutory auditor

to the General Meeting of Liechtensteinische Landesbank
Aktiengesellschaft, Vaduz

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Liechtensteinische Landesbank Aktiengesellschaft and its subsidiaries ('LLB Group') which comprise the consolidated income statement and the consolidated statement of comprehensive income for the year ended 31 December 2020, the consolidated balance sheet as at 31 December 2020, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes, including a summary significant accounting policies.

In our opinion, the consolidated financial statements (pages 144 to 237) give a true and fair view of the consolidated financial position of LLB Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Liechtenstein law.

Basis for opinion

We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the LLB Group in accordance with the provisions of Liechtenstein law and the requirements of the audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality for the consolidated financial statements: CHF 6.1 million

We concluded full scope audit work at four Group companies in three countries. Our audit scope addressed 93% of the Group's operating profit before tax and 100% of total assets.

As key audit matters, the following areas of focus were identified:

- Impairment testing of loans
- Impairment testing of goodwill

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 6.1 million
How we determined it	5% of the operating profit before tax
Rationale for the materiality benchmark applied	We chose operating profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the LLB Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Group Audit Committee that we would report to them misstatements above CHF 0.3 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of LLB Group, the accounting processes and controls, and the industry in which LLB Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of loans

Key audit matter	How our audit addressed the key audit matter
<p>LLB Group grants loans to private individuals, corporates and public entities located mainly in Liechtenstein and Switzerland.</p> <p>Loans as at 31 December 2020 amount to CHF 13.2 billion (2019: CHF 13.0 billion) and thus represent the largest asset category of LLB Group. Mortgage-based loans form the majority of the loan portfolio (87% of total loans by value).</p>	<p>We tested the adequacy and effectiveness of the following key controls relating to the impairment testing of loans in the loan portfolio:</p> <ul style="list-style-type: none"> • Credit processing and authorisation: Sample testing of the requirements and processes set out in the Group's internal policies and working instructions in relation to credit processing. We also tested that approvals were granted at the appropriate level of authority.

In addition, LLB Group grants corporate loans and Lombard loans.

Loans are tested for impairment by applying the effective interest rate method and by calculating an expected credit loss (ECL). The expected credit loss is calculated as the product of the probability of default, the loan amount at default and the loss given default. The expected credit loss is calculated over the remaining term of the loan. Any impairments are recognised by means of individual loss allowances. Calculating the expected credit loss and the amount of individual loss allowances requires judgement. We focused on the following two audit matters:

- The methods used by the LLB Group to identify loans in the loan portfolio that may need a loss allowance, including loans that, according to LLB Group's definition, show indications of impairment (including the effects of the Covid-19 pandemic).
- The appropriateness and consistent application of the policies and instructions issued by Group management relating to the calculation of the expected credit loss and the amount of individual loss allowances.

The accounting principles applied to loans and the method used to identify the default risk, to determine the need for impairment and to evaluate collateral are described in the annual report.

Please refer to pages 154 and 155 (Accounting principles: Financial assets measured at amortised cost), pages 157 to 159 (Accounting policies: Impairments), page 172 (Notes to the consolidated balance sheet: 13. Loans) and pages 220 to 234 (Risk management: Credit risk).

- Credit monitoring (periodic reviews): Sample testing of identified loans at risk and the determination of a potential need for impairment.
- Credit evaluation (ECL): Sample testing of the performance of key controls in the ECL calculation and accounting process.

Where significant judgement was required, we also challenged the decisions of those authorised to approve loans with our own critical opinion as part of our substantive tests of detail. Our tests of detail covered the following:

- Sample-based testing of new business and loans at risk in the loan portfolio (including loans with individual loss allowances or indications of impairment) to evaluate whether additional loss allowances were needed.
- Sample-based testing of the method used to calculate loss allowances on the loan portfolio in terms of its appropriateness and compliance with the policies and working instructions issued by Group management.
- Sample testing of the calculated ECL value with regard to the correctness of the model input data, the plausibility check of the assumptions and the consistency with the Bank's methods and process, the calculation of the ECL value and its correct entry in the system.

The tests of key controls and tests of detail give us sufficient assurance to assess the impairment testing of loans as adequate. The assumptions used by LLB Group are in line with our expectations.

Impairment testing of goodwill

Key audit matter

LLB Group disclosed goodwill as at 31 December 2020 in the amount of CHF 163.3 million (2019: CHF 163.8 million). The goodwill stems from acquisitions of subsidiaries and it has been allocated to the four cash-generating units (CGUs): Liechtensteinische Landesbank AG, Bank Linth LLB AG, Liechtensteinische Landesbank (Österreich) AG and LLB Swiss Investment AG.

LLB Group tests goodwill for impairment at least once every year. If the test shows the value in use is higher than the carrying amount, there is no need for impairment. LLB Group uses a discounted cash flow (DCF) valuation method. The DCF method calculates the value in use based on the expected future cash flows. The method involves the following key assumptions and scope for judgement:

- Assumptions regarding expected cash flows.

How our audit addressed the key audit matter

We based our audit on the analyses and calculations performed by Group management. With the involvement of a valuation expert, we performed the following audit procedures:

- Plausibility check of the analyses performed by LLB Group relating to impairment indicators.
- Assessment of the appropriateness of the DCF method and its implementation.
- Examination of management's medium-term planning processes.
- Plausibility check of the medium-term planning of the subsidiaries (CGUs) and an assessment of the expected cash flows by means of budget vs. actual comparisons.
- Plausibility check of the assumed growth rate and discount rates based on external market information.

- Assumptions regarding discount rates and long-term growth rates.
Please refer to page 161 (Accounting principles: Goodwill and other intangible assets) and pages 180 to 182 (Notes to the consolidated balance sheet: 18. Goodwill and other intangible assets).
- Tests of the sensitivity analysis of the parameters and assumptions used.
The assumptions and judgements made by the LLB Group are in line with our expectations.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the consolidated annual report, the stand-alone annual report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the LLB Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate LLB Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Liechtenstein law and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Liechtenstein law and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LLB Group's internal control system.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the LLB Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause LLB Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the LLB Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Group Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Group Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors and the Group Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The consolidated management report (pages 140 to 143) as at 31 December 2020 comply with Liechtenstein law and the articles of incorporation. Further, the consolidated management report accords with the consolidated financial statements and, in our opinion, does not contain any material inaccurate information.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Philippe Bingert

Claudio Tettamanti

Liechtenstein Certified Public Accountant
Auditor in charge

St. Gallen, 9 March 2021



Consolidated management report

Income statement

The LLB Group earned a solid net profit after taxes in the 2020 business year of CHF 109.8 million, which was 11.0 per cent lower than in the previous year (2019: CHF 123.4 million). The considerably higher turnover from net brokerage and foreign exchange business made a positive contribution to the business result. Operating expenses fell year on year due to lower personnel expenses. Operating income was adversely affected by increased risk provisions for credits, the collapse of USD interest rates, and the negative interest rate environment in Switzerland and Europe. In the previous year, LLB had benefitted from high performance-related fees.

The net profit attributable to the shareholders of Liechtensteinische Landesbank AG amounted to CHF 103.5 million (2019: CHF 115.3 million). Basic earnings per share stood at CHF 3.39 (2019: CHF 3.77).

Operating income in the 2020 business year was lower by 5.0 per cent to CHF 430.3 million (2019: CHF 452.7 million).

Interest income increased in comparison with the previous year by 1.9 per cent, or CHF 2.8 million, to CHF 154.1 million. Income from interest business with clients benefitted from targeted growth with mortgage lending business and from lower refinancing costs. This enabled the persisting pressure on margins, as well as the extension of fixed interest loans at lower conditions, to be compensated for. The LLB Group posted a decline in other interest business due to the plunge in USD interest rates, especially in on demand due from banks. In contrast, the higher allowance stipulated by the Swiss National Bank had a favourable effect.

On account of the corona pandemic, the LLB Group carried out a systematic, risk-based analysis of its credit positions. This revealed, overall, that the Group's credit portfolio was in a robust condition. Nevertheless, risk provisions were increased slightly. Allowances for expected credit losses totally net CHF 11.6 million were allocated in the income statement (2019: release of CHF 1.0 million).

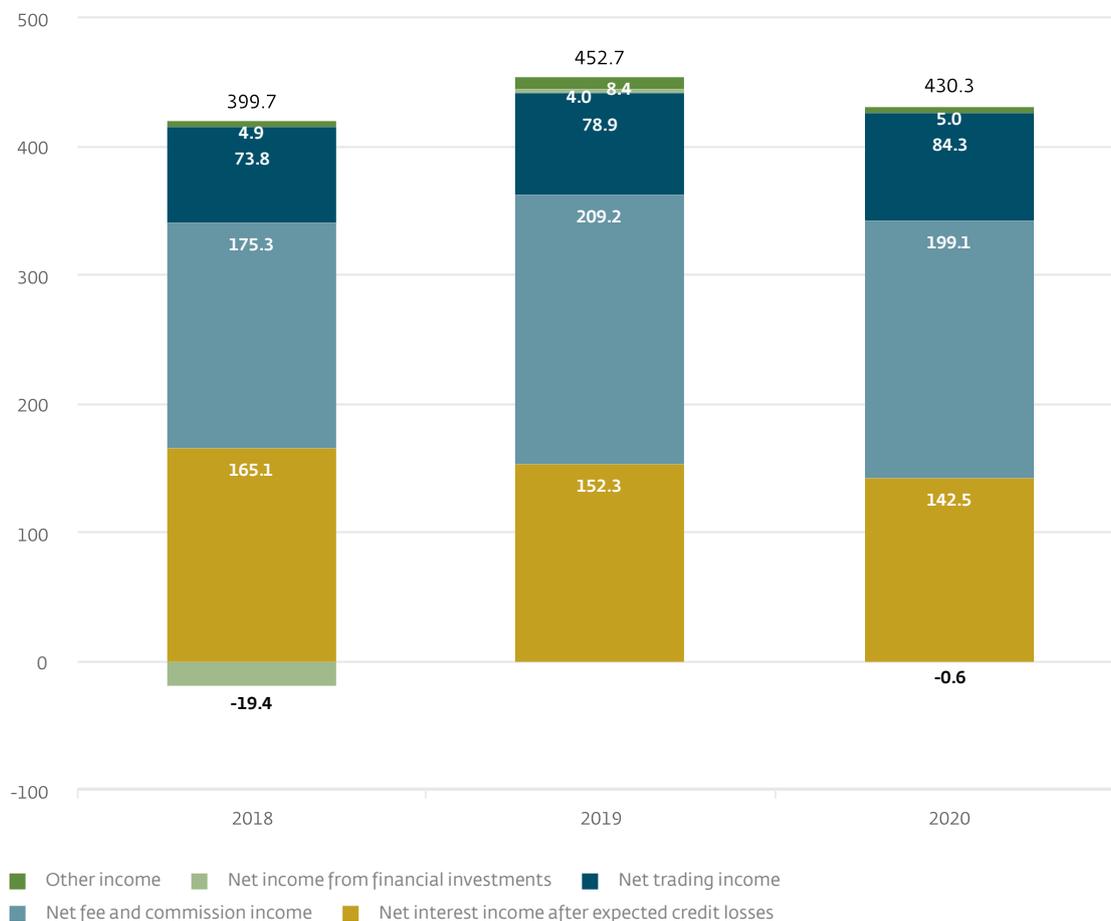
At CHF 199.1 million, net fee and commission income was down year on year (2019: CHF 209.2 million). Higher transaction-related earnings – net brokerage rose compared to the previous year by 21.0 per cent to CHF 42.1 million (2019: CHF 34.8 million) – compensated for the lower portfolio-dependent revenues. Furthermore, performance-related fees were lower.

Net trading income in the 2020 business year stood at CHF 84.3 million (2019: CHF 78.9 million). Trading in foreign exchange, foreign notes and precious metals rose year on year by 4.4 per cent to CHF 70.8 million. The increase was attributable to higher trading volumes in the first half year. The valuation gains on interest rate hedging instruments, measured on the reporting date, amounted to CHF 13.5 million (2019: CHF 11.1 million).

Income from financial investments totalled minus CHF 0.6 million (2019: CHF 4.0 million). Turbulence on the markets led to book losses, measured on the reporting date, of minus CHF 2.9 million. This position had posted a gain of CHF 1.3 million in the previous year. On the other hand, earnings from dividends recorded a positive development reaching CHF 2.4 million (2019: CHF 1.5 million).

Other income fell year on year by CHF 3.4 million to CHF 5.0 million. This was caused mainly by changes in the value of purchase price obligations in relation to acquisitions made in the 2019 business year.

Operating income (in CHF millions)



Operating expenses in the 2020 business year stood at CHF 306.7 million, 1.5 per cent lower than in the previous year (2019: CHF 311.3 million).

Personnel expenses fell by 6.1 per cent, or CHF 11.8 million, to CHF 181.0 million (2019: CHF 192.9 million). A major reason for the decrease was the adjustment of the conversion rate of the LLB's pension fund in the 2020 year, which in accordance with IAS 19 led to a credit in favour of the income statement. In addition, the headcount fell in comparison with the previous year.

General and administrative expenses at CHF 83.4 million were higher than in the previous year (2019: CHF 76.5 million). Savings were made in marketing costs and occupancy expenses. Additional costs were incurred especially with IT because of the expansion of infrastructure to permit working from home due to the corona pandemic. Moreover, investments continued to be made in projects for the future. A net total of CHF 2.0 million in provisions for legal and litigation risks was written back (2019: release of CHF 4.7 million).

Depreciation and amortisation remained stable at CHF 42.3 million (2019: CHF 41.9 million).

The Cost Income Ratio improved to 69.8 per cent (2019: 70.0 %). Without market effects, i.e. without income from interest rate swaps and price gains from financial investments, the Cost Income Ratio would have stood at 71.5 per cent (2019: 72.1 %).

Balance sheet

In comparison with 31 December 2019, the consolidated balance sheet total expanded by 4.0 per cent and stood at CHF 23.6 billion on 31 December 2020 (31.12.2019: CHF 22.7 billion).

Loans to clients climbed by 2.1 per cent to CHF 13.2 billion in comparison with December 31, 2019. Mortgage loans expanded by 3.6 per cent to CHF 11.7 billion. In contrast, the volume of loans secured by collateral decreased slightly.

Equity attributable to the shareholders of LLB amounted to CHF 2.0 billion on 31 December 2020 (31.12.2019: CHF 1.9 billion.). The tier 1 ratio stood at 21.6 per cent (31.12.2019: 19.6 %). The return on equity attributable to the shareholders of LLB amounted to 5.3 per cent (2019: 6.0 %).

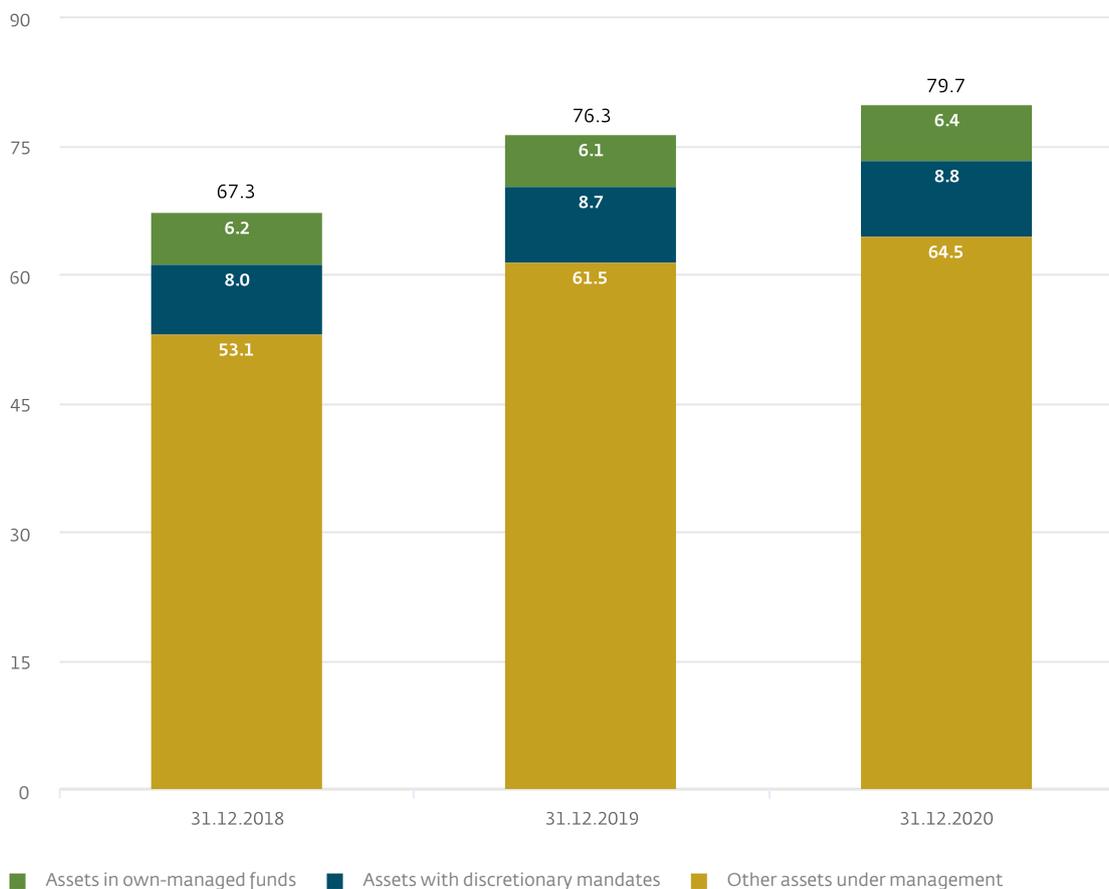
Assets under management / Business volume

The LLB Group achieved a new record business volume of CHF 92.9 billion as per 31 December 2020 (31.12.2019: CHF 89.3 billion).

In the 2020 business year, the LLB Group registered a net new money inflow of CHF 3'274 million (2019: CHF 4'142 million). Thanks to intensive efforts and sales in the markets, positive inflows were achieved in all three market segments.

Client assets under management grew by 4.4 per cent to CHF 79.7 billion in comparison to the end of the previous year (31.12.2019: CHF 76.3 billion) thanks to the net new money inflows.

Assets under Management (in CHF billion)



Outlook

In 2021 as well, the strategic core elements of growth, profitability, innovation and excellence continue to be of central importance for the LLB Group. In order to improve the Cost Income Ratio, the Group continues to count on strict cost discipline and the achievement of earnings objectives. LLB will stay on the path to growth. To offer shareholders a sustainable, attractive dividend, it will strive to attain a solid business result again in 2021.

Consolidated income statement

in CHF thousands	Note	2020	2019	+ / - %
Interest Income	1	208'384	234'340	- 11.1
Interest expenses	1	- 54'287	- 83'076	- 34.7
Net interest income	1	154'097	151'264	1.9
Expected credit losses		- 11'640	1'002	
Net interest income after expected credit losses		142'457	152'266	- 6.4
Fee and commission income	2	332'850	339'672	- 2.0
Fee and commission expenses	2	- 133'714	- 130'516	2.5
Net fee and commission income	2	199'136	209'156	- 4.8
Net trading income	3	84'294	78'906	6.8
Net income from financial investments	4	- 556	4'049	
Other income	5	4'975	8'371	- 40.6
Total operating income		430'306	452'748	- 5.0
Personnel expenses	6	- 181'040	- 192'860	- 6.1
General and administrative expenses	7	- 83'371	- 76'547	8.9
Depreciation	8	- 42'251	- 41'925	0.8
Total operating expenses		- 306'663	- 311'332	- 1.5
Operating profit before tax		123'643	141'416	- 12.6
Tax expenses	9	- 13'820	- 18'038	- 23.4
Net profit		109'823	123'378	- 11.0
Of which attributable to:				
Shareholders of LLB		103'524	115'274	- 10.2
Non-controlling interests	33	6'299	8'104	- 22.3
Earnings per share attributable to the shareholders of LLB				
Basic earnings per share (in CHF)	10	3.39	3.77	- 10.0
Diluted earnings per share (in CHF)	10	3.38	3.75	- 9.9

Consolidated statement of comprehensive income

in CHF thousands	Note	2020	2019	+ / - %
Net profit		109'823	123'378	- 11.0
Other comprehensive income (net of tax), which can be reclassified to the income statement				
Foreign currency translation	32/33	- 1'265	- 13'426	- 90.6
Changes in value of debt instruments, recognised at fair value through other comprehensive income		17'865	19'509	- 8.4
Reclassified (profit) / loss with debt instruments, recognised at fair value through other comprehensive income	4	- 2	- 1'343	- 99.8
Tax effects	25	- 1'859	- 621	199.4
Total		14'738	4'119	257.8
Other comprehensive income (net of tax), which cannot be reclassified to the income statement				
Actuarial gains / (losses) of pension plans		9'225	1'089	747.1
Changes in value of equity instruments, recognised at fair value through other comprehensive income		84	6'086	- 98.6
Income from the sale of securities, which was recognised at fair value in other comprehensive income		- 204	0	
Tax effects	25	- 854	- 688	24.1
Total		8'251	6'487	27.2
Total other comprehensive income (after tax)		22'989	10'606	116.8
Comprehensive income for the period		132'811	133'984	- 0.9
Of which attributable to:				
Shareholders of LLB		127'211	123'859	2.7
Non-controlling interests		5'601	10'125	- 44.7

Consolidated balance sheet

in CHF thousands	Note	31.12.2020	31.12.2019	+ / - %
Assets				
Cash and balances with central banks	11	6'715'610	5'447'642	23.3
Due from banks	12	691'011	1'352'338	- 48.9
Loans	13	13'229'931	12'960'524	2.1
Derivative financial instruments	14	199'634	112'798	77.0
Financial investments	15	2'192'312	2'168'375	1.1
Non-current assets held for sale	36	6'813	19'000	- 64.1
Investment in associates and joint venture		30	31	- 3.0
Property and equipment	16	148'895	158'923	- 6.3
Investment property	17	15'000	15'000	0.0
Goodwill and other intangible assets	18	278'289	290'102	- 4.1
Current tax assets		1'290	819	57.4
Deferred tax assets	25	11'483	15'538	- 26.1
Accrued income and prepaid expenses		60'601	61'800	- 1.9
Other assets	19	24'087	58'999	- 59.2
Total assets		23'574'986	22'661'890	4.0
Liabilities				
Due to banks	21	1'326'170	1'526'308	- 13.1
Due to customers	22	17'752'199	16'964'118	4.6
Derivative financial instruments	14	249'176	180'065	38.4
Debt issued	23	1'794'317	1'582'991	13.3
Non-current liabilities held for sale	36	2'250	2'261	- 0.5
Current tax liabilities		13'525	13'752	- 1.6
Deferred tax liabilities	25	28'992	30'946	- 6.3
Accrued expenses and deferred income		63'398	61'754	2.7
Provisions	26	11'199	14'907	- 24.9
Other liabilities	27	196'167	224'692	- 12.7
Total liabilities		21'437'392	20'601'793	4.1
Equity				
Share capital	28	154'000	154'000	0.0
Share premium	29	- 13'177	- 22'432	- 41.3
Treasury shares	30	- 18'663	- 23'574	- 20.8
Retained earnings	31	1'902'316	1'866'121	1.9
Other reserves	32	- 20'911	- 44'803	- 53.3
Total equity attributable to shareholders of LLB		2'003'565	1'929'312	3.8
Non-controlling interests	33	134'029	130'785	2.5
Total equity		2'137'594	2'060'097	3.8
Total liabilities and equity		23'574'986	22'661'890	4.0

Consolidated statement of changes in equity

in CHF thousands	Attributable to shareholders of LLB							Non-controlling interests	Total equity
	Note	Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Total		
As at 1 January 2019		154'000	- 21'157	- 8'195	1'815'053	- 53'388	1'886'313	123'391	2'009'705
Net profit					115'274		115'274	8'104	123'378
Other comprehensive income						8'585	8'585	2'021	10'606
Net movements in treasury shares	29/30		- 1'275	- 15'379			- 16'654		- 16'654
Dividend 2018, paid 2019	31/33				- 64'309		- 64'309	- 2'167	- 66'475
Increase / (Reduction) in non-controlling interests	31/33				102		102	- 564	- 462
As at 31 December 2019		154'000	- 22'432	- 23'574	1'866'121	- 44'803	1'929'312	130'785	2'060'097
As at 1 January 2020		154'000	- 22'432	- 23'574	1'866'121	- 44'803	1'929'312	130'785	2'060'097
Net profit					103'524		103'524	6'299	109'823
Other comprehensive income						23'688	23'688	- 699	22'989
Reclassification not affecting the income statement *	31/32				- 204	204	0		0
Net movements in treasury shares **	29/30		9'255	4'911			14'166		14'166
Dividend 2019, paid 2020	31/33				- 67'124		- 67'124	- 2'357	- 69'480
Increase / (Reduction) in non-controlling interests	31/33				0		0	0	0
As at 31 December 2020		154'000	- 13'177	- 18'663	1'902'316	- 20'911	2'003'565	134'029	2'137'594

* The reclassification reflects the transfer of the profit from the sale of financial investments in equity instruments, which was recognised at fair value in other comprehensive income (see also note 15).

** Contains change of reserves for security entitlements.

Consolidated statement of cash flows

in CHF thousands	Note	2020	2019
Cash flow from / (used in) operating activities			
Interest received		220'627	242'580
Dividends received from financial investments	4	2'360	1'505
Interest paid		- 56'016	- 83'128
Fees and commission received		335'285	337'237
Fees and commission paid		- 126'786	- 134'513
Trading income		57'343	64'536
Other income		3'369	3'541
Payments for personnel, general and administrative expenses		- 272'973	- 272'506
Income tax paid		- 14'572	- 18'095
Rent paid for short-term and low-value leases		- 508	- 521
Cash flow from operating activities, before changes in operating assets and liabilities		148'128	140'634
Net due from / to banks		264'284	122'722
Loans / due to customers		516'985	- 563'070
Other assets		29'270	- 6'295
Other liabilities		10'965	- 18'453
Changes in operating assets and liabilities		821'503	- 465'096
Net cash flow from / (used in) operating activities		969'631	- 324'462
Cash flow from / (used in) investing activities			
Purchase of property and equipment	16	- 10'007	- 11'993
Disposal of property and equipment	16	1'485	0
Purchase of other intangible assets	18	- 11'968	- 16'083
Disposal of other intangible assets	18	0	0
Purchase of financial investments		- 453'140	- 495'544
Disposal of financial investments		435'670	289'362
Payment of conditional or deferred purchase price in connection with the purchase of fully consolidated companies		0	- 57'917
Purchase of non-current assets held for sale		0	- 1'498
Sale of non-current assets held for sale	36	14'109	3'678
Net cash flow from / (used in) investing activities		- 23'850	- 289'995

Consolidated statement of cash flows

in CHF thousands	Note	2020	2019
Cash flow from / (used in) financing activities			
Purchase of treasury shares	30	0	- 18'079
Dividends paid	31	- 67'124	- 64'309
Dividends paid to non-controlling interests	33	- 2'357	- 2'167
Reduction in non-controlling interests	31/33	0	- 462
Repayment of lease liabilities	24	- 5'106	- 5'118
Issuance of debt	24	358'925	538'023
Repayment of debt	24	- 146'850	- 191'083
Net cash flow from / (used in) financing activities		137'488	256'805
Effects of foreign currency translation on cash and cash equivalents		- 10'488	- 56'313
Net increase / (decrease) in cash and cash equivalents		1'072'781	- 413'965
Cash and cash equivalents at beginning of the period		6'053'089	6'467'055
Cash and cash equivalents at end of the period		7'125'871	6'053'089
Cash and cash equivalents comprise:			
Cash and balances with central banks	11	6'715'610	5'447'642
Due from banks (due daily)	12	410'261	605'448
Total cash and cash equivalents		7'125'871	6'053'089

Accounting principles

1 Basic information

The LLB Group offers a broad spectrum of financial services. Of particular importance are asset management and investment advisory for private and institutional clients, as well as retail and corporate client businesses.

The Liechtensteinische Landesbank Aktiengesellschaft, founded in and with its registered office located in Vaduz, Principality of Liechtenstein, is the parent company of the LLB Group. It is listed on the SIX Swiss Exchange.

The Board of Directors reviewed this consolidated annual statement at its meeting on 9 March 2021 and approved it for publication.

2 Summary of significant accounting policies

The significant accounting and valuation methods employed in the preparation of this consolidated financial statement are described in the following. The described methods have been consistently employed for the reporting periods shown, provided no statement to the contrary is specified.

2.1 Basis for financial accounting

2.1.1 General points

The consolidated financial statement was prepared in accordance with the International Financial Reporting Standards (IFRS). Except for of the revaluation of certain financial assets and liabilities, the consolidated financial statement was prepared on the basis of the historical acquisition or production cost.

On account of detailed definitions in its presentation, the consolidated financial statement of the comparison period may contain reclassifications. These have no, or no substantial, effect on the business result. No further details in relation to reclassifications are provided because only the type of presentation was altered.

2.1.2 New IFRS, amendments and interpretations

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

2.1.2.1 Changes to accounting policies effective from 1 January 2020

The following new or amended IFRS or amendments were applied by the LLB Group from 1 January 2020. The LLB Group decided against the early adoption of amendments coming into effect at a later date. On account of their importance, only the amendments in connection with the IBOR Reform, Phase 1 are dealt with in more detail.

IBOR Reform, Phase 1 – Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"

Phase 1 of the reform deals with issues relating to financial reporting in the period prior to the replacement of an existing benchmark interest rate by an alternative interest rate. This includes various simplifications which, provided they are relevant, will be applied. Phase 1 has no material effects on the LLB Group, it leads merely to the further disclosure mentioned in the following paragraph. In the next paragraph comments are provided regarding the current project status in the implementation of the IBOR reform.

The instruments affected by the IBOR reform employ LIBOR as the benchmark rate until the end of 2021. The positive replacement value amounts to CHF 4.1 million, the negative replacement value totals CHF 41.6 million. The underlying contract volume amounts to CHF 2'025 million.

In relation to the transition of existing LIBOR-based interest rate swaps to a new benchmark interest rate, the LLB Group relies on the criteria defined by the International Swaps and Derivatives Association (ISDA). The LLB Group has completed the analysis of the documentation and is currently formulating a procedure to replace the benchmark interest rate. The project is on schedule.

