Liechtensteinische Landesbank 1861

Tradition meets Innovation.

ACT-26

Accelerate and transform

160th Annual Report 2021

ar2021.llb.li

Content

Within the scope of its StepUp2020 strategy, the LLB Group successfully positioned itself as a universal bank with a strong private banking and institutional business.

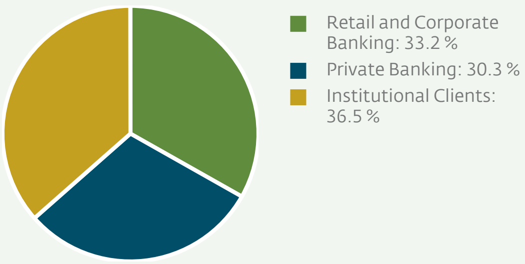
First bank in Liechtenstein founded in 1861

Moody's Rating Aa2

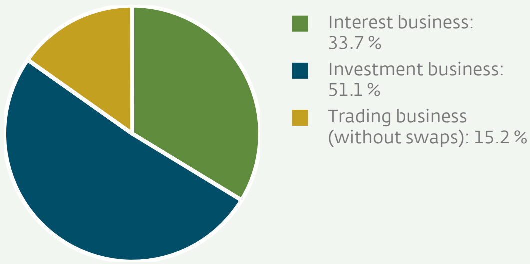
Three banks:
Liechtenstein, Switzerland and Austria

Two competence centres:
Asset Management and Fund Services

Three high-earning market divisions
Operating profit before tax



Diversified income structure
Earnings



Strong in three home markets
- Most important universal bank in Liechtenstein
- Leading asset management bank in Austria
- Largest regional bank in eastern Switzerland

Outstanding investment competence
- Over 45 awards since 2012
- Consistent adaptation of the product range to sustainability

With the new ACT-26 corporate strategy, the LLB Group will in future focus on a dual positioning in the market: number 1 in Liechtenstein and the region as well as a secure and sustainable international private bank.

Information for shareholders

The LLB share

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

Capital structure

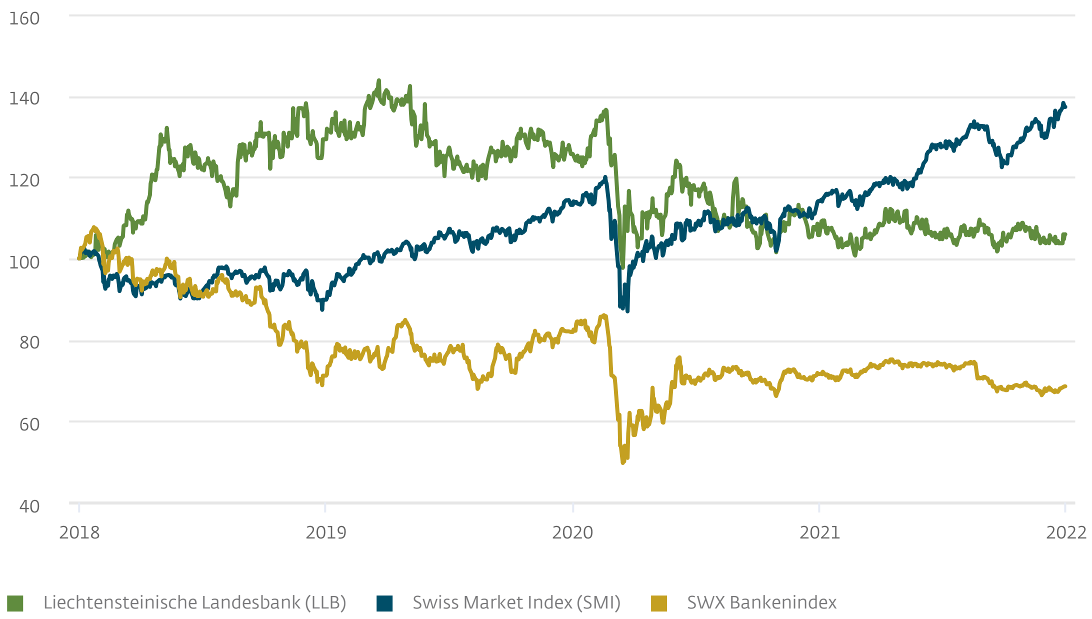
	31.12.2021	31.12.2020	+ / – %
Share capital (in CHF)	154'000'000	154'000'000	0.0
Total of registered shares issued (fully paid up)	30'800'000	30'800'000	0.0
Total shares outstanding, eligible for dividend	30'567'065	30'511'590	0.2
Weighted average shares outstanding	30'551'544	30'493'736	0.2

Information per LLB share

	31.12.2021	31.12.2020	+ / – %
Nominal value (in CHF)	5.00	5.00	0.0
Share price (in CHF)	52.60	52.50	0.2
Basic earnings per share (in CHF)	4.25	3.39	25.2
Price / earnings ratio	12.37	15.46	
Dividend (in CHF)	2.30[1]	2.20	

1 Proposal of the Board of Directors to the General Meeting of Shareholders on 6 May 2022

Comparison of LLB share
Indexed from 1 January 2018



Key figures

Consolidated income statement

in CHF millions	2021	2020	+ / – %
Income statement			
Operating income	476.4	430.3	10.7
Operating expenses	– 313.0	– 306.7	2.1
Net profit	137.9	109.8	25.5
Performance figures			
Cost Income Ratio (in per cent)[1]	65.8	69.8	
Return on equity attributable to the shareholders of LLB (in per cent)	6.3	5.3	

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

Consolidated balance sheet and capital management

in CHF millions	31.12.2021	31.12.2020	+ / – %
Balance sheet			
Total equity	2'240	2'138	4.8
Total assets	25'129	23'575	6.6
Capital ratio			
Tier 1 ratio (in per cent)[1]	20.3	21.6	
Risk-weighted assets	8'904	7'927	12.3

1 Corresponds to the CET ratio 1 because the LLB Group has solely hard core capital

Additional information

in CHF millions	2021	2020	+ / – %
Net new money[1]	7'212	3'274	120.3

in CHF millions	31.12.2021	31.12.2020	+ / – %
Business volume (in CHF millions)[1]	105'698	92'892	13.8
Assets under management (in CHF millions)[1]	91'892	79'662	15.4
Loans (in CHF millions)	13'805	13'230	4.3
Employees (full-time equivalents, in positions)	1'056	1'064	– 0.8

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

Georg Wohlwend (Chairman of the Board of Directors) and Gabriel Brenna (Group CEO)

Growth and sustainability lead the way forward

Dear shareholders

2021 was a very positive year for the LLB Group in several respects. As planned, we completed our StepUp2020 strategy and, at the same time, we initiated a new corporate strategy, which fills us with confidence for the future. Moreover, in spite of the challenging environment, we achieved a very pleasing business result. All in all, therefore, a year that we can be proud of, and which we would like to review for you once again:

Record growth

A successful business year characterised principally by growth. We registered record new money inflows of CHF 7.2 billion, corresponding to new money growth of more than 9 per cent. In combination with the good performance of the financial markets, this translates into an increase in client assets under management of 15.4 per cent to CHF 91.9 billion. Loans to clients also rose by 4.3 per cent to CHF 13.8 billion.

For the first time, the business volume reached, and exceeded, the 100-billion mark in 2021 – a milestone in our 160-year history. At the end of the year under report, it stood at CHF 105.7 billion, 13.8 per cent above the previous year's value.

It was especially pleasing that, once again, the LLB Group achieved new money inflows in all three market divisions and booking centres. The takeover of the private banking clients of Credit Suisse in

Austria also contributed to this development. Furthermore, we opened a second business location in Austria. The new business base's favourable strategic and geographical location in Salzburg offers great potential for additional expansion into western Austria and southern Germany.

Record result

Our robust growth was reflected in the Group's business result. We were able to report the best business result for over ten years; at CHF 137.9 million, it was 25.5 per cent higher than in the previous year and reflected not just our dynamic growth, but also the improved quality of our earnings and our strict cost management. For instance, we posted good growth in fee and commission business. Portfolio-related business expanded particularly robustly here, enabling us to further improve the quality of our largest income drive. In the year under report, we reduced our cost/income ratio by four percentage points to 65.8 per cent.

The extremely good business result in 2021 once again testifies to the LLB Group's ability to grow organically, sustainably and profitably.

Successful completion of StepUp2020

Indeed, we can not only draw a positive balance for the 2021 business year, but also for the entire StepUp2020 strategy period, which was extended by one year. In most cases, we substantially exceeded the goals we set at the start of the period (see chapter "Strategy and Organisation"). For example, we clearly surpassed our expectations with business volume (target 2020: CHF 70 billion), with cumulative business result (target 2020: CHF 500 million) and with the tier 1 ratio (target 2020: at least 14 %). With the cost/income ratio, where we missed out at the end of 2020 on attaining our target value of 65 per cent due to the persisting low interest rate environment, we came within 0.8 percentage points of reaching the 2021 target.

On balance, we can state that StepUp2020 was a complete success that has provided us with a very good starting point for the future. We can be proud of what the LLB Group has achieved in the last few years!

New ACT-26 corporate strategy

The end of the year and the completion of StepUp2020 represent at the same time the start of our new ACT-26 corporate strategy. **ACT**-26 will see us focus on the core elements of growth, efficiency and sustainability up to 20**26**. Our previous rate of growth is to be accelerated (**AC**celerate). At the same time – using the latest technologies – we intend to become even more client focused, effective and sustainable (**T**ransform). For this purpose, we shall invest CHF 100 million in the digital transformation of the LLB Group. Our organisation will also be aligned with the new strategy. It will become leaner and more efficient. From 2022, instead of the former six divisions we will have only five: two market and three back office support divisions.

One thing, however, esteemed shareholders, will remain unchanged: in future too, the LLB Group will stand for the highest security and stability.

First carbon-neutral bank in Liechtenstein

One of the core elements of our new strategy is sustainability. For the next five years, we have set ourselves ambitious and measurable goals in this area. Thanks to its full compensation of its greenhouse gas emissions in 2021, the bank has already become carbon-neutral – making it the first financial institute in Liechtenstein to do so. For this purpose, we are working together with the Swiss climate non-profit organisation myclimate to reduce greenhouse gases in regional and international projects. Our ambitious goal is to become completely carbon-neutral by 2040 – ten years earlier than envisaged in the Paris climate agreement. At the same time, we shall support our clients in their efforts to achieve more sustainability. Against this backdrop, we adapted our range of products in 2021. We shall add further innovative products in this context in 2022.

To underline our strong belief in, and dedication to, sustainable development we have joined several of the most important international climate initiatives such as the "Net-Zero Banking Alliance", the "Principles for Responsible Banking" and the "Climate Pledge".

Outstanding employer

As you can see, we have set ourselves ambitious goals with ACT-26 for the future. To achieve these objectives, above all, we require qualified and motivated employees. To this end, we are continually improving the working environment for our employees – successfully! After being the recipient in 2020 of the "Swiss Employer Award" and the "Friendly Work Space Award", in 2021 LLB was awarded the prize for being a "Family-friendly company" by the Liechtenstein government for its efforts to enhance the work/life balance of its employees.

Purchase offer to the shareholders of Bank Linth

As an element of the realisation of our new strategy, in January a further key decision was taken. The Liechtensteinische Landesbank made a purchase offer to the shareholders of Bank Linth. We intend to increase our share capital stake in Bank Linth LLB AG to 100 per cent and have the shares delisted from the Swiss exchange. The step will enable Bank Linth to reduce complexity and, as a retail bank, to focus even more sharply on its clients and their requirements. By submitting this purchase offer, we underline our commitment to Bank Linth and the Swiss market.

Attractive dividend policy

As shareholders, you have been able to benefit from our long-term, attractive dividend policy for many years. The Board of Directors proposes to the General Meeting of Shareholders on 6 May 2022 that the dividend be increased from CHF 2.20 to CHF 2.30. Based on the closing price of the LLB share on 31 December 2021, this corresponds to a dividend yield of 4.4 per cent.

Outlook 2022

The market environment remains challenging. Factors such as the uncertainties in the geopolitical situation - in particular due to the war in Ukraine - and the associated volatility on the financial markets, the rising danger of inflation, or the Corona pandemic pose a not inconsiderable risk to economic development in the coming months. Nevertheless, we are confident that the dynamic development of the LLB Group will continue in the coming years. We have a solid foundation and with ACT-26 we have a clear, future-oriented strategy, the implementation of which has already begun. We expect a solid result for the year 2022.

Thank you for your trust

To enable the highly successful 160-year history of our bank to be continued we rely on the loyalty of our clients, and of course, on your trust, esteemed shareholders. We want to thank you sincerely for your solidarity with the LLB Group. A note of sincere thanks also goes to our staff for their hard work and great dedication, without which it would not have been possible for us to achieve this gratifying business result.

Yours sincerely

Gabriel Brenna
Group CEO

Georg Wohlwend
Chairman of the Board of Directors

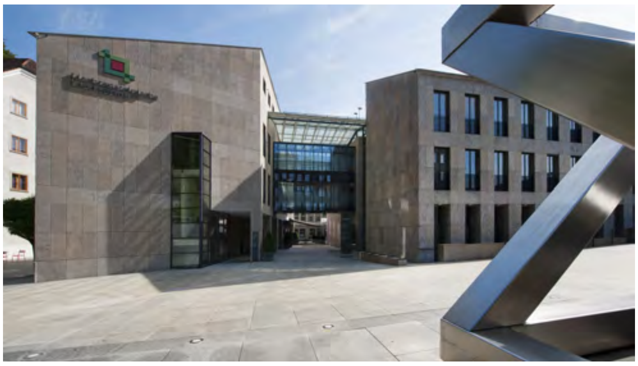
Highlights 2021

February
- LLB AG and Bank Linth entered in the Sustainability Indices of the Swiss Stock Exchange

March
- Gabriel Brenna appointed new CEO of the LLB Group
- LLB (Österreich) signs an agreement with Credit Suisse for the referral of private banking clients

May
- Election of Georg Wohlwend as Chairman of the Board of Directors of the LLB Group

- Bank Linth successfully completes the modernisation programme of its bank branches



June

- LLB Group achieves a record business volume result in the first half year 2021

August

- Opening of the new LLB (Österreich) business location in Salzburg

- LLB Group becomes member of the Net Zero Banking Alliance and the UN PRB

UN-Convened, Industry-led Net-Zero Banking Alliance

UN environment programme finance initiative

Principles for Responsible Banking

October

- LLB Group presents its new corporate strategy

November
- Remodelling of the third and last bank branch of LLB AG begins
- LLB AG receives the recognition award as a family-friendly company from the Government of the Principality of Liechtenstein

Liechtenstein government / IKR

December
- LLB Group becomes the first climate-neutral bank in Liechtenstein
- LLB Future Foundation launches Future Prize for Sustainability
- LLB Private Banking Central and Eastern Europe moves in to new premises in Zurich

Strategy and organisation

With 160 years of history, the LLB Group has a long tradition as the oldest bank in the Principality of Liechtenstein. A clear vision, an ambitious strategy and a value-oriented corporate culture make it a trusted partner for its clients, investors and employees.

