Consolidated financial statement of the LLB Group

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.

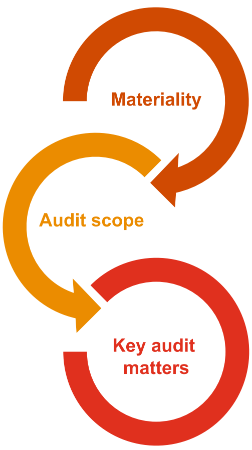
Basis for opinion

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
LLB Group grants loans to private individuals, corporates and public entities located mainly in Liechtenstein and Switzerland. 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).	We tested the adequacy and effectiveness of the following key controls relating to the impairment testing of loans in the loan portfolio: • 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 focussed 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).

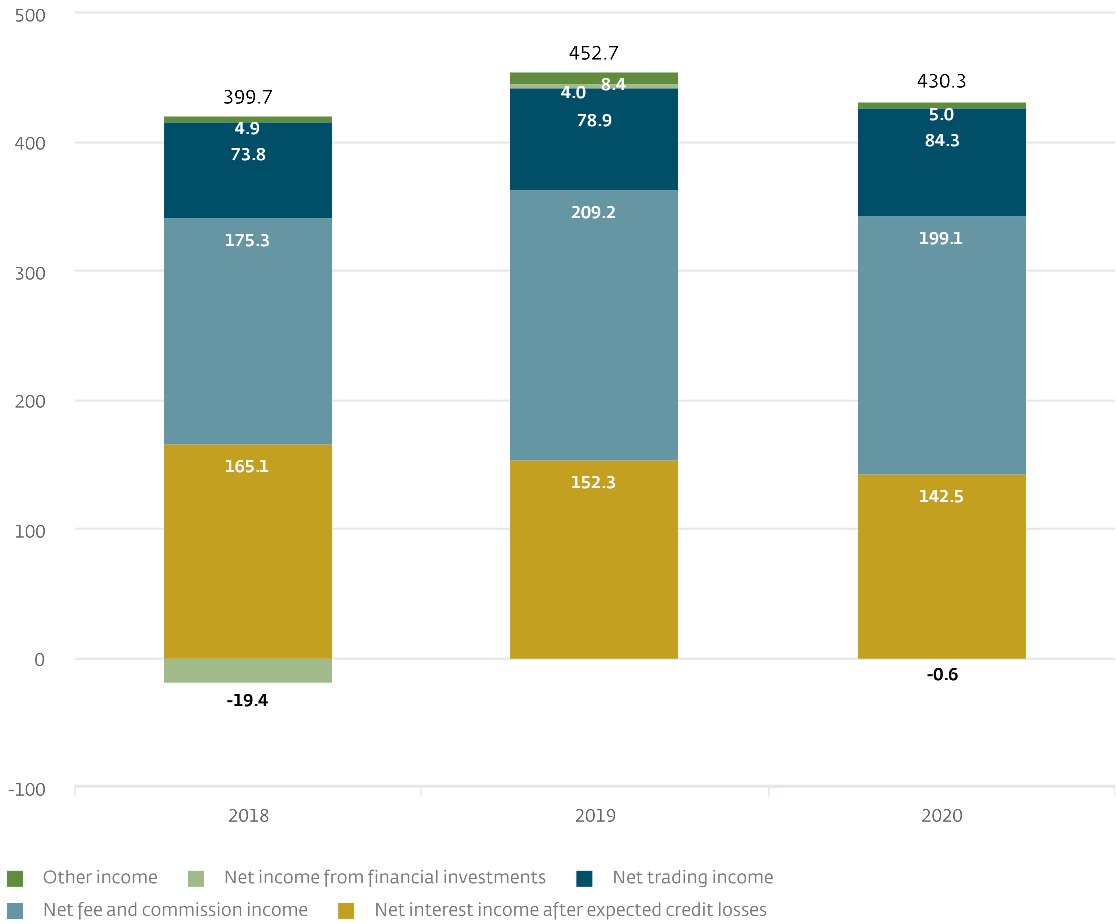
At CHF 199.1 million, net fee and commission income was down year on year (2019: CHF 209.2 million). Higher transaction-related earnings – net brokerage rose compared to the previous year by 21.0 per cent to CHF 42.1 million (2019: CHF 34.8 million) – compensated for the lower portfolio-dependent revenues. 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 %).