Other standards and interpretations

The effects of the following new or amended standards and interpretations have no major influence on the LLB Group's financial statement; they largely concern clarifications in relation to disclosure requirements:

- ♦ Amendments to IFRS 3 "Business Combinations" – The definition of what constitutes a business was adjusted and a simplified concentration test was introduced.
- ♦ IAS 1 „Presentation of Financial Statements“ and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – The definition of materiality was altered in order to standardise and clarify the definition in the various IFRS.
- ♦ Changes in connection with the introduction of the new conceptual framework.

2.1.2.2 Applicable for financial years beginning on 1 January 2021

The following new or amended IFRS or interpretations are relevant for the LLB Group from 1 January 2021 or later. The LLB Group decided against an early adoption unless otherwise stated. On account of their importance, only the amendments in connection with the IBOR Reform, Phase 2 are dealt with in more detail.

IBOR-Reform Phase 2 – Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases".

Phase 2 of the reform deals with issues relating to financial reporting at the time of the replacement of an existing benchmark interest rate by an alternative interest rate. The amendments, applicable retrospectively from 1 January 2021, should mitigate the effects of the IBOR reform on financial reporting.

The LLB Group only employs fair value hedge accounting. Phase 2 stipulates from what date the use of the Phase 1 simplifications is to be discontinued. Thereafter the existing regulations governing a hedge accounting relationship are again to be applied. In addition, with the transition to a new benchmark interest rate, the hedge accounting documentation must be adjusted.

The Phase 2 amendments will have no material effect on the financial statement of the LLB Group, rather they will lead merely to further disclosures in the 2021 business year. The amendments to IFRS 4 and IFRS 16 will not be implemented.

Other standards and interpretations

According to the preliminary analyses made, the effects of the following new or amended standards and interpretations have no major influence on the LLB Group's financial statement:

- ♦ IAS 1 "Presentation of Financial Statements" – Classification of Debt as short or long-term
- ♦ IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Clarification of the definition of obligation settlement costs
- ♦ Annual adjustments within the scope of the Annual Improvements to IFRS 2018 – 2020 Cycle

2.1.3 Use of estimates in the preparation of financial statements

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

obligation to update the statements regarding future developments made in this annual report.

The IFRS contains guidelines which require the LLB Group to make estimates and assumptions when preparing the consolidated financial statement. Expected credit losses, goodwill, intangible assets, provisions, fair value conditions for financial instruments and value liabilities for pension plans are all areas which leave large scope for estimate judgments. Assumptions and estimates made in these areas could be substantial to the financial statement. Explanations regarding this point are shown under notes [13](#), [18](#), [26](#), [34](#) and in the chapter "[Pension plans and other long-term benefits](#)".

2.2 Consolidation policies

The consolidated financial statement adopts a business perspective and follows a financial format. The consolidation period corresponds to the calendar year.

2.2.1 Subsidiaries

The consolidated financial statement incorporates the financial accounts of Liechtensteinische Landesbank AG and its subsidiaries. LLB Group companies, in which Liechtensteinische Landesbank AG holds, directly or indirectly, the majority of the voting rights or otherwise exercises control, are fully consolidated.

The capital consolidation is carried out according to the purchase method.

2.2.2 Participation in associated companies

Associated companies are recognised according to the equity method.

2.2.3 Investment in joint venture

Joint ventures, i.e. companies in which LLB has a 50 per cent participation, are recognised according to the equity method.

2.2.4 Changes to the scope of consolidation

There were no changes in the scope of consolidation in the 2020 financial year.

2.3 General principles

Sales and purchases from trading assets, derivative financial instruments and financial investments are booked on the transaction date. Loans, including those to clients, are recorded in that period of time in which the funds flow to the borrower.

2.3.2 Income accrual

Interest and dividend income is subject to the provisions of IFRS 9. Interest income is recorded using the effective interest method and dividends are recorded at the time point when a legal claim comes into existence.

Income disclosed in [note 2](#) is subject to the provisions of IFRS 15 "Revenue from contracts with customers". For further information see point [2.7](#). "[Recognition of revenues](#)"

2.3.3 Inland versus abroad

"Inland" encompasses the Principality of Liechtenstein and Switzerland.

2.4 Foreign currency translation

The items contained in the financial accounts of each Group company are valued in the currency which is used in the primary business environment in which the company operates (functional currency).

The reporting currency of the LLB Group is the Swiss franc.

2.4.2 Group financial statement

Group companies which report their financial accounts in a functional currency other than the Group's reporting currency are translated as follows: all assets and liabilities are converted at the relevant exchange rate valid on the balance sheet date. All individual items in the income statement and

statement of cash flows are converted at the average exchange rate for the accounting period. All resulting exchange differences are booked individually to equity and other comprehensive income, respectively.

2.4.3 Separate financial statements

Foreign currency transactions are translated on the day of the transaction at spot rates into the functional currency. Foreign currency differences with financial assets and financial liabilities occur if the exchange rate prevailing on the reporting date differs from the spot rate on the transaction date. In the case of monetary items, the resulting foreign currency differences are recognised in the income statement in the position foreign exchange trading under net trading income. The same applies to non-monetary items, which are recognised at fair value. In the case of non-monetary items, whose fair value changes are recognised directly in equity and in other comprehensive income without affecting net income, respectively, the foreign currency difference is a part of the change in fair value. If material, the foreign currency difference is reported. The following exchange rates were employed for foreign currency conversion:

Reporting date rate	31.12.2020	31.12.2019
1 USD	0.8803	0.9662
1 EUR	1.0802	1.0854

Average rate	2020	2019
1 USD	0.9373	0.9928
1 EUR	1.0720	1.1117

2.5 Cash and cash equivalents

The cash reported in the consolidated statement of cash flows consist of Cash and balances with central banks, cash in hand, postal cheque balances, giro and sight deposits at the Swiss National Bank and foreign central banks, as well as clearing credit balances at recognised central savings and clearing banks, claims from money market instruments with an original maturity period of less than three months, as well as loans due from banks (due daily).

2.6 Measurement of balance sheet positions

Depending on the basis on which they are measured, balance sheet positions can be assigned to two groups: IFRS 9 relevant and IFRS 9 non-relevant. The major portion of the LLB Group's balance sheet total is composed of balance sheet items that are measured according to IFRS 9.

2.6.1 Balance sheet positions measured according to IFRS 9 and portfolio hedge accounting according to IAS 39

A financial asset or a financial liability is recognised when LLB or one of its subsidiaries becomes a contracting party. Financial assets and liabilities are always initially recognised at fair value. Provided no measurement at fair value through profit and loss is made, the transactions costs form an integral part of the fair value of the financial instrument. This corresponds to a valuation at effective cost.

2.6.1.1 Classification and measurement of financial assets

Under IFRS 9, there are three methods of measuring financial assets, which have an influence on subsequent valuations. How a financial asset is measured depends on the business model employed by the company and the cash flow characteristics of the financial asset.

The following table provides an overview of the individual measurement methods and the assets associated with them at the LLB Group:

	Valuation method		
	Amortised cost	At fair value through other comprehensive income	At fair value through profit and loss
Assets	Cash and balances with central banks Due from banks Loans	Financial investments - Debt instruments - Equity instruments	Financial investments - Debt instruments - Equity instruments Derivative financial instruments
Conditions	"Hold" business model SPPI ability	Debt instruments - "Hold to Collect and Sell" business model - SPPI ability - Equity instruments - Designation - Not held for trading purposes - No contingent consideration resulting from business combinations	"Others" business model Conditions of other valuation methods not fulfilled

Employment within the LLB Group

With respect to the classification of financial assets at the LLB Group, there is scope for discretion only in the case of financial investments, and assumptions are made only in relation to the business model and SPPI conformity. In the case of financial investments, the management of the LLB Group determines the strategy and the respective business model for all Group companies. Two business models are employed: "Hold and Sell" and "Others". The allocation to the individual business model depends on the category to which the financial investment belongs. The LLB Group divides financial investments into two categories: "Asset & Liability Management" and "Strategic Participations".

Debt instruments in the "Asset & Liability Management" category are assigned to the "Hold and Sell" business model. Basically – provided they fulfil SPPI criteria – they are recognised at fair value in other comprehensive income. In the case of investments in new issues, the internal assessment is compared downstream with an external assessment from Bloomberg. Where assumptions diverge and there is no conformity with SPPI criteria according to Bloomberg, management is informed accordingly. It then decides about the further treatment of the debt instruments. An external assessment is utilised in the case of instruments which are traded on a market. Old holdings, i.e. debt instruments that under IAS 39 "Financial Instruments: Recognition and Measurement" were recognised at fair value through profit and loss, will continue to be measured according to this method. These serve primarily as economic hedging instruments and therefore do not fulfil the criteria of the business models "Hold" or "Hold and Sell". They are assigned to the business model "Others".

Financial investments of the strategic participations category encompass equity instruments and investment fund units. They do not fulfil the SPPI criteria and are therefore recognised at fair value through profit and loss. In the case of some equity instruments that comply with the definition of equity capital securities, they are designated irrevocably for measurement at fair value in other comprehensive income (OCI). Consequently, if the instruments are sold, the unrealised gains accrued in other comprehensive income cannot be recycled. Further information is provided in [note 15](#).

The decision regarding the allocation to a business model or the appropriate designation is made at the product level.

Financial assets measured at amortised cost

- ♦ Cash and balances with central banks
These are measured at amortised cost using the effective interest method. Since neither premiums nor discounts play a role, the value corresponds to the nominal value.
- ♦ Due from banks and loans
These claims are measured at amortised cost using the effective interest method and taking into

consideration an expected credit loss (ECL), since financial instruments measured at amortised cost are subject to a credit risk which has to be considered. The value stated in the balance sheet therefore corresponds to a net carrying amount because the expected credit loss is recognised in the balance sheet as a reduction of the carrying amount of a receivable. For off-balance sheet items, such as a commitment, however, a provision for credit loss is reported. The off-balance sheet total is not reduced. The impairments are recognised in the income statement and reported under "Expected credit losses". Detailed information about expected credit loss and its calculation is provided in point 2.6.1.4 "Impairments". Further information can be found in "Risk management" chapter 3 "Credit risk". Interest and negative interest is recognised on an accrual basis and reported in interest income. The calculation basis is the gross carrying value for the financial instruments of stages 1 and 2, i.e. the value attained using the effective interest method before expected credit loss. In the case of stage 3 positions, the basis is the net carrying value. Basically, the LLB Group extends loans only on a collateralised basis, or only to counterparties having very high credit worthiness.

Financial assets recognised at fair value through other comprehensive income

- ◆ Debt instruments

The measurement of debt instruments (corporate bonds) is carried out at amortised cost using the effective interest method. Unlike a measurement at amortised cost, the value is subsequently adjusted to fair value. Note 34 contains more information about the calculation of fair value. Debt instruments are subject to a credit risk. An expected credit loss is calculated in order to take this risk into consideration. In contrast to assets measured at amortised cost, no value adjustment of the asset is made. The expected credit loss is recognised in the income statement in the position "Expected credit losses", the counter entry is made in other comprehensive income. Detailed information on expected credit loss and its calculation is provided in point 2.6.1.4 "Impairments". Further information can be found in "Risk management" chapter 3 "Credit risk". Interest and negative interest is recognised on an accrual basis and reported in interest income. The carrying amount is the value obtained using the effective interest method before adjustment to the fair value. When the debt instrument reaches final maturity, or is sold prior to final maturity, the unrealised gains accrued in other comprehensive income are reclassified in income from financial assets.

- ◆ Equity instruments

Equity instruments are measured at fair value. Value changes and the corresponding gains / losses are recognised in other comprehensive income. Note 34 contains information about the calculation of fair value. In the case of the disposal of the equity instruments, the unrealised gains reported in the consolidated statement of comprehensive income are not reclassified in the income statement. These are reclassified in retained earnings without affecting the income statement. Dividend earnings are recognised in the income statement under income from financial investments.

Financial assets at fair value through profit and loss

- ◆ Derivative financial instruments

Derivative financial instruments are valued as positive or negative replacement values corresponding to fair value and are reported in the balance sheet. Note 34 contains information about the calculation of fair value. Derivative financial instruments are held within the LLB Group for hedging and trading purposes. If the derivative financial instruments held for hedging purposes do not fulfil the strict IFRS hedge accounting criteria, changes in fair value are recognised, as with derivative financial instruments held for trading purposes, in net trading income. According to the guidelines governing fair value hedge accounting, income effects with hedging transactions occur only if opposite earnings effects do not completely neutralise each other. They are reported in net interest income.

- ◆ Hedge accounting

Within the scope of risk management at the LLB Group, derivative financial instruments are employed principally to manage interest rate risk and only with counterparties having very high credit worthiness within predetermined limits. The management of interest rate risks is based on the requirements of the limits system. If these transactions fulfil the IFRS-specific hedge accounting criteria, and if these were employed as hedging instruments from a risk management perspective, they can be shown according to hedge accounting guidelines. If these transactions do not fulfil the IFRS-specific hedge accounting criteria, they are not presented according to hedge accounting

guidelines, even if from an economic point of view they represent hedging transactions and are consistent with the risk management principles of the LLB Group. The LLB Group employs portfolio fair value hedge accounting (PFVH) for fixed-interest rate interest instruments interest rate instruments. In this case, the interest rate risks of the underlying transaction (e.g. a fixed-rate mortgage) are hedged by means of hedging instruments (e.g. an interest rate swap). The PFVH portfolios consist of a sub portfolio of hedging transactions, which is compared with a sub portfolio of underlying transactions. The interest rate risk profile of the sub portfolios is determined using an optimisation algorithm in order to achieve an optimum hedge allocation. The portfolios are designated over a hedge period of one month and are measured both retrospectively and prospectively. The effect on the income statement of the change in fair value of the hedging instrument is recognised under the same position in the income statement as the respective effect of the change in fair value of the hedged basic transaction. In the case of the hedging of interest rate risks at the portfolio level, the fair value change in the hedged item is recognised in the same balance sheet position as the underlying item. If fair value hedge accounting is employed for reasons other than the derecognition of the hedged transaction, the amount, which is reported in the same balance sheet position as the underlying transaction, is amortised over the residual term of the underlying transaction in the income statement.

♦ Financial investments

Within the LLB Group, the portfolio of financial investments recognised at fair value through profit and loss encompasses debt instruments and equity instruments. The debt instruments include both corporate bonds and investment fund units. The fund units represent callable instruments, which do not meet the criteria for equity instruments. These financial assets are measured at fair value. [Note 34](#) contains information about the calculation of fair value. Non-realised gains or losses are reported in income from financial investments.

2.6.1.2 Classification and measurement of financial liabilities

Basically, the LLB Group's financial liabilities are classified at amortised cost. The only exception is derivative financial instruments, which are classified at fair value through profit and loss.

The following table provides an overview of the individual measurement methods and the financial liabilities with which they are employed at the LLB Group.

	Valuation method	
	Amortised cost	At fair value through profit and loss
Liabilities	Due to banks Due to customers Commitments for leases Debt issued	Derivative financial instruments

Financial liabilities measured at amortised cost

These liabilities are measured at amortised cost using the effective interest method.

Interest and negative interest is recognised on an accrual basis and reported in interest income. Effects which arise as a result of the early disposal of the financial liability are recognised in the income statement.

Financial liabilities at fair value through profit and loss

Only derivative financial instruments are measured at fair value through profit and loss within the LLB Group. [Note 34](#) contains information about the calculation of fair value.

2.6.1.3 Derecognition of financial assets and liabilities

The derecognition of financial assets occurs if the contractual claim to payment streams expires or if the ownership of the financial assets with all pertaining rights and risks is transferred.

Financial liabilities are derecognised when they have been settled.

2.6.1.4 Impairments

In line with IFRS 9, the LLB Group has developed and implemented an impairment model in order to quantify expected credit losses.

Governance in relation to input factors, assumptions and estimation procedures

The impairment model for the determination of the expected credit loss requires a range of input factors, assumptions and estimation procedures that are specific to the individual institute. This, in turn, necessitates the establishment of a governance process. The Board of Management is responsible for the regular review, stipulation and approval of input factors, assumptions and estimation procedures, which must be carried out at least once a year. In addition, internal control systems at the LLB Group ensure the correct quantification of the expected loss as well as the conformance with IFRS.

Segmentation of the credit portfolio

The LLB Group segments its credit portfolio according to two criteria: by type of credit and by customer segment. The following types of credit are considered for the modelling of probability of default (PD), loss given default (LGD) and exposure at default (EAD):

- ◆ Mortgage loans
- ◆ Lombard loans
- ◆ Unsecured loans
- ◆ Financial guarantees
- ◆ Credit cards
- ◆ Bank deposits, secured
- ◆ Bank deposits, unsecured
- ◆ Financial investments
- ◆ SIC (Swiss National Bank)

In the case of the first five listed types of credit, a further differentiation is made between the customer segments: private clients, corporate clients and public sector debtors. There are therefore 19 segments, which differ from each other in the modelling of the calculation parameters, to enable the LLB Group's credit portfolio to be segregated into risk groups that are as homogenous as possible.

Modelling principles and calculation parameters of expected credit loss

The calculation of the expected credit loss is based on the components: probability of default, exposure at default and loss given default, whereby specific scenarios are used to determine these criteria. The most important differences in the modelling of the calculation parameters are shown in the following.

- ◆ Probability of default: The probability of default is determined differently depending on the segment. In the case of corporate clients, the ratings are based on an external scoring model where the financial statements of the corporate clients serve as a basis for the calculation of the respective ratings and probability of default. With bank and financial deposits, the ratings and probability of default are obtained from external sources (Moody's). Basically, the probability of default is calculated at the position level. One exception is the private client segment, where a global probability of default is applied for the entire private client segment. In determining the portfolio probability of default, the only differentiation made is based on the internal historical default rates. A common factor with all ratings is that the probability of default in all cases is determined on a through-the-cycle basis, which is adjusted within the scope of micro- scenarios to take into consideration the expected economic conditions (point in time). For this purpose, in the case of private and corporate clients, the LLB Group estimates the development of interest rates as well as gross domestic product and models the impact of the expected economic development on the probability of default. In the case of bank and financial investments having ratings from Moody's, this agency's outlook of their future development is considered in the calculation.
- ◆ Exposure at default: Exposure at default is determined on the basis of the average amortised cost in the individual monthly period. The development of amortised cost is calculated on the basis of the initial credit exposure compounded with the effective interest, plus or minus additional inflows or outflows of resources such as amortisation payments. The average amortised cost of the individual period is extrapolated from the development resulting from integration and division by the length of the periods. The duration of the credits is in accordance with the conditions specified in the credit agreement. In the case of credits having an unspecified duration, a model is used as basis for the calculation. The term of the loans is defined in the individual credit agreements. In the case of loans

with an unspecified term, a model is used to ascertain the term. The period of notice is used as a basis for the calculation. Cash inflows (loan repayments) are defined on the basis of the planned amortisation payments. Cash outflows (loan increases) are dependent on the type of loan and the agreed-but-not-yet-utilised credit limit. Internal experts estimate a credit conversion factor, which is approved by the Board of Management, and is then employed to define the expected credit utilisation.

- ♦ Loss given default: Basically, there are three approaches for determining the loss given default: internal loss given default models (loans with real estate collateral), estimates made by internal experts (Lombard loans) and external studies from Moody's (bank and financial deposits). In the case of loss given default models, the LGD of loans secured by mortgages is calculated on the basis of workout procedures at the position level, taking into consideration the collateral provided. In this case, all the expected future cash flows are estimated and discounted. In addition, the value of the collateral provided is modelled on the basis of the expected development of real estate prices given various scenarios.

The expected credit loss is calculated as the sum of probability of default, exposure at default and loss given default.

The credit quality determines the structure of the calculation.

- ♦ Credit quality level 1: No significant increase in the credit risk since initial recognition; the expected credit loss is calculated over one year.
- ♦ Credit quality level 2: Significant increase in the credit risk since initial recognition; the expected credit loss is calculated over the remaining term of the loan.
- ♦ Credit quality level 3: Default in accordance the Capital Requirements Regulation (CRR). Art. 178 CRR specifies that a default can be considered to have occurred when a) it is unlikely that the debtor can pay back his liabilities in the full amount unless measures such as, for example, the realisation of collateral have to be implemented, or b) a substantial liability is more than 90 days overdue. In the case of defaulted positions, a specific value allowance is determined. The expected credit loss is calculated over the remaining term of the loan.

The allocation to a credit quality level has a influence on the magnitude of the expected credit loss because in the case of level 2 and level 3 positions this can be substantially higher than with level 1 positions.

Credit quality level, monitoring of significant increase in credit risk (SICR) and cure period

Loans are allocated to a credit quality level. In addition to historical analysis, forward-looking factors are taken into consideration.

Historical analysis at the LLB Group considers, for example, whether the credit risk with a position has significantly increased since the beginning of the contractual term, or whether there are already payment arrears. Payments more than 30 days past due are assigned to credit quality level 2; payments more than 90 days past due are assigned to credit quality level 3. In the event of an increase of one percentage point in the default probability, the LLB Group assumes there will be a significant increase in the credit risk and accordingly calculates the expected credit loss for such positions over the remaining term of the loan.

In a forward-looking test, based on the development of a customer's cash flows, it is examined whether a deterioration in the credit worthiness of the customer is to be expected in the future. Furthermore, in the case of bank and financial deposits, for example, the expectations of the rating agencies with respect to the future development of the ratings are considered in the assignment of a credit quality level for a loan.

During initial recognition, all risk-bearing positions are allocated to level 1 because no financial assets having an adverse effect on credit quality are purchased or generated.

Loans in credit quality level 2 are only reassigned to credit quality level 1 following a sustained improvement in their credit quality. The LLB Group defines a sustained improvement in credit quality as being the fulfilment of the criteria for credit quality level 1 for at least three months.

In the case of loans in credit quality level 3, the Group Recovery Department is responsible for estimating the extent of a sustained improvement in credit quality. This decision is largely guided by whether the default, as defined by the LLB Group, still exists or not. Here too, in order for a position to be returned to credit quality level 2, the criteria governing the credit quality level must have been fulfilled for at least three months.

Macro-scenarios

Three scenarios are utilised for the measurement of the expected credit loss: a basic scenario as well as a negative and a positive scenario. The probability of a credit loss occurring is the same with all three scenarios. The average value derived from these scenarios represents the final expected credit loss.

In determining the expected credit loss on the basis of the various scenarios, the LLB Group utilises the following three macro-factors, which have an influence on the creditworthiness of a debtor as well as on the value of the collateral provided for the loan:

- ♦ Gross domestic product
- ♦ Interest rate development
- ♦ Real estate price development

The impact of the macro-factors is based on estimates made by the Asset Management Division of LLB AG and the Risk Management Department of the LLB Group, whereby the macro-factors are also regularly submitted to the Board of Management for its approval.

Definition of default, determination of creditworthiness and write-off policy

Under IFRS 9, the LLB Group bases its definition of default on the Capital Requirements Regulation (Art. 178 CRR) in order to ensure a uniform definition for regulatory and accounting policy purposes. On the one hand, claims which are more than 90 days past due are regarded as defaulted and, on the other, indications that a debtor is unlikely to pay its credit obligations can also lead to a loan being classified as in default.

The LLB Group regards a financial asset as being impaired when its recoverable value, which is determined on the basis of a calculation of the present value, is lower than the carrying value. The difference between the present value and the carrying value is recognised as a specific allowance.

A cautious write-off policy is pursued with impaired assets because if a debt is waived it can no longer be recovered. A debt is written off only when there is no reasonable expectation of recovery in the future, a pledge default certificate has been submitted, which enables, in spite of the write-off, the remaining debt or a part of the remaining debt to be claimed, and where agreement has been reached with the debtor that LLB or a subsidiary within the LLB Group irrevocably waives a part of the debt.

Reporting of impairments

The LLB Group reports all impairments in the position "Expected credit losses". This is part of operating income.

2.6.2 Balance sheet positions outside IFRS 9

2.6.2.1 Non-current assets and liabilities held for sale

Within the scope of recovery measures, LLB classifies the auctioned properties of its debtors as held for sale as soon as the corresponding criteria are fulfilled.

Properties or companies owned by a Group company are classified as held for sale if these are to be disposed of in line with the location or business strategy and corresponding criteria are fulfilled.

2.6.2.2 Property, investment property and other equipment

Property is reported in the balance sheet at acquisition cost less any depreciation necessary for operational reasons. Bank buildings are buildings held by the LLB Group for use in the delivery of services or for administrative purposes.

At the LLB Group, investment property is held for the purpose of capital appreciation and are accounted for in accordance with the fair value model. A classification is made only on the basis of objective

indications and not on the basis of an intention to change the use of a property. The value of investment property is periodically assessed by external experts. Changes in the fair value, based on the report made by the experts, are recognised in the income statement as an allowance on property in the current period. Details are provided in footnotes if the change in fair value is substantial and therefore could have a significant effect on income. The LLB Group possesses only a few properties, which it does not use itself entirely. The part of the property it does not use itself is rented out. This part property is always immaterial and cannot be separately sold. Accordingly, the properties are not classified as investment property.

Other equipment encompasses fixtures, furnishings, machinery and IT equipment. These items are recognised in the accounts and depreciated over their estimated useful life.

Depreciation is carried out on a straight-line basis over the estimated useful life:

Buildings	33 years
Building supplementary costs	10 years
Fixtures, furnishings, machinery	5 years
IT equipment	3-6 years
Investment property	No depreciation
Land	No depreciation

Small value purchases are charged directly to general and administrative expense. In general, maintenance and renovation expenditures are booked to general and administrative expense. If the related cost is substantial and results in a significant increase in value, such expenditures are capitalised and depreciated over their useful life. Profits from the sale of fixed assets are reported as other income. Losses are recognised in depreciation and amortisation.

Property and equipment is regularly reviewed for impairment, but always when, on account of occurrences or changed circumstances, an overvaluation of the carrying value appears to be possible. If, as a result of the review, a reduction in value or modified useful life is determined, the residual carrying value is depreciated over the adjusted useful life, or an unplanned write-down is made.

2.6.2.3 Leasing

2.6.2.3.1 Group companies as lessees

The measurement of a lease liability is based on the fixed lease payments over the basic term of the lease, as well as on the assessment of extension and / or termination options. Non-lease components, where identifiable, are measured in accordance with the prevailing standards. Currently, there are no contracts having special contents such as variable lease payments, purchase options or penalty payments. To calculate the present value, the LLB Group utilises, almost without exception, the lessee's incremental borrowing rate of interest, which corresponds to the duration of the lease.

The subsequent measurement for the right of use is made according to the acquisition cost model, and for the lease liability at amortised cost. The carrying value may change as a result of the reassessment of extension and / or termination options, as well as on account of a change in the amount to be paid periodically. These possible changes are monitored.

The LLB Group does not recognise leases having terms of up to twelve months, or of low-value leases, in the balance sheet. The payments are recognised in the income statement on a straight-line basis over the term of the lease as general and administrative expenses.

2.6.2.3.2 Group companies as lessors

All leasing contracts qualify as operating leases. The leasing revenues earned are recognised on a monthly basis as an integral part of other income in the income statement. The underlying financial assets are subject to the provisions described in [point 2.6.2.2 "Property, investment property and other equipment"](#)

2.6.2.4 Goodwill and other intangible assets

Goodwill and other intangible assets are recognised in the balance sheet at acquisition cost on the date of acquisition and reviewed for impairment on an annual basis in the third quarter, or if indications of an impairment exist.

Intangible assets comprise client relationships and brand values, software and other intangible assets. Intangible assets from acquisitions are amortised in a straight-line over an estimated useful life of five to fifteen years. In general, software is amortised over a period of three to six years. [See note 18](#).

2.6.2.5 Current and deferred taxes

Current income tax is calculated on the basis of the tax law applicable in the individual country and recorded as expense for the accounting period in which the related income was earned. These are reported in the balance sheet as tax liabilities. If uncertainty exists about whether a tax issue will be recognised by the tax authorities, the LLB Group contacts the tax authority concerned at an early date. If a tax issue cannot be conclusively clarified before the reporting date, the LLB Group makes assumptions regarding the amount that the tax authorities will accept. In this case, the amount reported in the IFRS statement can differ from the amount shown in the income tax return.

The tax impact from time differentials due to different valuations arising from the values of assets and liabilities reported according to IFRS shown on the Group balance sheet and their taxable value are recorded on the balance sheet as accrued tax assets or, as the case may be, deferred tax liabilities. Deferred tax assets and deferred tax liabilities attributable to time differentials or accountable loss carry forwards are capitalised if there is a high probability that sufficient taxable profits will be available to offset such differentials of loss carry forwards. Accrued / deferred tax assets / liabilities are calculated at the tax rates that are likely to be applicable for the accounting period in which the tax assets are realised or the tax liabilities paid.

Current and deferred taxes are credited or charged directly to equity or other comprehensive income if the related tax pertains to items that have been credited or charged directly to equity or other comprehensive income in the same or some other accounting period.

2.6.2.6 Employee benefits

Retirement benefit plans

The LLB Group has pension plans for its employees, which are defined according to IFRS as defined benefit plans. In addition, there are long-term service awards which qualify as other long-term employee benefits.

For benefit-oriented plans, the period costs are determined by opinions obtained from external experts. The benefits provided by these plans are generally based on the number of insured years, the employee's age, covered salary and partly on the amount of capital saved. For benefit-oriented plans with segregated assets, the relevant funded status is recorded on the balance sheet as an asset or liability (in accordance with the Projected Unit Credit Method). An asset position is calculated according to the criteria of IFRIC 14.

For plans without segregated assets, the relevant funded status recorded on the balance sheet corresponds to the cash value of the claims. The cash value of the claims is calculated using the projected unit credit method, whereby the number of insured years accrued up to the valuation date are taken into consideration.

If changes, curtailments or settlements occur during the reporting period, the net debt is recalculated. In this case, the current service cost and the net interest, which have to be recalculated on the basis of new net debt, are to be newly determined for the remaining business year using the latest actuarial assumptions.

Variable salary component and share-based compensation

Regulations exist governing the payment of variable salary components. The valuation procedure with the variable salary component is based on the degree of individual target achievement. Executives

receive a portion of their profit-related bonus in the form of entitlements to LLB shares. After the blocking period, the shares are automatically transferred to them.

The LLB Group enters a provision as a liability in those cases where a contractual obligation exists or a de facto obligation arises as a result of past business practice. The expense is recognised under personnel expenses. Obligations to be paid in cash are entered under other liabilities. The portion to be compensated with LLB shares is entered in equity. The number of shares for the share-based compensation corresponds to the average share price of the last quarter of the year under report.

