

# Financial statement of LLB AG, Vaduz

239	Report of the statutory auditor
244	Management report
245	Balance sheet
247	Off-balance sheet transactions
248	Income statement
249	Distribution of balance sheet profit
	Notes to the financial statement
250	Notes on business operations
251	Accounting policies and valuation principles
254	Notes to the balance sheet
265	Notes to off-balance sheet transactions
266	Notes to the income statement
267	Risk management

**Liechtensteinische Landesbank  
Aktiengesellschaft**  
Vaduz

Report of the statutory auditor  
to the General Meeting

on the financial statements 2020



# Report of the statutory auditor

to the General Meeting of Liechtensteinische Landesbank  
Aktiengesellschaft, Vaduz

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Liechtensteinische Landesbank Aktiengesellschaft ('the Company'), which comprise the balance sheet as at 31 December 2020, the income statement for the year then ended and the notes, including a summary of significant accounting policies and valuation principles.

In our opinion, the financial statements (pages 245 to 268) give a true and fair view of the consolidated financial position of the Company as at 31 December 2020 and its financial performance for the year then ended in accordance with Liechtenstein law.

### Basis for opinion

We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISA). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

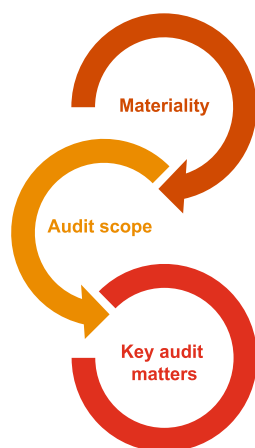
We are independent of the Company in accordance with the provisions of Liechtenstein law and the requirements of the audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Our audit approach

#### Overview

Overall materiality: CHF 4.0 million



We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter, the following area of focus has been identified:

- Impairment testing of loans

### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They

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are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

On the basis of our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

<b>Overall materiality</b>	CHF 4.0 million
<b>How we determined it</b>	5% of the result from normal business operations
<b>Rationale for the materiality benchmark applied</b>	We chose the result from normal business operations as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured. The result from normal business operations represents profit before tax and before changes to the provisions for general banking risks and is a generally accepted benchmark for materiality considerations.

We agreed with the Group Audit Committee that we would report to them misstatements above CHF 0.2 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

#### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Impairment testing of loans

##### Key audit matter

The Company grants loans to private individuals, corporates and public entities located mainly in Liechtenstein and Switzerland.

As at 31 December 2020, loans amount to CHF 6.8 billion (2019: CHF 6.7 billion) and thus represent the largest asset category of the Bank. Mortgage-based loans form the majority of the loan portfolio (81% of total loans). In addition, the Bank grants corporate loans and Lombard loans.

Any impairments are recognised by means of individual loss allowances. Calculating the amount of individual loss allowances requires judgement. We focussed on the following two points:

- The methods used by the Bank to identify loans in the loan portfolio that may need a loss allowance, including

##### How our audit addressed the key audit matter

We tested the adequacy and effectiveness of the following key controls relating to the impairment testing of loans:

- Credit processing and authorisation: Sample testing of the requirements and processes set out in the Bank's internal policies and working instructions in relation to credit processing. We also tested that approvals were granted at the appropriate level of authority.
- Credit monitoring (periodic reviews): Sample testing of identified loans at risk and the determination of a potential need for impairment.

Where significant judgement was required, we also challenged the decisions of those authorised to approve loans with our own critical opinion as part of our substantive tests of detail. Our tests of detail covered the following:

- Sample-based testing of new business and loans at risk in the loan portfolio (including loans with individual loss

loans that, according to the Bank's definition, show indications of impairment (including the effects of the Covid-19 pandemic).

- The appropriateness and consistent application of the policies and instructions issued by Group management relating to the calculation of the amount of individual loss allowances.

The recognition and valuation principles applied to loans and the methods used to identify default risk, to determine the need for impairment and to evaluate collateral are described in the management report.

*Please refer to pages 251 and 252 (Accounting policies and valuation principles) and page 254 (Notes to the balance sheet).*

allowances or indications of impairment) to evaluate whether additional loss allowances were needed.

- Sample-based testing of the method used to calculate loss allowances on the loan portfolio in terms of its appropriateness and compliance with the policies and working instructions issued by Group management.

The tests of key controls and tests of detail give us sufficient assurance to assess the impairment testing of loans as adequate. The assumptions made by the Bank are in line with our expectations.

### Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the consolidated annual report, the stand-alone annual report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with the requirements of Liechtenstein law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Liechtenstein law and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Liechtenstein law and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for



one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and the Group Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Group Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors and the Group Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

The management report (page 244) as at 31 December 2020 complies with Liechtenstein law and the articles of incorporation. The management report accords with the financial statements and, in our opinion, does not contain any material inaccurate information.

We further confirm that the financial statements and the proposed distribution of balance sheet profit complies with Liechtenstein law and the articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Claudio Tettamanti  
Liechtenstein Certified Public Accountant  
Auditor in charge

Valentin Studer

St. Gallen, 9 March 2021



# Management report

Liechtensteinische Landesbank AG was entered in the Commercial Register of the Principality of Liechtenstein under the register no. FL-0001.000.289-1 on 3 August 1926.

The details of the management report of Liechtensteinische Landesbank AG, Vaduz, can largely be seen in the [consolidated report of the LLB Group](#).

On the balance sheet date, Liechtensteinische Landesbank AG, Vaduz, and its subsidiaries held a total of 288'410 registered shares (previous year: 364'295 shares). This corresponds to a share capital stake of 0.9 per cent (previous year: 1.2 %). With respect to the volume of and changes to treasury shares of Liechtensteinische Landesbank AG, reference is made to the individual [financial statement](#).

The Board of Directors proposes to the General Meeting of Shareholders on 7 May 2021 that a dividend of net CHF 2.20 per registered share be paid out.

No important changes have occurred since the balance sheet date which would necessitate the reporting of any additional data or a correction of the 2020 financial statement.