Structure and organisation of the LLB Group

The LLB Group has a divisional organisational structure. In addition to the three market divisions "Retail and Corporate Banking", "Private Banking" and "Institutional Clients", the management structure includes the functions of Group Chief Executive Officer (CEO), Group Chief Financial Officer (CFO) and Group Chief Operating Officer (COO).

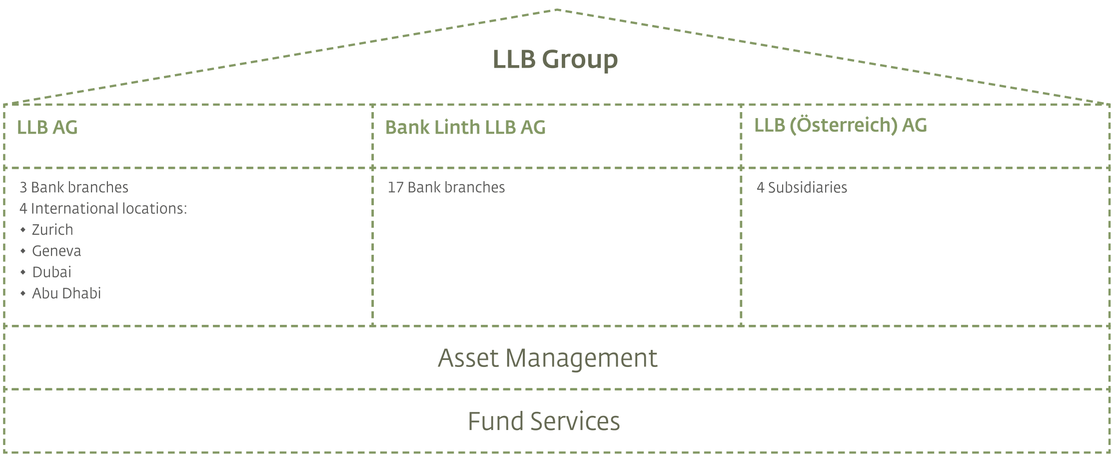
We have a presence in the market regions of Liechtenstein, Switzerland and Austria, with one bank each: Liechtensteinische Landesbank AG, Bank Linth LLB AG and Liechtensteinische Landesbank (Österreich) AG. The LLB Group also has two competence centres in the areas of asset management and fund services.

The three market divisions

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

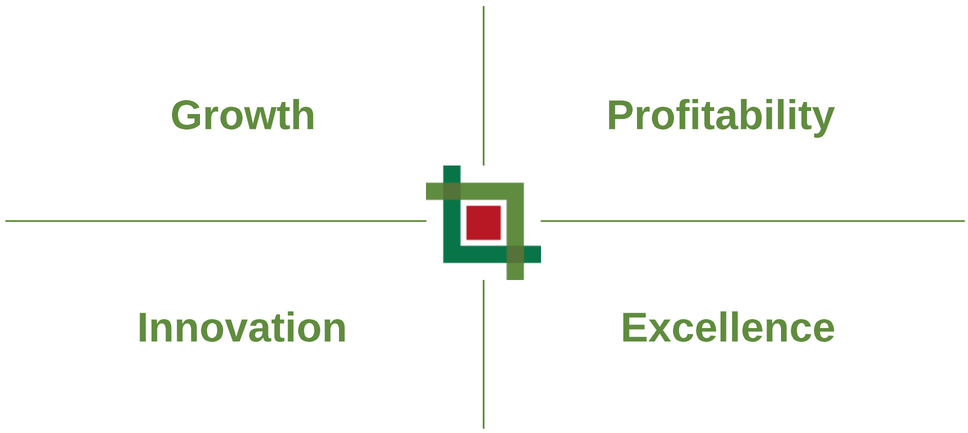
- Personal and Corporate Clients comprises the universal banking business in the home markets of Liechtenstein and Switzerland (see chapter "Personal and Corporate Clients").
- Private Banking comprises investment advice, asset management and asset structuring as well as financial and pension planning services (see chapter "Private Banking").
- Institutional Clients comprises the intermediary and fund business as well as the Asset Management Business Area of the LLB Group (see chapter "Institutional Clients").

Group Structure



StepUp2020 strategy

Under the StepUp2020 strategy, the strongly client-oriented LLB Group concentrated on its strengths. It focused on four core elements:



- **Growth:** We wanted to achieve this in two ways. Firstly, we wanted to grow organically by building on our own strengths. To this end, we increased resources available for client advisory services. Secondly, we sought to make targeted acquisitions in our home markets of Liechtenstein, Switzerland and Austria.
- **Profitability:** We sought to increase our margins by offering outstanding products and services. Efficient market penetration helped to generate profitable income. Maintaining strict cost management was key.
- **Innovation:** We invested in the future in a targeted manner. On the one hand, we developed pioneering digital solutions and, on the other, we also provided our clients with an optimised and personalised service. We automated standard business and individualised trust-based business. The investment volume amounted to CHF 100 million over the last five years, of which CHF 30 million were channelled into digital solutions for our clients.
- **Excellence:** We continually improved processes throughout the organisation using lean management principles. Our aim was to increase the benefit to clients and boost added value. Given increasing regulation, we strove to maintain strict compliance standards.

Growth and financial targets

Under the StepUp2020 strategy, the LLB Group had set itself four clear and measurable targets:

- 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;
- a cumulative Group net profit of more than CHF 500 million.

StepUp2020 can be summed up as successful

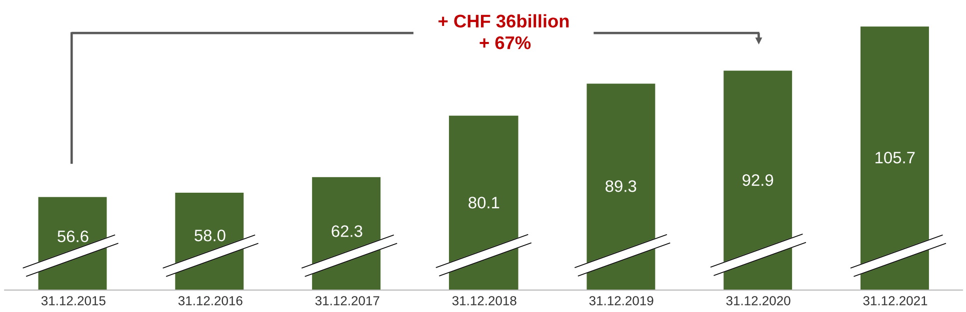
In 2016, we initiated a phase of sustainable, profitable growth under the StepUp2020 strategy. The evaluation of the financial targets shows that this was achieved:

	StepUp2020		31.12.2021
	Objective	31.12.2020	
Business volume (CHF bn)	> 70	✓ 92.9	✓ 105.7
Tier 1 ratio (%)	> 14	✓ 21.6	✓ 20.3
Cumulative results (CHF m)	> 500	✓ 533	✓ 672
Cost/income ratio (%)	< 65	~ 69.8	65.8

After years of refocusing and client outflows, returning to profitable and risk-conscious growth was the number one priority for us. At the end of the strategy period of StepUp2020[1], the **business volume** of the LLB Group was 64 per cent or around CHF 36 billion higher than it had been at the beginning. In the first half of 2021, it even exceeded the historic CHF 100 billion mark. At the end of the reporting year, the business volume stood at almost CHF 106 billion.

1 In response to the uncertainty caused by the coronavirus pandemic, the StepUp2020 strategy period was extended by one year to the end of 2021. Stock, however, will still be taken of the financial targets as at 31 December 2020.

Development of business volume in CHF billion



We have seen very strong organic growth in all areas, especially since 2019. We were also able to make three acquisitions in line with our strategy – worth over CHF 25 billion – in our home markets of Switzerland and Austria.

The growth generated was also very profitable. Under StepUp2020, average annual **Group net profit** was CHF 107 million or 50 per cent higher than in the previous Focus2015 strategy period. This is all the more impressive given the low or negative interest rates in all of the main currencies of the LLB Group.

The **Tier 1 ratio** target of at least 14 per cent was also clearly exceeded, despite having made three acquisitions. This provides scope for further acquisitive growth in the future.

Only the target we set ourselves for the **Cost Income Ratio** of a maximum of 65 per cent was not quite achieved. The main reason for this was the low and negative interest rate development in all of the main currencies of the LLB Group. Contrary to our original expectations, the situation on the interest rate front has not eased but become more acute still. During the last two years of the strategy period, we consequently increasingly focused on expenditure control and efficiency gains within the organisation. At the same time, however, it was important to continue investing in the future, especially in the area of innovation and digitalisation, so as to still generate income and remain competitive. In the reporting year, we fell just 0.8 per cent short of the target we had set for ourselves.

Overall, in terms of the financial targets under StepUp2020, we can draw a very positive balance: the strategy has been a success. After years of refocusing and client outflows, the LLB Group is on a sustainable, profitable growth path and has been since 2016. We are an innovative and efficient competitor in a competitive market.

Key aspects of StepUp2020 will therefore also be incorporated into the new follow-up ACT-26 strategy (see chapter "ACT-26").

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.

We take various measures to ensure that our vision and guiding principles are firmly established in the minds of the employees and managers (see chapter "Values and corporate management").

New ACT-26 corporate strategy

The StepUp2020 strategy period, which had been extended by one year, ended with the 2021 business year. The strategy has yielded very positive results (see chapter "Strategy and organisation"). The follow-up ACT-26 strategy continues its successful growth path – and also stands for technological and sustainable transformation.

ACT-26 – growth, efficiency and sustainability

The new ACT-26 strategy is the next logical step in the LLB Group's development. **ACT-26** stands for taking action and also for acceleration and transformation (**AC**celeration and **T**ransformation).

The strategy is based on three core elements:

Growth: Over the next five years, the LLB Group is aiming to once again significantly increase its business volume through a combination of accelerated organic growth and targeted acquisitions. The security and stability of the LLB Group combined with award-winning investment expertise and investment performance for private and institutional clients form the basis for this expansion. In Personal and Corporate Clients, we want to expand our position in Liechtenstein and our very strong standing in Switzerland.

Efficiency: In future, LLB will once again focus on providing personalised advisory services to its clients using a hybrid advisory model that is supported by technology. The digital client platform will be developed further and the range of digital products and services will be expanded for all client groups. The LLB Group wants to take an agile approach in order to be able to react to the changing needs of its clients. At the same time, it will also be streamlining, standardising and automating its core processes in order to increase efficiency and make the bank more scalable. The LLB Group will therefore be investing CHF 100 million into its digital transformation in the next five years.

Sustainability: Sustainability has been an integral part of LLB's DNA for 160 years. In future, the LLB Group wants to play a leading role and is therefore setting ambitious goals for itself. For example, the LLB Group's banking operations already became climate-neutral in 2021 – making it the first bank in Liechtenstein and one of the first in Switzerland and Austria to do so. Furthermore, the LLB Group has set itself the goal of becoming completely climate-neutral by 2040 – ten years earlier than most competitors – and all in line with the UN's ambitious target to limit global warming to 1.5°C. To achieve this goal, the Group aims to significantly reduce the carbon emissions of its banking operations and those of its client portfolios. The bank will forge ahead with its ongoing process of making its own products sustainable while at the same time adding new, innovative products to its existing range.

Ambitious growth and financial objectives

In implementing the core elements of the new ACT-26 corporate strategy, the LLB Group is pursuing ambitious goals:

- **Growth**: Growth in terms of new client funds and loans to clients should be more than 3 per cent annually.
- **Efficiency:** In 2026, the Cost Income Ratio should not exceed 65 per cent.
- **Sustainability:** The net carbon emissions of the LLB Group should be reduced to zero by no later than 2040.

In addition to this, we are targeting a Tier 1 ratio of over 16 per cent.

ACT-26 with ambitious goals

Growth
Net new money
>3 % p.a.
Net new loans
>3 % p.a.

Efficiency
Cost/income ratio in 2026
65 %

Sustainability
LLB Group net zero CO_2
2040

Security
Tier 1 ratio **>16 %**

The LLB Group is continuing to pursue an attractive and sustainable dividend policy. Whereas the distribution ratio was previously between 40 and 60 per cent of the net profit, it is now more than 50 per cent. Furthermore, the LLB Group aims for continuous dividend development.

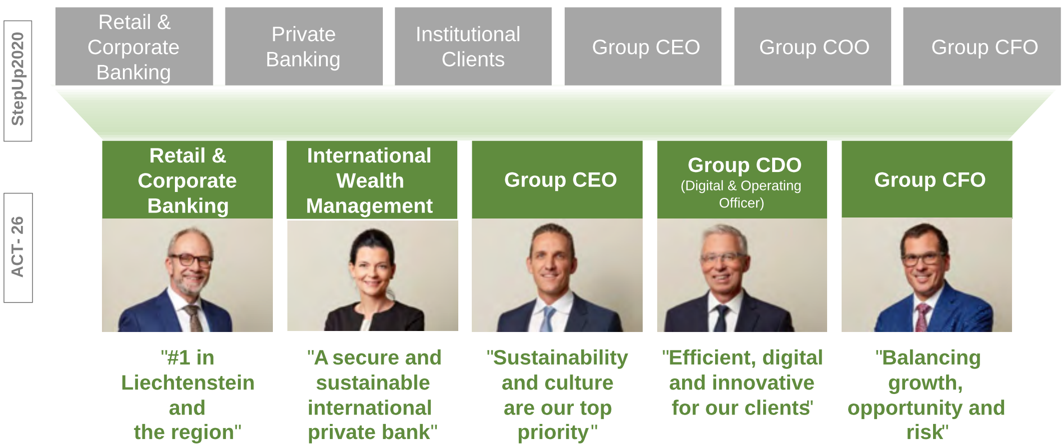
Dual positioning

The LLB Group intends to achieve its ambitious growth and financial objectives through clear dual positioning in the market: a universal bank with strong local roots on the one hand and a secure and sustainable international private bank on the other.