2.6.2.7 Provisions and contingent liabilities

Within the scope of ordinary banking business, the LLB Group is involved in various legal, regulatory and administrative proceedings. The current business environment involves legal and regulatory risks, whose influence on the financial strength and profitability of the Group – depending on the stage of the proceedings – is difficult to assess.

A provision is allocated, if the LLB Group bears a current liability on the reporting date arising from a past event, which will probably lead to an outflow of resources, the amount of which can be reliably estimated. In assessing whether the allocation of a provision and its amount are reasonable, the best possible estimates and assumptions available on the balance sheet reporting date are utilised, which may be adjusted accordingly at a later date to take into consideration new facts and circumstances.

For legal proceedings in cases where the facts are not specifically known, the claimant has not quantified the alleged damages, the proceedings are at an early stage, or where sound and substantial information is lacking, the LLB Group is not in a position to estimate reliably the approximate financial implication.

In addition, provisions are allocated for expected credit losses with off-balance-sheet positions. This is due to the fact that there is no corresponding asset within the balance sheet which could be reduced in value by means of a value allowance. The expected credit loss is reported in the income statement under "expected credit losses". Credit loss forms an integral part of other business risks.

If liabilities do not fulfil the criteria applying to a provision, this could result in the formation of a contingent liability. Guarantees issued lead to contingent liabilities if indeed LLB can be made jointly and severally liable for liabilities towards third parties, but it can be assumed that these liabilities will not be paid by the LLB Group. If, on the basis of the current evaluation of contingent liabilities, an outflow of economic resources in the future is probable, a provision is allocated for this position which was previously treated as a contingent liability.

2.6.2.8 Treasury shares

Shares of Liechtensteinische Landesbank AG held by the LLB Group are valued at cost of acquisition and reported as a reduction in equity. The difference between the sale proceeds and the corresponding cost of acquisition of treasury shares is recorded under capital reserves.

2.6.2.9 Securities lending and borrowing transactions

Securities lending and borrowing transactions are generally entered into on a collateralised basis, with securities mainly being advanced or received as collateral.

Securities lent out remain in the trading portfolio or in the financial investments portfolio as long as the risks and rewards of ownership of the shares are not transferred. Securities that are borrowed are not recognised in the balance sheet as long as the risks and rewards of ownership of the securities remain with the lender.

Fees and interest received or paid are recognised on an accrual basis and recorded under net fee and commission income.

2.7 Recognition of revenues

The LLB Group earns revenues from the provision of various services. These revenues are recognised when the obligation to provide the service has been fulfilled by the LLB Group and when it has been

ensured that, at a time of uncertainty, no significant cancellations of previously recognised revenues can occur.

2.7.1.1 Recognition of revenues over a specified period

Fees for securities administration are typical revenues earned from fees and services that are recognised over a period at the LLB Group.

On account of the nature of the contracts at the LLB Group, a time period exists between the provision of the service and the payment by the client for it, which generally amounts to a maximum of one year. The payments made by clients are made on specific dates, usually at the end of a quarter.

The costs incurred in the provision of the service are recognised continually over the period because these are the same services that are required every day.

2.7.1.2 Recognition of revenues on a specific date

Typical revenues earned from fees and services that are recognised on a specific date include brokerage or processing fees for Maestro cards used abroad.

In the case of services that are only delivered over a period, but the payment for them is variable and a large degree of uncertainty exists concerning the amount of the revenues, recognition of the revenues occurs only at that time when it is highly probably that no significant cancellation will occur with the recognised revenues. At the LLB Group, this situation can only arise in connection with performance-related fees (e.g. performance fees).

Costs incurred in providing a service are generally recognised at the time the service is provided.

2.7.1.3 Recognition

The revenues recognised from fees and services are based on the service obligations specified in the contract and the payment to be made by the client for them. The payment may contain both fixed and variable components, whereby variable payments only occur in connection with asset management and are influenced by certain threshold values. The client may have to make an additional payment if, for example, a specified return is attained or he has decided to pay a previously stipulated percentage on his assets on a previously determined date as a fee. The recognition period basically amounts to a maximum of one year and the revenues are only to be recognised on the effective date.

Clients have the possibility of paying an all-in fee for a range of different services. This all-in fee is disclosed in note 2 in a separate table. No reclassification into the corresponding line items of the individual revenue types containing the all-in fee is made because, on account of its business model, the all-in fee is assigned to the line item asset management and investment business. This additional table provides greater transparency on how these revenues are broken down in their entirety. These revenues are recognised in the period concerned and are paid by the client at the end of a quarter.

If discounts have been granted within the scope of combinations of several products, these can be assigned to the individual service obligations.

3 Impact of the corona pandemic

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

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

Within the scope of the models of expected credit losses, the analyses revealed that no new scenarios had to be included in the macro-economic model and the existing weightings did not need to be adjusted. In line with the recommendations of the regulatory authorities, the LLB Group currently places a greater weighting on long-term, stable scenario estimates based on past experience. In some cases, deferments were granted for stage 1 and stage 2 loans. No material effects were experienced as a result of this. In times of great uncertainty, in order to respond appropriately to the current and possible medium-term effects of the corona pandemic, in particular, loans to companies in sectors particularly affected by the corona virus were analysed and, in some cases, specific allowances were made for them. Further information regarding expected credit losses and value allowances are contained in [chapter 3.9, "Risk management"](#).

Liechtenstein and Switzerland decided to grant loan loss guarantees to the banks for bridging loans to help prevent liquidity bottlenecks at companies. Both LLB AG and Bank Linth have participated in these programmes. At the LLB Group, the bridging loans granted totalled around CHF 71 million, whereby this volume is secured by the State. The LLB Group is exposed to no significant risk as a result of this activity. The loans were classified in conformity with the market.

The tangible and intangible assets are tested for impairment each year. On account of the corona pandemic, an additional impairment test was carried out in the first half of 2020. The focus was on goodwill, the recoverability of which was confirmed. No impairment was established and no value adjustments were made at 30 June 2020. The regular test carried out on 31 December 2020 produced the same result. Further information regarding impairment testing of goodwill is contained in [note 18](#).

4 Events after the balance sheet date

Group CEO Roland Matt decided to leave the LLB Group on 25 January 2021 and accept a new professional challenge. He has resigned from his position with immediate effect. Urs Müller, Deputy Group CEO and Head of the Retail & Corporate Banking Division, held the position of Group CEO on an interim basis from 26 January to 28 February 2021. Gabriel Brenna has been appointed by the Board of Directors as the new Group CEO as of 1 March 2021. He will continue to lead the Private Banking Division until further notice.

Segment reporting

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

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

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

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

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

Transactions between the segments are executed at standard market conditions.

Financial year 2019

in CHF thousands	Retail & Corporate Banking	Private Banking	Institutional Clients	Corporate Center	Total Group
Net interest income	93'151	40'299	21'310	- 3'496	151'264
Expected credit losses	731	486	- 215	0	1'002
Net interest income after expected credit losses	93'882	40'785	21'095	- 3'496	152'266
Net fee and commission income	31'806	82'973	105'195	- 10'818	209'156
Net trading income	10'921	8'460	10'149	49'376	78'906
Net income from financial investments	0	0	0	4'049	4'049
Other income	2'208	2	- 3	6'165	8'371
Total operating income °	138'817	132'220	136'436	45'275	452'748
Personnel expenses	- 28'698	- 37'238	- 32'650	- 94'274	- 192'860
General and administrative expenses	- 1'924	1'837	- 1'127	- 75'332	- 76'547
Depreciation	0	- 134	- 377	- 41'413	- 41'925
Services (from) / to segments	- 52'575	- 37'072	- 29'979	119'626	0
Total operating expenses	- 83'197	- 72'608	- 64'133	- 91'394	- 311'332
Operating profit before tax	55'620	59'612	72'303	- 46'119	141'416
Tax expenses					- 18'038
Net profit					123'378

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

Financial year 2020

in CHF thousands	Retail & Corporate Banking	Private Banking	Institutional Clients	Corporate Center	Total Group
Net interest income	91'216	25'739	14'943	22'199	154'097
Expected credit losses	- 4'120	- 4'365	- 3'155	0	- 11'640
Net interest income after expected credit losses	87'096	21'374	11'788	22'199	142'457
Net fee and commission income	33'059	81'102	98'088	- 13'112	199'136
Net trading income	10'092	11'906	14'620	47'676	84'294
Net income from financial investments	0	0	0	- 556	- 556
Other income	2'258	3	2	2'712	4'975
Total operating income *	132'504	114'384	124'499	58'919	430'306
Personnel expenses	- 27'224	- 36'484	- 31'687	- 85'645	- 181'040
General and administrative expenses	- 1'572	- 2'478	- 6'568	- 72'753	- 83'371
Depreciation	0	- 128	- 381	- 41'742	- 42'251
Services (from) / to segments	- 56'252	- 38'087	- 27'309	121'648	0
Total operating expenses	- 85'049	- 77'177	- 65'946	- 78'492	- 306'663
Operating profit before tax	47'455	37'207	58'553	- 19'573	123'643
Tax expenses					- 13'820
Net profit					109'823

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

There were no revenues deriving from transactions with a single external customer that amounted to ten per cent or more of the Group's revenues.

Segment reporting by geographic location

The geographic analysis of operating income and assets is based on the location of the company in which the transactions and assets are recorded.

Financial year 2019

	Liechtenstein		Switzerland		Austria		Total Group	
		in %		in %		in %		in %
Operating income (in CHF thousands)	260'042	57.4	118'647	26.2	74'059	16.4	452'748	100.0
Total assets (in CHF millions)	12'539	55.3	7'974	35.2	2'149	9.5	22'662	100.0

Financial year 2020

	Liechtenstein		Switzerland		Austria		Total Group	
		in %		in %		in %		in %
Operating income (in CHF thousands)	259'968	60.4	108'619	25.2	61'719	14.3	430'306	100.0
Total assets (in CHF millions)	12'817	54.4	8'403	35.6	2'355	10.0	23'575	100.0

Notes to the consolidated income statement

1 Net interest income

in CHF thousands	2020	2019	+ / - %
Interest income from financial instruments measured at amortised cost			
Due from banks	5'684	18'811	- 69.8
Loans	153'546	168'404	- 8.8
Loan commissions with the character of interest	3'771	4'439	- 15.0
Financial liabilities	19'951	17'287	15.4
Total interest income from financial instruments measured at amortised cost	182'953	208'941	- 12.4
Interest income from financial instruments, recognised at fair value through other comprehensive income			
Debt instruments	14'141	12'957	9.1
Total interest income from financial instruments, recognised at fair value through other comprehensive income	14'141	12'957	9.1
Interest income from financial instruments at fair value through profit and loss			
Debt instruments	5'193	8'680	- 40.2
Interest rate derivatives	6'097	3'762	62.1
Total interest income from financial instruments at fair value through profit and loss	11'290	12'442	- 9.3
Total interest income	208'384	234'340	- 11.1
Interest expenses from financial instruments measured at amortised cost			
Due to banks	- 3'830	- 696	450.1
Due to customers	- 10'215	- 31'900	- 68.0
Financial assets	- 15'255	- 20'214	- 24.5
Lease liabilities	- 308	- 348	- 11.6
Debt issued	- 6'204	- 9'307	- 33.3
Total interest expenses from financial instruments measured at amortised cost	- 35'812	- 62'465	- 42.7
Interest expenses from financial instruments measured at fair value			
Interest rate derivatives	- 18'475	- 20'611	- 10.4
Total interest expenses from financial instruments measured at fair value	- 18'475	- 20'611	- 10.4
Total interest expenses	- 54'287	- 83'076	- 34.7
Total net interest income	154'097	151'264	1.9

2 Net fee and commission income

in CHF thousands	2020	2019	+ / - %
Brokerage fees	53'293	47'032	13.3
Custody fees	44'830	45'577	- 1.6
Advisory and management fees	51'956	59'694	- 13.0
Investment fund fees	155'084	152'366	1.8
Credit-related fees and commissions	663	589	12.5
Commission income from other services	27'025	34'414	- 21.5
Total fee and commission income	332'850	339'672	- 2.0
Brokerage fees paid	- 11'161	- 12'202	- 8.5
Other fee and commission expenses	- 122'553	- 118'314	3.6
Total fee and commission expenses	- 133'714	- 130'516	2.5
Total net fee and commission income	199'136	209'156	- 4.8

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

in CHF thousands	2020	2019	+ / - %
Total all-in-fees	29'642	32'964	- 10.1
of which brokerage	12'525	10'702	17.0
of which securities administration	4'241	5'189	- 18.3
of which asset management	12'876	17'073	- 24.6

3 Net trading income

in CHF thousands	2020	2019	+ / - %
Foreign exchange trading	68'398	67'061	2.0
Foreign note trading	- 110	- 482	- 77.2
Precious metals trading	2'524	1'258	100.6
Interest rate instruments *	13'481	11'069	21.8
Total net trading income	84'294	78'906	6.8

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

4 Net income from financial investments

in CHF thousands	2020	2019	+ / - %
Financial investments at fair value through profit and loss			
Dividend income	353	290	21.7
Price gains *	- 2'853	1'257	
Total net income from financial investments at fair value through profit and loss	- 2'500	1'547	
Financial investments, recognised at fair value through other comprehensive income			
Dividend income	2'006	1'214	65.2
of which from financial investments held on the balance sheet date	1'856	1'214	52.9
of which from financial investments sold during the reporting period **	150	0	
Realised gain	2	1'343	- 99.8
Expected credit loss on financial investments	- 65	- 55	17.6
Total financial investments, recognised at fair value through other comprehensive income	1'944	2'502	- 22.3
Total net income from financial investments at fair value	- 556	4'049	

* The realised price gains for 2020 amounted to CHF thousands minus 1'587 (previous year: CHF thousands minus 3'943).

** Further details are provided in note 15.

5 Other income

in CHF thousands	2020	2019	+ / - %
Net income from properties	1'795	1'649	8.9
Adjustments on purchase price obligations from acquisitions	0	3'296	- 100.0
Realised profits / (losses) from sales of tangible assets *	1'625	1'487	9.2
Income from various services	905	1'480	- 38.8
Share of income from associated companies and joint venture	- 1	- 3	- 63.2
Additional other income	651	461	41.1
Total other income	4'975	8'371	- 40.6

* Contains income from sales of properties held for sale

6 Personnel expenses

in CHF thousands	2020	2019	+ / - %
Salaries *	- 146'591	- 148'969	- 1.6
Pension and other post-employment benefit plans **	- 11'135	- 18'917	- 41.1
Other social contributions	- 16'247	- 17'831	- 8.9
Training costs	- 1'348	- 1'655	- 18.6
Other personnel expenses	- 5'719	- 5'487	4.2
Total personnel expenses	- 181'040	- 192'860	- 6.1

* Contains the variable compensation of the management, which is disclosed in detail in the compensation report as well as aggregated in note "Related party transactions".

** See note "Pension plans and other long-term benefits" for details

The average headcount of the LLB Group amounted to 1'076 full-time equivalent positions in the 2020 business year (previous year: 1'086 fulltime equivalent positions).

7 General and administrative expenses

in CHF thousands	2020	2019	+ / - %
Occupancy	- 6'712	- 7'449	- 9.9
Expenses for IT, machinery and other equipment	- 32'961	- 27'052	21.8
Information and communication expenses	- 18'725	- 19'355	- 3.3
Marketing and public relations	- 7'386	- 9'320	- 20.8
Consulting and audit fees	- 7'113	- 5'725	24.2
Provisions for legal and litigation risks *	1'987	4'724	- 57.9
Litigation, legal and representation costs	- 1'772	- 2'155	- 17.8
Contributions to Deposit Protection Fund	- 2'766	- 1'908	45.0
Other general and administrative expenses	- 7'924	- 8'308	- 4.6
Total general and administrative expenses	- 83'371	- 76'547	8.9

* See note 26 for details

8 Depreciation

in CHF thousands	2020	2019	+ / - %
Property	- 4'753	- 4'919	- 3.4
Equipment	- 9'655	- 8'934	8.1
Intangible assets	- 22'977	- 23'334	- 1.5
Right of use assets	- 4'866	- 4'737	2.7
Total depreciation	- 42'251	- 41'925	0.8

9 Tax expenses

in CHF thousands	2020	2019	+ / - %
Current taxes	- 14'304	- 17'425	- 17.9
Deferred taxes *	484	- 613	
Total tax expenses	- 13'820	- 18'038	- 23.4

* For further details, see note 25

The actual net payments made by the LLB Group for domestic and foreign corporate profit taxes amounted to CHF 14.6 million for the 2020 financial year (previous year: CHF 18.1 million).

The tax on pre-tax Group profit deviates from the theoretical amount, calculated on the basis of the weighted average Group tax rate on profit before tax, as follows:

in CHF thousands	2020	2019	+ / - %
Operating profit before tax	123'643	141'416	- 12.6
Assumed average income tax rate of 12.6 per cent (previous year: 13.1 %)	- 15'620	- 18'526	- 15.7
Increase / (Decrease) resulting from			
Use of losses carried forward	506	570	- 11.2
Tax savings / (charges) from previous years	- 488	- 754	- 35.2
Non-tax deductible (expenses) / tax-exempt income *	1'782	672	165.2
Total tax expenses	- 13'820	- 18'038	- 23.4

* These resulted from, inter alia, the notional interest deduction, the valuation of the LLB shares and from investment fund business.

The assumed average tax burden is based on the weighted average tax rates of the individual companies.

10 Earnings per share

	2020	2019	+ / - %
Net profit attributable to the shareholders of LLB (in CHF thousands)	103'524	115'274	- 10.2
Weighted average shares outstanding	30'493'736	30'560'789	- 0.2
Basic earnings per share (in CHF)	3.39	3.77	- 10.0
Net profit for diluted earnings per share attributable to the shareholders of LLB (in CHF thousands)	103'524	115'274	- 10.2
Weighted average shares outstanding for diluted earnings per share	30'665'525	30'767'265	- 0.3
Diluted earnings per share (in CHF)	3.38	3.75	- 9.9
Dividend (in CHF)	* 2.20	2.20	

* Proposal of the Board of Directors to the General Meeting of Shareholders on 7 May 2021

Notes to the consolidated balance sheet

11 Cash and balances with central banks

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Cash	61'959	66'804	- 7.3
Demand deposits with central banks	6'653'651	5'380'837	23.7
Total cash and balances with central banks	6'715'610	5'447'642	23.3

12 Due from banks

in CHF thousands	31.12.2020	31.12.2019	+ / - %
On demand	410'261	605'448	- 32.2
At maturity or callable	280'751	746'891	- 62.4
Total due from banks	691'011	1'352'338	- 48.9

13 Loans

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Mortgage loans	11'733'792	11'325'159	3.6
Public institutions	78'343	76'406	2.5
Fixed advances and loans	960'669	1'135'209	- 15.4
Other loans and advances	536'573	502'661	6.7
Expected credit losses	- 79'446	- 78'911	0.7
Total loans	13'229'931	12'960'524	2.1

Further information, especially regarding the expected credit loss, is provided in [chapter 3 "Credit risk" in Risk management](#).

14 Derivative financial instruments

Within the scope of balance sheet management, interest rate swaps are concluded to hedge interest rate fluctuation risks. Financial instruments are employed primarily within the scope of client business. Here both standardised and OTC derivatives are traded. International banks having a high creditworthiness act as counterparties. LLB does not assume a market-maker function on the interbank market.

in CHF thousands	Total		Total contract volume
	Positive Replacement Values	Negative Replacement Values	
31.12.2019			
Derivative financial instruments in the trading portfolio			
Interest rate contracts			
Interest rate swaps	33	33'120	870'000
Forward contracts	140	947	78'345
Foreign exchange contracts			
Forward contracts	103'250	122'303	14'910'353
Options (OTC)	4'978	4'983	228'581
Precious metals contracts			
Options (OTC)	17	17	1'898
Equity / index contracts			
Options (OTC)	345	345	15'385
Total derivative financial instruments in the trading portfolio	108'764	161'714	16'104'562
Derivative financial instruments for hedging purposes			
Interest rate contracts			
Interest rate swaps (fair value hedge)	4'034	18'350	1'011'708
Total derivative financial instruments for hedging purposes	4'034	18'350	1'011'708
Total derivative financial instruments	112'798	180'065	17'116'270

in CHF thousands	Total		Total contract volume
	Positive Replacement Values	Negative Replacement Values	
31.12.2020			
Derivative financial instruments in the trading portfolio			
Interest rate contracts			
Interest rate swaps	0	20'299	565'000
Forward contracts	263	255	108'162
Foreign exchange contracts			
Forward contracts	188'688	199'761	20'209'099
Options (OTC)	5'975	5'975	617'520
Precious metals contracts			
Options (OTC)	46	46	2'704
Equity / index contracts			
Options (OTC)	469	469	25'287
Total derivative financial instruments in the trading portfolio	195'441	226'805	21'527'771
Derivative financial instruments for hedging purposes			
Interest rate contracts			
Interest rate swaps (fair value hedge)	4'193	22'371	1'481'604
Total derivative financial instruments for hedging purposes	4'193	22'371	1'481'604
Total derivative financial instruments	199'634	249'176	23'009'375

The LLB Group employs fair value hedge accounting for interest rate risks on fixed-rate instruments. For this purpose, it uses interest rate swaps. The following tables show information on the nominal value (contract volumes), the replacement values and the ineffectiveness of the positions in hedge accounting.

in CHF thousands	Nominal value of hedging instrument	Carrying value of hedging instrument		Balance sheet position of hedging instrument	Fair value change to measurement of ineffective hedge
		Assets	Liabilities		
31.12.2019					
Fair value hedge					
Interest rate swaps	495'854	4'034		Derivative financial instruments	1'963
Interest rate swaps	515'854		18'350	Derivative financial instruments	10'663

in CHF thousands	Nominal value of hedging instrument	Carrying value of hedging instrument		Balance sheet position of hedging instrument	Fair value change to measurement of ineffective hedge
		Assets	Liabilities		
31.12.2020					
Fair value hedge					
Interest rate swaps	705'802	4'193		Derivative financial instruments	159
Interest rate swaps	775'802		22'371	Derivative financial instruments	6'029

in CHF thousands	Carrying value of underlying transaction	Cumulative total from fair value adjustments of the underlying transaction		Balance sheet position of underlying transaction	Fair value change to measurement of ineffective hedge
		Assets	Liabilities		
31.12.2019					
Fair value hedge					
Mortgage loans	11'325'159			Loans	6'825
Medium-term notes		1'331'391		Debt issued	50

in CHF thousands	Carrying value of underlying transaction	Cumulative total from fair value adjustments of the underlying transaction		Balance sheet position of underlying transaction	Fair value change to measurement of ineffective hedge
		Assets	Liabilities		
31.12.2020					
Fair value hedge					
Mortgage loans	11'733'792			Loans	3'751
Medium-term notes		1'392'978		Debt issued	87

in CHF thousands	Ineffectiveness recognised in the income statement	Income statement position
Fair value hedge		
Interest rate risk	2'310	Interest expenses
31.12.2020		
Fair value hedge		
Interest rate risk	2'206	Interest expenses

15 Financial investments

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Financial investments at fair value through profit and loss			
Debt instruments			
listed	263'285	455'063	- 42.1
unlisted	29'602	40'833	- 27.5
Total debt instruments	292'887	495'896	- 40.9
Equity instruments			
listed	57	80	- 28.8
unlisted	2'245	2'443	- 8.1
Total equity instruments	2'302	2'523	- 8.7
Total financial investments at fair value through profit and loss	295'189	498'419	- 40.8
Financial investments, recognised at fair value through other comprehensive income			
Debt instruments			
listed	1'809'930	1'595'413	13.4
Total debt instruments	1'809'930	1'595'413	13.4
Equity instruments			
listed	57'041	46'366	23.0
unlisted	30'152	28'177	7.0
Total equity instruments	87'193	74'543	17.0
Total financial investments, recognised at fair value through other comprehensive income	1'897'123	1'669'956	13.6
Total financial investments	2'192'312	2'168'375	1.1

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

In the accounting period, the securities that replicate the SMI were rebalanced because the weighting of the individual securities within the SMI had shifted. The sale of the securities resulted in a loss of CHF thousands 215; the fair value of the transactions amounted to CHF thousands 6'645. The loss of CHF thousands 215 was recognised in retained earnings.

16 Property and other equipment

in CHF thousands	Property [°]	Other equipment	Right of use assets ^{°°}	Total
Year ended December 2019				
Cost as at 1 January	199'250	89'940	33'008	322'198
Additions	4'455	12'283	11'209	27'947
Disposals	- 546	- 3'614	- 59	- 4'218
Currency effects	- 22	- 134	0	- 155
Cost as at 31 December	203'138	98'475	44'159	345'772
Accumulated depreciation / revaluation as at 1 January	- 111'704	- 57'543	0	- 169'246
Depreciation / Revaluation	- 4'919	- 8'934	- 4'737	- 18'590
Disposals / (Additions) from accumulated depreciation / revaluation	- 801	1'575	7	781
Currency effects	0	145	63	208
Accumulated depreciation / revaluation as at 31 December	- 117'424	- 64'757	- 4'667	- 186'848
Net book amount as at 31 December 2019	85'714	33'718	39'492	158'923
Year ended December 2020				
Cost as at 1 January	203'138	98'475	44'159	345'772
Additions	1'305	8'702	2'398	12'405
Disposals	- 2'240	- 3'304	- 1'901	- 7'444
Currency effects	0	- 31	- 95	- 126
Cost as at 31 December	202'203	103'842	44'561	350'606
Accumulated depreciation / revaluation as at 1 January	- 117'424	- 64'757	- 4'667	- 186'848
Depreciation / Revaluation	- 4'753	- 9'655	- 4'866	- 19'274
Disposals / (Additions) from accumulated depreciation / revaluation	955	3'071	383	4'409
Currency effects	0	11	- 9	2
Accumulated depreciation / revaluation as at 31 December	- 121'222	- 71'329	- 9'160	- 201'712
Net book amount as at 31 December 2020	80'981	32'513	35'401	148'895

[°] Includes land, buildings and building supplementary costs

^{°°} The rights of use relate mainly to real estate. An immaterial proportion relates to the use of vehicles.

The LLB Group as lessee

Details of leases are provided in various notes. Further details about leases, apart from in this note, can be found for the repayment of leasing liabilities (see [Statement of cash flows](#) and [note 24](#)) as well as their amounts ([note 27](#)), maturities (see [Risk management, chapter 2](#)), interest expenses (see [note 1](#)) and depreciation (see [note 8](#)).

Leasing relationships not recognised in the balance sheet

in CHF thousands	2020	2019	+ / - %
Short-term lease expenses	505	518	- 2.5
Low-value lease expenses	3	3	4.2
Total expenses for unrecognised lease obligations	508	521	- 2.5

Expenses from unrecognised leases are included in general and administrative expenses.

Further information

Within the scope of its strategy, the LLB Group evaluates which locations have relevance in its target markets and whether properties should be bought or leased at these locations. If it decides against the purchase of properties, leasing contracts are concluded. These often contain termination and extension

options. The assessment of these options is taken into consideration at the time of initial recognition; they are reassessed annually.

The recognised liabilities from leasing contracts and the corresponding rights of use contain extension options. These reflect the current assumptions relating to durations. The off-balance sheet leasing contracts encompass office premises with short contract periods, as well as parking places, which contain reciprocal short-term termination options. These are basically classified as short-term leases provided there is substitutability for them.

The LLB Group as lessor

Future claims from operating leases

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Due within one year	1'628	1'653	- 1.5
Residual period to maturity between 1 and 2 years	1'314	1'579	- 16.8
Residual period to maturity between 2 and 3 years	1'253	1'364	- 8.2
Residual period to maturity between 3 and 4 years	1'161	1'297	- 10.4
Residual period to maturity between 4 and 5 years	1'109	1'204	- 7.8
Due in more than five years	3'473	4'715	- 26.3
Total future net receivables from operating leases	9'939	11'812	- 15.9

For the 2020 business year CHF thousands 1'799 and for the 2019 business year CHF thousands 1'819 from operating leases are reported in other income. Only properties are leased.

17 Investment property

in CHF thousands	Investment property
Year ended December 2019	
Cost as at 1 January	17'350
Additions	0
Disposals	0
Currency effects	0
Cost as at 31 December	17'350
Accumulated depreciation / revaluation as at 1 January	– 2'350
Depreciation / Revaluation	0
Disposals / (Additions) from accumulated depreciation / revaluation	0
Currency effects	0
Accumulated depreciation / revaluation as at 31 December	– 2'350
Net book amount as at 31 December 2019	15'000
Year ended December 2020	
Cost as at 1 January	17'350
Additions	0
Disposals	0
Currency effects	0
Cost as at 31 December	17'350
Accumulated depreciation / revaluation as at 1 January	– 2'350
Depreciation / Revaluation	0
Disposals / (Additions) from accumulated depreciation / revaluation	0
Currency effects	0
Accumulated depreciation / revaluation as at 31 December	– 2'350
Net book amount as at 31 December 2020	15'000

The investment property is held solely for the purpose of capital appreciation.

18 Goodwill and other intangible assets

in CHF thousands	Goodwill	Client relationships and brand values	Software	Other intangible assets	Total
Year ended December 2019					
Cost as at 1 January	170'041	138'686	100'974	1'115	410'816
Additions	0	0	16'083	0	16'083
Disposals	0	0	- 351	0	- 351
Currency effects	- 6'274	- 2'854	168	37	- 8'922
Cost as at 31 December	163'767	135'832	116'873	1'152	417'626
Accumulated depreciation / revaluation as at 1 January	0	- 47'338	- 57'337	- 126	- 104'802
Reclassifications	0	- 1'170	1'170	0	0
Depreciation / Revaluation	0	- 9'062	- 14'054	- 218	- 23'334
Disposals / (Additions) from accumulated amortisation / revaluation	0	0	258	0	258
Currency effects	0	251	104	0	355
Accumulated depreciation / revaluation as at 31 December	0	- 57'320	- 69'859	- 344	- 127'523
Net book amount as at 31 December 2019	163'767	78'512	47'014	808	290'103
Year ended December 2020					
Cost as at 1 January	163'767	135'832	116'873	1'152	417'625
Additions	0	0	11'968	0	11'968
Disposals	0	0	- 87	0	- 87
Currency effects	- 462	- 314	- 18	0	- 794
Cost as at 31 December	163'306	135'518	128'736	1'152	428'712
Accumulated depreciation / revaluation as at 1 January	0	- 57'320	- 69'859	- 344	- 127'523
Depreciation / Revaluation	0	- 8'889	- 13'872	- 215	- 22'977
Disposals / (Additions) from accumulated amortisation / revaluation	0	0	87	0	87
Currency effects	0	- 26	16	- 1	- 11
Accumulated depreciation / revaluation as at 31 December	0	- 66'235	- 83'628	- 560	- 150'424
Net book amount as at 31 December 2020	163'306	69'283	45'108	592	278'289

Goodwill

The LLB Group carried goodwill for the following cash generating units:

in CHF thousands	31.12.2020	31.12.2019
Bank Linth LLB AG	55'620	55'620
Liechtensteinische Landesbank AG *	61'229	61'506
Liechtensteinische Landesbank (Österreich) AG *	38'564	38'749
LLB Swiss Investment AG	7'892	7'892
Total	163'306	163'767

* Fluctuations in goodwill are attributable to conversion of the functional currency into the reporting currency.

