



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

## Going forward sustainably

### Dear shareholders

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

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

### Solid result despite the corona pandemic

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

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

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

### Resilient daily business

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

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

### Reliable partner

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

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

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

### Security and stability

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

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

### Going forward sustainably

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

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

### Attractive employer

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

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

### High quality of advisory services

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

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

### Innovation and digitalisation

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

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

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

### Attractive dividend policy

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

### Elections at the General Meeting

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

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

### Change in operative management

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

### Strategic priorities for 2021

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

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

### Thank you for your trust

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

Yours sincerely



**Gabriel Brenna**  
Group CEO



**Gabriela Nagel-Jungo**  
Vice Chairwoman of the Board of Directors

# Highlights 2020

## January

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



## Gold für Anlagekompetenz



## February

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

## April

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



## April / May

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

### June

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



### August

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

### September

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



### October

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

### November

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





# Strategy and organisation

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

## Structure and organisation of the LLB Group

### Business model

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

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

### The three market divisions

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

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

### Management structure

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

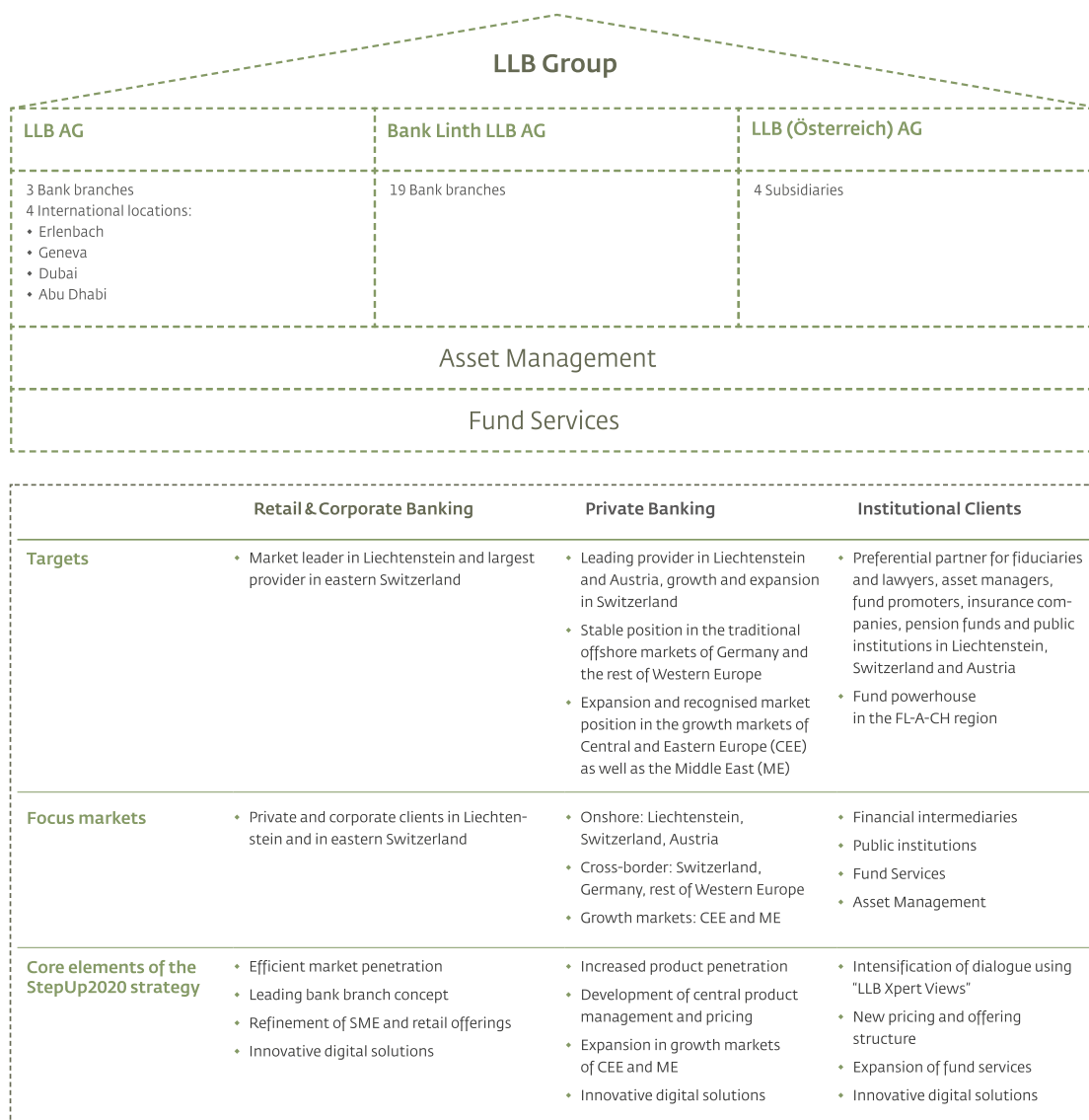
- ♦ The Board of Directors is responsible for overall supervision and control. It defines the strategic, organisational and financial basis for corporate governance (see chapter "[Corporate governance](#)").
- ♦ The Group Executive Board comprises the heads of the six divisions – three market divisions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