With Liechtensteinische Landesbank in Vaduz and Bank Linth in eastern Switzerland, the LLB Group already has two successful regional banks. We want to expand this strong position and establish ourselves as the market leader in Liechtenstein and in eastern Switzerland. In terms of Wealth Management, the LLB Group wants to expand its position as a leading asset management bank in Austria, a unique fund powerhouse in German-speaking regions, a reliable partner in institutional transactions and an international private bank in Central and Eastern Europe and the Middle East.

Alignment of the organisational structure

The strategic focus of ACT-26 will also be consistently implemented at the organisational level. Clients and technological change are at the heart of this shift. The LLB Group will now be comprised of five divisions instead of six.



With Personal and Corporate Clients and International Wealth Management, the LLB Group will have two clearly positioned market divisions going forward. The **Retail and Corporate Banking** Division will manage locally oriented private banking clients (FL / CH / D) as well as corporate and private clients in

Liechtenstein and Switzerland. The **International Wealth Management** Division will focus on Austrian and international private banking clients as well as institutional and fund clients.

Beside the overall operational management of the LLB Group, the **Group CEO Division** will be focusing on the topics of sustainability and corporate culture. Asset Management will also come under this division going forward. The LLB Group will be positioning itself even more strongly as a sustainability-oriented investment bank in future and this is reflected in the organisational alignment.

To advance its strategic ambitions of becoming an efficient, digital and innovative banking group, the necessary change capacities and skills will be pooled in what was previously the Group COO Division. It will now be renamed the **Group CDO** (Chief Digital & Operating Officer) Division, and a Group Digital Transformation Business Area will be created.

The **Group CFODivision** completes the management structure of the LLB Group. Its key task, also under the new ACT-26 corporate strategy, will be to ensure that risks and opportunities are balanced carefully and in compliance with the law.

Corporate culture and value basis

With the new ACT-26 corporate strategy, the LLB Group has set the course for its successful development over the next five years. The successful implementation of the new strategy depends on the commitment of the employees and also a progressive corporate culture. The LLB Group has a culture that is at once unique and very strong (see chapter "Values and corporate management"). In the course of the development and conceptualisation of ACT-26, the cultural journey also became reinvigorated in the autumn of 2021 – here, client and result orientation will be the predominant topics over the next few years.

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 key performance indicators from 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 internal regulations and guidelines 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 147.6 per cent (2020: 149.3 %), 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 internal regulations and guidelines and is reviewed and revised annually on the basis of overall bank stress tests.

Solid equity base

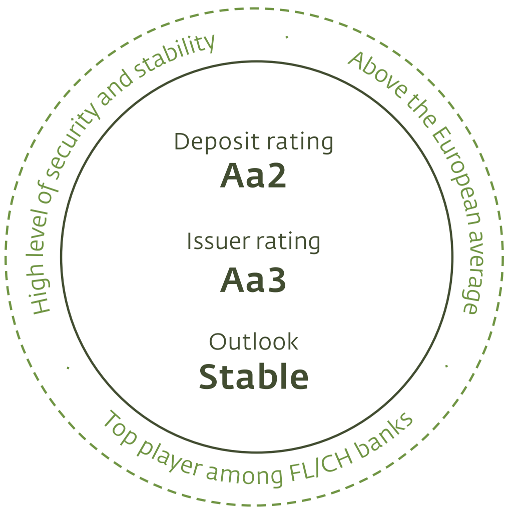
A good equity base not only protects its reputation, but is also part of the financial management and credibility of a bank. Having a sufficiently high-quality equity base at its disposal is part of the LLB Group's identity. Its financial strength shall remain, as far as possible, unaffected by fluctuations 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 2021, the LLB Group had CHF 2.2 billion in equity capital (31.12.2020: CHF 2.1 billion). At 20.3 per cent (31.12.2020: 21.6 %), its Tier 1 ratio is well above the regulatory requirement and above its target of 14 per cent, which it had set itself during the StepUp2020 strategy.

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 12.2 billion, the lion's share of loans made during the reporting year, namely 88.7per cent (31.12.2020: 898.7%), comprised credits secured by mortgages. We have managed to continually grow our market share of loans to customers. At the end of 2021, the volume of loans had increased to CHF 13.8 billion (31.12.2020: CHF 13.2 billion). We extend mortgages primarily within the market regions of Liechtenstein, north-eastern Switzerland and the region of Zurich.

The LLB Group has a special economic position in Liechtenstein and in eastern Switzerland. This came evident especially during the corona pandemic, when many companies in the region were facing considerable economic challenges. For this reason, it was important to us to provide bridging loans quickly and with a minimum of bureaucracy in 2020, the first year of the COVID-19 pandemic. No additional liquidity assistance was provided in 2021. We nevertheless continued to remain in close contact with our corporate clients. Where the liquidity situation was tight despite a sustainable business model, we gave targeted support in the form of interest or amortisation deferrals. Each individual case was examined according to specific defined criteria.

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.

High standards of lending

The LLB Group pursues a risk-conscious credit policy. It includes the differentiated and separate evaluation of loan applications, the conservative assessment of collateral values, the individual calculation of affordability as well as compliance with standard equity requirements. The different 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. Since mid-2021, the guidelines of the European Banking Authority (EBA guidelines on loan origination and monitoring) have therefore been applied to new lending.

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:

- combating money laundering and financing of terrorism;
- implementing tax compliance within the framework of international agreements;
- complying with regulatory requirements and 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 instructed about regulatory changes, sensitised to indications of possible money laundering, and know and comply with the regulations of the respective target country when engaging 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 the LLB Group and is ensured through IT systems and trained and aware employees. The principles and policies on information security 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 defence measures. In future, these analyses and defensive measures will be developed further by the LLB Group's new Cyber Defence Center. Targeted vulnerability management and penetration tests ensure a consistently high and appropriate 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. This helped to maintain alertness to the risks high.

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 most recently the case with the corona pandemic. Through the pandemic, the LLB Group's BCM has been shown to be crisis-proof, efficient and comprehensive.

The way forward with the new ACT-26 strategy

Ensuring that risks and opportunities for the LLB Group are balanced carefully and in compliance with the law will be the key task of the Group CFO Division, also under the new ACT-26 corporate strategy (see chapter "ACT-26"). Rules and standards will continue to be implemented rigorously. Risk management is being strengthened in a targeted manner and also cyber defence and data protection are being scaled up.

"The Group CFO Division will ensure that opportunities and risks are balanced on our growth path. "

Christoph Reich, CFO LLB Group

A particular focus is placed on the efficiency and automation of processes within finance and risk management. The organisation of the division will also reflect these strategic alignments: management of operational risks will be brought together in the new Business Risk Management Department. In future, this will include information security, data protection, cyber defence and the internal control system.

Economic environment

In 2021 too, the global economy was largely influenced by the effects of the corona pandemic. Although the global economy had overcome the severe recession of 2020, a full recovery remained elusive. In addition to the various waves of the pandemic, ongoing supply chain problems acted as a brake on the economic recovery. Economic uncertainties remained due to the continuous appearance of variants of the virus.

International Perspectives

USA

In the US the rapid return to a restrictive fiscal policy is generally regarded as the cause of the lame economic recovery following the great recession of 2008/09. The new US administration and Congress did not want to repeat this mistake. Accordingly, in Spring 2021 a recovery package totalling USD 1.9 trillion was put together with the goal of eliminating underemployment as quickly as possible. Private households were able to benefit from this package with the added income flowing mainly into consumer spending. In contrast, the recovery in the service sector stalled on account of the wave of infections during the summer months. In Autumn, Congress approved an additional infrastructure renewal programme amounting to USD 550 billion over a period of ten years. However, so far the job losses suffered during the crisis have not been recouped.

Euro zone

As a result of the lockdowns in various countries, economic output declined during the first quarter. However, demand increased sharply with the lifting of restrictions although it has not yet attained pre-crisis levels in the larger economies. On the one hand, this is attributable to weaker financial policy impulses; the EU reconstruction fund will only become fully effective in 2022/23. On the other hand, persisting supply chain bottlenecks are continuing to adversely affect growth, above all in the automobile industry. On account of the proportionately large share that automobile manufacturing represents in overall economic added value, this has had a particularly negative impact in Germany. The fourth wave and new variant of the virus again triggered increased uncertainty towards the end of 2021.

Switzerland

Economic development in Switzerland was also largely driven by the course of the corona pandemic. The contact restrictions during the Winter led to a decrease in value added during the first quarter which, however, was more moderate than in some euro zone economies. Private consumption and net exports subsequently underpinned a robust recovery. Consumer demand benefitted from the easing of restrictions, while the upswing in global trade boosted exports. In the third quarter, gross domestic product exceeded pre-crisis levels. The good health of the employment market was reflected in the low unemployment rate.

Liechtenstein

As a small, open economy, Liechtenstein is very dependent on the global economic situation. As a result of the corona pandemic and its consequences, the Principality experienced a sharp decline in export activities at the start of the worldwide recession. Nevertheless, the Liechtenstein economy proved to be very resilient. This also applied to the financial services sector. Once again, the robust employment market acted as a stabilising factor. Furthermore, in 2021 the financial sector benefitted enormously from the high capital and liquidity buffers, which strengthened customer confidence and once again contributed to Liechtenstein's reputation as a stable financial centre. The systemic risks were assessed as being relatively low.

China
In spite of China's dynamic recovery following the corona crisis in 2020, at the end of the year the country's economic development clearly lost momentum. In addition to the pandemic, energy shortages and high basic materials prices, this was also attributable to structural problems. In this context, the crisis on the real estate market is especially relevant. Against this backdrop, the communist party has decided to place the focus on distribution policy goals in future. Distribution policy and the urgently necessary consolidation of the real estate sector will probably continue to exert a negative effect on the rate of growth.

Inflation
Inflation has once again become a topic on the financial markets. By the end of 2021 inflation rates had reached levels not seen in the developed economies for decades.

The debate is continuing about the whether the latest rise in inflation is due to supply or demand-related reasons. The central banks point to the supply-side causes such as supply chain shortages and higher base material prices, *which should lead only to a temporary acceleration of inflationary pressure*. They are assuming that, over the medium term, the rate of price rises will return approximately to their envisaged targets. Some investment strategists are sceptical about this. In their opinion, the rise in inflation is due above all to demand considerations. They therefore do not expect any rapid easing of the situation. Which of the parties is correct is not yet clear. However, so far there is no sign of a wage/price spiral. It can be assumed that the latest rise in inflation is due both to supply and demand-related reasons. In the medium term, investors will probably have to count on higher rates of price rises in comparison with past years.

Interest rates
Monetary policy conditions tightened during the year under report. For example, the central banks of Brazil and Russia reacted to rising inflation rates by significantly raising key interest rates. Among the developed economies, so far the central banks of smaller countries such as Norway, the Czech Republic, Poland and New Zealand have increased interest rates. One exception is the Bank of England, which raised its base rate on 16 December by 15 basis points to 0.25 per cent.

In December, the Fed decided to accelerate the reduction in the purchase of securities on account of the worrying inflation figures. However, interest rates will probably only be increased after the end of securities purchases, i.e. in the second quarter of 2022 at the earliest.

As announced, the European Central Bank will end the Pandemic Emergency Purchase Programme (PEPP) in March 2022. Conversely, the Asset Purchase Programme (APP) will be temporarily expanded to EUR 40 billion. According to the President of the ECB, Christine Lagarde, it is unlikely that the base interest rate will be increased in 2022.

The Swiss National Bank kept its monetary policy unchanged. From its perspective, the Swiss franc is still overvalued. If necessary, it will again intervene on the foreign exchange market. Consequently, money market interest rates will most probably not rise during the coming year.

Currencies
Exchange rate fluctuations on the international foreign exchange markets remained within reasonable bounds in the year under report. On the whole, they stayed within the scope of "normal" volatility. One exception was the Turkish lira, which plunged in value.

The Swiss franc gained in value relative to the euro and Japanese yen especially towards the end of 2021. This was probably attributable to the fact that the European Central Bank is unlikely to alter its expansive course. There are also indications that the Swiss National Bank intervened less often than, for example, in the previous year at the height of the corona crisis. The franc lost a little ground in relation to the US dollar, the Canadian dollar and the Russian rouble. The US dollar benefitted from expectations of a larger interest rate advantage, and the Canadian dollar and the rouble from higher base material prices.

Equity markets

Several factors contributed to the price gains on the international markets in the year under report. The most important of them was the economic recovery following the corona crisis. This generated strong profit gains for companies in spite of the pandemic, supply chain problems and higher base material prices. The relaxed monetary policy coupled with fiscal support also had a positive impact on equity prices in 2021. On account of the low and, in some cases, negative long-term nominal interest rates, investors apparently see no alternative to equities.

Even the proposed sustainable restructuring of national economies provided gains in equity prices, even though it did affect their relative performance. On the financial markets those that benefit from the decarbonisation of the economy are seen as having good growth prospects. Investors gave preference to the equities of these companies which include, for example, the manufacturers of electric vehicles. However, the opportunities and risks associated with this structural transition cannot be reliably assessed at present.

The high inflation rates and the looming tightening of monetary policy have exerted pressure on equity prices in recent months. The war in Ukraine has added a further negative factor. The reductions in growth directly associated with the sanctions imposed can be borne by the EU states, but the high dependency on Russian energy imports should be viewed as more critical. The fall in incomes caused by the sharp rise in energy prices will have a significant adverse impact on economic growth. However, the stock markets have already factored this in to some extent. Higher volatility can be expected to remain for quite some time.