## Balance sheet

in CHF thousands	Note	31.12.2020	31.12.2019	+ / - %
<b>Assets</b>				
Cash and balances with central banks		3'535'790	2'980'038	18.6
Due from banks		1'787'999	1'812'979	- 1.4
due on a daily basis		652'467	703'579	- 7.3
other claims		1'135'532	1'109'401	2.4
Loans	1	6'812'923	6'675'631	2.1
of which mortgages	1	5'546'370	5'261'317	5.4
of which subordinated claims (gross)		0	0	
Bonds and other fixed-interest securities		1'576'280	1'545'293	2.0
Money market instruments		47'042	0	
Bonds		1'529'237	1'545'293	- 1.0
from public authority issuers		341'417	279'296	22.2
from other issuers		1'187'820	1'265'997	- 6.2
of which subordinated bonds		0	0	
Shares and other non-fixed-interest securities		62'392	62'252	0.2
Participations	4	26	28	- 9.3
Shares in associated companies	4	437'482	437'482	0.0
Intangible assets	6	43'851	45'165	- 2.9
Fixed assets	6	77'732	87'088	- 10.7
Own shares	3	15'142	22'647	- 33.1
Other assets	18	280'400	209'128	34.1
Accrued income and prepayments		54'770	64'667	- 15.3
<b>Total assets</b>		<b>14'684'786</b>	<b>13'942'398</b>	<b>5.3</b>



in CHF thousands	Note	31.12.2020	31.12.2019	+ / - %
<b>Liabilities</b>				
Due to banks		1'158'182	1'319'585	- 12.2
due on a daily basis		239'629	342'147	- 30.0
with agreed maturities or periods of notice		918'552	977'439	- 6.0
Due to customers		10'877'471	10'215'843	6.5
savings deposits		2'036'936	2'103'531	- 3.2
other liabilities		8'840'536	8'112'313	9.0
due on a daily basis		8'436'779	7'649'509	10.3
with agreed maturities or periods of notice		403'757	462'804	- 12.8
Certified liabilities		500'200	363'284	37.7
medium-term notes		100'200	113'284	- 11.5
Bonds issued	9	400'000	250'000	60.0
Other liabilities	18	307'737	208'738	47.4
Accrued expenses and deferred income		43'115	47'067	- 8.4
Provisions		6'522	6'581	- 0.9
tax provisions	10	2'853	5'449	- 47.6
other provisions	10	3'669	1'132	224.0
Provisions for general banking risks	10	310'000	310'000	0.0
Share capital	11	154'000	154'000	0.0
Share premium		47'750	47'750	0.0
Retained earnings		1'198'080	1'195'080	0.3
legal reserves		390'550	390'550	0.0
reserves for own shares		15'142	22'647	- 33.1
other reserves		792'388	781'883	1.3
Balance brought forward		4'346	4'858	- 10.5
Profit for the year		77'382	69'611	11.2
<b>Total liabilities</b>		<b>14'684'786</b>	<b>13'942'398</b>	<b>5.3</b>

## Off-balance sheet transactions

in CHF thousands	Note	31.12.2020	31.12.2019	+ / - %
Contingent liabilities	1 / 19	37'787	43'019	- 12.2
Credit risks		325'652	191'088	70.4
irrevocable commitments	1	320'726	186'044	72.4
call liabilities	1	4'926	5'045	- 2.4
Derivative financial instruments	20	24'319'919	17'273'418	40.8
Fiduciary transactions	21	204'418	656'660	- 68.9

# Income statement

in CHF thousands	Note	2020	2019	+ / - %
Interest income		90'197	111'622	- 19.2
of which from fixed-interest securities		18'779	19'731	- 4.8
of which from trading transactions		2	0	317.2
Interest expenses		2'342	- 19'689	
<b>Net interest income</b>		<b>92'538</b>	<b>91'933</b>	<b>0.7</b>
Shares and other non-fixed-interest securities		1'544	512	201.4
of which from trading transactions		1'544	512	201.4
Participations and associated companies		30'000	15'000	100.0
<b>Income from securities</b>		<b>31'544</b>	<b>15'512</b>	<b>103.3</b>
Credit-related commissions and fees		349	359	- 2.9
Commissions from securities and investment business		108'749	104'958	3.6
Other commission and fee income		17'493	18'962	- 7.7
Commission and fee expenses		- 47'200	- 43'765	7.9
<b>Net commission and fee income</b>		<b>79'390</b>	<b>80'514</b>	<b>- 1.4</b>
<b>Income from financial transactions</b>		<b>35'576</b>	<b>40'601</b>	<b>- 12.4</b>
of which from trading business	22	43'825	43'225	1.4
Income from real estate holdings		860	874	- 1.6
Sundry ordinary income		34'442	28'477	20.9
<b>Other ordinary income</b>		<b>35'302</b>	<b>29'351</b>	<b>20.3</b>
<b>Total operating income</b>		<b>274'351</b>	<b>257'911</b>	<b>6.4</b>
Personnel expenses	23	- 104'926	- 103'879	1.0
Administrative expenses	24	- 53'864	- 46'146	16.7
<b>Total operating expenses</b>		<b>- 158'790</b>	<b>- 150'025</b>	<b>5.8</b>
<b>Gross operating profit</b>		<b>115'561</b>	<b>107'887</b>	<b>7.1</b>
Depreciation on intangible assets and fixed assets		- 22'931	- 22'979	- 0.2
Sundry ordinary expenses	25	- 2'301	- 1'247	84.5
Allowances on claims and allocations to provisions for contingent liabilities and lending risks	10	- 12'400	- 9'025	37.4
Earnings from the release of allowances on claims and of provisions for contingent liabilities and lending risks	10	3'199	2'681	19.3
Write-downs to participations, shares in associated companies and securities treated as long-term investments		- 3	- 2	38.7
Earnings from write-ups to participations, shares in associated companies and securities treated as long-term investments		0	0	
<b>Result from normal business operations</b>		<b>81'126</b>	<b>77'315</b>	<b>4.9</b>
Income taxes		- 3'500	- 7'905	- 55.7
Other taxes		- 243	201	
Releases / (Additions) to provisions for general banking risks		0	0	
<b>Profit for the year *</b>		<b>77'382</b>	<b>69'611</b>	<b>11.2</b>

\* The return on capital (annual profit in relation to balance sheet total) amounted to 0.53 per cent as at 31 December 2020 and to 0.50 per cent as at 31 December 2019 (pursuant to the Banking Ordinance, Art. 24e, Para. 1, Point 6).