Goodwill impairment testing

Goodwill is tested for impairment annually in the third quarter as a basis for the annual financial reporting at 31 December, and also as required. 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 year ended on 31 December 2020, the total goodwill of CHF 163.3 million allocated to the cash generating units remains recoverable. No impairment of goodwill has to be recognised because the recoverable amount exceeds the carrying 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. It takes into consideration the special characteristics of the 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. This amount, adjusted for regulatory capital requirements, 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 for all periods after the fifth year are extrapolated from the forecasted result and the free cash flows of the fifth year with a long-term growth rate, which corresponds to the long-term inflation rate of the functional currency of the tested cash generating unit. These are the inflation rates of Switzerland, Liechtenstein and Austria. 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 rate outside the five-year planning period (terminal value), on which the impairment tests for the annual report as at 31 December 2020 were based and which were used for extrapolation purposes, as well as the discount rate for the cash generating units are shown in the table below.

The discount rate is directly influenced by the movement of interest rates. On account of the unchanged, historically low interest rate levels on the market, the discount rate of the cash generating unit has not changed substantially 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, 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 in retail and private banking as well as in the institutional business with a limited risk profile.

in per cent	Growth rate		Discount rate	
	2020	2019	2020	2019
Bank Linth LLB AG	1.0	1.0	5.8	5.8
Liechtensteinische Landesbank AG	1.0	1.0	6.5	6.5
Liechtensteinische Landesbank (Österreich) AG	2.0	1.5	8.5	9.0
LLB Swiss Investment AG	1.0	1.0	8.5	8.5

Sensitivities

During the periodic preparation and carrying out of impairment tests, all the parameters and assumptions, on which the testing of the individual cash generating units are based, are reviewed and, if necessary, adjusted. A change in the risk-free interest rate in essence 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 an individual sensitivity analysis. For this purpose, the forecasted free cash flow attributable to shareholders is changed by 10 per cent, the discount rate by 10 per cent and the long-term growth rates also by 10 per cent. According to the results of the impairment tests carried out and, based on the assumptions described, an amount of between CHF 27 million and CHF 222 million in excess of the balance sheet value is obtained for all cash generating units. A reduction of the free cash flow by 10 per cent, or an increase in the discount rate of 10 per cent, or a reduction in the long-term growth rate of 10 per cent would not result in any impairment of the goodwill.

Over the last five years, the parameters have remained very constant. In the 2020 business year, adjustments were made for the discount interest rate and also for the growth rates of Liechtensteinische Landesbank (Österreich) AG. Since a constant development of the parameters is also expected in the future, the sensitivities of 10 per cent for each of the three parameters is regarded as reasonable.

In view of the challenging situation in the financial industry, which is expected to persist in the future, an impairment of goodwill in the coming financial years can not be ruled out. However, thanks to measures to increase earnings, improve efficiency and cut costs as well as the further planned growth, a positive development is expected over the medium to long term.

If the estimated earnings and other assumptions in future financial years deviate from the current outlook due to political or global risks in the banking industry (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 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 the Liechtenstein Capital Adequacy Ordinance, goodwill must be deducted from capital.

Client relationships and brand values

Client relationships and brand values are assets, which are acquired and capitalised within the scope of an acquisition. These are amortised over a period of 15 years on a straight-line basis. Estimated aggregated amortisation amounts to:

in CHF thousands	
2021	8'889
2022	5'784
2023	5'171
2024	5'171
2025	5'171
2026 and thereafter	39'095
Total	69'283

19 Other assets

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Settlement accounts	6'825	3'080	121.6
VAT and other tax receivables	2'227	10'055	- 77.8
Precious metals holdings	15'035	45'864	- 67.2
Total other assets	24'087	58'999	- 59.2

20 Assets pledged

in CHF thousands	31.12.2020		31.12.2019	
	Carrying value	Actual liability	Carrying value	Actual liability
Mortgage loans	1'501'113	1'204'700	1'401'918	1'109'700
Financial investments	586'085	314'010	350'794	280'511
Loans	52'351	49'000	0	0
Total assets pledged	2'139'549	1'567'710	1'752'712	1'390'211

The mortgage loans are pledged as collateral for shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions.

The financial assets are pledged for Lombard limits at national and central banks, for stock exchange deposits and to secure other business activities.

The bridging loans granted in the course of the corona pandemic and guaranteed by the Swiss Confederation were pledged to the Swiss National Bank as loans and advances to customers for refinancing purposes.

21 Due to banks

in CHF thousands	31.12.2020	31.12.2019	+ / - %
On demand	252'062	298'628	- 15.6
At maturity or callable	1'074'108	1'227'679	- 12.5
Total due to banks	1'326'170	1'526'308	- 13.1

22 Due to customers

in CHF thousands	31.12.2020	31.12.2019	+ / - %
On demand	13'299'777	12'168'013	9.3
At maturity or callable	1'120'724	1'419'153	- 21.0
Savings accounts	3'331'698	3'376'952	- 1.3
Total due to customers	17'752'199	16'964'118	4.6

23 Debt issued

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Medium-term notes [°]	186'472	219'473	- 15.0
Shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions ^{**}	1'206'506	1'111'918	8.5
Bonds	401'339	251'600	59.5
Total debt issued	1'794'317	1'582'991	13.3

[°] The average interest rate was 0.4 per cent as at 31 December 2020 and 0.5 per cent as at 31 December 2019.

^{**} The average interest rate was 0.5 per cent as at 31 December 2020 and 0.7 per cent as at 31 December 2019.

Year issued	Name	ISIN	Currency	Maturity	Effective annual interest rate in %	Nominal interest rate in %	in CHF thousands		
							Nominal value	31.12.2020	31.12.2019
2019	Liechtensteinische Landesbank AG 0.125 % Senior Preferred Anleihe 2019 – 2026	CH0419041204	CHF	28.05.2026	0.106 %	0.125 %	150'000	150'263	150'291
2019	Liechtensteinische Landesbank AG 0.000 % Senior Preferred Anleihe 2019 – 2029	CH0419041527	CHF	27.09.2029	- 0.133 %	0.000 %	100'000	101'173	101'309
2020	Liechtensteinische Landesbank AG 0.300 % Senior Preferred Anleihe 2020 – 2030	CH0536893255	CHF	24.09.2030	0.315 %	0.300 %	150'000	149'902	0

24 Changes to liabilities from financing activities

in CHF thousands	01.01.2019	Cash changes	Non-cash changes				31.12.2019
			Changes in scope of consolidation	Changes in exchange rates	Changes in fair value	Other	
Medium-term notes *	242'147	- 22'549	0	16		- 141	219'473
Shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions *	994'215	118'000	0	0		- 297	1'111'918
Bonds *	0	251'489	0	0		111	251'600
Lease liabilities	33'008	- 5'118	0	281		11'506	39'677
Total liabilities from financing activities	1'269'371	341'822	0	297	0	11'179	1'622'669

in CHF thousands	01.01.2020	Cash changes	Non-cash changes				31.12.2020
			Changes in scope of consolidation	Changes in exchange rates	Changes in fair value	Other	
Medium-term notes *	219'473	- 32'925	0	0		- 77	186'472
Shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions *	1'111'918	95'000	0	0		- 412	1'206'506
Bonds *	251'600	150'000	0	0		- 262	401'338
Lease liabilities	39'677	- 5'106	0	0		1'158	35'729
Total liabilities from financing activities	1'622'669	206'969	0	0	0	407	1'830'044

* Part of the balance sheet position "Debt issued"

25 Deferred taxes

in CHF thousands	As at 1 January	Amount recognised in the income statement	Amount recognised in other comprehensive income ^o	As at 31 December
Deferred tax assets				
2019				
Tax losses carried forward	2'909	- 2'909	0	- 0
Recognised rights of use from leases	0	36	- 1	36
Property and equipment	4'178	198	- 42	4'334
Liability for pension plans	14'332	- 937	279	13'675
Intangible assets	123	- 107	- 4	13
Derivative financial instruments	3'609	- 941	17	2'685
Expected credit losses	2'351	- 1'008	- 85	1'258
Total deferred tax assets	27'502	- 5'666	164	21'999
Offsetting				- 6'461
Total after offsetting				15'538
2020				
Tax losses carried forward	- 0	0	0	- 0
Recognised rights of use from leases	36	25	0	61
Property and equipment	4'334	- 254	0	4'080
Liability for pension plans	13'675	- 337	- 869	12'469
Intangible assets	13	- 13	0	- 0
Derivative financial instruments	2'685	- 1'169	0	1'516
Expected credit losses	1'258	- 557	4	705
Total deferred tax assets	21'999	- 2'305	- 865	18'830
Offsetting				- 7'346
Total after offsetting				11'483
Deferred tax liabilities				
2019				
Intangible assets	22'021	- 2'481	- 964	18'576
Financial investments	5'824	- 761	2'562	7'626
Property and equipment	0	229	0	229
Provisions	13'143	- 2'040	- 125	10'977
Total deferred tax liabilities	40'988	- 5'054	1'473	37'407
Offsetting				- 6'461
Total after offsetting				30'946
2020				
Intangible assets	18'576	- 1'952	- 130	16'494
Financial investments	7'626	- 608	1'850	8'869
Property and equipment	229	- 229	0	0
Provisions	10'977	0	0	10'977
Total deferred tax liabilities	37'407	- 2'789	1'720	36'338
Offsetting				- 7'346
Total after offsetting				28'992

^o Including insignificant currency effects

As per 31 December 2020, there were no temporary differences which were not reported as deferred taxes and which in future could be offset with potential tax allowances (previous year: CHF thousands 0). As per 31 December 2020, there were tax losses carried forward of CHF 98 million, which were not recognised as deferred tax assets (previous year: CHF 125 million). They expire within the next five years.

In general, tax losses in Switzerland can be carried forward for seven years; in the Principality of Liechtenstein and Austria they can be carried forward for an unlimited period.

26 Provisions

in CHF thousands	Provisions for legal and litigation risks	Provisions for other business risks and restructuring	Total 2020	Total 2019
As at 1 January	5'255	9'651	14'907	30'661
Provisions applied	- 511	- 3'647	- 4'158	- 12'514
Increase in provisions recognised in the income statement	1'965	2'689	4'654	7'108
Decrease in provisions recognised in the income statement	- 3'952	- 193	- 4'145	- 10'251
Changes due to foreign exchange differences	0	- 59	- 59	- 97
As at 31 December	2'757	8'441	11'199	14'907

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Short-term provisions	11'199	14'907	- 24.9
Long-term provisions	0	0	
Total	11'199	14'907	- 24.9

Provisions for legal and litigation risks

In a case against LLB Verwaltung (Switzerland) AG, formerly Liechtensteinische Landesbank (Switzerland) AG, a settlement was reached with the claimants in May 2020. As a result of this settlement, LLB Verwaltung (Switzerland) AG was able to write back provisions amounting to CHF 3.7 million as at 31 December 2020. It will assert its claims against the insurance company.

Provisions for other risks and restructuring measures

In the 2020 business year, the LLB Group had allocated provisions for restructuring measures. These relate to various strategic initiatives, and in particular, to the StepUp2020 strategy of the LLB Group announced in October 2015. Provisions were set aside for the estimated costs of the corresponding social plans for employees.

In addition, there are provisions for a service agreement for the use of the Tambas banking software, which will be used for the intended purpose until the end of 2021. The banking software is no longer being used, but the service contract remains in place until the end of 2021.

27 Other liabilities

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Lease liabilities	35'729	39'677	- 9.9
Charge accounts	10'040	5'821	72.5
Accounts payable	17'730	31'617	- 43.9
Settlement accounts	23'619	23'492	0.5
Pension plans	101'140	114'881	- 12.0
Outstanding holidays / flexi-time	3'551	4'880	- 27.2
Other long-term benefits	4'358	4'324	0.8
Total other liabilities	196'167	224'692	- 12.7

28 Share capital

	31.12.2020	31.12.2019	+ / - %
Number of registered shares (fully paid up)	30'800'000	30'800'000	0.0
Nominal value per registered share (in CHF)	5	5	0.0
Total nominal value (in CHF thousands)	154'000	154'000	0.0

29 Share premium

in CHF thousands	2020	2019	+ / - %
As at 1 January	- 22'432	- 21'157	6.0
Net movements in treasury shares *	9'255	- 1'275	
As at 31 December	- 13'177	- 22'432	- 41.3

* Contains a change to reserves for security entitlements and realised price gains on treasury shares.

Share entitlements at the LLB

Risk takers whose decisions have a significant impact on the bank's risk profile and other employees in selected salary models receive part of their variable salary component paid out in share entitlements. The variable component of compensation depends on individual target achievement and the relative equity performance of the LLB. The share component of the variable compensation of risk takers is at least 50 per cent, of the other employees at least 40 per cent. The number of shares for the share-based remuneration is calculated from the average market price of the 4th quarter of the business year.

The shares are granted in March or April of the following year. At the grant date, the number of shares is recognised in equity at the current market value as an entitlement. After granting, the shares are blocked for 3 years and are then transferred to the employees.

In 2020, share entitlements of CHF 2.0 million (37'270 shares at an average price of CHF 53.80) were earned and recognised in personnel expenses. In the previous year, it was CHF 2.8 million (43'427 shares at an average price of CHF 63.50).

30 Treasury shares

	Quantity	in CHF thousands
As at 1 January 2019	124'841	8'195
Purchases	283'500	18'079
Disposals	- 44'046	- 2'700
As at 31 December 2019	364'295	23'574
Purchases	0	0
Disposals	- 75'885	- 4'911
As at 31 December 2020	288'410	18'663

31 Retained earnings

in CHF thousands	2020	2019	+ / - %
As at 1 January	1'866'121	1'815'053	2.8
Net profit attributable to the shareholders of LLB	103'523	115'274	- 10.2
Dividends paid	- 67'124	- 64'309	4.4
Increase / (Reduction) in non-controlling interests	0	102	- 100.0
Reclassification due to the sale of equity instruments recognised in other comprehensive income without affecting the income statement	- 204	0	
As at 31 December	1'902'316	1'866'121	1.9

32 Other reserves

in CHF thousands	2020	2019	+ / - %
As at 1 January	- 44'803	- 53'388	- 16.1
Foreign currency translation	- 1'258	- 13'426	- 90.6
Actuarial gains / (losses) of pension plans	9'000	262	
Value changes from financial investments measured at fair value through other comprehensive income	15'946	21'749	- 26.7
Reclassification due to the sale of equity instruments recognised in other comprehensive income without affecting the income statement	204	0	
As at 31 December	- 20'911	- 44'803	- 53.3

33 Non-controlling interests

in CHF thousands	2020	2019	+ / - %
As at 1 January	130'785	123'391	6.0
Foreign currency translation	- 7	0	
Non-controlling interests in net profit	6'299	8'104	- 22.3
(Dividends paid) / Reduction of nominal value in non-controlling interests	- 2'357	- 2'167	8.8
Increase / (Reduction) in non-controlling interests	0	- 564	
Actuarial gains / (losses) of pension plans	- 641	1'139	
Value changes from financial investments measured at fair value through other comprehensive income	- 51	882	
As at 31 December	134'029	130'785	2.5

From the Group's perspective, the minorities are considered immaterial, so that no further disclosures are made in the annual report. From an individual company perspective, the minority interests of Bank Linth are of a certain relevance. For further information, see the [annual report of Bank Linth](#).

34 Fair value measurement

Measurement guidelines

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

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

observable market data is used to determine the fair value, these are measured at the transaction price. This fair value can differ from the fair value calculated on the basis of valuation techniques.

All financial and non-financial assets and liabilities, which possess a fair value and qualify, are assigned to one of the following three levels of the fair values hierarchy:

Level 1

The fair value of listed debt instruments and equity instruments in the financial assets is determined on the basis of market price quotes on an active market.

Level 2

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

Level 3

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

Valuation methods

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

The LLB Group employs standardised and accepted valuation techniques or takes over the fair values evaluated by third parties to determine the fair value of financial and non-financial assets and liabilities which are not actively traded or listed. It essentially uses the following valuation methods or techniques and input factors:

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

Measurement of assets and liabilities, classified as Level 3

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 following table, are explained in the following. No explanation of the interrelationships between observable and non-observable inputs is provided because they have no material influence on the measurement of fair value.

Financial investments measured at fair value through other comprehensive income

These financial investments consist of non-listed shares in companies having an infrastructure character, which are necessary for the operation of a bank. They are periodically revalued on the basis of current company data, or with the aid of third-party valuation models.

Investment property

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

Investment properties do not diverge to highest and best use.

Non-current assets held for sale

Non-current assets held for sale comprise wholly owned properties, as well as a company that manages apartments (see also [note 36](#)). The basic valuation process is the same as with that for investment

property, i.e. the fair value measurement is carried out solely by third parties. The reported value of these assets and liabilities corresponds to the fair value minus sales costs.

Measurement of fair values through active markets or valuation techniques

The following table shows the classification of financial and non-financial assets and liabilities of the LLB Group within the fair value hierarchy and their fair value.

Positions measured at fair value are recognised on a recurring basis in the balance sheet at fair value. As at 31 December 2020, the LLB Group had no assets or liabilities which were measured at fair value on a non-recurring basis in the balance sheet. In the 2020 financial year, there were no significant transfers between Level 1, Level 2 and Level 3 financial instruments.

in CHF thousands	31.12.2020	31.12.2019	+/- %
Assets			
Level 1			
Financial investments at fair value through profit and loss	263'342	455'143	- 42.1
Financial investments, recognised at fair value through other comprehensive income	1'866'971	1'641'780	13.7
Total financial instruments at fair value	2'130'312	2'096'923	1.6
Cash and balances with central banks	6'715'610	5'447'642	23.3
Total financial instruments not at fair value	6'715'610	5'447'642	23.3
Total Level 1	8'845'922	7'544'564	17.2
Level 2			
Derivative financial instruments	199'634	112'798	77.0
of which for hedging purpose	4'193	4'034	3.9
Financial investments at fair value through profit and loss *	31'847	43'276	- 26.4
Total financial instruments at fair value	231'481	156'074	48.3
Due from banks	691'156	1'353'974	- 49.0
Loans	13'806'289	13'506'813	2.2
Accrued income and prepaid expenses	60'601	61'800	- 1.9
Total financial instruments not at fair value	14'558'046	14'922'587	- 2.4
Total Level 2	14'789'527	15'078'662	- 1.9
Level 3			
Financial investments, recognised at fair value through other comprehensive income **	30'152	28'177	7.0
Total financial instruments at fair value	30'152	28'177	7.0
Investment property	15'000	15'000	0.0
Non-current assets held for sale	6'813	19'000	- 64.1
Total other assets at fair value	21'813	34'000	- 35.8
Total Level 3	51'966	62'177	- 16.4
Total assets	23'687'415	22'685'403	4.4

* Own investment funds and equities

** Infrastructure title

in CHF thousands	31.12.2020	31.12.2019	+/- %
Liabilities			
Level 1			
Total financial instruments at fair value	0	0	
Bonds	402'655	248'785	
Total financial instruments not at fair value	402'655	248'785	
Total Level 1	402'655	248'785	61.8
Level 2			
Derivative financial instruments	249'176	180'065	38.4
of which for hedging purpose	22'371	18'350	21.9
Total financial instruments at fair value	249'176	180'065	38.4
Due to banks	1'329'815	1'527'171	- 12.9
Due to customers	17'861'027	17'043'360	4.8
Medium-term notes and shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	1'452'239	1'386'495	4.7
Non-current liabilities held for sale	2'250	2'261	- 0.5
Accrued expenses and deferred income	63'398	61'754	2.7
Total financial instruments not at fair value	20'708'729	20'021'041	3.4
Total Level 2	20'957'905	20'201'106	3.7
Level 3			
Total Level 3	0	0	
Total liabilities	21'360'560	20'449'891	4.5

Reconciliation of assets and liabilities classified as Level 3

All Level 3 positions are measured by third parties and are not material due to their amount. The reconciliation is therefore not shown in tabular form.

The financial investments measured at fair value through other comprehensive income rose by CHF 2.0 million in the 2020 business year. This increase was attributable mainly to the purchase of new securities amounting to CHF 2.3 million due to capital increases made by the issuer. Marginal price corrections led to a decline in the fair value of CHF 0.3 million.

There were no changes in the value of investment property. Accordingly, there were no effects on the income statement.

The change in the value of non-current assets held for sale was caused by the classification of properties as available for sale and their subsequent sale. The sale of several properties generated a profit of CHF 1.9 million and a decrease in the carrying value of the properties of CHF 12.2 million. The profit was recognised in the income statement and a component of other income. The value was also marginally influenced by exchange rate fluctuations of the euro to the Swiss franc.

Financial investments not measured at fair value

The fair value hierarchy also includes details of financial assets and liabilities which are not measured on a fair value basis, but for which a fair value does exist. In addition to their inclusion in the fair value hierarchy, basically a comparison between the fair value and the carrying value of the individual categories of financial assets and liabilities is to be presented.

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

in CHF thousands	31.12.2020		31.12.2019	
	Book amount	Fair value	Book amount	Fair value
Assets				
Cash and balances with central banks	6'715'610	6'715'610	5'447'642	5'447'642
Due from banks	691'011	691'156	1'352'338	1'353'974
Loans	13'229'931	13'806'289	12'960'524	13'506'813
Accrued income and prepaid expenses	60'601	60'601	61'800	61'800
Liabilities				
Due to banks	1'326'170	1'329'815	1'526'308	1'527'171
Due to customers	17'752'199	17'861'027	16'964'118	17'043'360
Medium-term notes and shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	1'392'978	1'452'239	1'331'391	1'386'495
Bonds	401'339	402'655	251'600	248'785
Non-current liabilities held for sale	2'250	2'250	2'261	2'261
Accrued expenses and deferred income	63'398	63'398	61'754	61'754

35 Netting of financial assets and financial liabilities

The LLB Group has concluded agreements with various counterparties which permit netting. These are mainly agreements in connection with securities lending and borrowing transactions, reverse-repurchase deals and over-the-counter transactions. The following table provides an overview of the financial assets and financial liabilities which are subject to an enforceable netting agreement or similar agreements. The LLB Group does not conduct balance sheet netting with the financial assets and financial liabilities of balance sheet transactions because the legal requirements for netting are not satisfied. Accordingly, the table shows unnetted amounts on the balance sheet and therefore risks, which the bank has accepted with the individual executed transactions, and which existed on the balance sheet date. The information provided in the table does not represent the current credit risk in connection with the transactions conducted by the LLB Group.

in CHF thousands	On the balance sheet recognised amounts	Potential netting amounts		Amounts after potential netting
		Financial instruments	Financial collaterals	
31.12.2019				
Financial assets subject to off-setting, enforceable netting agreements or similar arrangements				
Reverse repurchase agreements	0	0	0	0
Positive replacement values	112'798	62'449	50'350	0
Total assets	112'798	62'449	50'350	0
Financial liabilities subject to off-setting, enforceable netting agreements or similar arrangements				
Repurchase agreements	500'000	500'000	0	0
Negative replacement values	180'065	62'449	88'262	29'354
Total liabilities	680'065	562'449	88'262	29'354

in CHF thousands	On the balance sheet recognised amounts	Potential netting amounts		Amounts after potential netting
		Financial instruments	Financial collaterals	
31.12.2020				
Financial assets subject to off-setting, enforceable netting agreements or similar arrangements				
Reverse repurchase agreements	0	0	0	0
Positive replacement values	199'634	54'577	96'375	48'682
Total assets	199'634	54'577	96'375	48'682
Financial liabilities subject to off-setting, enforceable netting agreements or similar arrangements				
Repurchase agreements	490'000	490'000	0	0
Negative replacement values	249'176	54'577	58'225	136'374
Total liabilities	739'176	544'577	58'225	136'374

36 Non-current assets and liabilities held for sale

Properties, which are wholly owned by individual Group companies and are available for immediate sale, encompass bank branches in use and rental apartments, as well as unused real estate. In the 2020 business year, several properties were sold at a profit of CHF 1.9 million; the carrying value amounted to CHF 12.2 million. For other properties offers have been received, or sales discussions have taken place.

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

The net balance sheet value amounts to CHF 4.6 million.

Notes to the consolidated off-balance sheet transactions

37 Contingent liabilities

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Collateral guarantees and similar instruments	26'164	27'030	- 3.2
Performance guarantees and similar instruments	36'253	39'914	- 9.2
Total contingent liabilities	62'416	66'944	- 6.8

38 Credit risks

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Irrevocable commitments	696'915	512'732	35.9
Deposit and call liabilities	15'036	14'183	6.0
Total credit risks	711'952	526'914	35.1

39 Fiduciary transactions

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Fiduciary deposits with other banks	202'772	655'887	- 69.1
Other fiduciary financial transactions	1'646	1'639	0.5
Total fiduciary transactions	204'418	657'526	- 68.9

40 Lending and pension transactions with securities

LLB has own securities which have been lent or pledged by it. These are recognised in LLB's balance sheet and recorded in the table below. Furthermore, securities owned by third parties which LLB received as collateral and in some cases has repledged or resold are reported in the table. These are not recognised in LLB's balance sheet.

in CHF thousands	31.12.2020		31.12.2019	
	Carrying value	Actual liability	Carrying value	Actual liability
Self-owned securities lent or delivered as collateral within the scope of securities lending or borrowing transactions, or self-owned securities transferred in connection with repurchase agreements	490'000	488'791	575'349	575'349
of which capable of being resold or further pledged without restrictions	490'000	488'791	575'349	575'349
Securities received as collateral within the scope of securities lending or securities received in connection with reverse repurchase agreements, which are capable of being resold or further pledged without restrictions	0	284'080	0	411'057
of which resold or further pledged securities	0	0	0	3'298

Pension plans and other long-term benefits

Pension plans

Post-employment benefits

The LLB Group has established a number of pension plans, in compliance with prevailing legal provisions, which insure most employees in the event of death, invalidity and retirement. In addition, further plans exist for long-service anniversaries, which qualify as other long-term employee benefits. In the case of the pension plans, contributions are made by employees, which are then supplemented by corresponding contributions from the LLB Group. The pension schemes are financed in compliance with the local legal and fiscal regulations. The risk benefits are based on the insured salary and the pension benefits on the accumulated capital. The assets of the funded pension plans are held within separate foundations or insurances and may not revert to the employer. The mortality rates specified in the Professional Pensions Law 2015 (BVG 2015) were employed to calculate the mortality, life expectancy and invalidity rates for all pension plans. The last actuarial valuations were performed on 31 December 2020 and 31 December 2019. The actuarial gains and losses are included in other comprehensive income.

Joint committees are set up for pension plans, which are administered via collective foundations. The foundation board of the autonomous pension foundation is also composed of an equal number of employee and employer representatives. On the basis of the legal provisions and the pension plan regulations, the foundation board is obligated to act solely in the interest of the foundation and the actively insured persons and pensioners. Consequently, in this pension plan the employer itself may not decide on benefits and their financing, rather decisions must be taken on equal terms.

The foundation board is responsible for determining the investment strategy, for amendments to the pension plan regulations, and especially for the financing of the pension plan benefits. The foundation board members of the pension plans specify investment guidelines for the investment of the pension plan assets, which contain the tactical asset allocation and the benchmarks for the comparison of performance with a general investment universe. The assets of the pension plans are well diversified. With regard to diversification and security, the legal provisions of the BPVG Pension Law apply to pension plans in Liechtenstein, and the legal provisions of the BVG Pension Law apply to pension plans in Switzerland. The foundation board members continually monitor whether the selected investment strategy is suitable for the provision of the pension plan benefits and whether the risk budget corresponds to the demographic structure. The observance of the investment guidelines and the investment performance of the investment advisers are reviewed on a quarterly basis. In addition, the investment strategy and its suitability and effectiveness are periodically checked by an external consultant.

The pension plan is designed as a defined contribution plan, i.e. a savings account is maintained for all the retirement benefits of each employee. The annual savings contributions and interest (no negative interest is possible) are credited to the pension savings account annually. At the time of retirement, the insured person may choose between a life-long pension, which includes a reversionary spouse pension, or the withdrawal of the savings capital. In addition to the retirement benefits, the pension plan also includes invalidity and partner pensions. These are calculated on the basis of the insured annual salary (defined benefit plan). Furthermore, the insured employee may purchase improvements to his pension plan up to a maximum sum specified in the regulations. If the employee leaves the company, the savings credit balance is transferred to the new employer's pension plan or to a blocked pension savings account. When determining the benefits, the minimum provisions of the Professional Pension Plans Law (BPVG) and its implementing ordinance are to be observed. The minimum salary to be insured and the minimum pension savings balance sum are stipulated in the BPVG. On account of the pension plan structure and the legal provisions of the BPVG, the employer is subject to actuarial risks. The most important of these are investment risk, interest rate risk and longevity risk. The risks of death and

invalidity are congruently re-insured. Currently, the individually accumulated pension capital is converted into a life-long pension at age 64 at a pension conversion rate of 5.30 per cent. In March 2020, the foundation board decided to reduce this conversion rate in stages from 1 January 2021, so that from 1 January 2027, a rate of 4.76% at age 64 will apply. This decision led to a profit from plan amendments, which was recognised immediately as a reduction of personnel expenses in the income statement. To calculate the effect of the plan amendment, in accordance with IAS 19, an interim financial statement was compiled for the pension fund. Amendments to the contribution payments made by the bank, the associated companies, or the employees require, in accordance with the regulations, the approval of the bank, the associated companies and a majority of the foundation board. The pension plans are financed through contributions made by the employer and the employees. The amount of the contributions is specified in the pension plan regulations. The employer must bear at least half of the contributions. In the event of underfunding, financial recovery contributions may be charged to both the employer and the employee to eliminate the shortfall in coverage.