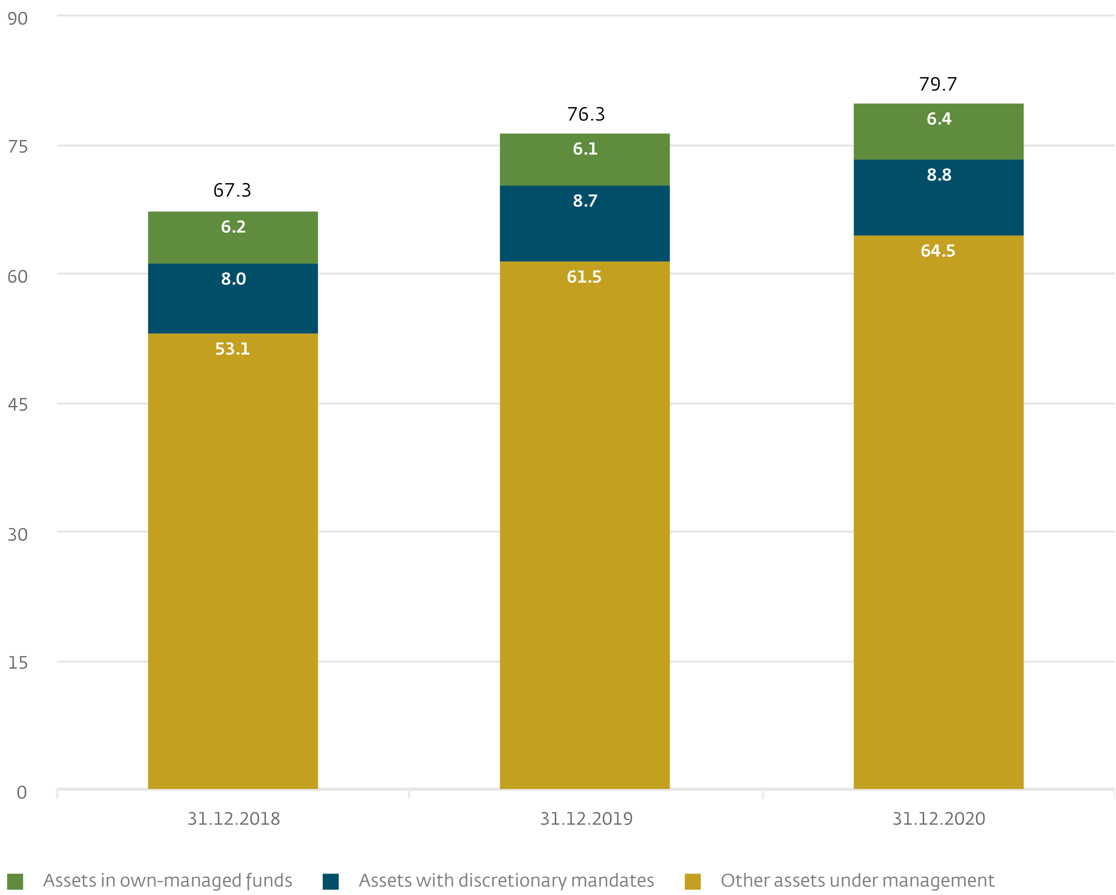
Assets under management / Business volume

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	Note	Attributable to shareholders of LLB: Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
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**

in CHF thousands	Note	2020	2019
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**

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.