# Distribution of balance sheet profit

The Board of Directors proposes to the General Meeting of Shareholders on 7 May 2021 that the balance sheet profit as at 31 December 2020 be distributed as follows:

in CHF thousands	2020	2019
Profit for the year	77'382	69'611
Balance brought forward	4'346	4'858
Balance sheet profit	81'729	74'470
<b>Distribution of balance sheet profit</b>		
Allocation to other reserves	9'000	3'000
Allocation to corporate capital (common stock) *	67'125	67'124
Balance carried forward *	5'603	4'346

\* Shares eligible for dividends are all shares outstanding except for own shares as of record date. The amounts presented are based on the numbers of shares eligible for dividends as at 31 December 2020.

If this proposal is accepted, a dividend of net CHF 2.20 per registered share will be paid out on 13 May 2021.

# Notes on business operations

Liechtensteinische Landesbank Aktiengesellschaft with its registered office in Vaduz and two domestic branch offices is active as a full-service (universal) bank. LLB AG is one of the three largest banks in Liechtenstein and has subsidiaries in Liechtenstein, Austria and Switzerland, as well as a branch in Dubai and representative offices in Zurich-Erlenbach, Geneva and Abu Dhabi. At the end of 2020, LLB AG employed 589 persons (previous year: 583) on a full-time equivalent basis. The average headcount in 2020 amounted to 591 persons (previous year: 582) on a full-time equivalent basis.

As a universal bank, LLB AG is engaged in the commission and fees business, credit and lending business, money market and interbank business, as well as securities trading business.

## Commissions and fees business

The major proportion of revenues from commissions and fees business is attributable to commissions earned in connection with securities trading for customers. Other important income streams are provided by securities safe custody business, asset management (incl. investment funds) and brokering fiduciary investments.

## Credit and lending business

The largest proportion of loans comprises mortgages, Lombard loans and advances to public institutions. Mortgages are granted to finance properties in Liechtenstein and in the neighbouring areas of Switzerland. Real estate financing for the rest of Switzerland and Lombard loans are granted within the scope of the integrated asset management business. A major proportion of loans and advances to public authorities relates to credit facilities extended to cantons and municipalities in Switzerland. As regards international syndicated loans, the bank is active to only a very limited extent in this line of business.

## Money market and interbank business

Domestic and international funds deposited with the bank, which in as far as they are not invested in lending business or held as liquid funds, are placed with first-class banks, predominantly in Switzerland and Western Europe.

## Securities trading business

The bank offers its clients a full range of services in connection with the execution and settlement of securities trading transactions. It trades for its own account only to a moderate extent. Transactions with derivative financial instruments for the bank's own account are largely employed for hedging purposes.

# Accounting policies and valuation principles

## Basic principles

The accounting and valuation policies are drawn up in accordance with the provisions of the Liechtenstein Person and Company Law (PGR), as well as the Liechtenstein Banking Law and the accompanying Banking Ordinance.

## Recording of business

All completed business transactions are valued and recorded in the balance sheet and the profit and loss account according to the specified valuation principles. The transactions are booked on the transaction date. Up to their date of settlement or the value date, futures transactions are recorded at their replacement value under other assets or other liabilities.

## Foreign currency translations

Assets and liabilities denominated in foreign currencies are translated at the foreign exchange middle rate prevailing on the balance sheet date. Bank note holdings for exchange business are translated at the bank note bid rate in effect on the balance sheet date. Exchange gains and losses arising from the valuation are booked to the profit and loss account. The following exchange rates were employed for foreign currency conversion:

Reporting date rate	31.12.2020	31.12.2019
1 USD	0.8803	0.9662
1 EUR	1.0802	1.0854

Average rate	2020	2019
1 USD	0.9373	0.9928
1 EUR	1.0720	1.1117

## Liquid funds, public authority debt instruments and bills approved for refinancing by central banks, balances due from banks and customers, liabilities

These items are shown in the balance sheet at nominal value minus any unearned discount on money market instruments.

Impaired due amounts, i.e. amounts due from debtors who probably will not repay them, are valued on an individual basis and their impairment is covered by specific allowances. Off-balance sheet transactions, such as commitments for loans, guarantees and derivative financial instruments, are also included in this valuation. Loans are regarded as overdue at the latest when interest and / or principal repayments are more than 90 days in arrears. Overdue and impaired interest payments are charged directly to allowances and provisions. Loans are put on a non-accrual basis if the interest due on them is deemed to be uncollectible and interest accrual is therefore no longer practical.

The impairment is measured on the basis of the difference between the book value of the claim and the probable recoverable amount taking into consideration counterparty risk and the net proceeds from the realisation of any collateral. If it is expected that the realisation process will take longer than one year, the estimated realisation proceeds are discounted on the balance sheet date. The specific allowances are deducted directly from the corresponding asset positions. A claim is reclassified as no longer endangered if the outstanding principal and interest are again repaid on time in accordance with the original contractual terms. To cover the risks in retail business, which are composed of numerous small

claims, lump-sum individual allowances, calculated on the basis of empirical values, are made for the unsecured loans and overdrawn limits for which individual allowances have not already been considered.

### **Debt instruments and other fixed-interest securities, equities and other non-fixed-interest securities as well as precious metals holdings**

Trading portfolios of securities and precious metals are valued at the market value on the balance sheet date. LLB AG does not hold any precious metal positions in its trading portfolio, since the existing positions are used to cover obligations arising from precious metal accounts. Securities for which there is no regular, active market are carried at the lower of cost or market value. Holdings of securities and precious metals as current assets are valued at the lower of cost or market value. Interest earnings are credited to the item interest income, dividend income is carried under the item income from securities. Price gains are shown under the item income from financial transactions.

Fixed-interest securities that are intended to be held until final maturity are valued according to the accrual method. Accordingly, interest income, including amortisation of premiums and accretion of discounts, is recognised on an accrual basis until final maturity. Interest-related realised capital gains or losses arising from the premature sale or redemption of securities are recognised on an accrual basis over the remaining period to maturity, i.e. up to the original date of final maturity. Interest earnings are credited to the item interest income. Equities held as fixed assets are valued at the lower of cost or market value. Precious metals holdings as fixed assets are measured at fair value. Dividend income is carried under the item income from securities. Allowances are shown under the items write-downs to participations, shares in associated companies and securities treated as long-term investments and earnings from write-ups to participations, shares in associated companies and securities treated as long-term investments, respectively.

### **Participations**

Participations comprises shares owned by LLB AG in companies which represent a minority participation and which are held as long-term investments. These items are valued at cost minus necessary allowances.

### **Shares in associated companies**

LLB AG's existing majority participations are recorded as shares in associated companies. These items are valued at cost minus necessary allowances.