The following amounts were recognised in the income statement and in equity as pension costs:

Benefit expenses

in CHF thousands	Pensions plans		Other long-term benefits	
	2020	2019	2020	2019
Defined benefit costs				
Service cost				
Current service cost	- 16'495	- 16'567	- 570	- 623
Past service cost including effects of curtailment	6'697	0	0	0
Total service cost	- 9'798	- 16'567	- 570	- 623
Net interest				
Interest cost on defined benefit obligation	- 1'717	- 4'806	- 15	- 42
Interest income on plan assets	1'352	3'903	0	0
Total net interest	- 365	- 903	- 15	- 42
Administration expense	- 616	- 617	0	0
Net actuarial (losses) / gains recognised	0	0	- 185	- 17
Total defined benefit cost	- 10'779	- 18'087	- 770	- 682
of which personnel expenses	- 10'779	- 18'087	- 770	- 682
of which financial expense	0	0	0	0
Contributions to defined contribution plans	- 356	- 830	0	0
Remeasurement of the defined benefit liability				
Actuarial (gains) / losses				
Arising from changes in demographic assumptions	0	16'576	0	0
Arising from changes in economic assumptions	- 2'540	- 36'997	0	0
Arising from experience	- 4'047	- 11'953	0	0
Return on plan assets (excl. amounts in interest income)	15'812	33'463	0	0
Total defined benefit cost recognised in other comprehensive income	9'225	1'089	0	0
Total benefit cost	- 1'910	- 17'828	- 770	- 682

Development of plan obligations

in CHF thousands	Pensions plans		Other long-term benefits	
	2020	2019	2020	2019
As at 1 January	588'661	543'422	4'325	4'201
Current service cost	16'495	16'567	570	623
Plan participation contributions	8'011	7'873	0	0
Interest costs	1'717	4'806	15	42
Benefits paid through pension assets	- 13'968	- 16'353	0	0
Benefits paid by employer	- 238	0	- 731	- 509
Actuarial (gains) / losses	6'587	32'374	185	17
Plan amendments	- 6'697	0	0	0
Exchange rate differences	- 108	- 28	- 5	- 49
As at 31 December	600'460	588'661	4'359	4'325
of which active employees	404'386	411'138		
of which pensioners	196'074	177'523		
Average term of obligation	15.8	15.9		

Development of plan assets

in CHF thousands	Pension plans	
	2020	2019
As at 1 January	473'780	430'992
Plan participation contributions	8'011	7'873
Company contributions	14'949	14'519
Interest income on plan assets	1'352	3'903
Administration expense	- 616	- 617
Assets assumed in a business combination	0	0
Benefits paid through pension assets	- 13'968	- 16'353
Return on plan assets (excl. amounts in interest income)	15'812	33'463
As at 31 December	499'320	473'780

The pension fund assets as at 31 December 2020 include shares of LLB with a market value of CHF thousands 12 (31.12. 2019: CHF thousands 15). The expected Group contributions for the 2021 financial year amount to CHF thousands 14'627 for the pension plans and CHF thousands 552 for the other long-term benefits.

Overview of net debt recognised in the balance sheet

in CHF thousands	Pension plans		Other long-term benefits	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Present value of funded obligations	598'909	587'034	0	0
Minus fair value of plan assets	499'320	473'780	0	0
Under- / (Over-)funded	99'589	113'254	0	0
Present value of unfunded obligations	1'551	1'627	4'358	4'324
Net debt recognised in the balance sheet	101'140	114'881	4'358	4'324

Asset classes

in CHF thousands	31.12.2020	31.12.2019
	Share of total assets	Share of total assets
Equities		
listed market prices (Level 1)	157'862	111'869
other than listed market prices	0	0
Bonds		
listed market prices (Level 1)	180'567	196'649
other than listed market prices	0	0
Real estate		
listed market prices (Level 1)	5'367	3'600
other than listed market prices / direct investments	59'531	57'538
Alternative financial investments	45'945	49'362
Qualified insurance policies	35'840	32'652
Other financial investments	63	942
Cash and cash equivalents	14'145	21'168

Weighted average of principal actuarial assumptions

in per cent	Pension plans		Other long-term benefits	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Discount rate	0.18	0.30	0.20	0.43
Future salary increases	1.00	1.50	1.33	1.84
Future pension indexations	0.00	0.00	0.00	1.30
Interest credit rate	0.41	0.49		

Life expectancy at the age of 65

Year of birth	1975	1974	1975	1974
men	24.5	24.4	24.5	24.4
women	26.5	26.4	26.5	26.4
Year of birth	1955	1954	1955	1954
men	22.7	22.6	22.7	22.6
women	24.8	24.7	24.8	24.7

The demographic assumptions correspond to those of the year 2019.

Sensitivity analysis of significant actuarial assumptions

The following sensitivity analysis for the significant actuarial assumptions, on which calculations are based, shows how the cash value of pension obligations would change on the balance sheet date on account of a possible change in the actuarial assumptions. Only the listed assumption changes, all other assumptions remain unchanged.

in CHF thousands	Pension plans			
	31.12.2020		31.12.2019	
	+ 0.25 %	- 0.25 %	+ 0.25 %	- 0.25 %
Discount rate	- 23'434	25'097	- 23'131	24'784
Salary increase	1'942	- 1'896	2'043	- 1'994
Interest credit rate	5'312	- 5'193	5'396	- 5'275

in CHF thousands	+ 1 year		- 1 year	
	+ 1 year	- 1 year	+ 1 year	- 1 year
Life expectancy	15'214	- 15'343	14'361	- 14'512

Related party transactions

Related parties

The LLB Group is controlled by the Principality of Liechtenstein, which holds 57.5 per cent of the registered shares of Liechtensteinische Landesbank AG, Vaduz. The shareholder group, consisting of the Haselsteiner Familien-Privatstiftung and grosso Holding Gesellschaft mbH, holds 5.9 per cent of the registered shares. At the end of the year under report, LLB held 0.9 per cent of its own shares and 0.4 per cent were held by members of the Board of Directors and the Board of Management. The remaining registered shares are owned by the general public.

The related parties of the LLB Group comprise the Principality of Liechtenstein, associated companies, members of the Board of Directors and the Board of Management, as well as their close family members and companies, in which these individuals are part of the company management, either through their majority shareholding or through their function, as well as own pension funds.

Within the scope of its business activity, the LLB Group also conducts banking transactions with related parties. These transactions mainly involve loans, investments and services. The volumes of these transactions, the holdings and corresponding income and expenses are shown below. For information regarding important business transactions with the Principality of Liechtenstein reference is made to [note 14](#) in the separate financial statement of LLB AG.

See "[Scope of consolidation](#)" for a detailed list of the intercompany relationships of the LLB Group.

Compensation of key management personnel

in CHF thousands	Fixed compensation		Variable compensation		Contribution to benefit plans and other social contributions		Entitlements		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Compensation										
Members of the Board of Directors [°]	783	751	0	0	105	111	168	163	1'057	1'025
Members of the Board of Management ^{**}	3'570	3'384	735	807	1'183	1'135	735	807	6'223	6'133

[°] The Board Chairman Georg Wohlwend stepped down from the Board of Directors on 4 November 2020. Vice Chairwoman Gabriela Nagel-Jungo took over the duties and responsibilities of the Chair. Currently, the Board of Directors is composed of six members.

^{**} The Board of Management comprises six members.

Further information can be found in the [Compensation report](#).

Loans to key management personnel and related parties

in CHF thousands	Fixed mortgages		Variable mortgages		Total	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Members of the Board of Directors						
Georg Wohlwend, Chairman *		0		0		0
Gabriela Nagel-Jungo, Vice Chairwoman	400	400	0	0	400	400
Patrizia Hostenstein, Member	0	0	0	0	0	0
Urs Leinhäuser, Member	0	0	0	0	0	0
Thomas Russenberger, Member	0	0	0	0	0	0
Richard Senti, Member	575	575	93	93	668	668
Karl Sevelda, Member	0	0	0	0	0	0
and related parties	0	0	0	0	0	0
Total	975	975	93	93	1'068	1'068
Members of the Board of Management						
Roland Matt, CEO	2'000	1'000	1'000	0	3'000	1'000
Other members of the Board of Management	1'560	1'560	0	0	1'560	1'560
and related parties	0	0	0	0	0	0
Total	3'560	2'560	1'000	0	4'560	2'560

* Georg Wohlwend stepped down from the Board of Directors on 3 November 2020. The duties of the Chairmanship have been taken over by Vice Chair Gabriela Nagel-Jungo.

All mortgage loans to key management personnel and related parties are fully secured.

At 31 December 2020, the maturities of the fixed mortgages for the members of the Board of Directors and related parties ranged between 3 and 63 months (previous year: between 15 and 63 months) at standard market client interest rates of 0.95 to 1.65 per cent per annum (previous year: 0.95 to 1.65 %). A variable mortgage at standard market conditions was issued. The remaining term to maturity amounted to one month at an interest rate of 0.95 per cent (previous year: term to maturity amounted to one month at an interest rate of 0.95 per cent).

At 31 December 2020, the maturities of the fixed mortgages for the members of the Board of Management ranged between 1 and 118 months (previous year: between 0 and 73 months) at interest rates of 0.46 to 1.80 per cent per annum (previous year: 0.60 to 1.88 %). This includes two newly granted fixed mortgages. Two variable mortgages were also issued at market conditions. The remaining term is 1 month at an interest rate of 0.65 per cent (previous year: none).

The fair value of the collateral of the newly issued mortgages amounts to CHF thousands 3'142.

Of the total amount for mortgages for the members of the Board of Management, CHF thousands 1'500 (previous year: CHF thousands 1'000) was granted at the preferential interest rate for staff, the remainder was subject to the standard market client interest rate. No other loans were issued to the Executive Board (previous year: none).

No allowances for loans to management were necessary. LLB granted third parties guarantees amounting to CHF thousands 168 (previous year: CHF thousands 168) for management and related parties.

Transactions with key management personnel and related parties

in CHF thousands	2020	2019	+ / - %
Loans			
As at 1 January	3'628	4'786	- 24.2
Loans issued / changes to management and related parties	2'000	93	
Loan repayments / changes to management and related parties	0	- 1'251	- 100.0
As at 31 December	5'628	3'628	55.1
Deposits			
As at 1 January	6'695	5'137	30.3
Change	- 2'780	1'558	
As at 31 December	3'914	6'695	- 41.5
Income and expenses			
Interest income	47	47	0.1
Interest expenses	- 2	- 2	- 21.9
Other income *	7	12	- 45.5
Other expenses **	0	0	
Total	51	56	- 8.2

* Mainly net fee and commission income

** Services in connection with consultation

Transactions with associated companies

in CHF thousands	2020	2019	+ / - %
Loans			
As at 1 January	1'502	1	
Change	8'502	1'501	466.5
As at 31 December	10'003	1'502	566.2
Deposits			
As at 1 January	13'063	11'525	13.3
Change	16'694	1'538	985.5
As at 31 December	29'757	13'063	127.8
Income and expenses			
Interest income	87	53	64.8
Interest expenses	0	0	
Other income	20	18	10.7
Other expenses	- 153	- 125	22.0
Total	- 45	- 54	- 16.1

The LLB Group has not issued guarantees to third parties for related parties.

Related parties have concluded currency swaps to hedge against foreign currency risks. Claims exist from derivative financial instruments against related parties totalling CHF thousands 0 (previous year: CHF thousands 19). One company has a currently unused credit limit of CHF 10 million.

Transactions with own pension funds

in CHF thousands	2020	2019	+ / - %
Loans			
As at 1 January	0	642	- 100.0
Change	0	- 642	- 100.0
As at 31 December	0	0	
Deposits			
As at 1 January	17'868	20'371	- 12.3
Change	- 6'892	- 2'503	175.4
As at 31 December	10'976	17'868	- 38.6
Income and expenses			
Interest income	0	0	
Interest expenses	0	0	
Other income [*]	1'009	752	34.1
Other expenses	0	- 1	- 100.0
Total	1'009	751	34.4

^{*} Mainly net fee and commission income

No guarantees have been granted by the LLB Group for third parties on behalf of own pension funds.

To hedge against interest rate and currency risks, an own pension fund has concluded swaps. Claims exist from derivative financial instruments against the own pension fund totalling CHF thousands 133 (previous year: CHF thousands 6) and liabilities amounting to CHF thousands 370 (previous year: CHF thousands 1'000).

Scope of consolidation

Company	Registered office	Business activity	Currency	Capital Stock	Equity interest (in %)	
					IFRS	Legal
Fully consolidated companies						
Bank Linth LLB AG	Uznach (CH)	Bank	CHF	16'108'060	74.9	74.9
Liechtensteinische Landesbank AG	Vaduz (FL)	Bank	CHF	154'000'000	100.0	100.0
Liechtensteinische Landesbank (Österreich) AG	Vienna (AT)	Bank	EUR	5'000'000	100.0	100.0
LLB Asset Management AG	Vaduz (FL)	Asset management company	CHF	1'000'000	100.0	100.0
LLB Berufliche Vorsorge AG	Lachen (CH)	Pension scheme	CHF	500'000	100.0	100.0
LLB Beteiligungs GmbH	Vienna (AT)	Investment company	EUR	35'000	100.0	100.0
LLB Fund Services AG	Vaduz (FL)	Fund management company	CHF	2'000'000	100.0	100.0
LLB Holding AG	Uznach (CH)	Holding company	CHF	95'328'000	100.0	100.0
LLB Immo Kapitalanlagegesellschaft m.b.H.	Vienna (AT)	Investment company	EUR	5'000'000	95.0	95.0
LLB Invest AGmvK	Vaduz (FL)	Investment company	CHF	65'000	100.0	100.0
LLB Invest Kapitalanlagegesellschaft m.b.H.	Vienna (AT)	Investment company	EUR	2'300'000	100.0	100.0
LLB Private Equity GmbH	Vienna (AT)	Financial consulting company	EUR	36'842	65.0	65.0
LLB Realitäten GmbH	Vienna (AT)	Real estate trust company	EUR	35'000	100.0	100.0
LLB Services (Schweiz) AG	Erlenbach (CH)	Service company	CHF	100'000	100.0	100.0
LLB Swiss Investment AG	Zurich (CH)	Fund management company	CHF	8'000'000	100.0	100.0
LLB Verwaltung (Schweiz) AG	Erlenbach (CH)	Management com- pany	CHF	100'000'000	100.0	100.0
PREMIUM Spitalgasse 19A GmbH & Co KG	Vienna (AT)	Real estate company	EUR	413'598	80.0	80.0
Zukunftsstiftung der Liechtensteinischen Landesbank AG	Vaduz (FL)	Charitable foundation	CHF	30'000	100.0	100.0
Associates						
Gain Capital Management S.A.R.L.	Luxembourg	Fund management company	EUR	12'000	30.0	30.0
Joint venture						
Data Info Services AG	Vaduz (FL)	Service company	CHF	50'000	50.0	50.0

In the year under report, there were no disposals or losses of control of ownership interests. As at 31 December 2020 and as at 31 December 2019, there were no major restrictions in respect of the possibility to access assets of the Group companies or to appropriate them. As at 31 December 2020 and as at 31 December 2019, there were no participations in consolidated structured companies.

Risk management

Principles of risk management

One of the core competences of a financial institute is to consciously accept risks and manage them profitably. In its risk policy, the LLB Group defines qualitative and quantitative standards of risk responsibility, risk management and risk control. Furthermore, the organisational and methodical parameters for the identification, measurement, control and monitoring of risks are specified. The proactive management of risk is an integral part of corporate policy and safeguards the LLB Group's ability to bear and accept risk.

Organisation and responsibilities

The Board of Directors of the LLB Group is responsible for stipulating risk management principles, as well as for specifying responsibilities and procedures for approving business transactions entailing risk. In fulfilling its tasks and duties, the Group Board of Directors is supported by the Group Risk Committee.

Group Executive Board

The Group Executive Board is responsible for the overall management of risk readiness within the parameters defined by the Group Board of Directors and for the implementation of the risk management processes. It is supported in this task by various risk committees.

Group Credit & Risk Management

Group Credit & Risk Management identifies, assesses, monitors and reports on the principal risk exposure of the LLB Group and is functionally and organisationally independent of the operative units. It supports the Group Executive Board in the overall management of risk exposure.

Risk categories

The LLB Group is exposed to various types of risks. It differentiates between the following risk categories:

Market risk

The risk of losses arises from unfavourable changes in interest rates, exchange rates, security prices and other relevant market parameters.

Liquidity and refinancing risk

Represents the risk of not being able to fulfil payment obligations on time or not being able to obtain refinancing funds on the market at a reasonable price to fulfil current or future payment liabilities.

Credit risk

Credit or counterparty risk includes the danger that a client or a counterparty cannot or cannot completely fulfil their obligations vis à vis the LLB Group or an individual Group company. This can result in a financial loss for the LLB Group.

Operational risk

Is the danger of losses due to the unsuitability or failure of internal procedures, people or systems, or as a result of external events.

Strategic risk

Arises as a result of decisions taken by the Group Executive Board which have a negative influence on the survival, development ability or independence of the LLB Group.

Reputation risk

If risks are not recognized, reasonably controlled and monitored, this can lead to considerable financial losses and damage to the company's reputation.

Risk categories



Risk management process

The implementation of an efficient risk management process is essential to enable risks to be identified, assessed, controlled and monitored, and should create a culture of risk awareness at all levels of the LLB Group. The Group Board of Directors specifies the risk strategy, which provides the operative units with a framework for the treatment of risk exposure. Depending on the type of risk, not only the stipulation of upper limits for losses may be required, but also a detailed set of regulations which stipulate which risks may be accepted under what conditions, and when measures to control risks are to be implemented.

The following process diagram shows the control loop of the LLB Group's risk management process.

Risk management process



Internal Capital Adequacy Assessment Process (ICAAP)

For the purposes of ensuring a continual capital adequacy, the LLB Group has in place sound, effective and comprehensive strategies and processes. The bank's internal capital adequacy process is an important instrument of risk management for the LLB Group. Its goal is to make a significant contribution to the continued existence of the LLB Group by measuring and safeguarding the bank's capital adequacy from various perspectives.

From the normative internal perspective, an assessment is made of the extent to which the LLB Group is in a position over the medium term to fulfil its quantitative regulatory and supervisory capital requirements and targets, as well as other external financial constraints.

The normative internal perspective is supplemented by an economic internal perspective, within the scope of which all major risks are identified and quantified which, from an economic viewpoint, could cause losses and substantially reduce the amount of internal capital. In conformity with the economic perspective, the LLB Group ensures all its risks are adequately covered by the availability of internal capital.

The adequacy of the Group's capital resources from the individual perspective has to be tested using internal methods. The quantified risks arising from the individual risk categories are aggregated in an overall risk potential and are compared with the capital available to cover these potential losses. It is then determined to what extent the LLB Group is in a position to bear potential losses.

The LLB Group's financial strength should remain unimpaired by fluctuations on the capital markets. Scenario analyses and stress tests are employed to simulate external influences and assess their impact on equity capital. Where necessary, measures are implemented to mitigate risks.

The ICAAP is documented in internal regulations and guidelines and is reviewed and revised annually.

1 Market risks

Market risk is the risk that arises from changes in interest rates, exchange rates and security prices in the financial and capital markets. A differentiation is made between market risks in the trading book and market risks in the banking book. The potential for losses exists primarily in the impairment of the value of an asset or the increase in the value of liabilities (market value perspective) as well as in secondary capacity in the diminution of current earnings or an increase in current expenditures (earnings perspective).

1.1 Market risk management

The LLB Group has in place a differentiated risk management and risk control system for market risks. The market risk control process comprises a sophisticated framework of rules involving the identification and the uniform valuation of market risk-relevant data as well as the control, monitoring and reporting of market risks.

Trading book

The trading book contains own positions in financial instruments which are held for short-term further sale or repurchase. These activities are closely associated with the needs of our clients for capital market products and are regarded as being supporting activities for our core business.

The LLB Group conducts relatively small-scale trading book activities in accordance with Article 94 (1) of the Capital Requirements Regulation (CRR). A limits system is in operation to ensure compliance and is monitored by Group Risk Management. Due to the lack of materiality, the trading book is no longer explained in detail.

Banking book

In general, the holdings in the banking book are employed to pursue long-term investment goals. These holdings include assets, liabilities, and off-balance sheet positions, which are the result, on the one hand, of classical banking business and, on the other, are held to earn revenue over their life.

Market risks with the banking book mainly involve interest rate fluctuation risk, exchange rate risk and equity price risk.

Exchange rate risk

This relates to the risks arising in connection with the uncertainties regarding future exchange rate trends. The calculation of these risks takes into consideration all the positions entered into by the bank.

Interest rate fluctuation risk

This is regarded as the adverse effects of changes in market interest rates on capital resources or current earnings. The different interest maturity periods of claims and liabilities from balance sheet transactions and derivatives represent the most important basis.

Equity price risk

This is understood to be the risk of losses due to adverse changes in the market prices of equities.

1.2 Valuation of market risks

Sensitivity analysis

In sensitivity analysis a risk factor is altered. Subsequently, the effects of the alteration of the risk factor on the portfolio concerned are estimated.

Value at Risk

The value-at-risk concept measures the potential loss under normal market conditions over a given time interval.

Scenario analysis

While the value-at-risk concept supplies an indication of possible losses under normal market conditions, it cannot provide information about potential losses under extreme conditions. The aim of the scenario analyses of the LLB Group is to simulate the effects of normal and stress scenarios.

1.3 Management of market risks

Within the specified limit parameters, the individual Group companies are at liberty to manage their interest rate risks as they wish. Interest rate swaps are employed mainly to control interest rate risks. Risks are restricted by means of value-at-risk models and sensitivity limits.

In client business, currency risks are basically controlled by making investments or obtaining refinancing in matching currencies. The residual currency risk is restricted by means of sensitivity limits.

Investments in equities are limited by the imposition of nominal limits.

1.4 Monitoring and reporting of market risks

Group Credit & Risk Management monitors the observance of market risk limits and is also responsible for reporting market risks.

1.5 Sensitivities by risk categories

Currency sensitivity affects both interest rate sensitive and non-interest rate sensitive instruments. The sensitivity of instruments in foreign currencies is determined by multiplying the CHF market value by the assumed exchange rate fluctuation of + / - 10 per cent.

Interest rate sensitivity measures the market change on interest rate-sensitive instruments for the LLB Group caused by a linear interest rate adjustment of + / - 100 basis points.

The equity price risks are measured assuming a price fluctuation of + / - 10 per cent on the equity market.

1.6 Effects on Group net profit

Exchange rate risk

The price gains resulting from the valuation of transactions and balances are booked to profit and loss. The price gains resulting from the transfer of the functional currency into the reporting currency are booked under other comprehensive income without affecting profit and loss.

Interest rate fluctuation risk

The LLB Group recognises client loans in the balance sheet at amortised cost. This means that a change in the interest rate does not cause any change in the recognised amount and therefore to no significant recognition affecting profit and loss of the effects of interest rate fluctuation. However, fluctuations in interest rates can lead to risks because the LLB Group largely finances long-term loans with client assets. Within the scope of financial risk management, these interest rate fluctuation risks in the balance sheet business of the LLB Group are hedged mainly by means of interest rate swaps. If the IFRS hedge accounting criteria for hedging instruments (interest rate swaps) and underlying transactions (loans)

are met, the hedged part of the loans to clients is recognised in the balance sheet at fair value. Further information regarding recognition and measurement is provided in the chapter "[Accounting principles](#)".

Equity price risk

The valuation is carried out at current market prices. The equity price risk resulting from the valuation at current market prices is reflected in the income statement and in other comprehensive income.

Sensitivities

in CHF thousands	31.12.2020	31.12.2019
	Sensitivity	Sensitivity
Currency risk	26'343	30'798
of which affecting net income	324	958
of which not affecting net income	26'019	29'840
Interest rate risk	72'066	83'843
of which affecting net income	8'701	11'398
of which not affecting net income	63'365	72'445
Equity price risk	8'949	7'706
of which affecting net income	230	252
of which not affecting net income	8'719	7'454

Exchange rate risk by currency

in CHF thousands	31.12.2020	31.12.2019
	Sensitivity	Sensitivity
Currency risk	26'343	30'798
of which USD	312	934
of which EUR	26'019	29'840
of which others	12	23

1.7 Currency risks

Currency exposure as at 31 December 2019

in CHF thousands	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central banks	4'287'978	279	1'159'125	259	5'447'642
Due from banks	250'686	454'862	365'002	281'788	1'352'338
Loans	11'840'858	354'199	693'028	72'440	12'960'524
Derivative financial instruments	110'339	1'936	168	356	112'798
Financial investments	822'071	723'191	623'113	0	2'168'375
Non-current assets held for sale	12'624	0	6'376	0	19'000
Investment in associates and joint venture	28	0	3	0	31
Property and equipment	137'898	0	21'026	0	158'923
Investment property	15'000	0	0	0	15'000
Goodwill and other intangible assets	133'571	0	156'531	0	290'102
Current tax assets	0	0	819	0	819
Deferred tax assets	14'943	0	595	0	15'538
Accrued income and prepaid expenses	42'114	7'295	11'585	806	61'800
Other assets	11'334	128	1'681	45'856	58'999
Total assets reported in the balance sheet	17'679'443	1'541'889	3'039'052	401'505	22'661'890
Delivery claims from forex spot, forex futures and forex options transactions	3'648'743	5'556'047	5'733'944	2'025'925	16'964'660
Total assets	21'328'187	7'097'937	8'772'997	2'427'430	39'626'549
Liabilities and equity					
Due to banks	1'371'134	10'137	140'091	4'946	1'526'308
Due to customers	10'778'176	2'253'521	3'296'012	636'408	16'964'118
Derivative financial instruments	175'024	3'814	871	356	180'065
Debt issued	1'582'991	0	0	0	1'582'991
Non-current liabilities available for sale	2'261	0	0	0	2'261
Current tax liabilities	13'752	0	0	0	13'752
Deferred tax liabilities	16'245	0	14'701	0	30'946
Accrued expenses and deferred income	35'211	6'274	18'839	1'431	61'754
Provisions	10'011	133	4'760	3	14'907
Other liabilities	182'259	1'987	40'317	130	224'692
Share capital	154'000	0	0	0	154'000
Share premium	- 22'432	0	0	0	- 22'432
Treasury shares	- 23'574	0	0	0	- 23'574
Retained earnings	1'866'121	0	0	0	1'866'121
Other reserves	- 44'803	0	0	0	- 44'803
Non-controlling interests	130'785	0	0	0	130'785
Liabilities and equity reported in the balance sheet	16'227'160	2'275'865	3'515'591	643'273	22'661'890
Delivery liabilities from forex spot, forex futures and forex options transactions	5'421'386	4'812'729	4'959'004	1'783'923	16'977'042
Total liabilities and equity	21'648'546	7'088'594	8'474'595	2'427'195	39'638'931
Net position per currency	- 320'359	9'342	298'401	234	- 12'382

Currency exposure as at 31 December 2020

in CHF thousands	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central banks	5'184'989	107	1'530'514	1	6'715'610
Due from banks	319'196	47'691	115'657	208'468	691'011
Loans	12'211'414	218'606	685'288	114'622	13'229'931
Derivative financial instruments	194'622	2'249	2'191	571	199'634
Financial investments	877'053	685'779	629'479	0	2'192'312
Non-current assets held for sale	1'750	0	5'063	0	6'813
Investment in associates and joint venture	25	0	5	0	30
Property and equipment	130'586	0	18'309	0	148'895
Investment property	15'000	0	0	0	15'000
Goodwill and other intangible assets	127'224	0	151'065	0	278'289
Current tax assets	0	0	1'290	0	1'290
Deferred tax assets	10'896	0	587	0	11'483
Accrued income and prepaid expenses	36'863	16'163	6'615	960	60'601
Other assets	3'243	320	5'516	15'009	24'087
Total assets reported in the balance sheet	19'112'861	970'914	3'151'580	339'630	23'574'986
Delivery claims from forex spot, forex futures and forex options transactions	4'439'307	7'302'542	6'459'225	1'993'412	20'194'486
Total assets	23'552'169	8'273'456	9'610'805	2'333'042	43'769'472
Liabilities and equity					
Due to banks	1'090'786	35'925	189'691	9'769	1'326'170
Due to customers	11'132'309	2'469'147	3'385'035	765'708	17'752'199
Derivative financial instruments	242'858	4'322	1'425	571	249'176
Debt issued	1'794'317	0	0	0	1'794'317
Non-current liabilities available for sale	2'250	0	0	0	2'250
Current tax liabilities	10'090	0	3'435	0	13'525
Deferred tax liabilities	13'927	0	15'065	0	28'992
Accrued expenses and deferred income	28'232	17'871	16'226	1'068	63'398
Provisions	8'342	0	2'856	0	11'199
Other liabilities	145'652	5'957	44'329	229	196'167
Share capital	154'000	0	0	0	154'000
Share premium	- 13'177	0	0	0	- 13'177
Treasury shares	- 18'663	0	0	0	- 18'663
Retained earnings	1'902'316	0	0	0	1'902'316
Other reserves	- 20'911	0	0	0	- 20'911
Non-controlling interests	134'029	0	0	0	134'029
Liabilities and equity reported in the balance sheet	16'606'357	2'533'222	3'658'062	777'345	23'574'986
Delivery liabilities from forex spot, forex futures and forex options transactions	7'219'009	5'737'116	5'692'554	1'555'577	20'204'255
Total liabilities and equity	23'825'366	8'270'338	9'350'616	2'332'922	43'779'241
Net position per currency	- 273'197	3'119	260'189	120	- 9'769

1.8 Interest rate repricing balance sheet

In the fixed-interest-rate repricing balance sheet, asset and liability surpluses from fixed-interest rate positions as well as from interest- rate-sensitive derivative positions in the balance sheet are calculated and broken down into maturity ranges (cycle times). The positions with an unspecified duration of interest rate repricing are allocated to the corresponding maturity ranges (cycle times) on the basis of a replication.