Retail & Corporate Banking

“Closeness to clients is our key priority”. In line with this principle, LLB and Bank Linth have successfully positioned themselves as a universal bank in Liechtenstein and eastern Switzerland. In interacting with clients, tradition is just as important as innovation.

Regionally anchored

Founded 160 years ago, Liechtensteinische Landesbank is the longest established financial institute in Liechtenstein. Its very large share of the market in private and corporate client 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 chapter “Economic value creation”). Bank Linth (founded in 1848) also has a rich tradition and is well known for its proximity to clients and its strong regional ties. The client advisers at both banks live in their market regions and therefore have a profound knowledge of their client`s needs (see chapter “Employees”).

The private and corporate client business at the Liechtensteinische Landesbank and at its subsidiary Bank Linth comprises the deposits and financing business in the domestic markets of Liechtenstein and Switzerland. In addition, there are very diverse relationships with cross-border clients from the Austrian province of Vorarlberg.

As in the previous year, the 2021 business year was largely dominated by the effects of the Covid-19 pandemic. So again in the year under report, we strove to make our contribution to dealing with the crisis by continuing to be a reliable partner for our clients. We tried to support them respectfully, transparently and by providing practical solutions. The broad range of positive feedback we received from them testified to the fact that we again proved to them that we are trustworthy partners for our corporate clients.

Premium partner of the Chamber of Commerce

LLB is well networked with the local business community. This can also be seen in our effective partnership with the Liechtenstein Chamber of Commerce, which we have extended again at the end of 2021 for a further three years. Moreover, we are constantly expanding this collaboration. Since the year under report, the Head of the LLB Private and Corporate Business Area, Eduard Zorc, has represented LLB at the Chamber of Commerce’s Conference of Senior Executives. We are, therefore, right at the source of new developments and challenges within the Liechtenstein business community.

We offer the members of the Chamber of Commerce various tried and tested services such as preferential conditions for forex transactions and favoured status for our “SME-Box” basic product. Our joint events and free-of-charge training possibilities are very popular.

The launching of the LLB SME Award is also a testimony to our close ties with the Liechtenstein business community. This will be presented for the second time in 2022.

Spotlight on client needs

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 the advice it provides to them. In 2021, therefore, we paid great attention to the behavioural economic aspects of distribution and marketing issues as well as in product design. In collaboration with an external partner, we field tested various behavioural economic concepts in a pilot project. In response to the good results achieved, we shall explore this concept in distribution, and our approach to clients in greater detail.

Successful lending and mortgage business

Lending business is an important area of business for the LLB Group. In this business, we pursue a prudent credit policy, which focuses on the borrower's creditworthiness and ability to repay a loan (see chapter "Finance and risk management"). In 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 an important player in this segment.

Bank branch and ATM network

LLB is the only bank in Liechtenstein which, in addition to its headquarters in Vaduz, offers

2 bank branches and
19 ATM locations

In addition to its headquarters in Uznach, in the Swiss cantons of St. Gallen, Zurich, Schwyz and Thurgau Bank Linth operates

16 bank branches / advisory points and
27 ATM locations

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 own 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 private and corporate client business. Many clients prefer investment fund saving and investment plans to conventional savings accounts. Our unique "LLB Compass" offers a 360-degree spectrum of advisory services, which provides solutions for every phase of life and stage of the business cycle, from birth to succession and from the founding of a business to the transfer to the next generation. At LLB and Bank Linth, corporate clients receive various attractive basic products in our "SME box" with transparent services and conditions.

Reliable partners for our corporate clients

In recent years, LLB and Bank Linth have established themselves as reliable partners for small and medium sized enterprises (SMEs). With a market share of over 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.

Because corporate client business is particularly important for the LLB Group we expanded our staff of client advisers in the year under report. We were able to recruit a team of experienced corporate client advisers in Liechtenstein, who commenced working with us in autumn 2021.

Our close ties with SME clients were demonstrated especially during the corona crisis. During the pandemic, both LLB and Bank Linth provided companies, which had run into financial difficulties, with Covid-19 bridging loans in a simple and unbureaucratic manner. In the year under report no further liquidity support was provided. Nevertheless, we continued to maintain close contacts with our corporate clients. If, in spite of their sustainable business model, companies still experienced challenging liquidity situations, we supported them by deferring interest and amortisation payments. Each individual case was evaluated according to LLB's defined basic criteria (see chapter "Financial and risk management").

Individual pension provisioning solutions

We are the only bank in Liechtenstein to offer SMEs collective pension fund solutions through the LLB Pension Fund Foundation. Thanks to its solid financial base, the foundation enjoys ever increasing popularity. At the end of 2021, the foundation administered assets of CHF 1.27 billion (2020: CHF 1.18 billion). Accordingly, LLB Pension Fund Foundation administers one of the largest pension fund assets in Liechtenstein making it one of the main pillars of the domestic pension fund market. At the end of 2021, it encompassed 760 affiliated companies (2020: 773) having a total of 7'866 actively insured persons (2020: 7'238). The coverage ratio stood at over 110.1 per cent (2020: 107.2 %). The Foundation has an extremely solid client structure with a ratio of 12 actively insured persons for every one pensioner.

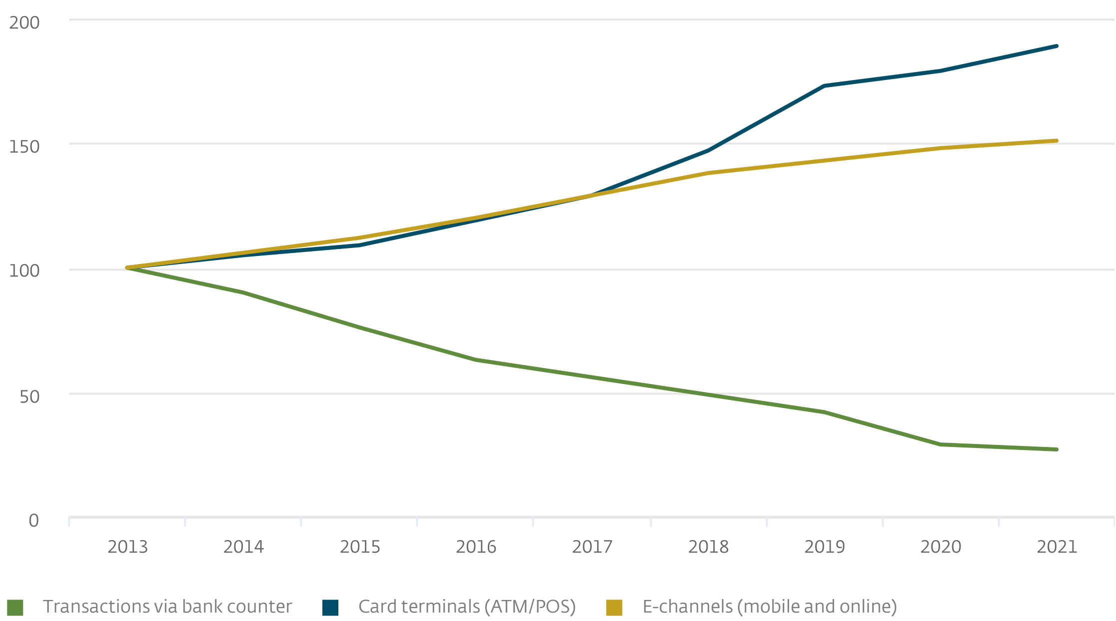
The LLB Pension Fund Foundation is a member of the supervisory board of the Liechtenstein Pension Fund Association, enabling it to actively consult and shape the regulatory framework for the domestic market.

Multiple channels enhance closeness to clients

The corona pandemic has again accelerated the use of digital channels. Even in the years prior to the pandemic, we noted that in private and corporate client business, more and more of our clients were utilising e-channels whereas over-the-counter business was declining. In 2021, more than 2.7 million transactions (2020: 2.7 million) were carried out via our online and mobile banking channels. Card transactions using LLB cards also increased sharply from 3.3 million in the previous year to 3.5 million.

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 discussion 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 advisers, who also complete the certification programme according to the standards of the Swiss Association for Quality (SAQ) (see chapter "Employees").

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 structured 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 2021, our Online and Mobile Banking programmes were further enlarged. Users therefore benefitted from new functions and improved user-friendliness (see chapter "Corporate Center"). Since 2021, the following features are additionally available to you:

- **Online fund saving plan:** Clients can now sign up to and manage investment fund savings plans in our online banking programme independently. Currently, clients can select from round 60 investment funds to add to their fund saving plan. Client advisers can be contacted or can provide support with questions or for information purposes at any time via the system.
- **Online extension of fixed-term mortgages:** Mortgage clients can now simply extend existing fixed-term mortgages using LLB Online Banking for periods of up to ten years. LLB is the first bank in Liechtenstein to provide this mortgage option online.

Digitalisation of payment systems

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

- **LiPay:** In contrast to other established instant payment systems in Switzerland and Liechtenstein, our own contactless payment app uses direct "account-to-account" payments, accelerated by instant push messages.
- **QR billing:** This solution represents a further step towards the automation of payment processes. It simplifies the issuing and payment of invoices for our clients and, following a transition period, it will replace the orange and red payment slips in autumn 2022. Liechtensteinische Landesbank will actively support the changeover process by providing specific offers. However, it has to be said that, so far, clients appear hesitant to make the change.
- **eBill:** This service makes it easier and faster for our clients to receive, check and release invoices for payment via LLB's Online Banking. Thanks to electronic and paperless processing, costs can be saved and a contribution can be made to sustainably protecting 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 enables companies to submit payment, stock market and foreign exchange orders via the 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 Payment 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.

The LLB Group is investing a total of CHF 30 million during the current strategy period in the continual development of our digital channels (see chapter "Corporate Center"). The new ACT-26 corporate strategy envisages a further CHF 100 million for the Group's digital transformation (see chapter "ACT-26").

Closeness to clients in modern bank branches

The trend in the usage of bank branches has changed fundamentally in recent years away from traditional over-the-counter transactions and towards the demand for more personal advisory services. During the corona pandemic this trend continued to accelerate.

We already began, therefore, to redesign our bank branches in line with a new concept several years ago. At the core of the concept are three imperatives, i.e. service, functionality and client experience. The atmosphere and ambience of our modernised branches should appeal to all our client's senses and encourage them to feel comfortable and at ease. Our unique "Bankorama" experience makes LLB banking products more simple, clear and interactive. Both our bank branches in Balzers and Eschen have already been remodelled according to this concept. Finally, the remodelling of our headquarters in Vaduz should be successfully completed in spring 2022.

Urs Müller, Head Retail and Corporate Banking

“We are focusing even more sharply on the changed needs and requirements of our clients. In future, as part of our omni-channel strategy, we shall also be able to provide our clients at the bank’s headquarters with an inspiring experience”, stressed Urs Müller, Head of the Private and Corporate Clients Division of the LLB Group.

Private banking and institutional clients will also benefit from the redesigning of the bank`s headquarters.

On its way to becoming the “bank of the future”, Bank Linth opened its first redesigned branches in 2015. In the meantime, all seventeen branches have been modernised according to the new concept. In line with changed client needs, we are now focusing on delivering advisory services. Thanks to mobile work places and adjustments to infrastructure, all Bank Linth branches can offer clients the choice of flexible appointment planning in future. Less-in-demand services will no longer be offered at all bank branches in future.

Highly efficient and service-oriented advisory centres

As the interface between online and offline services, our two advisory services centres at LLB and Bank are the first points of contact for around 98’000 clients. They offer a comprehensive service for all banking transactions and represent the first level of support for questions in relation to our digital channels. In 2021, our two extremely efficient teams answered 236'000 telephone calls, responded to around 43’000 e-mails and 17’100 bank messages. They also dealt with 221'000 enquiries and questions.

In recent years more and more demands have been made on our advisory centres, caused largely by the plethora of different regulatory requirements applying to our clients from around eighty countries.

ACT-26 puts clients at the forefront

Clients will also be at the centre of our activities in realising our new ACT-26 corporate strategy. In future, there will be just two, instead of three, market divisions. As an essential one of these, the Private and Corporate Clients Division will play an important role. It specialises in taking care of locally oriented private banking clients (in Liechtenstein, Switzerland and Germany), as well as corporate and private clients in Liechtenstein and Switzerland. The goal is to become the market leader in Liechtenstein and the region.

In essence, the Private Banking segment is to be further strengthened in the domestic markets and, working from out of Liechtenstein, the markets in Germany and Italy are to be further expanded. In Germany, especially, there is increasing interest in establishing a banking relationship in Liechtenstein.

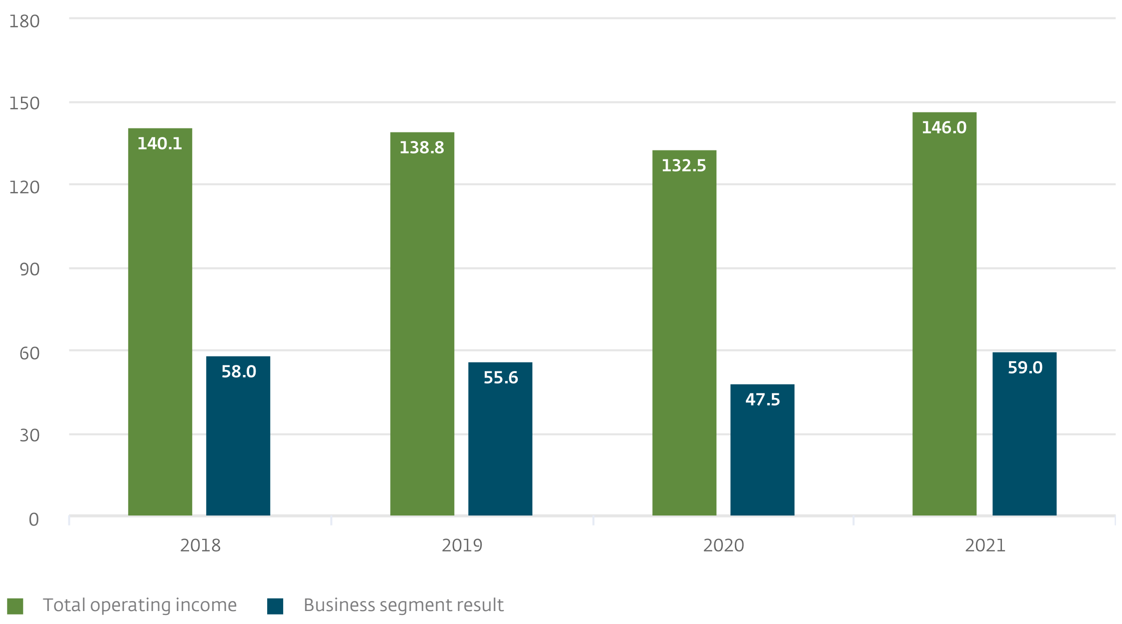
A new uniform management level will be created for the corporate client business of LLB and Bank Linth. This will enable sales and marketing efforts in Switzerland and Liechtenstein to be intensified. Another priority will be given to the comprehensive, groupwide standardisation and automation of credit processes. A first milestone has been set with the “Credit for Future” Group project.

