

Economic environment

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

International perspectives

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

USA

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

Euro zone

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

Switzerland / Liechtenstein

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

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

Liechtenstein financial centre

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

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

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

Interest rates

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

Currencies

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

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

Equity markets

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

Retail & Corporate Banking

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

Regionally anchored

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

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

A reliable partner during the crisis

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

Markets and services

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

Successful lending and mortgage business

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

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

Bank branch and ATM network

LLB is the only bank in Liechtenstein to offer

3 bank branches and
24 ATM locations

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

19 bank branches / advisory points and
23 ATM locations

Reliable partner bank for SMEs

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

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

Liquidity support during Covid-19

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

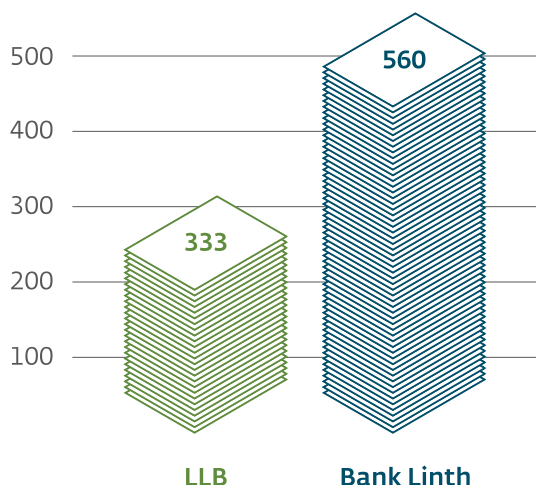
One criterion was the primary factor for the issuing of the loans: the procedure had to be fast, unbureaucratic and simple. There were clear rules for the granting of the loan facilities; basically, whoever fulfilled the official criteria was granted a loan. At LLB AG, we carried out a rudimentary credit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

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

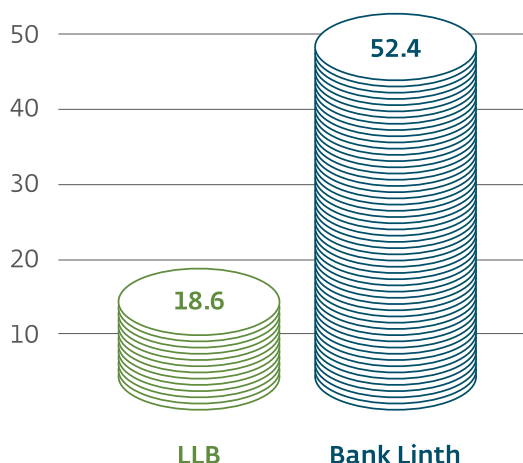
Indeed, over and above the government bridging financing programmes, our contacts with corporate clients during the corona crisis were very intensive. Our advisers spoke with clients about their concerns and problems; together they sought individual solutions where this was necessary.

Bridging financing

Number of loan applications



Lending volume used (in CHF millions)