Interest commitments of financial assets and liabilities (nominal)

in CHF thousands	Within 1 month	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	Total
31.12.2019						
Financial assets						
Cash and balances with central banks	5'380'402	0	0	0	0	5'380'402
Due from banks	1'128'000	100'617	58'360	0	0	1'286'977
Loans	2'501'721	1'761'725	1'626'978	5'161'514	1'897'657	12'949'595
Financial investments	73'886	105'065	164'885	1'465'361	183'561	1'992'758
Total financial assets	9'084'008	1'967'408	1'850'222	6'626'876	2'081'218	21'609'732
Derivative financial instruments	90'854	495'000	970'000	325'854	0	1'881'708
Total	9'174'862	2'462'408	2'820'222	6'952'730	2'081'218	23'491'440
Financial liabilities						
Due to banks	920'091	247'376	294'959	65'006	0	1'527'433
Due to customers	7'840'987	1'452'380	2'787'565	4'723'896	25'050	16'829'878
Debt issued	3'505	53'235	87'466	533'390	900'703	1'578'299
Total financial liabilities	8'764'584	1'752'990	3'169'991	5'322'292	925'753	19'935'610
Derivative financial instruments	30'854	40'000	530'000	755'000	525'854	1'881'708
Total	8'795'438	1'792'990	3'699'991	6'077'292	1'451'607	21'817'318
Interest rate repricing exposure	379'425	669'417	- 879'769	875'437	629'611	1'674'122
31.12.2020						
Financial assets						
Cash and balances with central banks	6'653'651	0	0	0	0	6'653'651
Due from banks	548'492	30'439	0	0	0	578'930
Loans	3'015'684	1'344'985	1'543'329	5'043'164	2'282'525	13'229'688
Financial investments	52'032	159'230	317'452	1'274'822	208'106	2'011'641
Total financial assets	10'269'858	1'534'654	1'860'781	6'317'986	2'490'631	22'473'910
Derivative financial instruments	110'802	545'000	1'035'802	355'000	0	2'046'604
Total	10'380'660	2'079'654	2'896'583	6'672'986	2'490'631	24'520'514
Financial liabilities						
Due to banks	817'160	59'500	265'500	184'010	0	1'326'170
Due to customers	7'964'308	1'467'578	2'998'198	5'108'648	14'150	17'552'882
Debt issued	33'878	43'607	97'083	521'773	1'097'976	1'794'317
Total financial liabilities	8'815'346	1'570'685	3'360'781	5'814'431	1'112'126	20'673'368
Derivative financial instruments	50'802	120'000	565'000	660'000	650'802	2'046'604
Total	8'866'148	1'690'685	3'925'781	6'474'431	1'762'928	22'719'972
Interest rate repricing exposure	1'514'513	388'969	- 1'029'198	198'555	727'703	1'800'542

2 Liquidity and refinancing risk

Liquidity risk is defined as a situation where present and future payment obligations cannot be fully met or met on time, or in the event of a liquidity crisis refinancing funds may only be available at increased market rates (refinancing costs) or assets can only be made liquid at markdowns to market rates (market liquidity risk).

2.1 Internal Liquidity Adequacy Assessment Process (ILAAP)

For the purposes of continually evaluating and adequately ensuring a reasonable liquidity base, the LLB Group has in place sound, effective and comprehensive strategies and processes. The bank's internal liquidity adequacy assessment process is an important instrument of risk management for the LLB Group. Its goal is to make a significant contribution to the continued existence of the LLB Group by measuring and safeguarding the bank's liquidity adequacy from various perspectives.

The goal of liquidity risk management at the LLB Group encompasses the following points:

- ♦ Ensuring the ability to meet financial obligations at all times
- ♦ Compliance with regulatory provisions
- ♦ Optimising of refinancing structure
- ♦ Optimising of payment streams within the LLB Group

From the normative internal perspective, an assessment is made over a period of several years of the extent to which the LLB Group is in a position to fulfil its quantitative regulatory and supervisory liquidity requirements and targets, as well as other external financial constraints. All aspects are considered, which could affect the relevant supervisory quotas during the planning period.

Within the scope of the economic internal perspective it has to be ensured that internal liquidity is continually adequate to cover the risks and expected outflows, as well as to support the Group's strategy. All the risks are taken into account, which could have a significant effect on the liquidity positions.

The LLB Group's liquidity adequacy should remain unimpaired by fluctuations on the markets. Scenario analyses and stress tests are employed to simulate external influences and assess their impact on liquidity adequacy. Where necessary, measures are implemented to mitigate risks.

The ILAAP is documented in internal regulations and guidelines and is reviewed and revised annually.

2.2 Valuation of liquidity risks

In our liquidity risk management concept, scenario analysis plays a central role. This includes the valuation of the liquidity of assets, i.e. the liquidity characteristics of our asset holdings in various stress scenarios.

2.3 Contingency planning

The LLB Group's liquidity risk management encompasses a contingency plan. The contingency plan includes an overview of emergency measures, sources of alternative financing and governance in stress situations.

2.4 Monitoring and reporting of liquidity risks

Group Credit & Risk Management monitors compliance with liquidity risk limits and is responsible for reporting on liquidity risks.

The following tables show the maturities according to contractual periods, separated according to derivative and non-derivative financial instruments as well as off-balance sheet transactions. The values of derivative financial instruments represent replacement values. All other values correspond to nominal values, i.e. possible interest and coupon payments are included.

Maturity structure of derivative financial instruments

in CHF thousands	Term to maturity within 3 months		Term to maturity 4 to 12 months		Term to maturity 1 to 5 years		Term to maturity after 5 years		Total	
	PRV °	NRV °	PRV °	NRV °	PRV °	NRV °	PRV °	NRV °	PRV °	NRV °
31.12.2019										
Derivative financial instruments in the trading portfolio										
Interest rate contracts										
Swaps	0	0	0	4'502	0	28'618	33	0	33	33'120
Forward contracts	68	584	72	363	0	0	0	0	140	947
Foreign exchange contracts										
Forward contracts	67'717	88'728	34'606	32'676	927	851	0	47	103'250	122'303
Options (OTC)	57	61	2'266	2'266	2'656	2'656	0	0	4'978	4'983
Precious metals contracts										
Options (OTC)	17	17	0	0	0	0	0	0	17	17
Equity instruments / Index contracts										
Options (OTC)	345	345	0	0	0	0	0	0	345	345
Total derivative financial instruments in the trading portfolio	68'204	89'735	36'944	39'807	3'582	32'125	33	47	108'764	161'714
Derivative financial instruments for hedging purposes										
Interest rate contracts										
Swaps (fair value hedge)	0	0	43	0	2'462	2'278	1'529	16'073	4'034	18'350
Total derivative financial instruments for hedging purposes	0	0	43	0	2'462	2'278	1'529	16'073	4'034	18'350
Total derivative financial instruments	68'204	89'735	36'988	39'807	6'044	34'402	1'562	16'120	112'798	180'065

° PRV: Positive replacement values; NRV: Negative replacement values

in CHF thousands	Term to maturity within 3 months		Term to maturity 4 to 12 months		Term to maturity 1 to 5 years		Term to maturity after 5 years		Total	
	PRV ^o	NRV ^o	PRV ^o	NRV ^o	PRV ^o	NRV ^o	PRV ^o	NRV ^o	PRV ^o	NRV ^o
31.12.2020										
Derivative financial instruments in the trading portfolio										
Interest rate contracts										
Swaps	0	519	0	1'655	0	18'125	0	0	0	20'299
Forward contracts	175	172	71	83	17	0	0	0	263	255
Foreign exchange contracts										
Forward contracts	139'510	151'017	48'463	47'982	715	699	0	62	188'688	199'761
Options (OTC)	2'213	2'213	3'697	3'697	64	64	0	0	5'975	5'975
Precious metals contracts										
Options (OTC)	9	9	0	0	37	37	0	0	46	46
Equity instruments / Index contracts										
Options (OTC)	469	469	0	0	0	0	0	0	469	469
Total derivative financial instruments in the trading portfolio	142'377	154'400	52'231	53'418	833	18'925	0	62	195'441	226'805
Derivative financial instruments for hedging purposes										
Interest rate contracts										
Swaps (fair value hedge)	9	0	692	3	1'944	8'550	1'547	13'818	4'193	22'371
Total derivative financial instruments for hedging purposes	9	0	692	3	1'944	8'550	1'547	13'818	4'193	22'371
Total derivative financial instruments	142'386	154'400	52'923	53'421	2'778	27'475	1'547	13'881	199'634	249'176

^o PRV: Positive replacement values; NRV: Negative replacement values

Maturity structure of non-derivative financial instruments and off-balance sheet transactions

in CHF thousands	Demand deposits	Callable	Due within 3 months	Due between 3 months to 12 months	Due between 12 months to 5 years	Due after 5 years	Total
31.12.2019							
Financial assets							
Cash and balances with central banks	5'379'925	0	0	0	0	0	5'379'925
Due from banks	542'213	0	653'124	94'700	0	0	1'290'038
Loans	483'843	211'714	2'429'318	2'110'783	6'099'997	2'030'896	13'366'551
Financial investments	0	0	102'057	197'590	1'582'713	193'362	2'075'722
Accrued income and prepaid expenses	0	0	61'800	0	0	0	61'800
Total financial assets	6'405'981	211'714	3'246'299	2'403'073	7'682'710	2'224'258	22'174'036
Financial liabilities							
Due to banks	299'811	0	866'604	294'160	65'108	0	1'525'684
Due to customers	11'131'175	4'280'597	626'930	447'450	321'757	25'108	16'833'017
Lease liabilities	0	0	747	3'624	16'772	20'161	41'304
Debt issued	0	0	59'614	93'267	551'909	906'959	1'611'748
Accrued expenses and deferred income	0	0	61'754	0	0	0	61'754
Total financial liabilities	11'430'986	4'280'597	1'615'650	838'501	955'546	952'228	20'073'508
Net liquidity exposure	- 5'025'005	- 4'068'883	1'630'650	1'564'572	6'727'164	1'272'030	2'100'528
Off-balance-sheet transactions							
Contingent liabilities	66'944	0	0	0	0	0	66'944
Irrevocable commitments	512'732	0	0	0	0	0	512'732
Deposit and call liabilities	14'183	0	0	0	0	0	14'183

in CHF thousands	Demand deposits	Callable	Due within 3 months	Due between 3 months to 12 months	Due between 12 months to 5 years	Due after 5 years	Total
31.12.2020							
Financial assets							
Cash and balances with central banks	6'653'651	0	0	0	0	0	6'653'651
Due from banks	298'348	0	280'497	0	0	0	578'845
Loans	513'834	170'059	3'350'914	2'124'626	5'086'275	2'382'251	13'627'958
Financial investments	0	0	145'952	358'942	1'348'575	216'915	2'070'385
Accrued income and prepaid expenses	0	0	60'601	0	0	0	60'601
Total financial assets	7'465'833	170'059	3'837'964	2'483'568	6'434'850	2'599'166	22'991'440
Financial liabilities							
Due to banks	250'424	0	625'876	265'083	184'105	0	1'325'489
Due to customers	12'675'597	3'757'386	492'570	397'552	217'238	14'231	17'554'573
Lease liabilities	0	0	726	3'545	15'651	17'176	37'097
Debt issued	0	0	79'734	102'250	538'762	1'104'825	1'825'571
Accrued expenses and deferred income	0	0	63'398	0	0	0	63'398
Total financial liabilities	12'926'021	3'757'386	1'262'304	768'430	955'756	1'136'232	20'806'129
Net liquidity exposure	- 5'460'188	- 3'587'327	2'575'660	1'715'138	5'479'093	1'462'934	2'185'311
Off-balance-sheet transactions	774'368	0	0	0	0	0	774'368
Contingent liabilities	62'416	0	0	0	0	0	62'416
Irrevocable commitments	696'915	0	0	0	0	0	696'915
Deposit and call liabilities	15'036	0	0	0	0	0	15'036

3 Credit risk

Within the scope of credit risk management, vital importance is attached to the avoidance of credit losses and the early identification of default risks. In addition to systematic risk / return management at the individual loan level, the LLB Group proactively manages its credit risks at the credit portfolio level. The primary objective is to reduce the overall level of risk through diversification and a stabilisation of expected returns.

3.1 Credit risk management

Processes and organisational structures ensure that credit risks are identified, uniformly evaluated, controlled, monitored and included in risk reporting.

Basically, the LLB Group conducts its lending business for private and corporate clients on a secured basis. The process of granting a loan is based on a thorough evaluation of the borrower's creditworthiness, the possible impairment and the legal existence of collateral, as well as risk classification in a rating process performed by experienced credit specialists. The granting of loans is subject to a specified assignment of authority. A major characteristic of the credit approval process is the separation between front and back office functions.

In addition, the LLB Group conducts lending business with banks on a secured and unsecured basis, whereby individual risk limits are approved for every counterparty.

3.2 Evaluation of credit risks

The consistent evaluation of credit risks represents an essential prerequisite of successful risk management. The credit risk can be broken down into the components: probability of default, loss given default and the expected exposure at the time point of the default.

Probability of default

The LLB Group assesses the probability of default of individual counterparties by means of an internal rating system. The different rating procedures are adapted to suit the different characteristics of borrowers. The credit risk management ratings employed for banks and debt instruments are based on external ratings from recognised rating agencies.

The reconciliation of the internal rating with the external rating is carried out in accordance with the following master scale.

Loss given default

The loss given default is influenced by the amount of collateralisation and the costs of realising the collateral. It is expressed as a percentage of the individual commitment.

The potential loss at portfolio level is broken down as follows at the LLB Group:

Rating classes (master scale)

LLB rating	Description	External rating ^{oo}
1 to 4	Investment grade	AAA, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Baa2, Baa3
5 to 8, not rated ^o	Standard monitoring	Ba1, Ba2, Ba3, B1, B2
9 to 10	Special monitoring	B3, Caa, Ca, C
11 to 14	Sub-standard	Default

^o Non-rated loans are covered and subject to limits.

^{oo} For the securitisation of credit risks in the standard approach, the LLB Group employs solely the external ratings of the recognised rating agency Moody's (for the segments: due from banks, finance companies and securities firms, due from companies and due from international organisations).

Expected loss

Expected loss is a future-related, statistical concept that permits the LLB Group to estimate the average annual costs. It is calculated on the basis of the default probability of a counterparty, the expected credit commitment made to this counterparty at the time of the default, and the magnitude of the loss given default. The concept of expected loss is also applied within the scope of IFRS 9 / ECL. See chapter "Accounting principles".

Value-at-risk concept

The value-at-risk approach aims at computing the size of fluctuations in credit losses incurred by means of a statistical model and to show the change in the risk status of the credit portfolio.

Scenario analysis

The modelling of external credit losses is performed on the basis of stress scenarios, which enable us to evaluate the effects of fluctuations in the default rates of the assets pledged as collateral taking into consideration the existing risk concentration in every portfolio.

3.3 Controlling credit risk

Credit risk management has the task of actively influencing the risk situation of the LLB Group. This is carried out using a limits system, risk-adjusted pricing, through the possibility of using risk hedging instruments and the specific repayment of credit commitments. Risk management is conducted both at the individual loan and at the portfolio level.

Risk restriction

The LLB Group has in place a comprehensive limits system to restrict credit risk exposure. In addition to the limitation of individual credit risks, to prevent risk concentrations, the LLB Group assigns limits for regions and sectors.

Risk mitigation

To mitigate credit risk exposure, the LLB Group takes security mainly in the form of pledged assets and financial collateral. In the case of financial collateral in the form of marketable securities, we determine their collateral value by applying a schedule of reductions, the size of which is based on the quality, liquidity, volatility and complexity of the separate instruments.

Derivatives

The LLB Group may employ credit derivatives to reduce risks. This possibility has not been utilised in recent years.

3.4 Monitoring and reporting of credit risks

The organisational structure of the LLB Group ensures that departments which cause the risks (front office) and those that evaluate, manage and monitor them (back office) are completely separated.

Individual credit risks are monitored by means of a comprehensive limits system. Infringements are immediately reported to the senior officer responsible.

3.5 Risk provisioning

Overdue claims

A claim is deemed to be overdue if a substantial liability from a borrower to the bank is outstanding. The overdraft begins on the date when a borrower exceeds an approved limit, has not paid interest or amortisation, or has utilised an unauthorised credit facility.

For claims that are more than 90 days overdue, individual value allowances are made in the amount of the expected credit loss.

Default-endangered claims

Claims are regarded as being in danger of default if, on the basis of the client's creditworthiness, a loan default can no longer be excluded in the near future.

Impairments

Basically, an impairment is calculated and a provision set aside for all positions which are subject to a credit risk. Essentially, the credit quality determines the scope of the impairment. If the credit risk has not risen significantly since initial recognition, the expected credit loss is calculated over a year (credit quality level 1). However, if a significant increase in the credit risk has occurred since initial recognition, the expected loss is calculated over the remaining term to maturity (credit quality level 2). In the case of defaulted credit positions – a default in accordance with the Capital Requirements Regulation (CRR)

Art. 178 – a specific value allowance is determined and recognised by the Group Recovery Department. The expected credit loss is calculated over the loan's remaining term to maturity (credit quality level 3).

3.6 Country risks

A country risk arises if specific political or economic conditions in a country affect the value of a foreign position. Country risk is composed of transfer risk (e.g. restrictions on the free movement of money and capital) and other country risks (e.g. country-related liquidity, market and correlation risks).

Country risks are controlled on the basis of a limits system and are continually monitored. Ratings provided by a recognised rating agency are utilised for certain individual countries.

3.7 Risk concentration

The largest credit risk for the LLB Group arises from loans made to banks and loans made to customers. In the case of loans to customers, the majority of loans are secured by mortgages, which are granted to clients having first-class creditworthiness within the scope of the LLB Group's lending policy. Thanks to the diversified nature of the collateral portfolio, containing properties primarily in the Principality of Liechtenstein and in Switzerland, the risk of losses is reduced to a minimum. The LLB Group undertakes bank investments on both a secured and an unsecured basis. The risk of losses with loans to banks is restricted, on the one hand, through a broad distribution of risks and, on the other, by the strict minimum lending requirements applied to the counterparties.

Maximal credit risk by region without considering collateral

in CHF thousands	Liechten- stein / Switzerland	Europe excl. FL / CH	North America	Asia	Others °	Total
31.12.2019						
Credit risks from balance sheet transactions						
Due from banks	886'193	365'293	68'212	22'507	10'264	1'352'469
Loans						
Mortgage loans	11'204'421	73'422	1'882	13'043	6'092	11'298'860
Loans to public institutions	76'406	0	0	0	0	76'406
Miscellaneous loans	653'225	362'041	914	316'958	259'437	1'592'575
Derivative financial instruments	47'860	64'426	0	36	477	112'798
Financial investments						
Debt instruments	514'341	899'585	491'024	101'359	85'000	2'091'310
Total	13'382'446	1'764'767	562'033	453'903	361'269	16'524'418
Credit risks from off-balance sheet transactions						
Contingent liabilities	45'309	6'795	0	750	14'091	66'944
Irrevocable commitments	275'654	133'153	589	770	102'566	512'732
Deposit and call liabilities	14'183	0	0	0	0	14'183
Total	335'145	139'947	589	1'520	116'657	593'859
31.12.2020						
Credit risks from balance sheet transactions						
Due from banks	509'958	132'660	13'579	26'880	8'009	691'086
Loans						
Mortgage loans	11'530'874	146'047	1'916	13'166	14'938	11'706'941
Loans to public institutions	78'343	1	0	0	0	78'343
Miscellaneous loans	722'797	314'520	302	179'895	231'384	1'448'898
Derivative financial instruments	56'125	141'590	2	1'346	571	199'634
Financial investments						
Debt instruments	520'162	907'544	518'190	97'230	59'692	2'102'817
Total	13'418'258	1'642'361	533'990	318'516	314'594	16'227'718
Credit risks from off-balance sheet transactions						
Contingent liabilities	41'305	7'575	0	332	13'204	62'416
Irrevocable commitments	429'332	166'476	300	9'774	91'033	696'915
Deposit and call liabilities	15'036	0	0	0	0	15'036
Total	485'673	174'051	300	10'106	104'237	774'368

° CHF 8 million of the total volume of contingent liabilities relates to the Central America region. With all other positions under the item "Others", no individual region exceeds 10 per cent of the total volume.

Maximal credit risk by sector without considering collateral

in CHF thousands	Financial services	Real estate	Private households	Others °	Total
31.12.2019					
Credit risks from balance sheet transactions					
Due from banks	1'352'469	0	0	0	1'352'469
Loans					
Mortgage loans	190'714	2'680'966	7'515'077	912'102	11'298'860
Loans to public institutions	0	0	0	76'406	76'406
Miscellaneous loans	483'498	141'868	683'395	283'815	1'592'575
Derivative financial instruments	108'911	7	2'654	1'226	112'798
Financial investments					
Debt instruments	1'932'290	5'754	0	153'266	2'091'310
Total	4'067'882	2'828'595	8'201'127	1'426'815	16'524'418

Credit risks from off-balance sheet transactions

Contingent liabilities	14'639	8'525	21'137	22'643	66'944
Irrevocable commitments	180'446	55'165	158'982	118'139	512'732
Deposit and call liabilities	14'183	0	0	0	14'183
Total	209'267	63'690	180'119	140'782	593'859

31.12.2020

Credit risks from balance sheet transactions

Due from banks	691'086	0	0	0	691'086
Loans					
Mortgage loans	209'966	2'920'692	7'621'079	955'204	11'706'941
Loans to public institutions	0	0	0	78'343	78'343
Miscellaneous loans	463'679	93'041	525'020	367'157	1'448'898
Derivative financial instruments	190'170	5	8'126	1'333	199'634
Financial investments					
Debt instruments	2'097'595	0	0	5'222	2'102'817
Total	3'652'496	3'013'738	8'154'225	1'407'259	16'227'718

Credit risks from off-balance sheet transactions

Contingent liabilities	13'820	8'543	13'460	26'594	62'416
Irrevocable commitments	229'573	157'455	196'794	113'092	696'915
Deposit and call liabilities	15'036	0	0	0	15'036
Total	258'429	165'998	210'254	139'686	774'368

° CHF 54 million of the total volume of loans to public institutions relates to the energy supply sector and CHF 13 million to public administration. With all other positions under the item "Others", no individual sector exceeds 10 per cent of the total volume.

3.8 Risk of default for financial instruments not measured at fair value through profit and loss according to the creditworthiness of the borrower

The following tables show the creditworthiness of borrowers with financial instruments, which are measured at amortised cost or at fair value through other comprehensive income, as well as for credit commitments and financial guarantees.

The carrying value of financial instruments, which are measured at fair value through other comprehensive income, is not corrected by means of a value allowance because the impairment is charged directly to other comprehensive income. In the case of credit commitments and financial guarantees, a corresponding provision is set aside.

in CHF thousands	Note	Investment Grade	Standard Monitoring	Special Monitoring	Sub-standard	Total
31.12.2019						
Due from banks	12	1'352'338	0	0	0	1'352'338
Loans	13	2'167'925	10'282'030	345'906	164'663	12'960'524
Financial investments						
Debt instruments measured at fair value through other comprehensive income	15	1'595'413	0	0	0	1'595'413
Credit risks from balance sheet transactions		5'115'677	10'282'030	345'906	164'663	15'908'276
Financial guarantees						
		351'758	217'224	5'577	808	575'367
Credit cards		707	17'756	29	0	18'491
Credit risks from off-balance sheet transactions		352'465	234'980	5'606	808	593'859
31.12.2020						
Due from banks	12	690'073	938	0	0	691'011
Loans	13	2'801'901	10'038'910	274'762	114'359	13'229'931
Financial investments						
Debt instruments measured at fair value through other comprehensive income	15	1'809'930	0	0	0	1'809'930
Credit risks from balance sheet transactions		5'301'904	10'039'848	274'762	114'359	15'730'872
Financial guarantees						
		364'407	378'298	6'214	5'037	753'956
Credit cards		973	19'419	20	0	20'412
Credit risks from off-balance sheet transactions		365'380	397'716	6'234	5'037	774'368

in CHF thousands	Stage 1	Stage 2	Stage 3	Total
	Expected 12-month credit loss	Credit losses expected over the period without impairment of creditworthiness	Credit losses expected over the period with impairment of creditworthiness	
31.12.2019				
Due from banks				
Investment grade	1'352'469	0	0	1'352'469
Standard monitoring	0	0	0	0
Special monitoring	0	0	0	0
Sub-standard	0	0	0	0
Total gross carrying value	1'352'469	0	0	1'352'469
Total value allowances	- 131	0	0	- 131
Total net carrying value	1'352'338	0	0	1'352'338
31.12.2020				
Due from banks				
Investment grade	690'147	0	0	690'147
Standard monitoring	938	0	0	938
Special monitoring	0	0	0	0
Sub-standard	0	0	0	0
Total gross carrying value	691'086	0	0	691'086
Total value allowances	- 74	0	0	- 74
Total net carrying value	691'011	0	0	691'011

in CHF thousands	Stage 1	Stage 2	Stage 3	Total
	Expected 12-month credit loss	Credit losses expected over the period without impairment of creditworthiness	Credit losses expected over the period with impairment of creditworthiness	
31.12.2019				
Loans				
Investment grade	2'124'739	44'254	0	2'168'993
Standard monitoring	9'870'249	417'541	0	10'287'791
Special monitoring	244'363	102'032	0	346'395
Sub-standard	0	0	236'257	236'257
Total gross carrying value	12'239'351	563'827	236'257	13'039'435
Total value allowances	- 5'191	- 2'126	- 71'594	- 78'911
Total net carrying value	12'234'160	561'701	164'663	12'960'524
31.12.2020				
Loans				
Investment grade	2'779'437	23'214	0	2'802'651
Standard monitoring	9'708'845	333'349	0	10'042'194
Special monitoring	212'832	62'146	0	274'978
Sub-standard	0	0	189'554	189'554
Total gross carrying value	12'701'114	418'709	189'554	13'309'377
Total value allowances	- 3'149	- 1'102	- 75'195	- 79'446
Total net carrying value	12'697'965	417'607	114'359	13'229'931
31.12.2019				
Debt instruments measured at fair value through other comprehensive income				
Investment grade	1'595'413	0	0	1'595'413
Standard monitoring	0	0	0	0
Special monitoring	0	0	0	0
Sub-standard	0	0	0	0
Total carrying value	1'595'413	0	0	1'595'413
Total value allowances	- 113	0	0	- 113
31.12.2020				
Debt instruments measured at fair value through other comprehensive income				
Investment grade	1'809'930	0	0	1'809'930
Standard monitoring	0	0	0	0
Special monitoring	0	0	0	0
Sub-standard	0	0	0	0
Total carrying value	1'809'930	0	0	1'809'930
Total value allowances	- 172	0	0	- 172

in CHF thousands	Stage 1	Stage 2	Stage 3	Total
	Expected 12-month credit loss	Credit losses expected over the period without impairment of creditworthiness	Credit losses expected over the period with impairment of creditworthiness	
31.12.2019				
Financial guarantees				
Investment grade	351'758	0	0	351'758
Standard monitoring	210'338	6'886	0	217'224
Special monitoring	3'706	1'871	0	5'577
Sub-standard	0	0	808	808
Total credit risk	565'802	8'757	808	575'367
Total provisions	- 1'050	- 572	- 808	- 2'430

31.12.2020				
Financial guarantees				
Investment grade	364'407	0	0	364'407
Standard monitoring	372'833	5'464	0	378'298
Special monitoring	5'843	371	0	6'214
Sub-standard	0	0	5'037	5'037
Total credit risk	743'083	5'835	5'037	753'956
Total provisions	- 990	- 178	- 1'304	- 2'472

in CHF thousands	Stage 1	Stage 2	Stage 3	Total
	Expected 12-month credit loss	Credit losses expected over the period without impairment of creditworthiness	Credit losses expected over the period with impairment of creditworthiness	
31.12.2019				
Credit cards				
Investment grade	707	0	0	707
Standard monitoring	17'671	85	0	17'756
Special monitoring	24	5	0	29
Sub-standard	0	0	0	0
Total credit risk	18'401	90	0	18'491
Total provisions	- 7	0	0	- 7

31.12.2020				
Credit cards				
Investment grade	973	0	0	973
Standard monitoring	19'354	65	0	19'419
Special monitoring	20	0	0	20
Sub-standard	0	0	0	0
Total credit risk	20'347	65	0	20'412
Total provisions	- 6	0	0	- 6

3.9 Expected credit loss and value allowances

The development of expected credit loss and the value allowances made are shown in the following overview. The following table shows, on an aggregated basis, the values for all balance sheet and off-balance sheet positions for which a calculation of the expected credit loss was made, followed by a complete reconciliation for only the most important positions.

in CHF thousands	Note	Gross carrying value				Value allowances			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31.12.2019									
Financial assets (balance sheet positions)									
Financial instruments measured at amortised cost									
Due from banks	12	1'352'469	0	0	1'352'469	- 131	0	0	- 131
Loans	13	12'239'351	563'827	236'257	13'039'435	- 5'191	- 2'126	- 71'594	- 78'911
Total		13'591'820	563'827	236'257	14'391'904	- 5'322	- 2'126	- 71'594	- 79'042

in CHF thousands	Note	Carrying value				Value allowances			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31.12.2019									
Financial instruments measured at fair value through other income ^o									
Debt instruments	15	1'595'413	0	0	1'595'413	- 113	0	0	- 113
Total		1'595'413	0	0	1'595'413	- 113	0	0	- 113

in CHF thousands	Note	Credit risk				Value allowance provision			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31.12.2019									
Commitments and financial guarantees (off-balance sheet positions) ^{oo}									
Financial guarantees		565'802	8'757	808	575'367	- 1'050	- 572	- 808	- 2'430
Credit cards		18'401	90	0	18'491	- 7	0	0	- 7
Total		584'203	8'847	808	593'859	- 1'058	- 572	- 808	- 2'437

^o The carrying value corresponds to fair value, no value allowance can be made. The value allowance is made through other comprehensive income.

^{oo} The value corresponds to the maximum credit risk. Value allowances are recognised as provisions.

in CHF thousands	Note	Gross carrying value				Value allowances			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31.12.2020									
Financial assets (balance sheet positions)									
Financial instruments measured at amortised cost									
Due from banks	12	691'086	0	0	691'086	- 74	0	0	- 74
Loans	13	12'701'114	418'709	189'554	13'309'377	- 3'149	- 1'102	- 75'195	- 79'446
Total		13'392'200	418'709	189'554	14'000'463	- 3'223	- 1'102	- 75'195	- 79'521

in CHF thousands	Note	Carrying value				Value allowances			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31.12.2020									
Financial instruments measured at fair value through other income *									
Debt instruments	15	1'809'930	0	0	1'809'930	- 172	0	0	- 172
Total		1'809'930	0	0	1'809'930	- 172	0	0	- 172

in CHF thousands	Note	Credit risk				Value allowance provision			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31.12.2020									
Commitments and financial guarantees (off-balance sheet positions) **									
Financial guarantees		743'083	5'835	5'037	753'956	- 990	- 178	- 1'304	- 2'472
Credit cards		20'347	65	0	20'412	- 6	0	0	- 6
Total		763'430	5'900	5'037	774'368	- 996	- 178	- 1'304	- 2'478

* The carrying value corresponds to fair value, no value allowance can be made. The value allowance is made through other comprehensive income.