Even greater importance will be attached to the advisory centres in future. Accordingly, they will be reorganised and their infrastructure will be modernised. In going forward, the experiences provided to clients, and no longer classical product sales activities, are to be the focus of the strategic direction of the Private and Corporate Client Division. For this purpose digitalised services will also be expanded (see chapter "ACT-26").

Business segment result

Interest differential business, which comprises the largest proportion of earnings in the Retail and Corporate Clients Division, posted a stable development and, at CHF 91.7 million, remained at the same level as in the previous year – in spite of persisting pressure on margins. In contrast to the previous year, provisions for expected credit losses were written back in 2021. Fee and commission income was up by a pleasing 9.0 per cent in comparison with 2020. In total, operating income rose by over 10 per cent year on year. The segment profit before tax, at CHF 59.0 million, was 24.3 per cent above the previous year's level.
The business volume expanded by 2.6 per cent to CHF 21.3 billion. The increase was attributable to net new money inflows of CHF 491 million and higher mortgage loans. The net new money inflows and the growth in lending activities were achieved in the domestic markets of Switzerland and Liechtenstein.

Business segment result: Retail & Corporate Banking (in CHF millions)



Segment reporting

in CHF thousands	2021	2020	+ / – %
Net interest income	91'674	91'216	0.5
Expected credit losses	5'521	– 4'120	
Net interest income after expected credit losses	97'195	87'096	11.6
Net fee and commission income	36'018	33'059	9.0
Net trading income	10'795	10'092	7.0
Other income	2'014	2'258	– 10.8
Total operating income	**146'022**	**132'504**	**10.2**
Personnel expenses	– 28'099	– 27'224	3.2
General and administrative expenses	– 3'635	– 1'572	131.2
Depreciation	– 23	0	
Services (from) / to segments	– 55'285	– 56'252	– 1.7
Total operating expenses	**– 87'042**	**– 85'049**	**2.3**
Segment profit before tax	**58'980**	**47'455**	**24.3**

Performance figures

	2021	2020
Gross margin (in basis points) [1]	66.6	67.3
Cost Income Ratio (in per cent) [1]	62.0	62.2
Net new money (in CHF millions) [1]	491	745
Growth of net new money (in per cent) [1]	5.0	8.0

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

Additional information

	31.12.2021	31.12.2020	+ / – %
Business volume (in CHF millions) [1]	21'333	20'800	2.6
Assets under management (in CHF millions) [1]	9'986	9'912	0.7
Loans (in CHF millions)	11'347	10'888	4.2
Employees (full-time equivalents, in positions)	174	183	– 4.8

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

Private Banking

For wealthy private clients, the LLB Group is a firmly established name. Above all they appreciate our stability and security, our high product and service quality, as well as our acknowledged investment performance. We gain the trust of our clients additionally thanks to first-class advisory competence, innovative digital applications and fair conditions.

Focus on clients

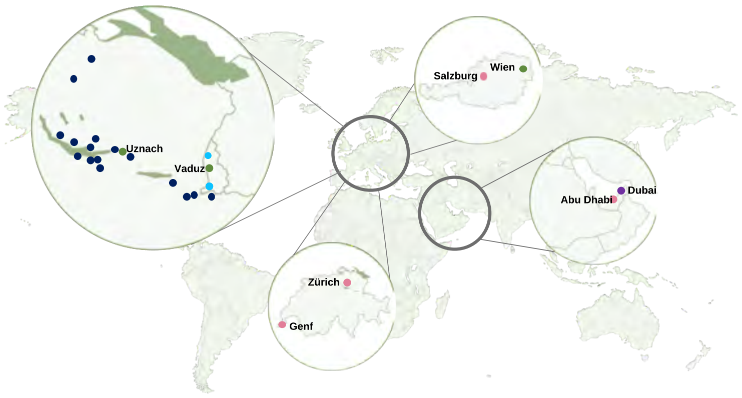
The bond with our clients is always the central focus of the LLB Group. The corona pandemic confronted this relationship with new challenges because the personal contact with them was at times impossible. However, our teams of advisers succeeded in overcoming the physical distance and utilised new banking communication channels to be close to their clients. The positive feedback we received showed that our personal, proactive advisory services were very much appreciated, irrespective of whether they were provided in person or digitally.

Stability and security

Its 160-year history makes LLB the longest established bank in Liechtenstein. As such, it has a very long tradition as a private bank. Wealthy clients trust in our vast experience and regard us as a reliable partner, who understands their wishes and requirements. The certainty that the LLB Group has been one of the most secure and best capitalised universal banks in the world for many years generates additional confidence. With its Aa2 deposits rating from Moody's, it belongs to the absolute top rank of financial institutes in Europe (see chapter "Finance and risk management"). 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 a stable outlook from Standard & Poor's.

International presence – strong local ties

The LLB Group operates three booking centres and has a bank each in Liechtenstein, Switzerland and Austria. The Private Banking Division is internationally active and maintains strong local ties through its brands "Liechtensteinische Landesbank" and "Bank Linth". In Liechtenstein we are represented by two LLB bank branches and our headquarters in Vaduz, in eastern Switzerland we have seventeen Bank Linth branches, and in Austria we are present with a bank in Vienna and a new business location in Salzburg. Business bases in Geneva and Zurich, as well as in the United Arab Emirates supplement our international presence.



We attach great importance to meeting tax compliance requirements and strictly observing prevailing local and international regulations. By providing intensive training and clear instructions, we ensure that our employees fulfil the regulations of the target countries 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.

Traditional cross-border markets

Selected western European markets continue to be important for our wealth 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. Germany is Europe's largest private banking market and in the year under report we registered a much higher level of interest in our service offers in this market. We are taking account of this development in our new ACT-26 corporate strategy, which envisages a strong expansion in the German market (see chapter "ACT-26").

Central and Eastern Europe (CEE)

Our Private Banking also looks after clients from Central and Eastern European EU states, Russia and 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 LLB Group offers 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 significantly strengthened and expanded our position in the Middle East.

Private Banking International

With the introduction of the new corporate strategy, the two business areas Private Banking CEE and Middle East were amalgamated from 1 January 2022 into the Private Banking International Business Area. As a result of the reorganisation, the CEE Team will move from its former representative office in Erlenbach to Zurich city centre. Through this move, the LLB Group wants to emphasis its intention to grow in international private banking, especially in the Central and Eastern European market.

High level of product and service quality

Wealthy clients attach great importance to trust, competence, personal advice and individual solutions. The LLB Group's private banking fulfils these expectations in every respect.

Outstanding advisory services

We regularly receive awards for the outstanding quality of our advisory competence. In 2021 again, our client advisors attained top results in the "Gold Segment" of the independent comparison test carried out by the "Fuchsbriefe" publishing house. In the opinion of the jury, "the advisory discussion, the investment proposal and the transparency of the company were completely convincing (all three were very good)."

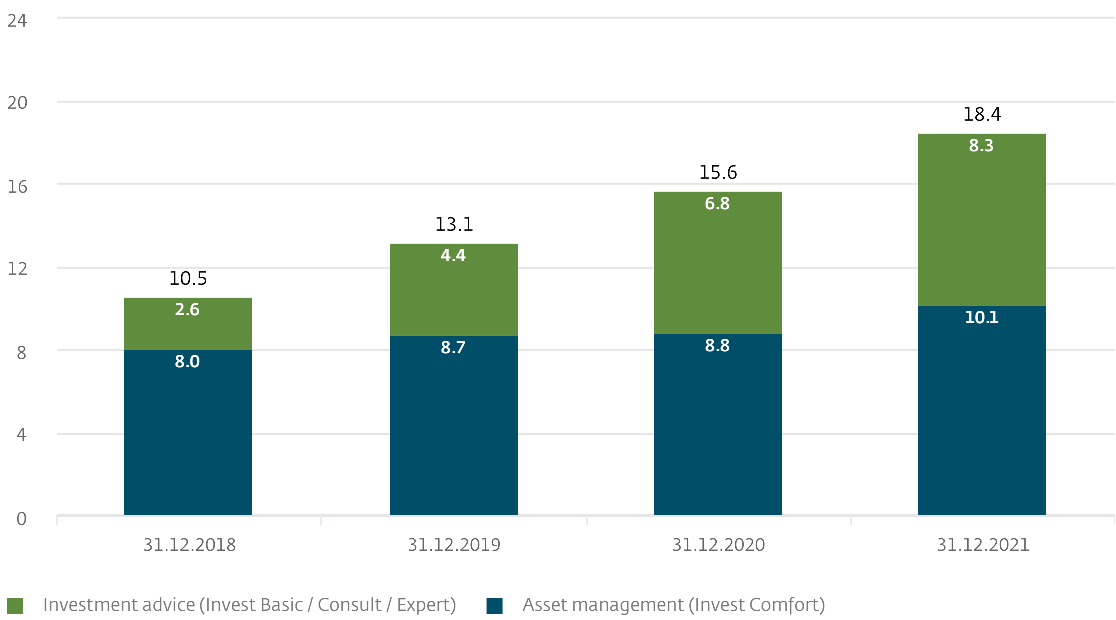
On the permanent list of best vendors, the Liechtensteinische Landesbank ranked sixth and is therefore among the leading private banking providers in the entire German-speaking region.

Investment counselling and asset management

For the management of their assets, clients can decide themselves what scope of service they wish to receive from their client adviser. This can range from basic to expert solutions. Private and institutional clients can find a product offering tailored to suit their requirements with "LLB Invest" and "Bank Linth Invest". Various options are also available to them when it comes to investment strategies. Using technology-supported continual monitoring of the portfolios, our private banking client advisers ensure the security of the investments and a performance in line with the selected strategy.

Since the introduction of "LLB Invest" in 2016, the volume of asset management and investment advisory mandates has expanded steadily (see chart). In the year under report LLB Österreich also introduced this advisory model. So in 2021 again we succeeded in increasing the proportion of our "LLB Invest" services.

LLB Invest (in CHF billions)



Holistic financial planning

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.

Fair and transparent pricing

The tariff structures of Liechtensteinische Landesbank are simple and clear, costs are visible at a glance (see chapter "Sustainability in banking"). 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 pass on 100 per cent of these payments to our clients. We employ performance-related fees with various asset management and investment advisory 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 for the benefit of our clients.

Continual further training

The high quality of our advisory services can only be maintained thanks to continual investments in the further training and professional education of our employees. All 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, which is recognised throughout the EU. We have supplemented this programme with our own oral examination, thus upgrading it to comply with the SAQ certification (see chapter "Employees").

In the increasingly important area of sustainable investments we have introduced our own training programme for client advisers. This ensures that our client advisers have the necessary expertise to be able to keep pace with the expansion of our range of products and services (see chapter "Sustainability in banking").

Service and technology

In the year under report, we again expanded our Mobile and Online Banking programmes (see chapter "Corporate Center"). 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 excellent personal advice coupled with digital services has proven its worth.

When 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 automatically.

All the banks within the LLB Group now use the common Avaloq core banking system. This has enabled us to achieve a broad scope of synergy effects and further automate our operational processes. Furthermore, all our clients now benefit from the availability of our complete range of products and services.

Outstanding investment performance

One of the main reasons for the success of our private banking is the very good performance of our investment solutions. This is confirmed by the many international awards, which the Asset Management Division of the LLB Group has received for its outstanding expertise in recent years. 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 funds and mandates. This applies in both asset management and for investment funds. To ensure quality, we constantly invest in technology and the training of our investment experts.

Our asset management clients can select from five different implementation options with "LLB Comfort". Depending on the client's wishes, investments can be made with a focus on Switzerland, global, alternative, sustainable or passive investments.

In the year under report, the LLB Group again expanded its range of sustainable investment offers (see chapter "Institutional Clients"), The LLB Group is already a pioneer in this business sector and again registered a substantially higher demand from clients for sustainable investing in 2021.

Client focus with ACT-26

With its new ACT-26 corporate strategy, the LLB Group has defined the goal of being perceived as a secure, sustainable international private bank. The newly created International Wealth Management Division will play a pivotal role in realising this objective. This division consists of the business areas of the former market divisions Institutional Clients (excluding Asset Management) and Private Banking (excluding Private Banking Liechtenstein / Germany and Austria) – see chapters "ACT-26" and "Institutional Clients").