Payments, savings and deposits

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

Individual pension provisioning solutions

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

Omni-channel concept: closeness to clients through digitalisation

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

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

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

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

Bank branches focused on advising clients

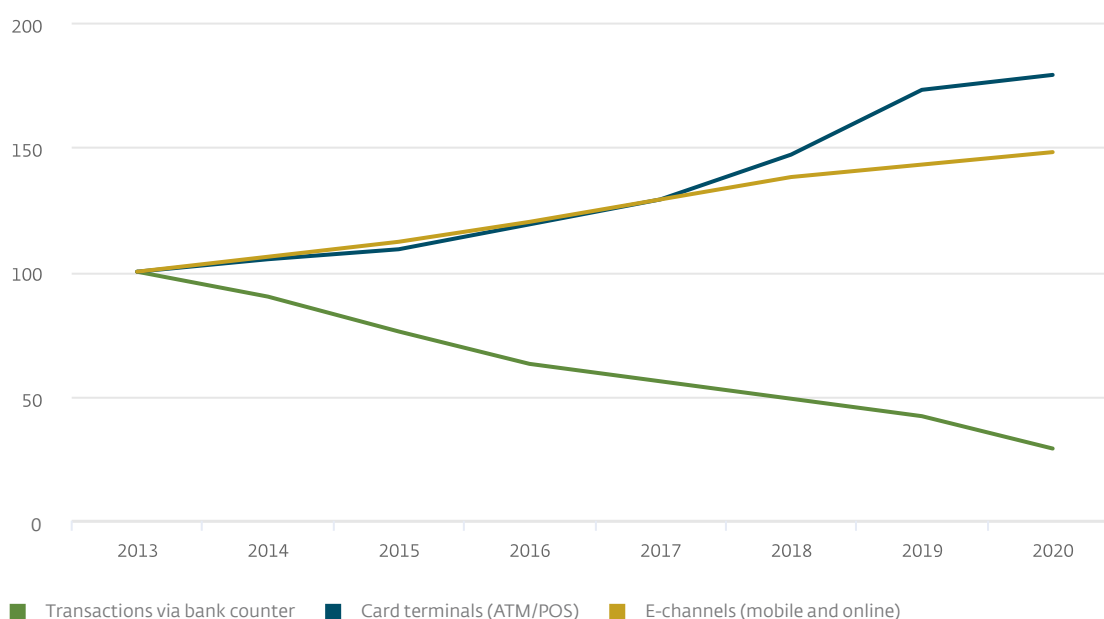
The trend in the bank branches is away from transaction business and towards personal advice provided on the spot. Increasingly, all generations of clients are carrying out standard transactions, such as in and out payments, themselves at ATMs or using e-channels. As a consequence of Covid-19 the frequency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

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

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

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

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



E-Channels

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

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

Digitalisation steps in payment systems

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

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

Advisory service centre

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

Client requirements front and centre

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

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

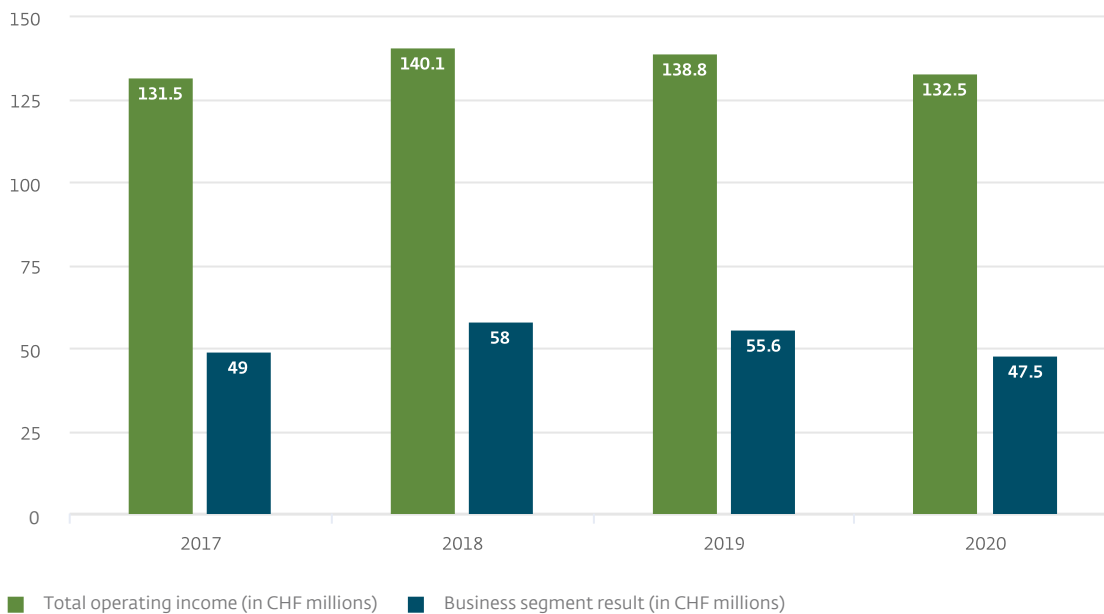
Premium partner of the Chamber of Commerce