** The value corresponds to the maximum credit risk. Value allowances are recognised as provisions.

in CHF thousands	Stage 1	Stage 2	Stage 3	Total
	Expected 12-month credit loss	Credit losses expected over the period without impairment of creditworthiness	Credit losses expected over the period with impairment of creditworthiness	
Loans				
Gross carrying amount as at 1 January 2019	12'421'009	314'309	199'015	12'934'332
Transfers				
from Stage 1 to Stage 2	- 335'896	335'896	0	0
from Stage 2 to Stage 1	94'599	- 94'599	0	0
from Stage 2 to Stage 3	0	- 74'104	74'104	0
from Stage 3 to Stage 2	0	15'204	- 15'204	0
Additions from changes to scope of consolidation	0	0	0	0
Additions due to issuing loans and interest	4'128'605	141'899	3'421	4'273'925
Disposals due to redemption of loans / waiving of claims	- 4'065'862	- 74'778	- 24'654	- 4'165'294
Foreign currency influences	- 3'103	0	- 425	- 3'528
Gross carrying amount as at 31 December 2019	12'239'351	563'827	236'257	13'039'435

in CHF thousands	Stage 1	Stage 2	Stage 3	Total
	Expected 12-month credit loss	Credit losses expected over the period without impairment of creditworthiness	Credit losses expected over the period with impairment of creditworthiness	
Loans				
Valuation allowance as at 1 January 2019	- 7'958	- 1'982	- 71'851	- 81'791
Transfers				
from Stage 1 to Stage 2	209	- 209	0	0
from Stage 2 to Stage 1	- 612	612	0	0
from Stage 2 to Stage 3	0	2	- 2	0
from Stage 3 to Stage 2	0	0	0	0
Net revaluation effect from transfers	548	- 669	- 7'295	- 7'416
Additions from changes to scope of consolidation	0	0	0	0
Addition on account of new loans to customers / interest / reduction of existing collateral	- 603	- 841	- 10'357	- 11'801
Disposals due to redemption of loans / waiving of claims	2'207	886	17'372	20'466
Foreign currency influences	2	0	425	427
Changes due to adjusted risk parameters and due to maturity effect	1'014	75	115	1'205
Valuation allowance as at 31 December 2019	- 5'191	- 2'126	- 71'594	- 78'911

in CHF thousands	Stage 1	Stage 2	Stage 3	Total
	Expected 12-month credit loss	Credit losses expected over the period without impairment of creditworthiness	Credit losses expected over the period with impairment of creditworthiness	
Loans				
Gross carrying amount as at 1 January 2020	12'239'351	563'827	236'257	13'039'435
Transfers				
from Stage 1 to Stage 2	- 416'243	416'243	0	0
from Stage 2 to Stage 1	179'442	- 179'442	0	0
from Stage 2 to Stage 3	0	- 43'533	43'533	0
from Stage 3 to Stage 2	0	39'730	- 39'730	0
Additions from changes to scope of consolidation	0	0	0	0
Additions due to issuing loans and interest	5'031'968	57'788	6'034	5'095'789
Disposals due to redemption of loans / waiving of claims	- 4'331'803	- 435'903	- 56'481	- 4'824'187
Foreign currency influences	- 1'601	0	- 59	- 1'660
Gross carrying amount as at 31 December 2020	12'701'114	418'709	189'554	13'309'377

in CHF thousands	Stage 1	Stage 2	Stage 3	Total
	Expected 12-month credit loss	Credit losses expected over the period without impairment of creditworthiness	Credit losses expected over the period with impairment of creditworthiness	
Loans				
Valuation allowance as at 1 January 2020	- 5'191	- 2'126	- 71'594	- 78'911
Transfers				
from Stage 1 to Stage 2	960	- 960	0	0
from Stage 2 to Stage 1	- 980	980	0	0
from Stage 2 to Stage 3	0	47	- 47	0
from Stage 3 to Stage 2	0	- 1'230	1'230	0
Net revaluation effect from transfers	948	1'015	- 17'270	- 15'308
Additions from changes to scope of consolidation	0	0	0	0
Addition on account of new loans to customers / interest / reduction of existing collateral	- 2'336	721	- 3'771	- 5'386
Disposals due to redemption of loans / waiving of claims	1'646	276	15'318	17'240
Foreign currency influences	0	0	1'229	1'229
Changes due to adjusted risk parameters and due to maturity effect	1'804	174	- 289	1'689
Valuation allowance as at 31 December 2020	- 3'149	- 1'102	- 75'195	- 79'446

in CHF thousands	Stage 1	Stage 2	Stage 3	Total
	Expected 12-month credit loss	Credit losses expected over the period without impairment of creditworthiness	Credit losses expected over the period with impairment of creditworthiness	
Financial guarantees				
Credit risk as at 1 January 2019	559'347	3'196	1'701	564'244
Transfers				
from Stage 1 to Stage 2	- 3'114	3'114	0	0
from Stage 2 to Stage 1	159	- 159	0	0
from Stage 2 to Stage 3	0	0	0	0
from Stage 3 to Stage 2	0	51	- 51	0
Additions from changes to scope of consolidation	0	0	0	0
Addition due to granting of new financial guarantees	150'094	3'752	448	154'294
Disposal due to withdrawal of financial guarantees	- 140'004	- 1'197	- 1'290	- 142'492
Foreign currency influences	- 679	0	0	- 679
Credit risk as at 31 December 2019	565'802	8'757	808	575'367

in CHF thousands	Stage 1	Stage 2	Stage 3	Total
	Expected 12-month credit loss	Credit losses expected over the period without impairment of creditworthiness	Credit losses expected over the period with impairment of creditworthiness	
Financial guarantees				
Provision on 1 January 2019	- 1'128	- 450	- 1'701	- 3'279
Transfers				
from Stage 1 to Stage 2	31	- 31	0	0
from Stage 2 to Stage 1	- 74	74	0	0
from Stage 2 to Stage 3	0	0	0	0
from Stage 3 to Stage 2	0	- 51	51	0
Net revaluation effect from transfers	72	- 207	0	- 136
Additions from changes to scope of consolidation	0	0	0	0
Addition due to granting of new financial guarantees	- 275	8	- 448	- 716
Disposal due to withdrawal of financial guarantees	199	28	1'290	1'517
Foreign currency influences	6	0	0	6
Changes due to adjusted risk parameters and due to maturity effect	119	59	0	178
Provision as at 31 December 2019	- 1'050	- 572	- 808	- 2'430

in CHF thousands	Stage 1	Stage 2	Stage 3	Total
	Expected 12-month credit loss	Credit losses expected over the period without impairment of creditworthiness	Credit losses expected over the period with impairment of creditworthiness	
Financial guarantees				
Credit risk as at 1 January 2020	565'802	8'757	808	575'367
Transfers				
from Stage 1 to Stage 2	- 3'137	3'137	0	0
from Stage 2 to Stage 1	2'027	- 2'027	0	0
from Stage 2 to Stage 3	0	- 2'285	2'285	0
from Stage 3 to Stage 2	0	56	- 56	0
Additions from changes to scope of consolidation	0	0	0	0
Addition due to granting of new financial guarantees	367'611	630	2'319	370'560
Disposal due to withdrawal of financial guarantees	- 188'061	- 2'432	- 319	- 190'812
Foreign currency influences	- 1'159	0	0	- 1'159
Credit risk as at 31 December 2020	743'083	5'835	5'037	753'956

in CHF thousands	Stage 1	Stage 2	Stage 3	Total
	Expected 12-month credit loss	Credit losses expected over the period without impairment of creditworthiness	Credit losses expected over the period with impairment of creditworthiness	
Financial guarantees				
Provision on 1 January 2020	- 1'050	- 572	- 808	- 2'430
Transfers				
from Stage 1 to Stage 2	8	- 8	0	0
from Stage 2 to Stage 1	- 231	231	0	0
from Stage 2 to Stage 3	0	0	0	0
from Stage 3 to Stage 2	0	- 56	56	0
Net revaluation effect from transfers	220	- 37	0	183
Additions from changes to scope of consolidation	0	0	0	0
Addition due to granting of new financial guarantees	- 694	- 6	- 871	- 1'572
Disposal due to withdrawal of financial guarantees	307	24	320	650
Foreign currency influences	11	0	0	11
Changes due to adjusted risk parameters and due to maturity effect	440	245	0	686
Provision as at 31 December 2020	- 990	- 178	- 1'304	- 2'472

3.10 Collateral and positions with impaired credit rating

Chapter 3.7 "Risk concentration" shows the maximum credit risk without considering possible collateral. The LLB Group pursues the goal of reducing credit risks where possible. This is achieved by obtaining collateral from the borrower. The LLB Group predominantly holds collateral against loans to clients and banks.

The types of cover for loans to clients and due from banks are shown in the following tables.

Types of cover for loans

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Secured by properties	11'707'441	11'270'282	3.9
Other collateral	1'263'877	1'404'250	- 10.0
Unsecured	258'613	285'991	- 9.6
Total	13'229'931	12'960'524	2.1

The table above shows the types of cover for net client loans, i.e. after deduction of expected credit loss. If value allowances are made for client loans, the amount of the allowance largely depends on the collateral provided by the client. The maximum value allowance may only correspond to the value of the collateral held and is shown in the following table.

in CHF thousands	Gross carrying value	Impaired creditworthiness	Net carrying value	Fair value of collateral held
Financial assets of stage 3 on reporting date 31.12.2019				
Loans to customers	236'257	- 71'594	164'663	164'663
Financial assets of stage 3 on reporting date 31.12.2020				
Loans to customers	189'554	- 75'195	114'359	114'359

Write-offs are made only on a very restrictive basis. The following table shows to what extent the LLB Group can also legally recover written-off claims in future.

in CHF thousands	31.12.2020	31.12.2019
Written-off financial assets in year under report, subject to an enforcement measure	Contractually outstanding amount	Contractually outstanding amount
Loans to customers	3'597	864

Newly agreed loans to customers

Newly agreed loans to customers are not substantial.

Changes to collateral policy

There were no substantial changes to the collateral policy or in the quality of collateral in the 2020 business year.

Types of cover for due from banks

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Secured	46	20	132.7
Unsecured	690'965	1'352'319	- 48.9
Total	691'011	1'352'338	- 48.9

Expected credit loss of stage 1 exist only for claims due from banks.

Taken-over collateral

in CHF thousands	2020			2019		
	Financial investments	Real estate / Properties	Total	Financial investments	Real estate / Properties	Total
As at 1 January	0	1'750	1'750	0	850	850
Additions / (Disposals)	0	0	0	0	900	900
(Value allowances) / Revaluations	0	0	0	0	0	0
As at 31 December	0	1'750	1'750	0	1'750	1'750

Taken-over collateral is disposed of again as soon as possible. It is reported under financial investments, trading portfolio assets, investment property and non-current assets held for sale, respectively.

4 Operational risk

The LLB Group defines operational risks as being the danger of losses due to the failure of internal procedures, people or IT systems or as a result of an external event. Legal risks form a part of operational risks. The LLB Group has in place an active and systematic process for managing operational risks. Policies and directives have been formulated for the identification, control and management of this risk category, which are valid for all Group companies. Potential and incurred losses from all organisational units, as well as significant external events, are recorded and evaluated promptly at the parent bank. In addition, the LLB Group collates and analyses risk ratios, e.g. from the areas of due diligence and

employee transactions for own account. Ultimately, the risks are limited by means of internal rules and regulations regarding organisation and control.

5 Strategic risk

For LLB Group, a strategic risk represents the endangering of a projected business result due to the inadequate focusing of the Group on the political, economic, technological, social or ecological environment. Accordingly, these risks can arise as a result of an inadequate strategic decision-making process, unforeseeable events on the market or a deficient implementation of the selected strategies.

Strategic risks are regularly reviewed by the Group Risk Committee and by the Group Board of Directors.

6 Reputational risk

If risks are not identified, adequately managed and monitored, this can lead not only to substantial financial losses, but also to reputational damage. The LLB Group does not regard reputational risk as an independent risk category, but rather as the danger of additional losses stemming from the categories concerned. To this extent, a reputational risk can cause and also result in losses in all risk categories, such as market or credit risks.

Reputational risks are regularly reviewed by the Group Risk Committee and by the Group Board of Directors.

7 Regulatory disclosures

As at 31 December 2020, the leverage ratio (LR) of the LLB Group stood at 7.1 per cent (31.12.2019: 7.1 %).

At the end of 2020, a regulatory liquidity coverage ratio (LCR) lower limit of 100 per cent was applicable for the LLB Group. With a value of 149.3 per cent, the LLB Group's ratio was substantially higher than the legal requirements.

As at the end of 2020, the LLB Group had CHF 2.1 billion in equity capital (31.12.2019: CHF 2.1 billion). At 21.6 per cent (31.12.2019: 19.6 %), its Tier 1 ratio is well above the regulatory requirement and above its target of 14 per cent.

Assets under management

in CHF millions	31.12.2020	31.12.2019	+ / - %
Assets in own-managed funds	6'350	6'089	4.3
Assets with discretionary mandates	8'795	8'703	1.1
Other assets under management	64'517	61'531	4.9
Total assets under management	79'662	76'322	4.4
of which double counting	5'039	4'807	4.8

in CHF millions	2020	2019
Total assets under management as at 1 January *	76'322	67'290
Net new money	3'274	4'142
Market and currency effects **	65	4'890
Other effects (incl. reclassifications)	0	0
Total assets under management as at 31 December *	79'662	76'322

* Including double counting
** Including interest and dividend income

Breakdown of assets under management

in per cent	31.12.2020	31.12.2019
By asset class		
Equities	22	20
Bonds	19	21
Investment funds	33	33
Liquidity	21	21
Precious metals / others	5	5
Total	100	100
By currency		
CHF	31	31
EUR	39	39
USD	24	22
Others	7	8
Total	100	100

Calculation method

Assets under management comprise all client assets managed or held for investment purposes. Basically, these include all balances due to customers, fiduciary time deposits and all valued portfolio assets.

Also included are other types of client assets which can be deduced from the principle of the investment purpose. Custody assets (assets held solely for transaction and safekeeping purposes) are not included in assets under management.

Assets in own-managed funds

This item comprises the assets of the LLB Group's own managed, collective investment funds.

Assets with discretionary mandates

Securities, value rights, precious metals, the market value of fiduciary investments with third parties and customer deposits are included in the calculation of assets with discretionary mandates. The figures

comprise both assets deposited with Group companies and assets deposited with third parties, for which the Group companies hold a discretionary mandate.

Other assets under management

Securities, value rights, precious metals, the market value of fiduciary investments with third parties and customer deposits are included in the calculation of other assets under management. The figures comprise assets for which an administration or advisory mandate is exercised.

Double counting

This item comprises fund units in own-managed, collective investment funds which are contained in client portfolios with discretionary mandates and in other client safekeeping accounts.

Net new money

This position is composed of the acquisition of new clients, lost client accounts and inflows or outflows from existing clients. Performance related asset fluctuations, e.g. price changes, interest and dividend payments including interest, commissions and expenses charged to client accounts, are not regarded as inflows or outflows. Acquisition related changes to assets will also not be considered.

Other effects

In the year under report, no client / custody assets were reclassified.

Financial statement of LLB AG, Vaduz

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**Liechtensteinische Landesbank
Aktiengesellschaft**
Vaduz

Report of the statutory auditor
to the General Meeting

on the financial statements 2020



Report of the statutory auditor

to the General Meeting of Liechtensteinische Landesbank
Aktiengesellschaft, Vaduz

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Liechtensteinische Landesbank Aktiengesellschaft ('the Company'), which comprise the balance sheet as at 31 December 2020, the income statement for the year then ended and the notes, including a summary of significant accounting policies and valuation principles.

In our opinion, the financial statements (pages 245 to 268) give a true and fair view of the consolidated financial position of the Company as at 31 December 2020 and its financial performance for the year then ended in accordance with Liechtenstein law.

Basis for opinion

We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the provisions of Liechtenstein law and the requirements of the audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 4.0 million



We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter, the following area of focus has been identified:

- Impairment testing of loans

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They

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are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

On the basis of our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 4.0 million
How we determined it	5% of the result from normal business operations
Rationale for the materiality benchmark applied	We chose the result from normal business operations as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured. The result from normal business operations represents profit before tax and before changes to the provisions for general banking risks and is a generally accepted benchmark for materiality considerations.

We agreed with the Group Audit Committee that we would report to them misstatements above CHF 0.2 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of loans

Key audit matter

The Company grants loans to private individuals, corporates and public entities located mainly in Liechtenstein and Switzerland.

As at 31 December 2020, loans amount to CHF 6.8 billion (2019: CHF 6.7 billion) and thus represent the largest asset category of the Bank. Mortgage-based loans form the majority of the loan portfolio (81% of total loans). In addition, the Bank grants corporate loans and Lombard loans.

Any impairments are recognised by means of individual loss allowances. Calculating the amount of individual loss allowances requires judgement. We focussed on the following two points:

- The methods used by the Bank to identify loans in the loan portfolio that may need a loss allowance, including

How our audit addressed the key audit matter

We tested the adequacy and effectiveness of the following key controls relating to the impairment testing of loans:

- Credit processing and authorisation: Sample testing of the requirements and processes set out in the Bank's internal policies and working instructions in relation to credit processing. We also tested that approvals were granted at the appropriate level of authority.
- Credit monitoring (periodic reviews): Sample testing of identified loans at risk and the determination of a potential need for impairment.

Where significant judgement was required, we also challenged the decisions of those authorised to approve loans with our own critical opinion as part of our substantive tests of detail. Our tests of detail covered the following:

- Sample-based testing of new business and loans at risk in the loan portfolio (including loans with individual loss

loans that, according to the Bank's definition, show indications of impairment (including the effects of the Covid-19 pandemic).

- The appropriateness and consistent application of the policies and instructions issued by Group management relating to the calculation of the amount of individual loss allowances.

The recognition and valuation principles applied to loans and the methods used to identify default risk, to determine the need for impairment and to evaluate collateral are described in the management report.

Please refer to pages 251 and 252 (Accounting policies and valuation principles) and page 254 (Notes to the balance sheet).

allowances or indications of impairment) to evaluate whether additional loss allowances were needed.

- Sample-based testing of the method used to calculate loss allowances on the loan portfolio in terms of its appropriateness and compliance with the policies and working instructions issued by Group management.

The tests of key controls and tests of detail give us sufficient assurance to assess the impairment testing of loans as adequate. The assumptions made by the Bank are in line with our expectations.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the consolidated annual report, the stand-alone annual report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with the requirements of Liechtenstein law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Liechtenstein law and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Liechtenstein law and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for



one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and the Group Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Group Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors and the Group Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The management report (page 244) as at 31 December 2020 complies with Liechtenstein law and the articles of incorporation. The management report accords with the financial statements and, in our opinion, does not contain any material inaccurate information.

We further confirm that the financial statements and the proposed distribution of balance sheet profit complies with Liechtenstein law and the articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Claudio Tettamanti
Liechtenstein Certified Public Accountant
Auditor in charge

Valentin Studer

St. Gallen, 9 March 2021



Management report

Liechtensteinische Landesbank AG was entered in the Commercial Register of the Principality of Liechtenstein under the register no. FL-0001.000.289-1 on 3 August 1926.

The details of the management report of Liechtensteinische Landesbank AG, Vaduz, can largely be seen in the [consolidated report of the LLB Group](#).

On the balance sheet date, Liechtensteinische Landesbank AG, Vaduz, and its subsidiaries held a total of 288'410 registered shares (previous year: 364'295 shares). This corresponds to a share capital stake of 0.9 per cent (previous year: 1.2 %). With respect to the volume of and changes to treasury shares of Liechtensteinische Landesbank AG, reference is made to the individual [financial statement](#).

The Board of Directors proposes to the General Meeting of Shareholders on 7 May 2021 that a dividend of net CHF 2.20 per registered share be paid out.

No important changes have occurred since the balance sheet date which would necessitate the reporting of any additional data or a correction of the 2020 financial statement.

Balance sheet

in CHF thousands	Note	31.12.2020	31.12.2019	+ / - %
Assets				
Cash and balances with central banks		3'535'790	2'980'038	18.6
Due from banks		1'787'999	1'812'979	- 1.4
due on a daily basis		652'467	703'579	- 7.3
other claims		1'135'532	1'109'401	2.4
Loans	1	6'812'923	6'675'631	2.1
of which mortgages	1	5'546'370	5'261'317	5.4
of which subordinated claims (gross)		0	0	
Bonds and other fixed-interest securities		1'576'280	1'545'293	2.0
Money market instruments		47'042	0	
Bonds		1'529'237	1'545'293	- 1.0
from public authority issuers		341'417	279'296	22.2
from other issuers		1'187'820	1'265'997	- 6.2
of which subordinated bonds		0	0	
Shares and other non-fixed-interest securities		62'392	62'252	0.2
Participations	4	26	28	- 9.3
Shares in associated companies	4	437'482	437'482	0.0
Intangible assets	6	43'851	45'165	- 2.9
Fixed assets	6	77'732	87'088	- 10.7
Own shares	3	15'142	22'647	- 33.1
Other assets	18	280'400	209'128	34.1
Accrued income and prepayments		54'770	64'667	- 15.3
Total assets		14'684'786	13'942'398	5.3

in CHF thousands	Note	31.12.2020	31.12.2019	+ / - %
Liabilities				
Due to banks		1'158'182	1'319'585	- 12.2
due on a daily basis		239'629	342'147	- 30.0
with agreed maturities or periods of notice		918'552	977'439	- 6.0
Due to customers		10'877'471	10'215'843	6.5
savings deposits		2'036'936	2'103'531	- 3.2
other liabilities		8'840'536	8'112'313	9.0
due on a daily basis		8'436'779	7'649'509	10.3
with agreed maturities or periods of notice		403'757	462'804	- 12.8
Certified liabilities		500'200	363'284	37.7
medium-term notes		100'200	113'284	- 11.5
Bonds issued	9	400'000	250'000	60.0
Other liabilities	18	307'737	208'738	47.4
Accrued expenses and deferred income		43'115	47'067	- 8.4
Provisions		6'522	6'581	- 0.9
tax provisions	10	2'853	5'449	- 47.6
other provisions	10	3'669	1'132	224.0
Provisions for general banking risks	10	310'000	310'000	0.0
Share capital	11	154'000	154'000	0.0
Share premium		47'750	47'750	0.0
Retained earnings		1'198'080	1'195'080	0.3
legal reserves		390'550	390'550	0.0
reserves for own shares		15'142	22'647	- 33.1
other reserves		792'388	781'883	1.3
Balance brought forward		4'346	4'858	- 10.5
Profit for the year		77'382	69'611	11.2
Total liabilities		14'684'786	13'942'398	5.3

Off-balance sheet transactions

in CHF thousands	Note	31.12.2020	31.12.2019	+ / - %
Contingent liabilities	1 / 19	37'787	43'019	- 12.2
Credit risks		325'652	191'088	70.4
irrevocable commitments	1	320'726	186'044	72.4
call liabilities	1	4'926	5'045	- 2.4
Derivative financial instruments	20	24'319'919	17'273'418	40.8
Fiduciary transactions	21	204'418	656'660	- 68.9

Income statement

in CHF thousands	Note	2020	2019	+ / - %
Interest income		90'197	111'622	- 19.2
of which from fixed-interest securities		18'779	19'731	- 4.8
of which from trading transactions		2	0	317.2
Interest expenses		2'342	- 19'689	
Net interest income		92'538	91'933	0.7
Shares and other non-fixed-interest securities		1'544	512	201.4
of which from trading transactions		1'544	512	201.4
Participations and associated companies		30'000	15'000	100.0
Income from securities		31'544	15'512	103.3
Credit-related commissions and fees		349	359	- 2.9
Commissions from securities and investment business		108'749	104'958	3.6
Other commission and fee income		17'493	18'962	- 7.7
Commission and fee expenses		- 47'200	- 43'765	7.9
Net commission and fee income		79'390	80'514	- 1.4
Income from financial transactions		35'576	40'601	- 12.4
of which from trading business	22	43'825	43'225	1.4
Income from real estate holdings		860	874	- 1.6
Sundry ordinary income		34'442	28'477	20.9
Other ordinary income		35'302	29'351	20.3
Total operating income		274'351	257'911	6.4
Personnel expenses	23	- 104'926	- 103'879	1.0
Administrative expenses	24	- 53'864	- 46'146	16.7
Total operating expenses		- 158'790	- 150'025	5.8
Gross operating profit		115'561	107'887	7.1
Depreciation on intangible assets and fixed assets		- 22'931	- 22'979	- 0.2
Sundry ordinary expenses	25	- 2'301	- 1'247	84.5
Allowances on claims and allocations to provisions for contingent liabilities and lending risks	10	- 12'400	- 9'025	37.4
Earnings from the release of allowances on claims and of provisions for contingent liabilities and lending risks	10	3'199	2'681	19.3
Write-downs to participations, shares in associated companies and securities treated as long-term investments		- 3	- 2	38.7
Earnings from write-ups to participations, shares in associated companies and securities treated as long-term investments		0	0	
Result from normal business operations		81'126	77'315	4.9
Income taxes		- 3'500	- 7'905	- 55.7
Other taxes		- 243	201	
Releases / (Additions) to provisions for general banking risks		0	0	
Profit for the year *		77'382	69'611	11.2

* The return on capital (annual profit in relation to balance sheet total) amounted to 0.53 per cent as at 31 December 2020 and to 0.50 per cent as at 31 December 2019 (pursuant to the Banking Ordinance, Art. 24e, Para. 1, Point 6).

Distribution of balance sheet profit

The Board of Directors proposes to the General Meeting of Shareholders on 7 May 2021 that the balance sheet profit as at 31 December 2020 be distributed as follows:

in CHF thousands	2020	2019
Profit for the year	77'382	69'611
Balance brought forward	4'346	4'858
Balance sheet profit	81'729	74'470
Distribution of balance sheet profit		
Allocation to other reserves	9'000	3'000
Allocation to corporate capital (common stock) *	67'125	67'124
Balance carried forward *	5'603	4'346

* Shares eligible for dividends are all shares outstanding except for own shares as of record date. The amounts presented are based on the numbers of shares eligible for dividends as at 31 December 2020.

If this proposal is accepted, a dividend of net CHF 2.20 per registered share will be paid out on 13 May 2021.

Notes on business operations

Liechtensteinische Landesbank Aktiengesellschaft with its registered office in Vaduz and two domestic branch offices is active as a full-service (universal) bank. LLB AG is one of the three largest banks in Liechtenstein and has subsidiaries in Liechtenstein, Austria and Switzerland, as well as a branch in Dubai and representative offices in Zurich-Erlenbach, Geneva and Abu Dhabi. At the end of 2020, LLB AG employed 589 persons (previous year: 583) on a full-time equivalent basis. The average headcount in 2020 amounted to 591 persons (previous year: 582) on a full-time equivalent basis.

As a universal bank, LLB AG is engaged in the commission and fees business, credit and lending business, money market and interbank business, as well as securities trading business.

Commissions and fees business

The major proportion of revenues from commissions and fees business is attributable to commissions earned in connection with securities trading for customers. Other important income streams are provided by securities safe custody business, asset management (incl. investment funds) and brokering fiduciary investments.

Credit and lending business

The largest proportion of loans comprises mortgages, Lombard loans and advances to public institutions. Mortgages are granted to finance properties in Liechtenstein and in the neighbouring areas of Switzerland. Real estate financing for the rest of Switzerland and Lombard loans are granted within the scope of the integrated asset management business. A major proportion of loans and advances to public authorities relates to credit facilities extended to cantons and municipalities in Switzerland. As regards international syndicated loans, the bank is active to only a very limited extent in this line of business.

Money market and interbank business

Domestic and international funds deposited with the bank, which in as far as they are not invested in lending business or held as liquid funds, are placed with first-class banks, predominantly in Switzerland and Western Europe.

Securities trading business

The bank offers its clients a full range of services in connection with the execution and settlement of securities trading transactions. It trades for its own account only to a moderate extent. Transactions with derivative financial instruments for the bank's own account are largely employed for hedging purposes.

Accounting policies and valuation principles

Basic principles

The accounting and valuation policies are drawn up in accordance with the provisions of the Liechtenstein Person and Company Law (PGR), as well as the Liechtenstein Banking Law and the accompanying Banking Ordinance.

Recording of business

All completed business transactions are valued and recorded in the balance sheet and the profit and loss account according to the specified valuation principles. The transactions are booked on the transaction date. Up to their date of settlement or the value date, futures transactions are recorded at their replacement value under other assets or other liabilities.

Foreign currency translations

Assets and liabilities denominated in foreign currencies are translated at the foreign exchange middle rate prevailing on the balance sheet date. Bank note holdings for exchange business are translated at the bank note bid rate in effect on the balance sheet date. Exchange gains and losses arising from the valuation are booked to the profit and loss account. The following exchange rates were employed for foreign currency conversion:

Reporting date rate	31.12.2020	31.12.2019
1 USD	0.8803	0.9662
1 EUR	1.0802	1.0854

Average rate	2020	2019
1 USD	0.9373	0.9928
1 EUR	1.0720	1.1117

Liquid funds, public authority debt instruments and bills approved for refinancing by central banks, balances due from banks and customers, liabilities

These items are shown in the balance sheet at nominal value minus any unearned discount on money market instruments.

Impaired due amounts, i.e. amounts due from debtors who probably will not repay them, are valued on an individual basis and their impairment is covered by specific allowances. Off-balance sheet transactions, such as commitments for loans, guarantees and derivative financial instruments, are also included in this valuation. Loans are regarded as overdue at the latest when interest and / or principal repayments are more than 90 days in arrears. Overdue and impaired interest payments are charged directly to allowances and provisions. Loans are put on a non-accrual basis if the interest due on them is deemed to be uncollectible and interest accrual is therefore no longer practical.