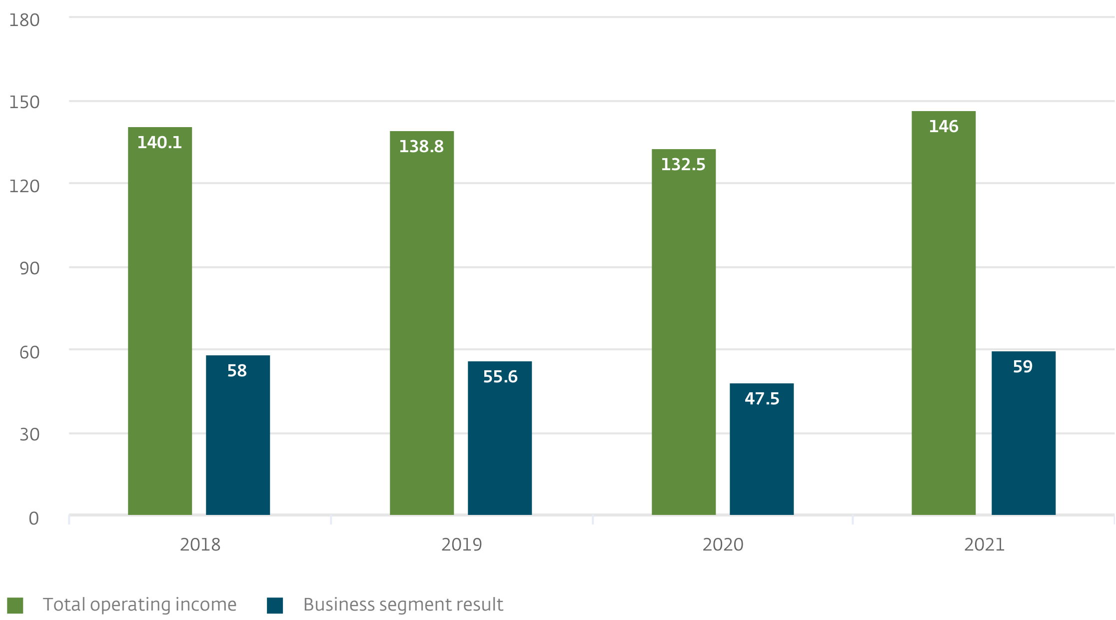
In private banking, the emphasis will continue to be on stability, competence, professionalism and personal service. This will enable us to strengthen our position as the leading wealth management bank in Austria. Providing customised solutions for our clients will be of cardinal importance here.

For our international private banking clients, stability is of key importance. As one of the safest banks in the world, we can offer them comprehensive and cross-generational personal services in all aspects of wealth management.

Business segment result

At CHF 53.9 million, the Private Banking segment's profit before taxes was 44.9 per cent higher than the previous year's result. Operating income increased by CHF 19.8 million to CHF 134.2 million. This was mainly attributable to the service and commission business, which was the largest revenue driver. Thanks to the increase in client assets, net fee and commission income developed positively and rose by 24.0 per cent to CHF 100.6 million. Operating expenses increased slightly to CHF 80.2 million. In the previous year, the adjustment of the conversion rate of the LLB Pension Fund had a one-off positive impact on personnel expenses. Net new money inflows of CHF 3.1 billion confirm the positive growth trend of recent years. The segment achieved significant inflows particularly in its home market of Austria as well as in the two growth markets of Central and Eastern Europe and the Middle East. In addition to the positive market performance, client assets increased to CHF 21.4 billion. Business volume increased to CHF 23.4 billion.

Segment reporting: Private Banking in (CHF millions)



Segment reporting

in CHF thousands	2021	2020	+ / – %
Net interest income	21'515	25'739	– 16.4
Expected credit losses	74	– 4'365	
Net interest income after expected credit losses	21'589	21'374	1.0
Net fee and commission income	100'566	81'102	24.0
Net trading income	11'998	11'906	0.8
Other income	2	3	– 47.0
Total operating income	**134'155**	**114'384**	**17.3**
Personnel expenses	– 38'973	– 36'484	6.8
General and administrative expenses	– 2'821	– 2'478	13.8
Depreciation	– 88	– 128	– 31.2
Services (from) / to segments	– 38'354	– 38'087	0.7
Total operating expenses	**– 80'236**	**– 77'177**	**4.0**
Segment profit before tax	**53'919**	**37'207**	**44.9**

Performance figures

	2021	2020
Gross margin (in basis points) [1]	64.1	65.0
Cost Income Ratio (in per cent) [1]	59.6	64.6
Net new money (in CHF millions) [1]	3'075	616
Growth of net new money (in per cent) [1]	17.7	3.7

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

Additional information

	31.12.2021	31.12.2020	+ / – %
Business volume (in CHF millions) [1]	23'434	19'289	21.5
Assets under management (in CHF millions) [1]	21'355	17'401	22.7
Loans (in CHF millions)	2'078	1'887	10.1
Employees (full-time equivalents, in positions)	198	186	6.8

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

Institutional Clients

We consistently view the financial world from the perspective of our clients. This supports us in striving to provide them with comprehensive expertise and personal services. We offer them an extensive package of specialised and innovative services, the outstanding investment competence of our Asset Management, as well as our broadly based investment fund powerhouse. All of which makes the LLB Group a reliable partner for financial intermediaries and institutional clients.

Specialised in serving professional clients

Fiduciaries, asset managers, fund promoters, family offices, insurance companies, pension funds and public institutions, in spite of their very different business models, they all have one thing in common: they should manage and increase the capital entrusted to them as effectively as possible. As their partner, the LLB Group offers optimum conditions for this purpose. Highly specialised contact persons are readily available to listen to client's concerns and provide competent advice. Our client advisers have completed a certification programme according 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, outstanding investment 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 hear about their future requirements. For this purpose we regularly carry out client surveys to learn in which areas we can improve and how we can enhance our services.

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. Mindful of this aim, we once again expanded our digital channels in the year under report. These efforts have proven their worth once again in the second year of the corona pandemic. For example, despite the restricted possibilities relating to personal contact, we were still able to maintain close ties with our clients and meet their needs and concerns without any deterioration in quality. The duality of our services – personal advice coupled with digital services – is appreciated by our clients and utilised where appropriate for them in the individual case.

Fund powerhouse

Investment fund business is an important earnings pillar for the LLB Group offering great growth potential. In the year under report our investment fund business posted a substantial growth in volume of CHF 5.3 billion (2020: CHF 2.1 billion). The fund assets it manages climbed to CHF 44.0 billion (2020: CHF 38.7 billion).

Our four investment fund companies in three countries offer clients access both to the European and 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 delivering private label 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 fund 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 2021, we intensified our marketing efforts for our fund powerhouse and, therefore, established our range of products and services more firmly in our home markets. In the year under report, a decision was made to introduce a uniform, modern fund platform for all our investment fund locations, thus laying the foundation for future successful growth.

Fund services of the LLB group

Fund powerhouse

	Liechtenstein	Austria		Switzerland
Investment fund companies	LLB Fund Services AG	LLB Invest KAG	LLB Immo KAG	LLB Swiss Investment AG
Custodian bank for funds	Liechtensteinische Landesbank AG	Liechtensteinische Landesbank (Österreich) AG		External depositaries

- Around 700 funds with a volume of CHF 44.0 billion
- Bundled know-how in three jurisdictions
- Specific location advantages for individual structuring solutions

Fund business in Liechtenstein and Switzerland

LLB Fund Services AG in Vaduz is one of the leading fund vendors in Liechtenstein. Its holistic and needs-oriented advisory approach enables our clients to access the full spectrum of fund services from one source. Thanks to its membership of the EEA and its customs agreement with Switzerland, Liechtenstein offers unrestricted access to two economic areas and thus ideal conditions for cross-border distribution of investment funds. Last year, for example, we were granted a license – as the first vendor in Liechtenstein – to market a Liechtenstein alternative investment fund to private investors in Germany.

LLB Swiss Investment AG in Zurich offers its clientele access to fund solutions according to Swiss law. This jurisdiction is ideal for funds with investments which are subject to withholding tax (e.g. Swiss equities), and are thus perfectly suited for family office structures. In addition to comprehensive investment fund services, this company also takes over the representative function for foreign funds in Switzerland.

This business area posted a net new money inflow of CHF 1.3 billion in the year under report. The fund volume expanded to CHF 25.0 billion (2020: CHF 21.4 billion). At the end of 2021, we managed or held in custody a total of 329 investment funds.

Fund business in Austria

With its two capital investment companies, LLB Österreich is one of the leading vendors of investment funds and real estate funds in the Austrian market.

Measured in terms of the number of managed funds, with 294 funds, LLB Invest Kapitalanlagegesellschaft ranked first in the Austrian market. Over eighty domestic and international asset managers, banks and family offices trust LLB Invest KAG as a reliable partner.

LLB Immo KAG is the leader in innovation on the Austrian market, especially in relation to products for institutional investors. It invests directly in high-yield real estate in the stable Austrian and German markets. It pays special attention to sustainability criteria in managing real estate funds. For example, some of its funds have been awarded either the Austrian eco-label (the highest sustainability certification for real estate funds in Austria) or an ÖGUT assessment (Austrian Society for Environment and Technology). 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.

The Institutional Clients Austria business segment posted a net new money inflow of CHF 2.4 billion in the year under report. The fund volume expanded to CHF 25.9 billion (+14.5 %). At the end of 2021, we managed or held in custody a total of 360 investment funds.

Financial intermediaries

The needs of our intermediaries and independent asset managers are always the focus of our activities. We work hard to maintain a professional and partner-like relationship with them. To achieve this goal our client advisers work closely with our internal specialists, particularly in relation to the subject of sustainability. Execution-only business is also of prime importance to us; we have made this business even more efficient by extending the bidirectional interfaces.

Expansion of digital services for our clients

In addition to personal advisory services, the provision of user-friendly digital tools is becoming increasingly important in our collaboration with intermediaries and independent asset managers. In response to this development, we expanded the scope of our digital services in the year under report.

For example, we have modified our client reporting to focus even more on individual client requirements. This means that institutional clients have more control and can generate various reports for different applications. They can use the print manager function in our Online Banking to print out the statements they need.

In addition, we offer advisory services via video, creating a further channel of communication. During the corona pandemic this enabled us to keep in contact with our clients in spite of the physical distance.

Group Business Compliance

The regulatory requirements for financial service providers are becoming increasingly extensive. We do not intend to leave our clients to deal with this development by themselves. In recent years we have, therefore, significantly expanded our Business Compliance Department. This enables both our clients and our client advisers to call on comprehensive specialist support when dealing with complex business cases and clarifications.

The staff of the Group Business Compliance Department serves as a hub bringing together clients, client advisers and compliance specialists. For example, complex business cases and constellations can be analysed together with the client to avoid time-consuming checking back. The time saved by this can then be used more effectively for advising and caring for clients.

Asset management

For many years the market environment for investments has been challenging. Accordingly, it requires great experience and expertise to be able to make the right decisions. The Asset Management of the LLB Group combines these qualities. Our specialists have extensive experience in fulfilling the investment needs of private and institutional clients. All three market divisions can 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.

Most of the more than sixty LLB funds are actively managed by experienced fund managers and are usually licensed for distribution in Liechtenstein, Switzerland and Austria.

Sustainable investment products

The financial services industry plays an important role in the transition to a climate-friendly economy. For the LLB Group's Asset Management this area of sustainable investing has been a priority for years. We offer sustainable asset management both for portfolios composed of individual securities and investment fund portfolios. In addition, we have converted the majority of LLB funds into sustainable investments and launched new sustainable LLB strategy funds in the year under report. In 2022, we shall extend our range of "LLB Impact Funds", which are classified as ecologically sustainable according to EU taxonomy. Our aim is to develop investment products and services, which strive to achieve a financial return while also satisfying and contributing to the highest ecological, social and ethical criteria. Through our membership of the key UN financial initiatives for the protection of climate, we underline our efforts to achieve more sustainability (see chapter "Responsibility for the economy, society and the environment").

To enable our front line staff to keep pace with this development, we introduced an extensive sustainability training programme in October 2020. In the year under report, almost 400 client advisers completed the modular training programme. In the next step, the sustainability training modules will be integrated in a self-training course enabling our new employees to complete the training quickly. We shall also ensure that are staff are keep up to date with the latest developments relating to sustainability by providing specific information briefings such as sector updates and key point training sessions.

Sustainable investment concept

When selecting sustainable investments, we are 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 or make a contribution to the three ESG themes (environment, social and governance).

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. We always pursue the goal of achieving more added value for the client over the medium to long term.

For many years, our investment products have achieved top positions in industry-wide comparisons and competitions. In 2021, the LLB Group was again the recipient of several awards.

For example, the LLB Bonds Emerging Markets ESG fund in the category "Bond Funds Emerging Markets" won the German fund prize. LLB Österreich attained an excellent third place among 73 participants in the performance project IV of the FUCHS | RICHTER testing body.

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 five different investment strategies. These range from "Conservative" 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 2021 stood at CHF 10.1 billion (2020: CHF 8.8 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 previous year, so our clients were very pleased that we were able to organise at least a few of these events in the year under report. The feedback we received from them confirmed how important it is to intensively nurture personal interaction in addition to online meetings.

Partnerships with financial centre players

The essence of our memberships in various associations is to encourage and promote the exchange of knowledge and the networking of financial centre players. As a result, we are always informed at firsthand about which subjects and issues are currently important, or will become so in the future. Moreover, this offers us the possibility of actively participating in shaping the framework conditions, which determine our business model.

Our most important memberships are:

- 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.
- LLB Fund Services AG, is a member of the executive board, and provides the Vice Chairman, of the **Liechtenstein Investment Fund Association**, which actively promotes the attractiveness and competitiveness of the Liechtenstein fund centre.
- LLB Österreich is a member of the executive board of the **Association of Austrian Banks and Bankers.**
- Its two subsidiaries, LLB Invest KAG and LLB Immo KAG, are represented on 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. They are also members of the **Association of Institutional Real Estate Investment Companies (VII).**
- In Zurich, LLB Swiss Investment AG is a member of the **Asset Management Association of Switzerland,** the representative trade association of the Swiss investment fund and asset management industry.

Institutional Clients Division becomes International Wealth Management (IWM)

The introduction of the new corporate strategy brings a changeover from three to just two market divisions (see chapter “ACT-26”). In addition to Private and Corporate Clients (as previously), a new International Wealth Management Division has been created. This division encompasses various business areas from the former Institutional Clients (Fund Services, Institutional Banking Österreich and Institutional Banking Liechtenstein) and Private Banking (Private Banking Österreich as well as Private Banking International) Divisions. These market divisions will also focus exclusively on clients and distribution.

"We want to be perceived as a safe and sustainable private bank. This positioning is based on two core elements – the security, which we as the LLB Group project, and the competence that is our hallmark."