### **Intangible assets**

Software development costs are capitalised when they meet certain criteria relating to identifiability, it is probable that economic benefits will flow to the company from them, and the costs can be measured reliably. Internally developed software meeting these criteria and purchased software are capitalised and subsequently amortised over three to ten years.

Low-cost acquisitions are charged directly to administrative expenses.

### **Tangible fixed assets**

Real estate is valued at the acquisition cost plus any investment that increases the value of the property, less necessary depreciation. New buildings and refurbishments are depreciated over 33 years and building supplementary costs over 10 years. No depreciation is charged on undeveloped land unless an adjustment has to be made to allow for a reduction in its market value. Other physical assets include fixtures, furniture, machinery and IT equipment. They are capitalised and depreciated in full over their estimated economic life (3 to 6 years).

Low-cost acquisitions are charged directly to administrative expenses.

### **Treasury shares**

Own shares (treasury shares) held by the Liechtensteinische Landesbank AG are recognised at market values up to the acquisition costs and are reported as treasury shares. The difference between the

market value of treasury shares and the acquisition costs is reported in the income statement under income from financial transactions.

### **Allowances and provisions**

In accordance with prudent accounting practice, specific allowances and provisions as well as general allowances are made for all risks existing on the balance sheet date. Allowances are offset directly with the corresponding asset position. Provisions are booked as such in the balance sheet.

### **Taxes**

Accruals for taxes payable on the basis of the profits earned in the period under report are charged as expenses in the corresponding period. Provisions for deferred tax are formed in relation to allowances and provisions recognised only for tax purposes. The calculation is made on the basis of the estimated tax rates used for actual taxation.

### **Provisions for general banking risks**

Provisions for general banking risks are precautionary reserves formed to hedge against latent risks in the bank's operating activities.

### **Derivative financial instruments**

The gross replacement values of individual contracts in derivative financial instruments – positive and negative replacement values are not offset against each other – are stated in the balance sheet (under other assets or other liabilities) and in the notes to the financial statement. All replacement values for contracts concluded for the bank's own account are reported. In contrast, in the case of customer transactions only the replacement values for OTC contracts are reported, or for exchange-traded products if margin requirements are inadequate. The contract volumes are reported in the statement of off-balance sheet transactions and in the notes. Trading positions in financial derivatives are valued at market rates provided the contracts are listed on an exchange or a regular, active market exists. If this is not the case, the contracts are valued at the lower of cost or market value. If interest business positions are hedged with derivatives, the differential amount between the market value and the accrual method is recognised in the settlement account.

### **Off-balance sheet transactions**

Off-balance sheet transactions are valued at nominal values. Provisions are made in the case of identifiable risks arising from contingent liabilities and other off-balance sheet transactions.

### **Statement of cash flows**

On account of its obligation to prepare a consolidated financial statement, LLB AG is exempted from the necessity to provide a statement of cash flow. The consolidated statement of cash flow of the LLB Group is a part of the consolidated financial statement.



# Notes to the balance sheet

## 1 Type of collateral

in CHF thousands	Type of collateral			Total
	Secured by mortgage	Other collateral	Unsecured	
<b>Loans</b>				
Loans (excluding mortgage loans)	12'195	780'910	473'449	1'266'554
Mortgage loans				
residential property	4'482'423	6'179	9'647	4'498'248
office and business property	578'136	4'129	642	582'907
commercial and industrial property	265'582	3'901	0	269'483
other	195'285	89	356	195'731
<b>Total loans</b>	<b>31.12.2020</b>	<b>5'533'621</b>	<b>795'208</b>	<b>6'812'923</b>
	31.12.2019	5'224'722	930'268	6'675'631
<b>Off-balance sheet transactions</b>				
Contingent liabilities	1'425	31'889	4'472	37'787
Irrevocable commitments	145'622	38'084	137'020	320'726
Call liabilities	0	0	4'926	4'926
<b>Total off-balance sheet transactions</b>	<b>31.12.2020</b>	<b>147'047</b>	<b>69'973</b>	<b>363'438</b>
	31.12.2019	76'643	49'693	234'108

## Impaired claims

in CHF thousands	Gross outstanding amount	Estimated proceeds from realisation of collateral	Net outstanding amount	Specific allowances
<b>31.12.2020</b>	<b>64'923</b>	<b>32'137</b>	<b>32'786</b>	<b>32'786</b>
31.12.2019	57'362	27'110	30'252	30'252

## 2 Securities and precious metals holdings a Securities and precious metals trading positions

in CHF thousands	Book value		Cost		Market value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Equities	12	11	69	69	12	11
listed	1	0	58	57	1	0
unlisted	11	11	11	11	11	11
<b>Total</b>	<b>12</b>	<b>11</b>	<b>69</b>	<b>69</b>	<b>12</b>	<b>11</b>

## b Securities and precious metals holdings as current assets (excluding trading positions)

in CHF thousands	Book value		Cost		Market value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Debt securities	1'576'280	1'545'293	1'584'887	1'552'950	1'617'614	1'572'988
listed	1'576'280	1'545'293	1'584'887	1'552'950	1'617'614	1'572'988
Equities	15'163	22'670	18'720	23'780	15'192	22'784
listed	15'142	22'647	18'663	23'574	15'142	22'732
unlisted	22	23	56	206	50	52
<b>Total</b>	<b>1'591'443</b>	<b>1'567'963</b>	<b>1'603'606</b>	<b>1'576'730</b>	<b>1'632'806</b>	<b>1'595'772</b>

### c Securities and precious metals as fixed assets

in CHF thousands	Book value		Cost		Market value	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Equities	62'358	62'218	69'135	69'213	70'297	70'244
listed	52'708	44'009	54'574	44'385	57'041	46'366
unlisted	9'650	18'208	14'561	24'828	13'256	23'878
Precious metals	15'014	45'838	15'014	45'838	15'014	45'838
<b>Total</b>	<b>77'373</b>	<b>108'056</b>	<b>84'150</b>	<b>115'051</b>	<b>85'312</b>	<b>116'083</b>

### 3 Own shares included in current assets (excluding trading positions)

Quantity / in CHF thousands	Quantity		Book value	
	2020	2019	2020	2019
As at 1 January	364'295	124'841	22'647	7'735
Bought	0	283'500	0	18'284
Sold	- 75'885	- 44'046	- 4'914	- 2'588
Additions / (Impairments)	0	0	- 2'592	- 784
<b>As at 31 December</b>	<b>288'410</b>	<b>364'295</b>	<b>15'142</b>	<b>22'647</b>