The impairment is measured on the basis of the difference between the book value of the claim and the probable recoverable amount taking into consideration counterparty risk and the net proceeds from the realisation of any collateral. If it is expected that the realisation process will take longer than one year, the estimated realisation proceeds are discounted on the balance sheet date. The specific allowances are deducted directly from the corresponding asset positions. A claim is reclassified as no longer endangered if the outstanding principal and interest are again repaid on time in accordance with the original contractual terms. To cover the risks in retail business, which are composed of numerous small

claims, lump-sum individual allowances, calculated on the basis of empirical values, are made for the unsecured loans and overdrawn limits for which individual allowances have not already been considered.

Debt instruments and other fixed-interest securities, equities and other non-fixed-interest securities as well as precious metals holdings

Trading portfolios of securities and precious metals are valued at the market value on the balance sheet date. LLB AG does not hold any precious metal positions in its trading portfolio, since the existing positions are used to cover obligations arising from precious metal accounts. Securities for which there is no regular, active market are carried at the lower of cost or market value. Holdings of securities and precious metals as current assets are valued at the lower of cost or market value. Interest earnings are credited to the item interest income, dividend income is carried under the item income from securities. Price gains are shown under the item income from financial transactions.

Fixed-interest securities that are intended to be held until final maturity are valued according to the accrual method. Accordingly, interest income, including amortisation of premiums and accretion of discounts, is recognised on an accrual basis until final maturity. Interest-related realised capital gains or losses arising from the premature sale or redemption of securities are recognised on an accrual basis over the remaining period to maturity, i.e. up to the original date of final maturity. Interest earnings are credited to the item interest income. Equities held as fixed assets are valued at the lower of cost or market value. Precious metals holdings as fixed assets are measured at fair value. Dividend income is carried under the item income from securities. Allowances are shown under the items write-downs to participations, shares in associated companies and securities treated as long-term investments and earnings from write-ups to participations, shares in associated companies and securities treated as long-term investments, respectively.

Participations

Participations comprises shares owned by LLB AG in companies which represent a minority participation and which are held as long-term investments. These items are valued at cost minus necessary allowances.

Shares in associated companies

LLB AG's existing majority participations are recorded as shares in associated companies. These items are valued at cost minus necessary allowances.

Intangible assets

Software development costs are capitalised when they meet certain criteria relating to identifiability, it is probable that economic benefits will flow to the company from them, and the costs can be measured reliably. Internally developed software meeting these criteria and purchased software are capitalised and subsequently amortised over three to ten years.

Low-cost acquisitions are charged directly to administrative expenses.

Tangible fixed assets

Real estate is valued at the acquisition cost plus any investment that increases the value of the property, less necessary depreciation. New buildings and refurbishments are depreciated over 33 years and building supplementary costs over 10 years. No depreciation is charged on undeveloped land unless an adjustment has to be made to allow for a reduction in its market value. Other physical assets include fixtures, furniture, machinery and IT equipment. They are capitalised and depreciated in full over their estimated economic life (3 to 6 years).

Low-cost acquisitions are charged directly to administrative expenses.

Treasury shares

Own shares (treasury shares) held by the Liechtensteinische Landesbank AG are recognised at market values up to the acquisition costs and are reported as treasury shares. The difference between the

market value of treasury shares and the acquisition costs is reported in the income statement under income from financial transactions.

Allowances and provisions

In accordance with prudent accounting practice, specific allowances and provisions as well as general allowances are made for all risks existing on the balance sheet date. Allowances are offset directly with the corresponding asset position. Provisions are booked as such in the balance sheet.

Taxes

Accruals for taxes payable on the basis of the profits earned in the period under report are charged as expenses in the corresponding period. Provisions for deferred tax are formed in relation to allowances and provisions recognised only for tax purposes. The calculation is made on the basis of the estimated tax rates used for actual taxation.

Provisions for general banking risks

Provisions for general banking risks are precautionary reserves formed to hedge against latent risks in the bank's operating activities.

Derivative financial instruments

The gross replacement values of individual contracts in derivative financial instruments – positive and negative replacement values are not offset against each other – are stated in the balance sheet (under other assets or other liabilities) and in the notes to the financial statement. All replacement values for contracts concluded for the bank's own account are reported. In contrast, in the case of customer transactions only the replacement values for OTC contracts are reported, or for exchange-traded products if margin requirements are inadequate. The contract volumes are reported in the statement of off-balance sheet transactions and in the notes. Trading positions in financial derivatives are valued at market rates provided the contracts are listed on an exchange or a regular, active market exists. If this is not the case, the contracts are valued at the lower of cost or market value. If interest business positions are hedged with derivatives, the differential amount between the market value and the accrual method is recognised in the settlement account.

Off-balance sheet transactions

Off-balance sheet transactions are valued at nominal values. Provisions are made in the case of identifiable risks arising from contingent liabilities and other off-balance sheet transactions.

Statement of cash flows

On account of its obligation to prepare a consolidated financial statement, LLB AG is exempted from the necessity to provide a statement of cash flow. The consolidated statement of cash flow of the LLB Group is a part of the consolidated financial statement.

Notes to the balance sheet

1 Type of collateral

in CHF thousands	Type of collateral			Total
	Secured by mortgage	Other collateral	Unsecured	
Loans				
Loans (excluding mortgage loans)	12'195	780'910	473'449	1'266'554
Mortgage loans				
residential property	4'482'423	6'179	9'647	4'498'248
office and business property	578'136	4'129	642	582'907
commercial and industrial property	265'582	3'901	0	269'483
other	195'285	89	356	195'731
Total loans	31.12.2020	5'533'621	795'208	6'812'923
	31.12.2019	5'224'722	930'268	6'675'631
Off-balance sheet transactions				
Contingent liabilities	1'425	31'889	4'472	37'787
Irrevocable commitments	145'622	38'084	137'020	320'726
Call liabilities	0	0	4'926	4'926
Total off-balance sheet transactions	31.12.2020	147'047	69'973	363'438
	31.12.2019	76'643	49'693	234'108

Impaired claims

in CHF thousands	Gross outstanding amount	Estimated proceeds from realisation of collateral	Net outstanding amount	Specific allowances
31.12.2020	64'923	32'137	32'786	32'786
31.12.2019	57'362	27'110	30'252	30'252

2 Securities and precious metals holdings a Securities and precious metals trading positions

in CHF thousands	Book value		Cost		Market value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Equities	12	11	69	69	12	11
listed	1	0	58	57	1	0
unlisted	11	11	11	11	11	11
Total	12	11	69	69	12	11

b Securities and precious metals holdings as current assets (excluding trading positions)

in CHF thousands	Book value		Cost		Market value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Debt securities	1'576'280	1'545'293	1'584'887	1'552'950	1'617'614	1'572'988
listed	1'576'280	1'545'293	1'584'887	1'552'950	1'617'614	1'572'988
Equities	15'163	22'670	18'720	23'780	15'192	22'784
listed	15'142	22'647	18'663	23'574	15'142	22'732
unlisted	22	23	56	206	50	52
Total	1'591'443	1'567'963	1'603'606	1'576'730	1'632'806	1'595'772

c Securities and precious metals as fixed assets

in CHF thousands	Book value		Cost		Market value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Equities	62'358	62'218	69'135	69'213	70'297	70'244
listed	52'708	44'009	54'574	44'385	57'041	46'366
unlisted	9'650	18'208	14'561	24'828	13'256	23'878
Precious metals	15'014	45'838	15'014	45'838	15'014	45'838
Total	77'373	108'056	84'150	115'051	85'312	116'083

3 Own shares included in current assets (excluding trading positions)

Quantity / in CHF thousands	Quantity		Book value	
	2020	2019	2020	2019
As at 1 January	364'295	124'841	22'647	7'735
Bought	0	283'500	0	18'284
Sold	-75'885	-44'046	-4'914	-2'588
Additions / (Impairments)	0	0	-2'592	-784
As at 31 December	288'410	364'295	15'142	22'647

4 Participations and shares in associated companies

in CHF thousands	31.12.2020	31.12.2019
Participations		
Without market value	26	28
Total participations	26	28
Shares in associated companies		
Without market value	437'482	437'482
Total shares in associated companies	437'482	437'482

5 Substantial participations and shares in associated companies

Company name and registered office	Business activity	Currency	Share capital	% share of votes	% share of capital
Participations					
Data Info Services AG, Vaduz	Service company	CHF	50'000	50.0	50.0
Shares in associated companies					
Liechtensteinische Landesbank (Österreich) AG, Vienna	Bank	EUR	5'000'000	100.0	100.0
LLB Asset Management AG, Vaduz	Asset management	CHF	1'000'000	100.0	100.0
LLB Fund Services AG, Vaduz	Fund management company	CHF	2'000'000	100.0	100.0
LLB Swiss Investment AG	Fund management company	CHF	8'000'000	100.0	100.0
LLB Holding AG, Uznach	Holding company	CHF	95'328'000	100.0	100.0
Zukunftsstiftung der Liechtensteinischen Landesbank AG	Charitable foundation	CHF	30'000	100.0	100.0

6 Statement of fixed assets

in CHF thousands	Cost	Accumulated depreciation	Book value 31.12.2019	Investments	Disinvestments	Reclassifications	Additions	Depreciation	Book value 31.12.2020
Total participations (non-controlling interests)	37	- 9	28	0	0	0	0	- 3	26
Total shares in associated companies	473'851	- 36'369	437'482	0	0	0	0	0	437'482
Total securities and precious metals as fixed assets	187'917	- 79'861	108'056	328'752	- 359'434	0	0	0	77'373
Total intangible assets ^o	165'068	- 119'903	45'165	11'916	0	0	0	- 13'229	43'851
Real estate									
bank premises	178'355	- 121'340	57'016	1'270	- 7'647	0	0	- 4'178	46'461
other properties	25'038	- 10'038	15'000	0	0	0	0	0	15'000
Other fixed assets	110'752	- 95'679	15'073	6'722	0	0	0	- 5'523	16'272
Total fixed assets	314'145	- 227'056	87'088	7'992				- 9'701	77'732
Fire insurance value of real estate			195'363						172'646
Fire insurance value of other fixed assets			28'181						27'031

^o Solely licences and software

Depreciation is carried out according to prudent business criteria over the estimated service life. No undisclosed reserves exist.

7 Pledged or assigned assets and assets subject to reservation of ownership

in CHF thousands	31.12.2020	31.12.2019
Excluding lending transactions and pension transactions with securities		
Book value of pledged and assigned (as collateral) assets	246'385	51'715
Actual commitments	0	0
Lending transactions and pension transactions with securities		
Self-owned securities lent or delivered as collateral within the scope of securities lending or borrowing transactions, or self-owned securities transferred in connection with repurchase agreements	228'242	280'638
of which capable of being resold or further pledged without restrictions	228'242	280'638
Securities received as collateral within the scope of securities lending or securities received in connection with reverse repurchase agreements, which are capable of being resold or further pledged without restrictions	284'080	411'057
of which resold or further pledged securities	0	3'298

8 Liabilities due to own pension funds

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Current account, call money and time deposits	10'934	3'676	197.4
Savings deposits	42	17'792	- 99.8
Total	10'976	21'468	- 48.9

9 Bonds issued

Year issued	Name	Currency	Maturity	Nominal interest rate in %	in CHF thousands		
					Nominal value	2020	2019
2019	Liechtensteinische Landesbank AG 0.000 % Senior Preferred Anleihe 2019 – 2029	CHF	27.09.2029	0.000 %	100'000	100'000	100'000
2019	Liechtensteinische Landesbank AG 0.125 % Senior Preferred Anleihe 2019 – 2026	CHF	28.05.2026	0.125 %	150'000	150'000	150'000
2020	Liechtensteinische Landesbank AG 0.300 % Senior Preferred Anleihe 2020 – 2030	CHF	24.09.2030	0.300 %	150'000	150'000	0

10 Allowances and provisions / provisions for general banking risks

in CHF thousands	Total 31.12.2019	Specific allowances	Recoveries, overdue interest, currency differences	New provisions charged to income statement	Provisions re- leased to in- come state- ment	Total 31.12.2020
Allowances for loan default risks						
Specific allowances	30'252	- 5'605	- 540	11'878	- 3'199	32'786
Lump-sum individual allowances (incl. those for country risks)	0	0	0	0	0	0
Provisions for contingent liabilities and credit risks.	24	0	0	522	0	547
Provisions for other business risks	715	0	0	456	- 200	972
Provisions for taxes and deferred taxes	5'449	- 5'512	0	3'236	- 320	2'853
Other provisions	393	0	0	1'900	- 143	2'150
Total allowances and provisions	36'833	- 11'117	- 540	17'992	- 3'861	39'307
Minus allowances	- 30'252					- 32'786
Total provisions according to balance sheet	6'581					6'522
Provisions for general banking risks	310'000					310'000

11 Share capital, significant shareholders and groups of shareholders linked by voting rights

in CHF thousands	31.12.2020			31.12.2019		
	Total nominal value	Quantity	Capital ranking for dividend	Total nominal value	Quantity	Capital ranking for dividend
Share capital	154'000	30'800'000	152'558	154'000	30'800'000	152'179
Total common stock	154'000	30'800'000	152'558	154'000	30'800'000	152'179

No conditional or authorised capital exists.

in CHF thousands	31.12.2020		31.12.2019	
	Nominal	Holding in %	Nominal	Holding in %
With voting right: Principality of Liechtenstein	88'500	57.5	88'500	57.5
With voting right: shareholder group Haselsteiner Familien-Privatstiftung and grosso Holding Gesellschaft mbH	9'025	5.9	9'025	5.9

12 Statement of shareholders' equity

in CHF thousands	2020
Share capital	154'000
Share premium	47'750
Legal reserves	390'550
Reserve for own shares	22'647
Other reserves	781'883
Provisions for general banking risks	310'000
Balance sheet profit	74'470
Total shareholders' equity as at 1 January (before profit distribution)	1'781'300
Dividend and other distributions from previous year's profit	- 67'124
Net profit for the year	77'382
Allocation to provisions for general banking risks	0
Total shareholders' equity as at 31 December (before profit distribution)	1'791'558
Of which:	
Share capital	154'000
Share premium	47'750
Legal reserves	390'550
Reserve for own shares	15'142
Other reserves	792'388
Provisions for general banking risks	310'000
Balance sheet profit	81'729

13 Maturity structure of assets, liabilities and provisions

in CHF thousands	Sight deposits	Callable	Due within 3 months	Due between 3 months to 12 months	Due between 12 months to 5 years	Due after 5 years	Immo-bilised	Total	
Assets									
Cash and balances with central banks	3'535'790	0	0	0	0	0	0	3'535'790	
Due from banks	436'467	0	922'562	0	5'000	423'970	0	1'787'999	
Loans	4'062	529'465	2'305'506	1'015'543	1'951'394	1'006'954	0	6'812'923	
of which mortgage loans	3'730	63'520	1'651'822	950'213	1'887'106	989'980	0	5'546'370	
Securities and precious metals held for trading	12	0	0	0	0	0	0	12	
Securities and precious metals holdings as current assets (excluding trading positions)	1'591'443	0	0	0	0	0	0	1'591'443	
Securities and precious metals holdings as fixed assets	15'014	62'358	0	0	0	0	0	77'373	
Other assets	532'411	2	156'959	59'091	33'192	18'109	79'482	879'246	
Total assets	31.12.2020	6'115'200	591'825	3'385'027	1'074'634	1'989'586	1'449'032	79'482	14'684'786
	31.12.2019	5'708'204	594'836	2'497'842	1'030'383	2'763'504	1'258'791	88'838	13'942'398

Liabilities and provisions

Due to banks	239'629	162'030	665'979	90'544	0	0	0	1'158'182	
Due to customers	8'326'549	2'128'733	299'727	122'462	0	0	0	10'877'471	
of which savings deposits	0	2'018'503	16'007	2'426	0	0	0	2'036'936	
of which other liabilities	8'326'549	110'230	283'720	120'036	0	0	0	8'840'536	
Certified liabilities	0	0	10'533	11'077	60'667	417'923	0	500'200	
of which medium-term notes	0	0	10'533	11'077	60'667	17'923	0	100'200	
of which bonds issued	0	0	0	0	0	400'000	0	400'000	
Provisions (excluding provisions for general banking risks)	0	0	0	0	6'522	0	0	6'522	
Other liabilities	83'089	0	157'183	55'026	35'704	19'851	0	350'853	
Total liabilities and provisions	31.12.2020	8'649'267	2'290'763	1'133'422	279'108	102'893	437'774	0	12'893'228
	31.12.2019	7'490'878	2'925'275	1'112'566	231'128	116'154	285'098	0	12'161'098

Bonds and other fixed-interest securities that are due in the following financial year

361'595

14 Due from and due to associated companies and related parties

a Due from and due to participations and associated companies

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Due from participations	0	0	
Due to participations	0	0	
Due from associated companies	1'448'243	957'307	51.3
Due to associated companies	927'292	854'284	8.5

b Due from and due to qualified participations and companies associated with the Principality of Liechtenstein

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Due from the Principality of Liechtenstein	1'824	3'373	- 45.9
Due to the Principality of Liechtenstein	474'802	188'804	151.5
Due from companies associated with the Principality of Liechtenstein *	54'023	56'084	- 3.7
Due to companies associated with the Principality of Liechtenstein *	206'285	195'524	5.5

* Associated companies: Liechtensteinische Kraftwerke, Liechtensteinische Gasversorgung, Telecom Liechtenstein AG, Liechtensteinische Post AG, Verkehrsbetrieb LIECHTENSTEIN mobil and AHV-IV-FAK-Anstalt.

The stated due from and due to are included in the balance sheet in the items loans and due to customers.

c Loans to corporate bodies

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Members of the Board of Directors	668	668	0.0
Members of the Board of Management	4'560	2'561	78.1

d Related party transactions

Transactions (e.g. securities transactions, payment transfers, lending facilities and interest on deposits) were made with related parties under the same terms and conditions as applicable to third parties.

15 Breakdown of assets and liabilities by location

in CHF thousands	31.12.2020		31.12.2019	
	FL/CH	Abroad	FL/CH	Abroad
Assets				
Cash and balances with central banks	3'535'790	0	2'980'038	0
Due from banks	1'556'714	231'285	1'471'703	341'276
Loans (excluding mortgages)	858'960	407'594	850'365	563'949
Mortgage loans	5'546'370	0	5'261'317	0
Bonds and other fixed-interest securities	273'557	1'302'723	275'518	1'269'775
Shares and other non-fixed-interest securities	61'995	397	55'476	6'776
Participations	26	0	28	0
Shares in associated companies	131'405	306'077	131'405	306'077
Intangible assets	43'851	0	45'165	0
Fixed assets	77'732	0	87'088	0
Own shares	15'142	0	22'647	0
Other assets	123'608	156'792	138'310	70'819
Accrued income and prepayments	27'972	26'797	47'544	17'123
Total assets	12'253'122	2'431'664	11'366'604	2'575'794
Liabilities				
Due to banks	298'573	859'609	548'975	770'610
Due to customers (excluding savings deposits)	6'160'176	2'680'359	5'767'822	2'344'491
Savings deposits	1'703'895	333'041	1'771'838	331'693
Certified liabilities	500'200	0	363'284	0
Other liabilities	192'151	115'586	162'939	45'799
Accrued expenses and deferred income	14'527	28'589	26'098	20'969
Provisions	6'522	0	6'581	0
Provisions for general banking risks	310'000	0	310'000	0
Share capital	154'000	0	154'000	0
Share premium	47'750	0	47'750	0
Legal reserves	390'550	0	390'550	0
Reserves for own shares	15'142	0	22'647	0
Other reserves	792'388	0	781'883	0
Profit carried forward	4'346	0	4'858	0
Profit for the year	77'382	0	69'611	0
Total liabilities	10'667'602	4'017'184	10'428'836	3'513'562

16 Geographical breakdown of assets by location

	31.12.2020		31.12.2019	
	Absolute value	% of total	Absolute value	% of total
Liechtenstein/Switzerland	12'253'122	83.4	11'366'604	81.5
Europe (excluding Liechtenstein/Switzerland)	1'460'430	9.9	1'460'952	10.5
North America	449'793	3.1	444'291	3.2
South America	14'600	0.1	17'975	0.1
Africa	10'361	0.1	14'269	0.1
Asia	287'688	2.0	418'110	3.0
Others	208'792	1.4	220'196	1.6
Total assets	14'684'786	100.0	13'942'398	100.0

17 Breakdown of assets and liabilities by currency

in CHF thousands	CHF	EUR	USD	Others	Total
Assets					
Cash and balances with central banks	3'524'370	11'317	103	1	3'535'790
Due from banks	1'356'204	176'611	47'349	207'835	1'787'999
Loans (excluding mortgages)	685'411	276'424	190'958	113'761	1'266'554
Mortgage loans	5'539'564	6'805	0	0	5'546'370
Bonds and other fixed-interest securities	435'511	529'750	611'019	0	1'576'280
Shares and other non-fixed-interest securities	57'730	2'020	2'641	0	62'392
Participations	26	0	0	0	26
Shares in associated companies	437'482	0	0	0	437'482
Intangible assets	43'851	0	0	0	43'851
Fixed assets	77'732	0	0	0	77'732
Own shares	15'142	0	0	0	15'142
Other assets	267'646	5'074	7'028	653	280'400
Accrued income and prepayments	21'894	10'492	21'641	742	54'770
Total on-balance sheet assets	12'462'563	1'018'493	880'739	322'992	14'684'786
Delivery claims from forex spot, forex futures and forex options transactions	4'932'613	7'378'007	7'602'978	2'023'402	21'937'000
Total assets	17'395'176	8'396'500	8'483'717	2'346'393	36'621'786
Liabilities					
Due to banks	647'994	371'591	99'830	38'767	1'158'182
Due to customers (excluding savings deposits)	4'763'758	1'816'535	1'667'428	592'815	8'840'536
Savings deposits	2'032'645	4'291	0	-0	2'036'936
Certified liabilities	500'200	0	0	0	500'200
Other liabilities	286'761	15'419	4'758	800	307'737
Accrued expenses and deferred income	18'024	9'030	15'250	812	43'115
Provisions	6'522	0	0	0	6'522
Provisions for general banking risks	310'000	0	0	0	310'000
Share capital	154'000	0	0	0	154'000
Share premium	47'750	0	0	0	47'750
Legal reserves	390'550	0	0	0	390'550
Reserves for own shares	15'142	0	0	0	15'142
Other reserves	792'388	0	0	0	792'388
Profit carried forward	4'346	0	0	0	4'346
Profit for the year	77'382	0	0	0	77'382
Total on-balance sheet liabilities	10'047'462	2'216'865	1'787'266	633'194	14'684'786
Delivery liabilities from forex spot, forex futures and forex options transactions	7'357'383	6'175'569	6'681'807	1'727'820	21'942'578
Total liabilities	17'404'845	8'392'433	8'469'073	2'361'013	36'627'365
Net position per currency	- 9'669	4'067	14'644	- 14'620	- 5'578

18 Other assets and liabilities

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Precious metals holdings	15'014	45'838	- 67.2
Tax prepayments / Withholding tax	1'205	1'067	12.9
Positive replacement values [°]	217'466	108'703	100.1
Settlement account	39'265	47'231	- 16.9
Clearing accounts	1'846	442	317.8
Taken-over real estate	1'750	1'750	0.0
Deferred tax claim	3'854	4'097	- 5.9
Total other assets	280'400	209'128	34.1
Charge accounts	5'015	3'802	31.9
Negative replacement values [°]	252'046	155'119	62.5
Accounts payable	16'948	10'582	60.2
Settlement account	13'634	17'141	- 20.5
Clearing accounts	20'096	22'094	- 9.0
Total other liabilities	307'737	208'738	47.4

[°] Replacement values are shown gross.

Notes to off-balance sheet transactions

19 Contingent liabilities

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Credit guarantees and similar instruments	21'584	21'509	0.4
Performance guarantees and similar instruments	7'914	14'215	- 44.3
Other contingent liabilities	8'289	7'295	13.6
Total contingent liabilities	37'787	43'019	- 12.2

20 Open derivative contracts

in CHF thousands	Trading instruments			Hedging instruments			
	Positive replacement value	Negative replacement value	Contract volume	Positive replacement value	Negative replacement value	Contract volume	
Interest rate instruments							
Swaps	54	85	40'000	13'634	42'651	2'306'604	
Forward transactions	100	52	11'028	0	0	0	
Foreign exchange contracts							
Forward contracts	197'415	202'995	21'319'789	0	0	0	
Options (OTC)	5'748	5'748	614'507	0	0	0	
Precious metals							
Forward contracts	46	46	2'704	0	0	0	
Equity / Index contracts							
Options (OTC)	469	469	25'287	0	0	0	
Total excluding netting agreements	31.12.2020	203'833	209'395	22'013'315	13'634	42'651	2'306'604
	31.12.2019	91'562	103'649	15'036'710	17'141	51'470	2'236'708

Liechtensteinische Landesbank AG has concluded no netting agreements.

21 Fiduciary transactions

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Fiduciary deposits with other banks	202'772	655'022	- 69.0
Fiduciary loans and other fiduciary financial transactions	1'646	1'639	0.5
Total fiduciary transactions	204'418	656'660	- 68.9

Notes to the income statement

22 Income from trading operations

in CHF thousands	2020	2019	+ / - %
Foreign exchange trading	41'437	42'332	- 2.1
Foreign note trading	- 86	- 350	- 75.6
Precious metals trading	2'464	1'225	101.1
Securities trading	9	18	- 50.9
Total net trading income	43'825	43'225	1.4

23 Personnel expenses

in CHF thousands	2020	2019	+ / - %
Salaries and compensations	- 84'145	- 83'164	1.2
Social benefits and retirement benefit plans	- 17'526	- 17'305	1.3
of which retirement benefit plans	- 12'016	- 11'664	3.0
Other personnel expenses	- 3'255	- 3'410	- 4.6
Total	- 104'926	- 103'879	1.0

The compensation of the Board of Directors and the Board of Management are disclosed in the consolidated financial statement.

24 Administrative expenses

in CHF thousands	2020	2019	+ / - %
Occupancy expenses	- 3'329	- 3'498	- 4.8
Expenses for IT, machinery, vehicles and other equipment	- 24'923	- 17'689	40.9
Other business expenses	- 25'613	- 24'960	2.6
Total	- 53'864	- 46'146	16.7

25 Other ordinary expenses

in CHF thousands	2020	2019	+ / - %
Operational risk	- 1'757	0	
Sundry other ordinary expenses	- 543	- 1'247	- 56.4
Total other ordinary expenses	- 2'301	- 1'247	84.5

Risk management

Overview

LLB AG's risk policy is governed, in legal and operative terms, by the Liechtenstein Banking Law, the corresponding Banking Ordinance and the principles of the Basel Committee for Banking Supervision as well as by the bank's own statutes and business regulations. The ultimate responsibility for basic risk policy and for continually monitoring the bank's risk exposure lies with the Board of Directors. In fulfilling this function, it is supported by the Risk Committee. The Board of Management has overall responsibility for risk management. It is supported by separate expert risk committees. An independent Group Credit & Risk Management monitors compliance with the issued regulations.

Market risks

On the basis of its business activity, LLB AG is exposed primarily to interest rate fluctuation, share price and currency risks. The Group Risk Management Committee is responsible for managing risks associated with trading activities, and the Asset & Liability Committee for controlling interest rate fluctuation risks. These bodies limit risk exposure using sensitivity and value-at-risk analyses. Aggregate risks are analysed and worst-case scenarios are simulated on a regular basis.

Credit default risks

Credit and lending facilities are extended primarily in interbank business, in private and corporate client business mainly on a secured basis, and in business transactions with public authorities. The Group Credit Risk Committee is responsible for credit risk management. The bank pursues a conservative collateral lending policy. Credits and loans are granted within the scope of strict credit approval procedures. An internal rating system is employed to determine risk-related terms and conditions. A limits system based on the creditworthiness of the individual country is used to control country risks.

In order to ensure responsible lending and to take account of the increasing regulatory requirements, each property must be valued and the loan-to-value ratio determined. The internal directive "Real Estate Valuation" forms the basis for determining a market-conforming loan-to-value ratio for real estate in the Swiss and Liechtenstein markets of the LLB Group. The decisive factor for the valuation method and tool to be applied is always the predominant use or the predominant income measured by the rental value.

- ♦ Single-family houses and condominiums for own use are generally valued hedonically in Switzerland and by the tangible asset method in Liechtenstein.
- ♦ Rented single-family houses and condominiums that are held for yield purposes are generally valued at income value in Switzerland. In Liechtenstein, the valuation is carried out using the asset value method.
- ♦ Income-producing and investment properties in Switzerland, such as apartment buildings, residential and commercial buildings, commercial properties, etc., are valued using the capitalised earnings value method.
- ♦ In the case of commercially owner-occupied properties, the capitalised earnings value is decisive, which is determined and verified in advance on the basis of the space rent reported in the borrower's income statement.
- ♦ Agricultural properties in Switzerland are valued according to the "farming land law" calculation. In Liechtenstein, these are valued using the tangible asset method.
- ♦ Valuations of building land are based on current market conditions.

Operational and legal risks

Internal regulations and directives concerning organisation and controls are employed to limit exposure to operative and legal risks. In formulating these instructions, the Board of Management is supported by the Operational Risk Committee. Compliance with these regulations is regularly checked by the Group Compliance and Group Operational Risk / ICS departments and by Group Internal Audit. External legal experts are brought in on a case-by-case basis to control and manage legal risks.

Liquidity risks

Liquidity risks are monitored and managed in accordance with the provisions of banking law.

Business policy concerning the use of derivative financial instruments

Within the scope of balance sheet management, interest rate swaps are concluded to hedge interest rate fluctuation risks. Furthermore, derivative financial instruments are employed primarily within the context of transactions for clients. Both standardised and OTC derivatives are traded for the account of clients.

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Imprint

Publisher

Liechtensteinische Landesbank AG
9490 Vaduz, Liechtenstein

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Exclusively for the purpose of better readability, the different gender-specific spelling has mostly been dispensed with in this document. The chosen masculine form is to be understood as gender-neutral in this sense.

Liechtensteinische Landesbank Aktiengesellschaft: hereafter also referred to as Liechtensteinische Landesbank AG, Liechtensteinische Landesbank, LLB AG, LLB and LLB parent bank. Liechtensteinische Landesbank (Österreich) AG: hereafter also referred to as LLB (Österreich) AG and LLB Österreich. Bank Linth LLB AG: hereafter also referred to as Bank Linth.

This annual report is published in German and English. The German edition is binding.

Due to rounding, there may be minor discrepancies in the totals and percentage calculations in this report.

To measure our performance we employ alternative financial key figures, which are not defined in the International Financial Reporting Standards (IFRS). Details can be found at <http://www.llb.li/investors-apm>.