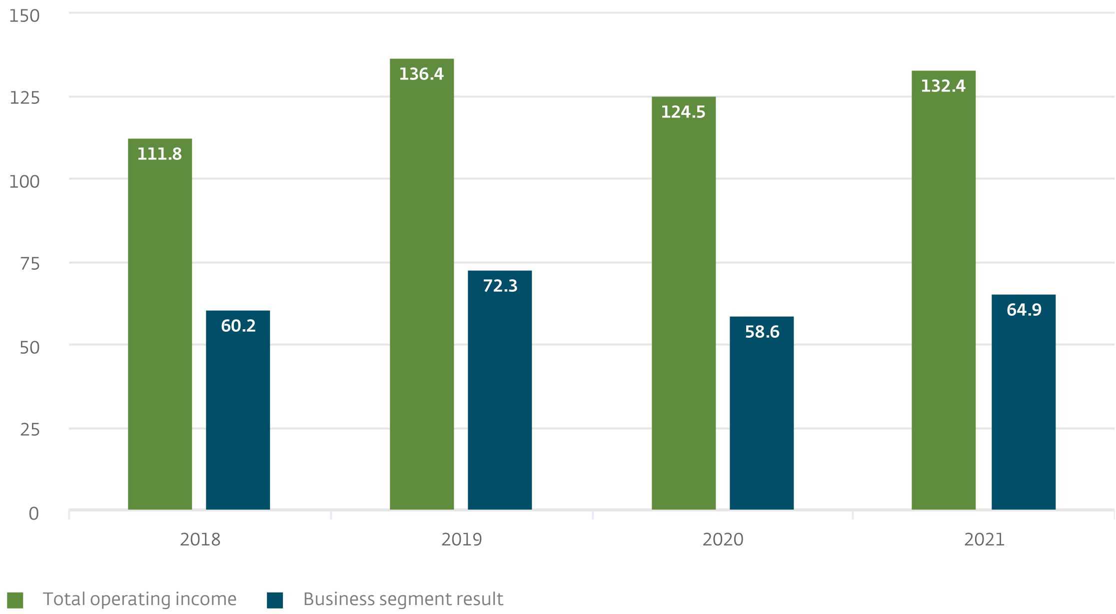
Natalie Flatz, Head International Wealth Management

The individual business areas of the IWM should make a substantial contribution to overall growth within the LLB Group. Our stated goal is to enhance our position as the leading wealth management bank in Austria, to expand our activities on the German market and to intensify our active sales and marketing efforts in the Swiss market for asset managers. Two new business locations in Salzburg and Zurich will support these endeavours. We shall accelerate our structured sales and marketing efforts, in the Middle East and Eastern Europe that were commenced as part of our StepUp2020 strategy. As regards investment fund business, we want to further extend our market leader position and better exploit the opportunities arising from cross-selling. We intend to enlarge our advisory teams in institutional client business to enable us to intensify our marketing efforts in this market. Efficiency, as the new strategic core element, will also be prioritised in the new International Wealth Management Division through the bundling of international distribution activities.

Business segment result

At CHF 64.9 million, the segment profit before tax of the Institutional Clients Division was up more than 10 per cent year on year. Operating expenses were only slightly higher while operating income rose by 6.4 per cent to CHF 132.4 million. Income from interest differential business was impacted by the persisting low level of interest rates and therefore fell slightly. In contrast, fee and commission income increased by 10.7 per cent to CHF 108.6 million thanks to active sales and marketing efforts and increased client assets under management. At CHF 3.6 billion, net new money inflows were substantially higher than in the previous year. The investments made in the fund powerhouse have proven their worth with gratifying inflows being registered by the segment, especially from investment fund business. At CHF 61.0 billion, the business volume exceeded the CHF 60-billion mark for the first time.

Business segment result: Institutional Clients (in CHF millions)



Segment reporting

in CHF thousands	2021	2020	+ / – %
Net interest income	12'390	14'943	– 17.1
Expected credit losses	– 3'108	– 3'155	– 1.5
Net interest income after expected credit losses	9'282	11'788	– 21.3
Net fee and commission income	108'553	98'088	10.7
Net trading income	14'585	14'620	– 0.2
Other income	2	2	– 8.7
Total operating income	**132'422**	**124'499**	**6.4**
Personnel expenses	– 32'586	– 31'687	2.8
General and administrative expenses	– 6'038	– 6'568	– 8.1
Depreciation	– 391	– 381	2.6
Services (from) / to segments	– 28'507	– 27'309	4.4
Total operating expenses	**– 67'522**	**– 65'946**	**2.4**
Segment profit before tax	**64'900**	**58'553**	**10.8**

Performance figures

	2021	2020
Gross margin (in basis points)[1]	23.2	26.2
Cost Income Ratio (in per cent)[1]	49.8	50.6
Net new money (in CHF millions)[1]	3'645	1'916
Growth of net new money (in per cent)[1]	7.0	3.8

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

Additional information

	31.12.2021	31.12.2020	+ / – %
Business volume (in CHF millions) [1]	61'001	52'836	15.5
Assets under management (in CHF millions) [1]	60'550	52'348	15.7
Loans (in CHF millions)	451	488	– 7.6
Employees (full-time equivalents, in positions)	177	179	– 1.0

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

Corporate Center

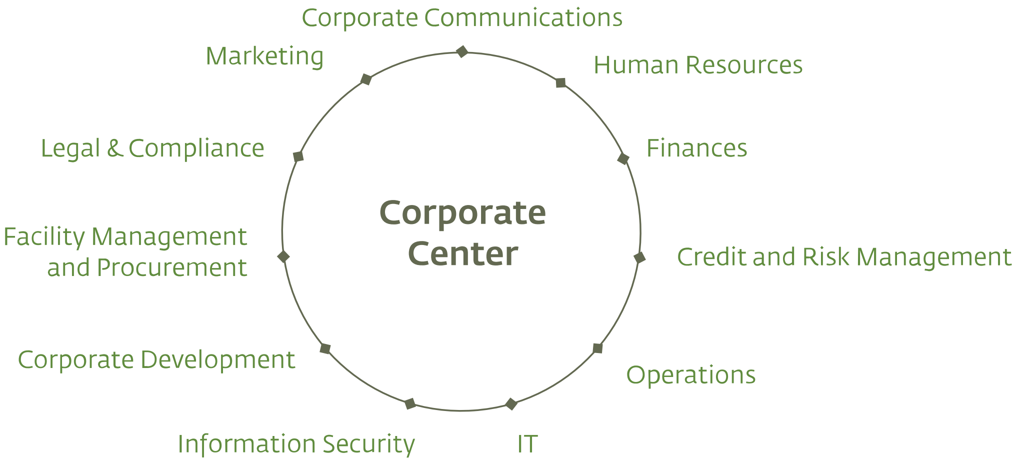
The Corporate Center steers, controls and combines the central functions within the LLB Group. It drives the Group's corporate development, including IT systems, and pursues the goal of improving the efficiency of processes, as well as expanding and improving the quality of our services.

Service provider and enabler 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. All the departments, which coordinate and monitor group-wide business activities, processes and risks, are integrated in this segment.

The Corporate Center focuses completely on the requirements of the market divisions and thereby makes a direct contribution to the value added by the LLB Group. It played a key role in the realisation of the StepUp2020 strategy, which was successfully completed in the 2021 business year.

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



Shared Service Centers

The shared service centers in the LLB Group represent an important element of successful corporate governance. Here the shared services, such as the maintenance of client master file data, payment transfers, foreign exchange and securities transactions, are provided centrally from one source. This facilitates efficient operations.

In 2021, volumes and the level of complexity once again increased. For instance, one shared service center processed the onboarding of around 200 former Credit Suisse clients in Austria. The added time and effort that this challenge presented was mastered without the deployment of addition personnel, demonstrating clearly the high degree of agility and practical problem-solving skills of the shared service teams.

In going forward, by providing its professional expertise in operational processes, Group Shared Services will continue to support the digital transformation of the LLB Group (see paragraph "New focus with ACT-26").

Generating synergy effects

Synergy effects are created when as many processes as possible within an organisation are carried out identically. Accordingly, at the LLB Group, we are endeavouring to harmonise processes and procedures in the individual legal entities and business sectors. The successful migration of LLB Österreich to the groupwide Avaloq core banking system at the beginning of 2020 was a significant step. On the one hand, internal processes were simplified, and on the other, the clients of LLB Österreich were provided with access to all the products and services offered by the LLB Group. Since February 2021, this includes our Online and Mobile Banking programmes. As a result, our regular clients in Austria have the possibility of executing payment, stock market and foreign exchange orders themselves online.

Digitalisation of banking business

Digitalisation represents a mega-trend that is also having an enormous impact on banking business. Right from the start of the current strategy period, a groupwide project encompassing investments totalling CHF 30 million was initiated to expand the existing digital channels and services. In this manner, we are meeting changed client requirements and positioning LLB as a modern, innovative financial institute. In the year under report, we implemented more digitalisation measures to make further progress with this project.

Expansion of Online und Mobile Banking

In expanding our LLB Online and Mobile Banking, we place the highest priority on security, functionality, user-friendliness and design. We are guided by the latest technical standards in our efforts to refine and enhance these services. The expansion of the LLB Online and Mobile Banking programmes in the year under report enabled our clients to benefit from:

- New functions for clients to choose from as well as new, customisable reports having a subscription function. These provide institutional clients with more control and enable them to generate various reports for different applications.
- Newly designed online forms providing an improved overview and added convenience.
- More investment position details including information about sustainability. Thanks to a higher level of transparency, clients for whom sustainability is of major importance receive the information they want about selected investments.
- The introduction of an online financial statement for fund savings plans means that existing clients can now obtain them online.

Progress with internal digitalisation

As part of the "team@work" Group project, we are working on the extensive renewal of our digital infrastructure and the optimisation of work processes.

In this context, in 2021, "Skype for Business" was extended to include LLB (Österreich), our business locations in the Middle East and the infrastructure in our client meeting rooms. This now provides the staff of the entire Group with the latest communications technology that includes video conferencing, telephony, desktop sharing and chat functions.

As planned, during the year under report the SharePoint-based LLB intranet was introduced as the basis for the digital workplace. In parallel with the launch of this new technology, the phasing out of the IBM Notes applications and databases commenced and continued throughout 2021; it should be completed in 2022. Also in 2022, work on the development of the digital workplace will continue with the introduction of Microsoft Cloud functionalities for employment within the LLB Group.

As a reaction to dealing with the corona pandemic, in 2020, Group IT expanded the possibility of mobile working for the staff of the LLB Group within just a few weeks from under 20 per cent to almost 100 per cent by providing employees with laptops and additional hardware such as external monitors. This ensured a very good starting point for the roll out of the new WFH (working from home) concept, which is set to come into operation in 2022, provided the corona situation permits this (see chapter "Employees").

New focus with ACT-26

In line with the introduction of the ACT-26 corporate strategy starting in the 2022 business year, there will be a new focus for the Corporate Center. The planned transformation of the bank means that the Corporate Center will assume a new key role. By 2026, the LLB Group intends to be more digitalised, more agile and scalable. Over the next five years, CHF 100 million will be invested in the corresponding group program "LLB.ONE " (see chapter "ACT-26"). "LLB.ONE" focuses on increasing customer value. Customer interaction is to be expanded and modernized. In the future, clients will be able to decide for themselves which services they obtain from the LLB Group, when and how.

"Digital and yet personal: with us, this is not a contradiction, because even in digital interaction, customers can be met personally."

Patrick Fürer, CDO LLB Group

In addition, core processes are to be simplified, standardized and automated as part of the digital transformation, leading to an increase in efficiency.

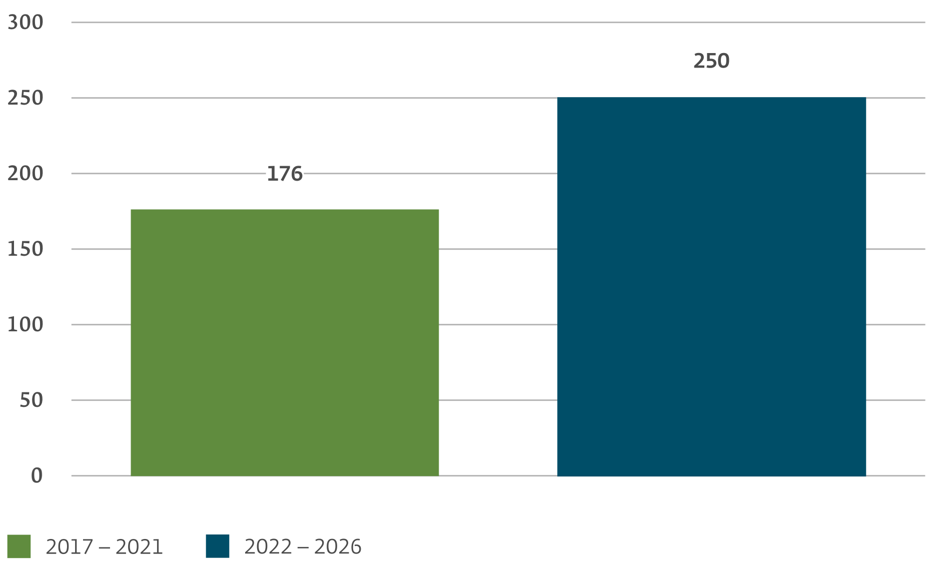
This change process will be driven by the division of the Chief Digital & Operating Officer (formerly the COO), in which all the resources necessary for the digital transformation will be bundled. This will be reflected in the organisation of the division, which will be strengthened by the establishment of two new business areas: Group Digital Transformation and Group Product Management. By integrating Product Management, Product Offering can be supported even more strongly in the future with efficient, digitized processes. The Digital Transformation business area stands for the implementation of the Group program "LLB.ONE".

The Corporate Center will continue to stand for ensuring daily operations within the LLB Group even after the introduction of the ACT-26 strategy and the associated tasks: 24/7.

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 4.9 million to CHF 63.8 million. The increase was mainly attributable to the higher structural contribution in interest business and increased earnings from financial investments. In contrast, trading income fell due to the lower valuation of interest rate hedging instruments on the reporting date. Operating expenses remained stable, amounting to CHF 78.2 million. In the previous year, the segment had benefitted from the one-time effects of the adjustment of the pension conversion rate and the release of a provision in a legal case.