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

Business segment result

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

Business segment result: Retail & Corporate Banking



Segment reporting

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

Performance figures

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

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

Additional information

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

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

Private Banking

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

Stability and security

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

International presence – strong local ties

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

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

One bank group – three home markets

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

Traditional cross-border markets

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

Central and Eastern Europe

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

Middle East

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

Outstanding level of product and service quality

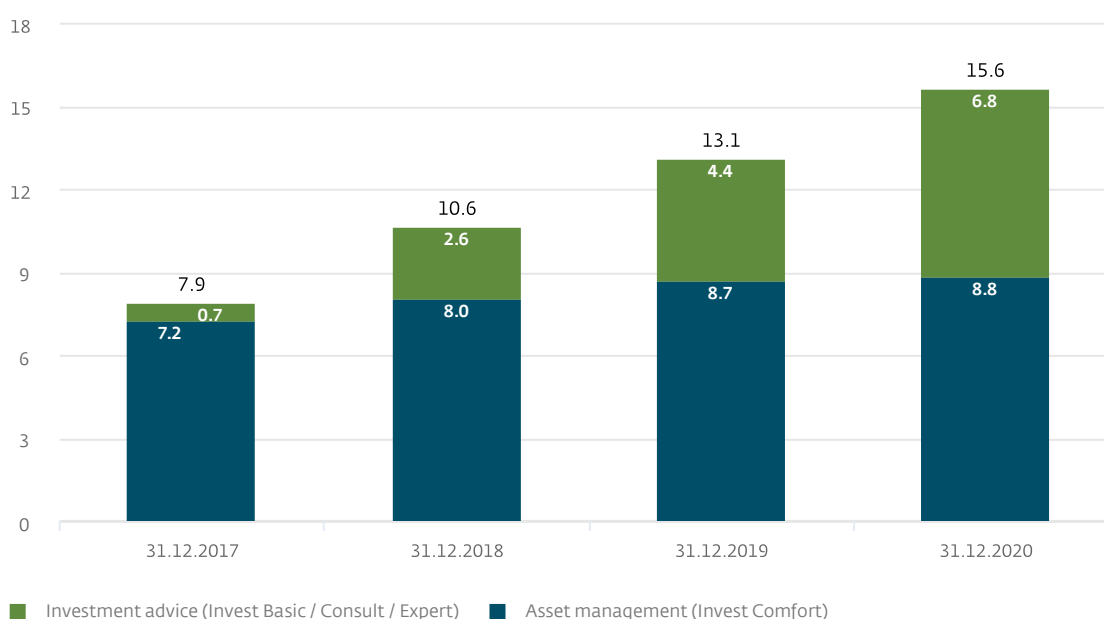
Following the migration of LLB Österreich to the Avaloq banking software, since the beginning of 2020 all the banks in the Group now operate a common core banking application. This has enabled us to make further progress in the automation of our processes and, at the same time thanks to the centralisation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

Asset management and investment advisory

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

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

LLB Invest (in CHF billions)