### 4 Participations and shares in associated companies

in CHF thousands	31.12.2020	31.12.2019
<b>Participations</b>		
Without market value	26	28
<b>Total participations</b>	<b>26</b>	<b>28</b>
<b>Shares in associated companies</b>		
Without market value	437'482	437'482
<b>Total shares in associated companies</b>	<b>437'482</b>	<b>437'482</b>

### 5 Substantial participations and shares in associated companies

Company name and registered office	Business activity	Currency	Share capital	% share of votes	% share of capital
<b>Participations</b>					
Data Info Services AG, Vaduz	Service company	CHF	50'000	50.0	50.0
<b>Shares in associated companies</b>					
Liechtensteinische Landesbank (Österreich) AG, Vienna	Bank	EUR	5'000'000	100.0	100.0
LLB Asset Management AG, Vaduz	Asset management	CHF	1'000'000	100.0	100.0
LLB Fund Services AG, Vaduz	Fund management company	CHF	2'000'000	100.0	100.0
LLB Swiss Investment AG	Fund management company	CHF	8'000'000	100.0	100.0
LLB Holding AG, Uznach	Holding company	CHF	95'328'000	100.0	100.0
Zukunftsstiftung der Liechtensteinischen Landesbank AG	Charitable foundation	CHF	30'000	100.0	100.0

## 6 Statement of fixed assets

in CHF thousands	Cost	Accumulated depreciation	Book value 31.12.2019	Investments	Disinvestments	Reclassifications	Additions	Depreciation	Book value 31.12.2020
<b>Total participations (non-controlling interests)</b>	37	- 9	28	0	0	0	0	- 3	26
<b>Total shares in associated companies</b>	473'851	- 36'369	437'482	0	0	0	0	0	437'482
<b>Total securities and precious metals as fixed assets</b>	187'917	- 79'861	108'056	328'752	- 359'434	0	0	0	77'373
<b>Total intangible assets <sup>o</sup></b>	165'068	- 119'903	45'165	11'916	0	0	0	- 13'229	43'851
Real estate									
bank premises	178'355	- 121'340	57'016	1'270	- 7'647	0	0	- 4'178	46'461
other properties	25'038	- 10'038	15'000	0	0	0	0	0	15'000
Other fixed assets	110'752	- 95'679	15'073	6'722	0	0	0	- 5'523	16'272
<b>Total fixed assets</b>	<b>314'145</b>	<b>- 227'056</b>	<b>87'088</b>	<b>7'992</b>				<b>- 9'701</b>	<b>77'732</b>
Fire insurance value of real estate			195'363						172'646
Fire insurance value of other fixed assets			28'181						27'031

<sup>o</sup> Solely licences and software

Depreciation is carried out according to prudent business criteria over the estimated service life. No undisclosed reserves exist.

## 7 Pledged or assigned assets and assets subject to reservation of ownership

in CHF thousands	31.12.2020	31.12.2019
<b>Excluding lending transactions and pension transactions with securities</b>		
Book value of pledged and assigned (as collateral) assets	246'385	51'715
Actual commitments	0	0
<b>Lending transactions and pension transactions with securities</b>		
Self-owned securities lent or delivered as collateral within the scope of securities lending or borrowing transactions, or self-owned securities transferred in connection with repurchase agreements	228'242	280'638
of which capable of being resold or further pledged without restrictions	228'242	280'638
Securities received as collateral within the scope of securities lending or securities received in connection with reverse repurchase agreements, which are capable of being resold or further pledged without restrictions	284'080	411'057
of which resold or further pledged securities	0	3'298

## 8 Liabilities due to own pension funds

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Current account, call money and time deposits	10'934	3'676	197.4
Savings deposits	42	17'792	- 99.8
<b>Total</b>	<b>10'976</b>	<b>21'468</b>	<b>- 48.9</b>

## 9 Bonds issued

Year issued	Name	Currency	Maturity	Nominal interest rate in %	in CHF thousands		
					Nominal value	2020	2019
2019	Liechtensteinische Landesbank AG 0.000 % Senior Preferred Anleihe 2019 – 2029	CHF	27.09.2029	0.000 %	100'000	100'000	100'000
2019	Liechtensteinische Landesbank AG 0.125 % Senior Preferred Anleihe 2019 – 2026	CHF	28.05.2026	0.125 %	150'000	150'000	150'000
2020	Liechtensteinische Landesbank AG 0.300 % Senior Preferred Anleihe 2020 – 2030	CHF	24.09.2030	0.300 %	150'000	150'000	0

## 10 Allowances and provisions / provisions for general banking risks

in CHF thousands	Total 31.12.2019	Specific allowances	Recoveries, overdue interest, currency differences	New provisions charged to income statement	Provisions re- leased to in- come state- ment	Total 31.12.2020
<b>Allowances for loan default risks</b>						
Specific allowances	30'252	- 5'605	- 540	11'878	- 3'199	32'786
Lump-sum individual allowances (incl. those for country risks)	0	0	0	0	0	0
Provisions for contingent liabilities and credit risks.	24	0	0	522	0	547
Provisions for other business risks	715	0	0	456	- 200	972
Provisions for taxes and deferred taxes	5'449	- 5'512	0	3'236	- 320	2'853
Other provisions	393	0	0	1'900	- 143	2'150
<b>Total allowances and provisions</b>	<b>36'833</b>	<b>- 11'117</b>	<b>- 540</b>	<b>17'992</b>	<b>- 3'861</b>	<b>39'307</b>
Minus allowances	- 30'252					- 32'786
<b>Total provisions according to balance sheet</b>	<b>6'581</b>					<b>6'522</b>
<b>Provisions for general banking risks</b>	<b>310'000</b>					<b>310'000</b>

## 11 Share capital, significant shareholders and groups of shareholders linked by voting rights

in CHF thousands	31.12.2020			31.12.2019		
	Total nominal value	Quantity	Capital ranking for dividend	Total nominal value	Quantity	Capital ranking for dividend
Share capital	154'000	30'800'000	152'558	154'000	30'800'000	152'179
<b>Total common stock</b>	<b>154'000</b>	<b>30'800'000</b>	<b>152'558</b>	<b>154'000</b>	<b>30'800'000</b>	<b>152'179</b>

No conditional or authorised capital exists.