	Total		
in CHF thousands	**Positive Replacement Values**	**Negative Replacement Values**	**Total contract volume**
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

	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
in CHF thousands	Assets	Liabilities	Assets	Liabilities		
31.12.2019						
Fair value hedge						
Mortgage loans	11'325'159		10'934		Loans	6'825
Medium-term notes		1'331'391		264	Debt issued	50

	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
in CHF thousands	Assets	Liabilities	Assets	Liabilities		
31.12.2020						
Fair value hedge						
Mortgage loans	11'733'792		14'685		Loans	3'751
Medium-term notes		1'392'978		350	Debt issued	87

in CHF thousands	Ineffectiveness recognised in the income statement	Income statement position
31.12.2019		
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.

	Growth rate		Discount rate	
in per cent	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

	31.12.2020		31.12.2019	
in CHF thousands	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.

							in CHF thousands		
Year issued	Name	ISIN	Currency	Maturity	Effective annual interest rate in %	Nominal interest rate in %	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: Changes in scope of consolidation	Non-cash changes: Changes in exchange rates	Non-cash changes: Changes in fair value	Other	31.12.2019
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: Changes in scope of consolidation	Non-cash changes: Changes in exchange rates	Non-cash changes: Changes in fair value	Other	31.12.2020
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 *	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**

* 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 re-structuring	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.

	31.12.2020		31.12.2019	
in CHF thousands	**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.

		Potential netting amounts		
in CHF thousands	**On the balance sheet recognised amounts**	**Financial instruments**	**Financial collaterals**	**Amounts after potential netting**
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: Financial instruments	Potential netting amounts: Financial collaterals	Amounts after potential netting
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.

	31.12.2020		31.12.2019	
in CHF thousands	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

	Pensions plans		Other long-term benefits	
in CHF thousands	**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 2020	Pensions plans 2019	Other long-term benefits 2020	Other long-term benefits 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	Pension plans 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 31.12.2020	Pension plans 31.12.2019	Other long-term benefits 31.12.2020	Other long-term benefits 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 Share of total assets	31.12.2019 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

	Pension plans		Other long-term benefits	
in per cent	**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.

	Pension plans			
	31.12.2020		31.12.2019	
in CHF thousands	+ 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
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

	Fixed compensation		Variable compensation		Contribution to benefit plans and other social contributions		Entitlements		Total	
in CHF thousands	**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 31.12.2020	Fixed mortgages 31.12.2019	Variable mortgages 31.12.2020	Variable mortgages 31.12.2019	Total 31.12.2020	Total 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 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	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 2020, 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

	31.12.2020	31.12.2019
in CHF thousands	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

	31.12.2020	31.12.2019
in CHF thousands	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

	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	
in CHF thousands	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 PRV *	NRV *	Term to maturity 4 to 12 months PRV *	NRV *	Term to maturity 1 to 5 years PRV *	NRV *	Term to maturity after 5 years PRV *	NRV *	Total PRV *	NRV *
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**

* 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	**593'859**	**0**	**0**	**0**	**0**	**0**	**593'859**
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 **
1 to 4	Investment grade	AAA, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Baa2, Baa3
5 to 8, not rated *	Standard monitoring	Ba1, Ba2, Ba3, B1, B2
9 to 10	Special monitoring	B3, Caa, Ca, C
11 to 14	Sub-standard	Default

* Non-rated loans are covered and subject to limits.
** 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	Liechtenstein / 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**

	Stage 1	Stage 2	Stage 3	
in CHF thousands	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	Total
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 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
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**

in CHF thousands	Stage 1 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
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 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
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 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
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			
31.12.2019		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
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			
31.12.2019		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial instruments measured at fair value through other income *									
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			
31.12.2019		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Commitments and financial guarantees (off-balance sheet positions) **									
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**

* 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	Note	Gross carrying value				Value allowances			
31.12.2020		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
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			
31.12.2020		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
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			
31.12.2020		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
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 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
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 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
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 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
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 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
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 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
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 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
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 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
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 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
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

	2020			2019		
in CHF thousands	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.