Suitable products for every phase of life

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

Fair and transparent pricing

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

Tested advisory quality

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

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

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

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

Highly sophisticated digital services

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

Excellent investment performance

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

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

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

Focus on clients

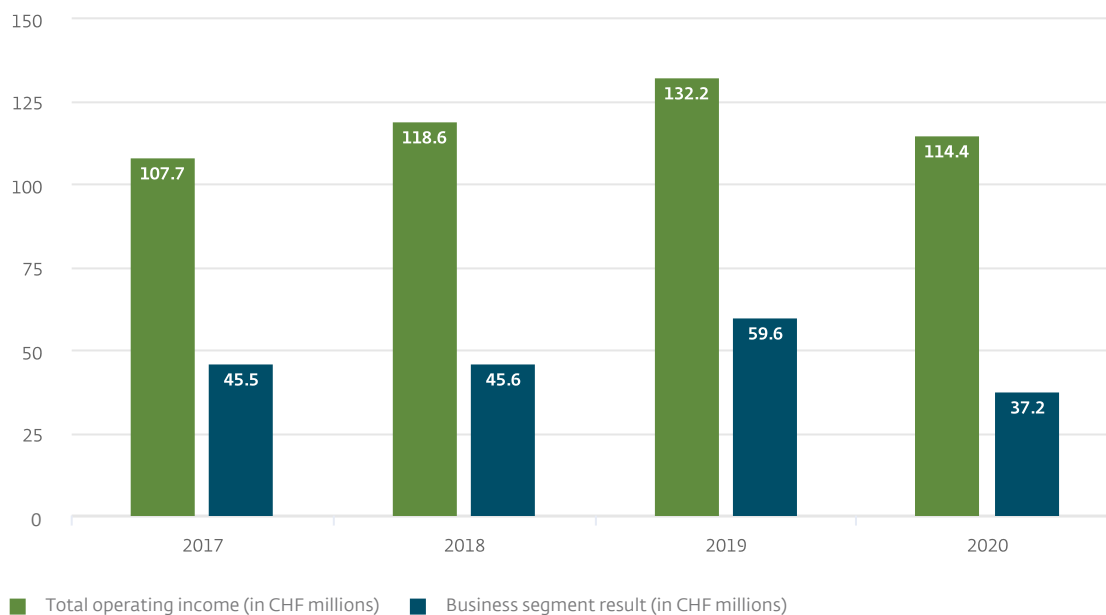
In order to find out how satisfied our clients are with our product and service offering, as well as our advisory services, we carried out a broadly based client survey for LLB in Liechtenstein in the year under report. The results revealed that our clients are very satisfied with both asset management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

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

Business segment result

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

Segment reporting: Private Banking



Segment reporting

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

Performance figures

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

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

Additional information

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

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

Institutional Clients

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

Specialised in serving professional clients

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

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

Digitalisation for closer relations with clients

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

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

Fund powerhouse

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

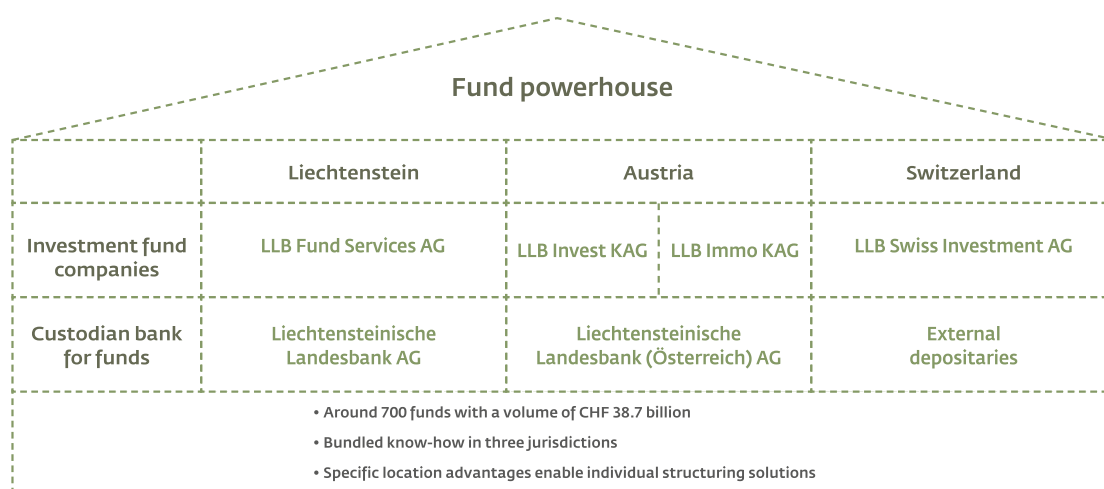
Our four investment fund companies in three countries offer clients access both to the European and the Swiss economic areas. This makes us one of the most versatile fund vendors in Europe: added value that our clients seek, appreciate and use more and more often.