in CHF thousands	31.12.2020		31.12.2019	
	Nominal	Holding in %	Nominal	Holding in %
With voting right: Principality of Liechtenstein	88'500	57.5	88'500	57.5
With voting right: shareholder group Haselsteiner Familien-Privatstiftung and grosso Holding Gesellschaft mbH	9'025	5.9	9'025	5.9

## 12 Statement of shareholders' equity

in CHF thousands	2020
Share capital	154'000
Share premium	47'750
Legal reserves	390'550
Reserve for own shares	22'647
Other reserves	781'883
Provisions for general banking risks	310'000
Balance sheet profit	74'470
<b>Total shareholders' equity as at 1 January (before profit distribution)</b>	<b>1'781'300</b>
Dividend and other distributions from previous year's profit	- 67'124
Net profit for the year	77'382
Allocation to provisions for general banking risks	0
<b>Total shareholders' equity as at 31 December (before profit distribution)</b>	<b>1'791'558</b>
Of which:	
Share capital	154'000
Share premium	47'750
Legal reserves	390'550
Reserve for own shares	15'142
Other reserves	792'388
Provisions for general banking risks	310'000
Balance sheet profit	81'729

### 13 Maturity structure of assets, liabilities and provisions

in CHF thousands	Sight deposits	Callable	Due within 3 months	Due between 3 months to 12 months	Due between 12 months to 5 years	Due after 5 years	Immo-bilised	Total	
<b>Assets</b>									
Cash and balances with central banks	3'535'790	0	0	0	0	0	0	3'535'790	
Due from banks	436'467	0	922'562	0	5'000	423'970	0	1'787'999	
Loans	4'062	529'465	2'305'506	1'015'543	1'951'394	1'006'954	0	6'812'923	
of which mortgage loans	3'730	63'520	1'651'822	950'213	1'887'106	989'980	0	5'546'370	
Securities and precious metals held for trading	12	0	0	0	0	0	0	12	
Securities and precious metals holdings as current assets (excluding trading positions)	1'591'443	0	0	0	0	0	0	1'591'443	
Securities and precious metals holdings as fixed assets	15'014	62'358	0	0	0	0	0	77'373	
Other assets	532'411	2	156'959	59'091	33'192	18'109	79'482	879'246	
<b>Total assets</b>	<b>31.12.2020</b>	<b>6'115'200</b>	<b>591'825</b>	<b>3'385'027</b>	<b>1'074'634</b>	<b>1'989'586</b>	<b>1'449'032</b>	<b>79'482</b>	<b>14'684'786</b>
	31.12.2019	5'708'204	594'836	2'497'842	1'030'383	2'763'504	1'258'791	88'838	13'942'398

#### Liabilities and provisions

Due to banks	239'629	162'030	665'979	90'544	0	0	0	1'158'182	
Due to customers	8'326'549	2'128'733	299'727	122'462	0	0	0	10'877'471	
of which savings deposits	0	2'018'503	16'007	2'426	0	0	0	2'036'936	
of which other liabilities	8'326'549	110'230	283'720	120'036	0	0	0	8'840'536	
Certified liabilities	0	0	10'533	11'077	60'667	417'923	0	500'200	
of which medium-term notes	0	0	10'533	11'077	60'667	17'923	0	100'200	
of which bonds issued	0	0	0	0	0	400'000	0	400'000	
Provisions (excluding provisions for general banking risks)	0	0	0	0	6'522	0	0	6'522	
Other liabilities	83'089	0	157'183	55'026	35'704	19'851	0	350'853	
<b>Total liabilities and provisions</b>	<b>31.12.2020</b>	<b>8'649'267</b>	<b>2'290'763</b>	<b>1'133'422</b>	<b>279'108</b>	<b>102'893</b>	<b>437'774</b>	<b>0</b>	<b>12'893'228</b>
	31.12.2019	7'490'878	2'925'275	1'112'566	231'128	116'154	285'098	0	12'161'098

Bonds and other fixed-interest securities that are due in the following financial year

361'595

### 14 Due from and due to associated companies and related parties

#### a Due from and due to participations and associated companies

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Due from participations	0	0	
Due to participations	0	0	
Due from associated companies	1'448'243	957'307	51.3
Due to associated companies	927'292	854'284	8.5

#### b Due from and due to qualified participations and companies associated with the Principality of Liechtenstein

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Due from the Principality of Liechtenstein	1'824	3'373	- 45.9
Due to the Principality of Liechtenstein	474'802	188'804	151.5
Due from companies associated with the Principality of Liechtenstein *	54'023	56'084	- 3.7
Due to companies associated with the Principality of Liechtenstein *	206'285	195'524	5.5

\* Associated companies: Liechtensteinische Kraftwerke, Liechtensteinische Gasversorgung, Telecom Liechtenstein AG, Liechtensteinische Post AG, Verkehrsbetrieb LIECHTENSTEIN mobil and AHV-IV-FAK-Anstalt.

The stated due from and due to are included in the balance sheet in the items loans and due to customers.

### c Loans to corporate bodies

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Members of the Board of Directors	668	668	0.0
Members of the Board of Management	4'560	2'561	78.1

### d Related party transactions

Transactions (e.g. securities transactions, payment transfers, lending facilities and interest on deposits) were made with related parties under the same terms and conditions as applicable to third parties.



## 15 Breakdown of assets and liabilities by location

in CHF thousands	31.12.2020		31.12.2019	
	FL/CH	Abroad	FL/CH	Abroad
<b>Assets</b>				
Cash and balances with central banks	3'535'790	0	2'980'038	0
Due from banks	1'556'714	231'285	1'471'703	341'276
Loans (excluding mortgages)	858'960	407'594	850'365	563'949
Mortgage loans	5'546'370	0	5'261'317	0
Bonds and other fixed-interest securities	273'557	1'302'723	275'518	1'269'775
Shares and other non-fixed-interest securities	61'995	397	55'476	6'776
Participations	26	0	28	0
Shares in associated companies	131'405	306'077	131'405	306'077
Intangible assets	43'851	0	45'165	0
Fixed assets	77'732	0	87'088	0
Own shares	15'142	0	22'647	0
Other assets	123'608	156'792	138'310	70'819
Accrued income and prepayments	27'972	26'797	47'544	17'123
<b>Total assets</b>	<b>12'253'122</b>	<b>2'431'664</b>	<b>11'366'604</b>	<b>2'575'794</b>
<b>Liabilities</b>				
Due to banks	298'573	859'609	548'975	770'610
Due to customers (excluding savings deposits)	6'160'176	2'680'359	5'767'822	2'344'491
Savings deposits	1'703'895	333'041	1'771'838	331'693
Certified liabilities	500'200	0	363'284	0
Other liabilities	192'151	115'586	162'939	45'799
Accrued expenses and deferred income	14'527	28'589	26'098	20'969
Provisions	6'522	0	6'581	0
Provisions for general banking risks	310'000	0	310'000	0
Share capital	154'000	0	154'000	0
Share premium	47'750	0	47'750	0
Legal reserves	390'550	0	390'550	0
Reserves for own shares	15'142	0	22'647	0
Other reserves	792'388	0	781'883	0
Profit carried forward	4'346	0	4'858	0
Profit for the year	77'382	0	69'611	0
<b>Total liabilities</b>	<b>10'667'602</b>	<b>4'017'184</b>	<b>10'428'836</b>	<b>3'513'562</b>