### Group structure

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

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

## Group Structure



## StepUp2020 strategy

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

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

## Strategic success factors

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

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

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

### The four core elements

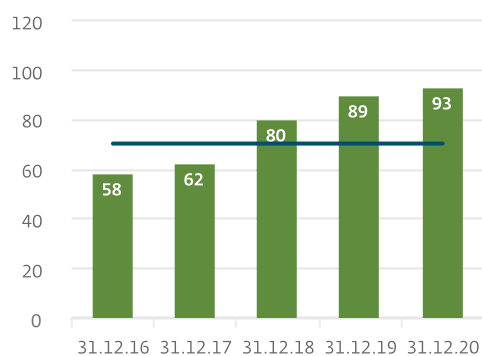
Always with an eye to the clients, we will concentrate on our strengths. In doing so, we will focus thereby on four core elements:

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

### Growth and financial targets

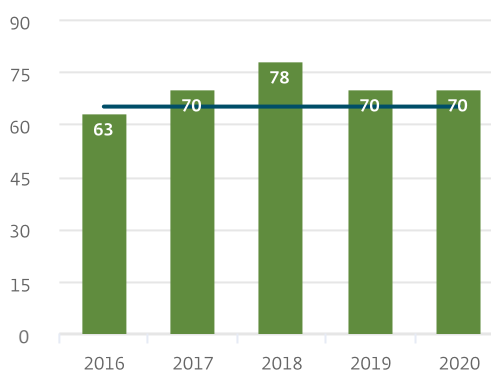
Under the StepUp2020 strategy, the LLB Group set itself four clear and measurable targets. These are: a business volume of more than CHF 70 billion, a Cost Income Ratio of under 65 per cent, a Tier 1 Ratio of over 14 per cent and a cumulative Group net profit of more than CHF 500 million. We achieved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

#### Business volume



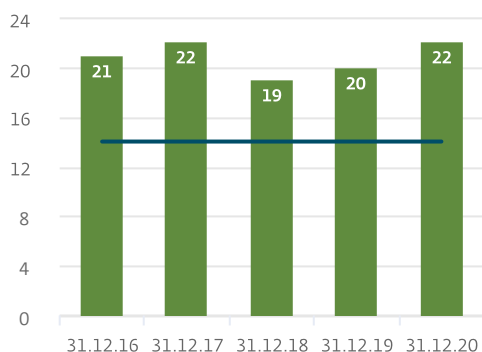
- Actual value in CHF billions
- Target value > CHF 70 billions

#### Cost Income Ratio



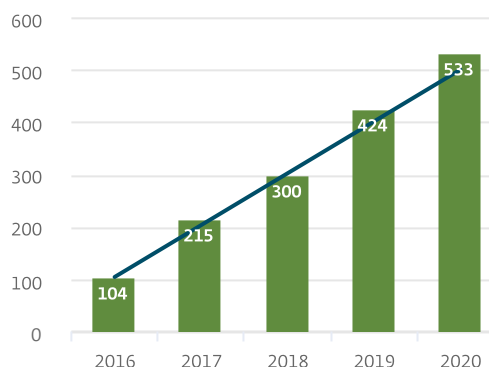
- Actual value in per cent
- Target value < 65 per cent

### Tier 1 Ratio



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

### Cumulative Group net profit



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

### Extending the strategy period by a year

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

## Corporate culture

### Vision and guiding principles

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

### "We set standards for banking with values."

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

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

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

## Code of Conduct

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

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

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

# Finance and risk management

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

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

## Financial management

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

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

## Risk management

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

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

## Liquidity management

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

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

## Capital management

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

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

### Solid equity base

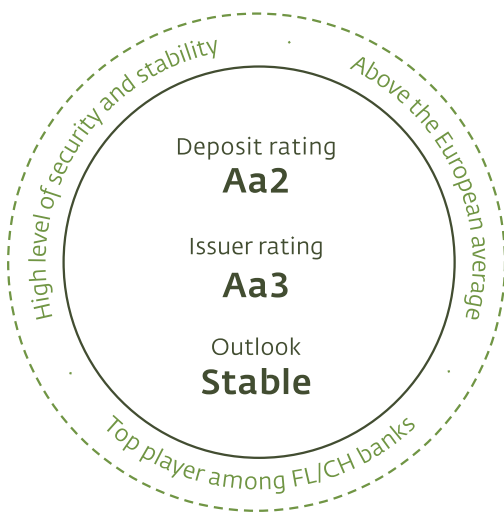
A good equity base not only protects its reputation, but is also part of the financial management and credibility of a bank. Having a sufficiently high-quality equity base at its disposal is part of the LLB Group's identity. Its financial strength shall remain, as far as possible, unaffected by fluctuations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

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

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

### Rating confirms financial strength

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



### Credit management

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

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

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

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

### Increased loan default risk through corona

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

### High standards of lending

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

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

### Independent credit decisions

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

### Compliance risks

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

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

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

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

### Combating money laundering and terrorist financing

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



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

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

### Rules of conduct

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

### Dealing with cyber risks

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

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

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

### Internal control system

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

### Business continuity management (BCM)

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