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

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

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

Fund services of the LLB group



Fund business in Liechtenstein and Switzerland

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

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

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

Fund business in Austria

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

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

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

LLB as custodian bank for funds

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

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

Financial intermediaries

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

Expansion of digital services for our clients

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

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

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

Business compliance function

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

Asset management

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

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

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

Sustainable investment products

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

Sustainable investment concept

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

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

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

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

Asset management

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

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

Partner-like dialogue and transfer of knowledge

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

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

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

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

Partnerships with financial centre players

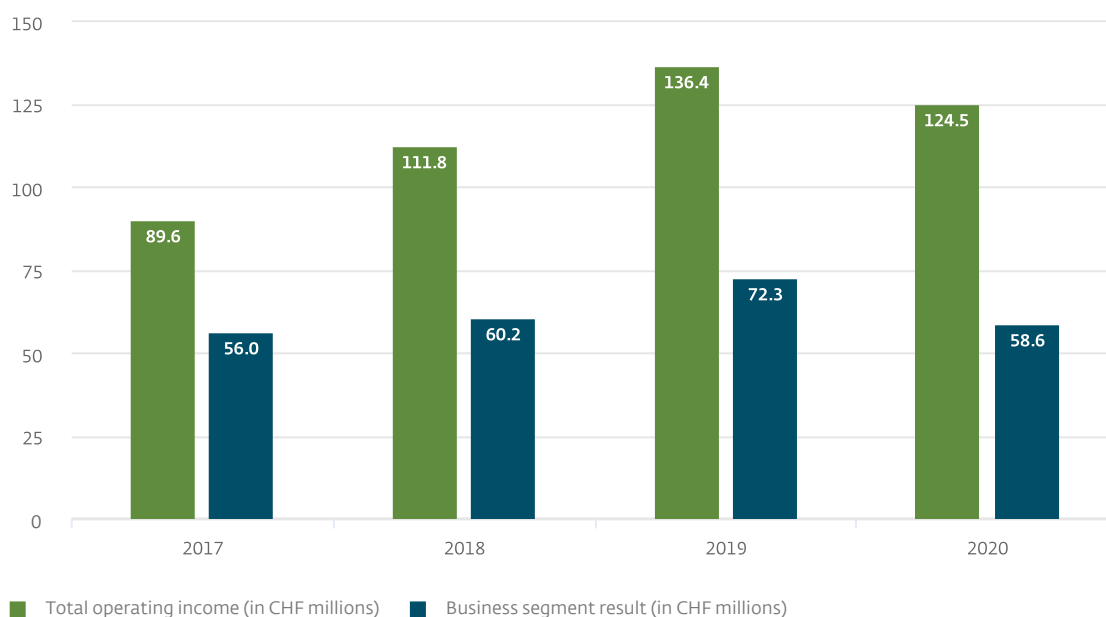
LLB participates actively in various networks and thus secures an audience in the financial services sector for its views. The Group company, LLB Asset Management AG, is a member of the Liechtenstein Association of Independent Asset Managers and a committed partner in the development of the financial centre. At the same time, the Group company, LLB Fund Services AG, is a member of the executive board of the Liechtenstein Investment Fund Association, which actively shapes the basic framework of the Liechtenstein fund centre. LLB Österreich is a member of the executive board of the Association of Austrian Investment Companies – the umbrella association of all Austrian administration companies and all Austrian real estate capital investment companies. In January 2021, it also became a member of the Austrian Society for Sustainable Real Estate Management.