## 16 Geographical breakdown of assets by location

	31.12.2020		31.12.2019	
	Absolute value	% of total	Absolute value	% of total
Liechtenstein/Switzerland	12'253'122	83.4	11'366'604	81.5
Europe (excluding Liechtenstein/Switzerland)	1'460'430	9.9	1'460'952	10.5
North America	449'793	3.1	444'291	3.2
South America	14'600	0.1	17'975	0.1
Africa	10'361	0.1	14'269	0.1
Asia	287'688	2.0	418'110	3.0
Others	208'792	1.4	220'196	1.6
<b>Total assets</b>	<b>14'684'786</b>	<b>100.0</b>	<b>13'942'398</b>	<b>100.0</b>

## 17 Breakdown of assets and liabilities by currency

in CHF thousands	CHF	EUR	USD	Others	Total
<b>Assets</b>					
Cash and balances with central banks	3'524'370	11'317	103	1	3'535'790
Due from banks	1'356'204	176'611	47'349	207'835	1'787'999
Loans (excluding mortgages)	685'411	276'424	190'958	113'761	1'266'554
Mortgage loans	5'539'564	6'805	0	0	5'546'370
Bonds and other fixed-interest securities	435'511	529'750	611'019	0	1'576'280
Shares and other non-fixed-interest securities	57'730	2'020	2'641	0	62'392
Participations	26	0	0	0	26
Shares in associated companies	437'482	0	0	0	437'482
Intangible assets	43'851	0	0	0	43'851
Fixed assets	77'732	0	0	0	77'732
Own shares	15'142	0	0	0	15'142
Other assets	267'646	5'074	7'028	653	280'400
Accrued income and prepayments	21'894	10'492	21'641	742	54'770
<b>Total on-balance sheet assets</b>	<b>12'462'563</b>	<b>1'018'493</b>	<b>880'739</b>	<b>322'992</b>	<b>14'684'786</b>
Delivery claims from forex spot, forex futures and forex options transactions	4'932'613	7'378'007	7'602'978	2'023'402	21'937'000
<b>Total assets</b>	<b>17'395'176</b>	<b>8'396'500</b>	<b>8'483'717</b>	<b>2'346'393</b>	<b>36'621'786</b>
<b>Liabilities</b>					
Due to banks	647'994	371'591	99'830	38'767	1'158'182
Due to customers (excluding savings deposits)	4'763'758	1'816'535	1'667'428	592'815	8'840'536
Savings deposits	2'032'645	4'291	0	-0	2'036'936
Certified liabilities	500'200	0	0	0	500'200
Other liabilities	286'761	15'419	4'758	800	307'737
Accrued expenses and deferred income	18'024	9'030	15'250	812	43'115
Provisions	6'522	0	0	0	6'522
Provisions for general banking risks	310'000	0	0	0	310'000
Share capital	154'000	0	0	0	154'000
Share premium	47'750	0	0	0	47'750
Legal reserves	390'550	0	0	0	390'550
Reserves for own shares	15'142	0	0	0	15'142
Other reserves	792'388	0	0	0	792'388
Profit carried forward	4'346	0	0	0	4'346
Profit for the year	77'382	0	0	0	77'382
<b>Total on-balance sheet liabilities</b>	<b>10'047'462</b>	<b>2'216'865</b>	<b>1'787'266</b>	<b>633'194</b>	<b>14'684'786</b>
Delivery liabilities from forex spot, forex futures and forex options transactions	7'357'383	6'175'569	6'681'807	1'727'820	21'942'578
<b>Total liabilities</b>	<b>17'404'845</b>	<b>8'392'433</b>	<b>8'469'073</b>	<b>2'361'013</b>	<b>36'627'365</b>
<b>Net position per currency</b>	<b>- 9'669</b>	<b>4'067</b>	<b>14'644</b>	<b>- 14'620</b>	<b>- 5'578</b>

## 18 Other assets and liabilities

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Precious metals holdings	15'014	45'838	- 67.2
Tax prepayments / Withholding tax	1'205	1'067	12.9
Positive replacement values <sup>°</sup>	217'466	108'703	100.1
Settlement account	39'265	47'231	- 16.9
Clearing accounts	1'846	442	317.8
Taken-over real estate	1'750	1'750	0.0
Deferred tax claim	3'854	4'097	- 5.9
<b>Total other assets</b>	<b>280'400</b>	<b>209'128</b>	<b>34.1</b>
Charge accounts	5'015	3'802	31.9
Negative replacement values <sup>°</sup>	252'046	155'119	62.5
Accounts payable	16'948	10'582	60.2
Settlement account	13'634	17'141	- 20.5
Clearing accounts	20'096	22'094	- 9.0
<b>Total other liabilities</b>	<b>307'737</b>	<b>208'738</b>	<b>47.4</b>

<sup>°</sup> Replacement values are shown gross.