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

Business segment result

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

Business segment result: Institutional Clients



Segment reporting

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

Performance figures

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

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

Additional information

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

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

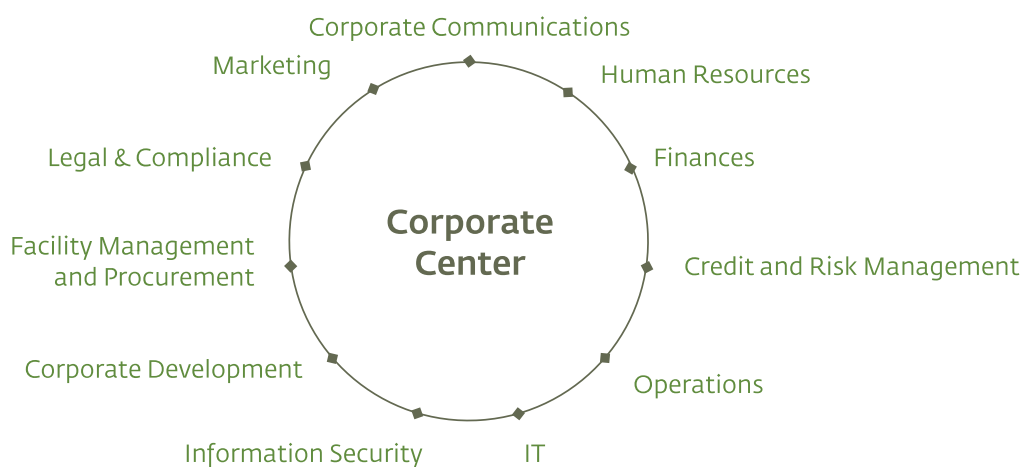
Corporate Center

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

Service provider within the Group

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

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



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

Shared Service Centers

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

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

Digitalisation of banking business

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

Investments in Online and Mobile Banking

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

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

Further progress with internal digitalisation

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

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

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

Generating further significant synergy effects

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

Innovation management

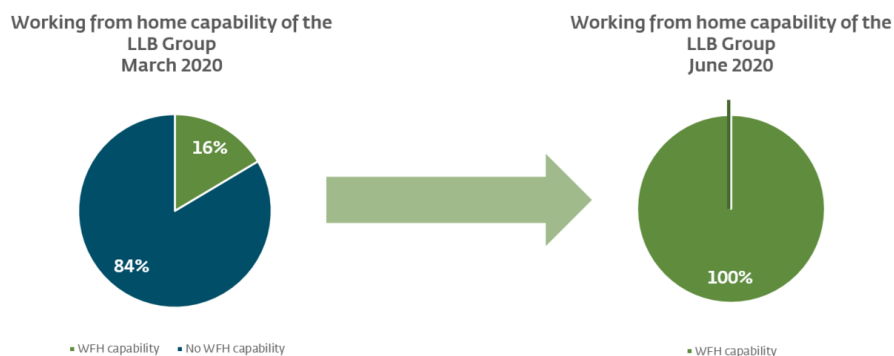
Driven by new technologies and innovative companies, the market conditions in the financial services sector are changing rapidly. Our aim is not just to keep pace with developments, but rather to bring ground-breaking digital solutions on to the market. In April 2020, we launched our first LLB innovation,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

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

Successful crisis management during the corona pandemic

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

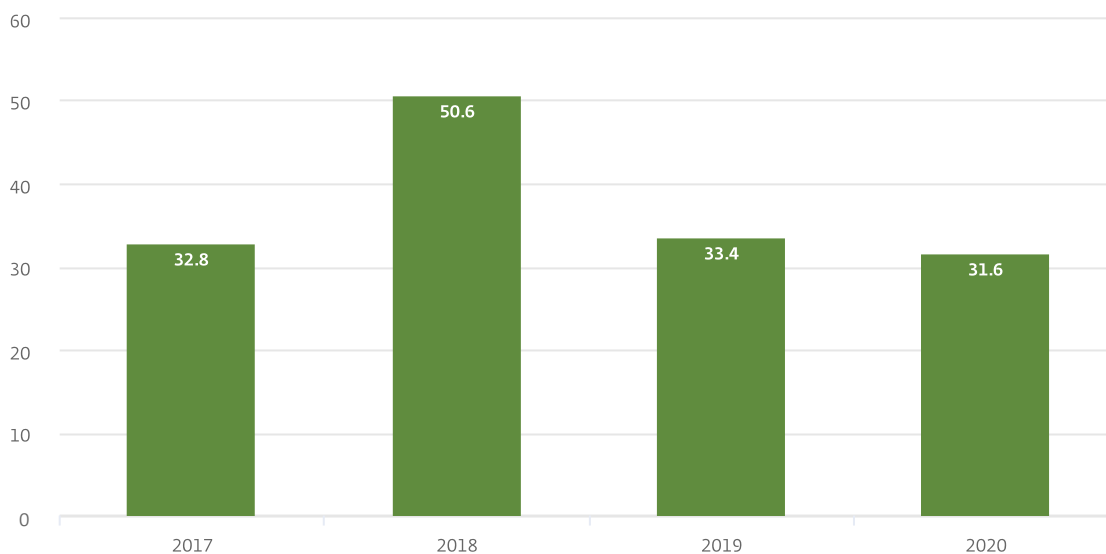
Expansion of mobile working activity



Business segment result

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

Investments



■ Investments and project costs (in CHF millions)

Segment reporting

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

Additional information

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