# Notes to off-balance sheet transactions

## 19 Contingent liabilities

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Credit guarantees and similar instruments	21'584	21'509	0.4
Performance guarantees and similar instruments	7'914	14'215	- 44.3
Other contingent liabilities	8'289	7'295	13.6
<b>Total contingent liabilities</b>	<b>37'787</b>	<b>43'019</b>	<b>- 12.2</b>

## 20 Open derivative contracts

in CHF thousands	Trading instruments			Hedging instruments			
	Positive replacement value	Negative replacement value	Contract volume	Positive replacement value	Negative replacement value	Contract volume	
<b>Interest rate instruments</b>							
Swaps	54	85	40'000	13'634	42'651	2'306'604	
Forward transactions	100	52	11'028	0	0	0	
<b>Foreign exchange contracts</b>							
Forward contracts	197'415	202'995	21'319'789	0	0	0	
Options (OTC)	5'748	5'748	614'507	0	0	0	
<b>Precious metals</b>							
Forward contracts	46	46	2'704	0	0	0	
<b>Equity / Index contracts</b>							
Options (OTC)	469	469	25'287	0	0	0	
<b>Total excluding netting agreements</b>	<b>31.12.2020</b>	<b>203'833</b>	<b>209'395</b>	<b>22'013'315</b>	<b>13'634</b>	<b>42'651</b>	<b>2'306'604</b>
	31.12.2019	91'562	103'649	15'036'710	17'141	51'470	2'236'708

Liechtensteinische Landesbank AG has concluded no netting agreements.

## 21 Fiduciary transactions

in CHF thousands	31.12.2020	31.12.2019	+ / - %
Fiduciary deposits with other banks	202'772	655'022	- 69.0
Fiduciary loans and other fiduciary financial transactions	1'646	1'639	0.5
<b>Total fiduciary transactions</b>	<b>204'418</b>	<b>656'660</b>	<b>- 68.9</b>

## Notes to the income statement

### 22 Income from trading operations

in CHF thousands	2020	2019	+ / - %
Foreign exchange trading	41'437	42'332	- 2.1
Foreign note trading	- 86	- 350	- 75.6
Precious metals trading	2'464	1'225	101.1
Securities trading	9	18	- 50.9
<b>Total net trading income</b>	<b>43'825</b>	<b>43'225</b>	<b>1.4</b>

### 23 Personnel expenses

in CHF thousands	2020	2019	+ / - %
Salaries and compensations	- 84'145	- 83'164	1.2
Social benefits and retirement benefit plans	- 17'526	- 17'305	1.3
of which retirement benefit plans	- 12'016	- 11'664	3.0
Other personnel expenses	- 3'255	- 3'410	- 4.6
<b>Total</b>	<b>- 104'926</b>	<b>- 103'879</b>	<b>1.0</b>

The compensation of the Board of Directors and the Board of Management are disclosed in the consolidated financial statement.

### 24 Administrative expenses

in CHF thousands	2020	2019	+ / - %
Occupancy expenses	- 3'329	- 3'498	- 4.8
Expenses for IT, machinery, vehicles and other equipment	- 24'923	- 17'689	40.9
Other business expenses	- 25'613	- 24'960	2.6
<b>Total</b>	<b>- 53'864</b>	<b>- 46'146</b>	<b>16.7</b>

### 25 Other ordinary expenses

in CHF thousands	2020	2019	+ / - %
Operational risk	- 1'757	0	
Sundry other ordinary expenses	- 543	- 1'247	- 56.4
<b>Total other ordinary expenses</b>	<b>- 2'301</b>	<b>- 1'247</b>	<b>84.5</b>

# Risk management

## Overview

LLB AG's risk policy is governed, in legal and operative terms, by the Liechtenstein Banking Law, the corresponding Banking Ordinance and the principles of the Basel Committee for Banking Supervision as well as by the bank's own statutes and business regulations. The ultimate responsibility for basic risk policy and for continually monitoring the bank's risk exposure lies with the Board of Directors. In fulfilling this function, it is supported by the Risk Committee. The Board of Management has overall responsibility for risk management. It is supported by separate expert risk committees. An independent Group Credit & Risk Management monitors compliance with the issued regulations.

## Market risks

On the basis of its business activity, LLB AG is exposed primarily to interest rate fluctuation, share price and currency risks. The Group Risk Management Committee is responsible for managing risks associated with trading activities, and the Asset & Liability Committee for controlling interest rate fluctuation risks. These bodies limit risk exposure using sensitivity and value-at-risk analyses. Aggregate risks are analysed and worst-case scenarios are simulated on a regular basis.

## Credit default risks

Credit and lending facilities are extended primarily in interbank business, in private and corporate client business mainly on a secured basis, and in business transactions with public authorities. The Group Credit Risk Committee is responsible for credit risk management. The bank pursues a conservative collateral lending policy. Credits and loans are granted within the scope of strict credit approval procedures. An internal rating system is employed to determine risk-related terms and conditions. A limits system based on the creditworthiness of the individual country is used to control country risks.

In order to ensure responsible lending and to take account of the increasing regulatory requirements, each property must be valued and the loan-to-value ratio determined. The internal directive "Real Estate Valuation" forms the basis for determining a market-conforming loan-to-value ratio for real estate in the Swiss and Liechtenstein markets of the LLB Group. The decisive factor for the valuation method and tool to be applied is always the predominant use or the predominant income measured by the rental value.

- ♦ Single-family houses and condominiums for own use are generally valued hedonically in Switzerland and by the tangible asset method in Liechtenstein.
- ♦ Rented single-family houses and condominiums that are held for yield purposes are generally valued at income value in Switzerland. In Liechtenstein, the valuation is carried out using the asset value method.
- ♦ Income-producing and investment properties in Switzerland, such as apartment buildings, residential and commercial buildings, commercial properties, etc., are valued using the capitalised earnings value method.
- ♦ In the case of commercially owner-occupied properties, the capitalised earnings value is decisive, which is determined and verified in advance on the basis of the space rent reported in the borrower's income statement.
- ♦ Agricultural properties in Switzerland are valued according to the "farming land law" calculation. In Liechtenstein, these are valued using the tangible asset method.
- ♦ Valuations of building land are based on current market conditions.

## Operational and legal risks

Internal regulations and directives concerning organisation and controls are employed to limit exposure to operative and legal risks. In formulating these instructions, the Board of Management is supported by the Operational Risk Committee. Compliance with these regulations is regularly checked by the Group Compliance and Group Operational Risk / ICS departments and by Group Internal Audit. External legal experts are brought in on a case-by-case basis to control and manage legal risks.

### **Liquidity risks**

Liquidity risks are monitored and managed in accordance with the provisions of banking law.

### **Business policy concerning the use of derivative financial instruments**

Within the scope of balance sheet management, interest rate swaps are concluded to hedge interest rate fluctuation risks. Furthermore, derivative financial instruments are employed primarily within the context of transactions for clients. Both standardised and OTC derivatives are traded for the account of clients.