Investments (in CHF millions)



But the LLB Group will not only invest in digitalisation in the coming years. In total, investments of over CHF 250 million are planned until 2026. In addition to the CHF 100 million for "LLB.ONE", we will invest in our building infrastructure, our hardware and software as well as in strategic projects. Based on strategic considerations and requirements, these investments will not be linear but spread over the years.

Segment reporting

in CHF thousands	2021	2020	+ / – %
Net interest income	28'431	22'199	28.1
Expected credit losses	– 0	0	
Net interest income after expected credit losses	28'431	22'199	28.1
Net fee and commission income	– 11'499	– 13'112	– 12.3
Net trading income	41'588	47'676	– 12.8
Net income from financial investments	3'727	– 556	
Other income	1'557	2'712	– 42.6
Total operating income	**63'804**	**58'919**	**8.3**
Personnel expenses	– 90'333	– 85'645	5.5
General and administrative expenses	– 70'952	– 72'753	– 2.5
Depreciation	– 39'052	– 41'742	– 6.4
Services (from) / to segments	122'146	121'648	0.4
Total operating expenses	**– 78'190**	**– 78'492**	**– 0.4**
Segment profit before tax	**– 14'387**	**– 19'573**	**– 26.5**

Additional information

	31.12.2021	31.12.2020	+ / – %
Employees (full-time equivalents, in positions)	506	517	– 2.1

Material topics

Sustainability to the LLB Group means creating long-term added value for its clients, shareholders, employees and other stakeholder groups. In order to provide the best possible transparency for our stakeholder groups, LLB's sustainability reporting is prepared in accordance with the internationally established GRI (Global Reporting Initiative) Standards. The thematic focus of our sustainability reporting is based on a comprehensive materiality analysis that LLB last carried out in 2019 but has continued to review and fine-tune where necessary.

In accordance with the content requirement for a non-financial declaration requirement set out in Liechtenstein's Persons and Companies Act (PGR), at a minimum those topics from the areas of environmental, social and employee matters, anti-corruption and bribery matters, as well as respect for human rights were identified in the analysis as report content that is material in the sense of having "double materiality". This means topics where LLB has or may have a relevant impact on society or the environment and which are relevant for understanding the course of business, the corporate results and the position of LLB.

The topics that resulted from the analysis are summarised in the LLB materiality matrix (see table) and are discussed in the subsequent parts of the report. Our approach is detailed in the Annual Report 2019 (GRI 102-46, 102-47). We plan to carry out a new analysis in 2022 to bring the materiality matrix – especially also given the new ACT-26 corporate strategy – into line with the changed circumstances.

Materiality matrix LLB Group

Relevance for stakeholders / Impact on sustainable development	medium	high	extremely high
extremely high	■ Fair marketing and fair competition	◆ Client focus ◆ Dedicated, hard working employees ◆ Ethics and integrity	◆ Economic performance ◆ Compliance ◆ Risk and reputation management ◆ Digitalisation and data protection ■ Prevention of financial crime ■ Corporate governance and company structure ● Tax compliance
high	■ Workplace health promotion	◆ Attractive working conditions ■ ESG integration in asset management ● Sustainable products and services ● Economic role and regional employer	■ Diversity and equal opportunity
medium	● Energy consumption and CO_2 emissions		■ Mobility management ● Social and political commitment

Relevance for business: ● medium ■ high ◆ extremely high

In dialogue with stakeholder groups

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

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

The most important stakeholder groups are in particular:

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

Investor relations

As a publicly listed company, we are obliged to publish share-price-relevant facts by means of media communiqués. We inform shareholders, clients, employees and the public simultaneously, comprehensively and regularly about our business performance, about value drivers as well as the implementation of our strategy and provide them with an overview of our key financial and operating figures. We maintain an open dialogue with analysts and investors in order to be able to report on the course of business on an ongoing basis. The aim is to ensure that the price of the LLB share represents the fair value of the company (see chapter "Economic value creation").

Media relations

Irrespective of the ad hoc information and the annual media and analyst conference, we are in constant contact with the media and business journalists in our market regions. We make every effort to answer their questions in a transparent and timely manner. The LLB Group was the subject of around 820 media articles in 2021 (2020: 900).

Public affairs

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

Public relations

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

Digital communication channels

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

Responsibilities for the economy, society and environment

As a financial institution with a long-term orientation, the LLB Group is committed to leaving an environment that is as intact as possible and stable social conditions for the coming generations. With our new corporate strategy and even more ambitious goals, we are proceeding resolutely down this path.

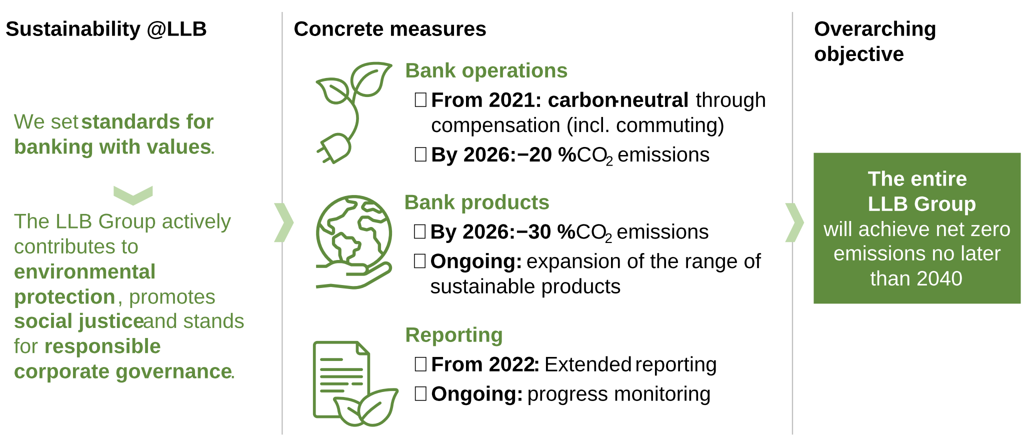
Performance mandate and sustainability

As the oldest bank in Liechtenstein and steeped in tradition, LLBunderstands the special responsibility it has for taking a long-term approach. Sustainable business management is part of its performance mandate and its corporate identity. We have a legal obligation to our majority shareholder, the Principality of Liechtenstein, to promote Liechtenstein's economic development while at the same time taking ethical and environmental factors into account. We fulfil this special obligation by offering a diverse portfolio of products and services, applying sustainable standards to our offerings, our infrastructure and procurement, and engaging broadly in society.

Sustainability as a strategic goal

Sustainability is an integral part of our DNA. With our new ACT-26 corporate strategy, we are going a step further: the LLB Group wants to play a pioneering role in the future. Sustainability is one of our three strategic core elements (see chapter "ACT-26").

Sustainability with high ambitions as part of the strategy



Our aim with this strategy is to be perceived as a bank that is stable, sustainable and innovative. And we also want to clearly differentiate ourselves from our competitors through it.

Goals of the sustainability strategy

We have set ourselves the goal of reducing the net CO_2 emissions of the LLB Group to zero by 2040 – in line with the UN's ambitious target to limit global warming to 1.5°C.

"We feel certain that the global financial industry will play an important role in the transition to a climate-friendly economy. This is why, in future, we want to play a pioneering role in terms of sustainability and why we have set ambitious goals for ourselves."

Group CEO Gabriel Brenna

Banking operations

As a first partial step in this direction, the LLB Group became climate neutral in the reporting year by fully offsetting its CO_2 emissions. In cooperation with the Swiss climate foundation "myclimate", we support various CO_2-reducing projects in the region and around the world. Among these is a reforestation initiative in western Uganda and a project for fertile soil as a CO_2 sink in the Lake Constance region.

myclimate
neutral
Betrieb
myclimate.org/01-21-419455

At the same time, we have initiated measures to ensure that emissions in our banking operations are net zero by 2040.

Bank products

In addition to adapting its day-to-day operations, the LLB Group also wants to support its clients on the way to climate neutrality – with expert advisory services and differentiated, sustainable products. Specifically, the Group has set itself here, too, the goal of reducing the CO_2 emissions of all bank products to net zero by 2040. This would mean the LLB Group becoming completely climate neutral across its day-to-day operations and bank products ten years earlier than defined in the Paris climate agreement.

Adapting our offerings is a key factor in achieving the targets that we have set for ourselves. Consequently, the LLB Group has greatly expanded its range of sustainable investment products in the reporting year. In addition to its well-established asset management and investment advice services, it also offers a comprehensive selection of sustainable funds. Liechtenstein's first-ever sustainable gold fund, launched by LLB AG, surpassed the USD 100 million mark in 2021 within a matter of just months. Further products are being planned or are about to be launched.

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

Transparency

We have used the Global Reporting Initiative (GRI) Standards as the framework for our sustainability reporting for many years. In summer 2022, we will also be publishing a report based on the standards of the Task Force on Climate-related Financial Disclosures (TCFD) for the first time. It will provide transparent information on the progress that we have made in implementing our climate goals.

Membership of international climate initiatives

We reaffirm our commitment to sustainability and climate protection through membership in the most important international climate initiatives:

- **The United Nations Net-Zero Banking Alliance:** The LLB Group has been a member of the United Nations Net-Zero Banking Alliance (NZBA) since August 2021. Its aim is to eliminate the most carbon-intensive sectors from the credit and investment portfolios.
- **Race to Zero:** With its membership in the NZBA, the LLB Group is also part of the Race to Zero campaign – an initiative launched by the United Nations. The campaign brings together state and non-state actors from more than 90 nations. They recognise the importance and the urgency of working towards a decarbonised economy in order to create a healthier, safer, cleaner and more resilient world for future generations.
- **Principles for Responsible Banking:** We also became a signatory to the United Nations Principles for Responsible Banking (PRB) in the reporting year. The PRB is an initiative for responsible banking and provides a single framework for a sustainable banking industry. It was developed as part of an innovative partnership between banks around the world and the Finance Initiative of the United Nations Environment Programme.
- **The Climate Pledge:** The Climate Pledge is a voluntary commitment to implement the Paris climate agreement ten years earlier and be CO_2 neutral by 2040. The LLB Group has been an official partner since March 2022.
- **Principles for Responsible Investment:** The LLB Group has been a member of the Principles for Responsible Investment (PRI) Finance Initiative since 2020. As such, it supports the responsible management of securities.
- **Climate foundations:** LLB is a partner of the independent non-profit LIFE Climate Foundation Liechtenstein (since 2009) and the Swiss Climate Foundation (since 2012). It thus belongs to a group of partner firms that pool their resources to provide uncomplicated, efficient support to small and medium-sized enterprises (SMEs) in Switzerland and Liechtenstein that contribute to climate protection. LLB refunds of CO_2 contributions from Liechtenstein made to the Climate Foundation are used to promote climate-friendly products and technological developments as well as energy-saving projects.

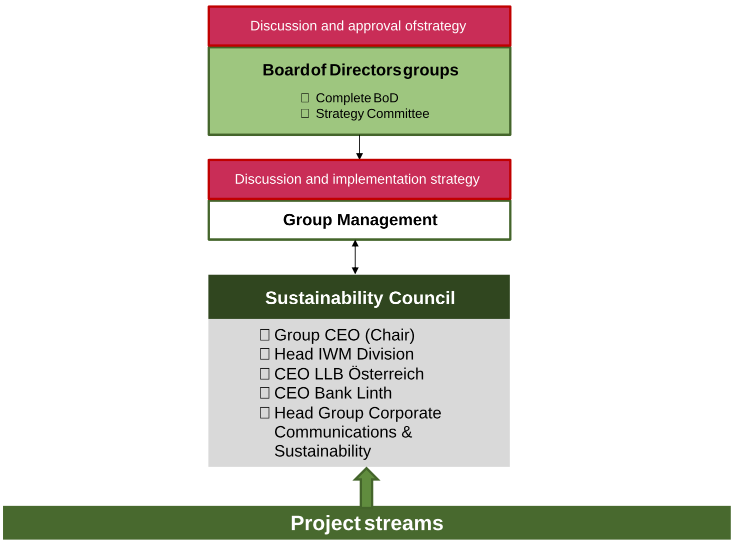
Social and corporate governance

Sustainability encompasses not only the environmental, but also the social and governance aspects. We are committed at the LLB Group to value-oriented management and transparent corporate governance. Through the LLB Future Foundation, we have been supporting non-profit projects in the region since 2011. On the occasion of the 10th anniversary of the Foundation, the Board of Trustees decided to present a new award, the Future Prize, for excellent sustainability commitment every two years (see chapter "Industry initiatives and corporate citizenship").

Governance

From the 2022 business year onwards, a so-called Sustainability Council is responsible within the LLB Group for coordinating its ambitious goals. It ensures the implementation of our sustainability strategy and makes adjustments where necessary. The Council has five permanent members and is chaired by the Group CEO. The operational implementation of the various sustainability topics, such as banking operations, social responsibility and ESG management with respect to investment advice, falls under the responsibility of the respective workstreams.

Sustainability Governance of the LLB Group



Green teams

The LLB Group takes a top-down and bottom-up approach to sustainability issues. In addition to having the Board of Directors as the highest governance body and making sustainability a top priority at the Group Executive Board level, we formed in 2021 so-called green teams and assigned them to the workstream of the Sustainability Officer. In these teams, employees can contribute their own ideas and take on project responsibility during regular working hours, thereby helping to actively shape the sustainable future of the LLB Group. We want in this way to tap into the creativity of each individual in order to find innovative solutions that would not be found otherwise through a top-down only approach.

Regulations

Financial institutions are facing a host of sustainability-related regulations driven primarily by the EU Commission, the overarching aims of which are to slow down global warming and comply with social standards. In order to achieve these, global capital flows are being redirected towards more sustainable investments. The LLB Group is following developments closely and making the necessary adjustments in its areas of activity (see chapter "Values and corporate management").

Further development of staff competences

Our employees are an important factor for the success of our sustainability strategy. We offer them appropriate training or professional education so as to stay up to date with changing regulatory requirements as well as with our growing number of sustainable products (see chapters "Employees" and "Sustainability in banking").

Values and corporate management

Value-based action

The values of "integrity", "respectfulness", "excellence" and "pioneering" (see chapter "Strategy and organisation") form the basis for the corporate management of the LLB Group. Our Code of Conduct provides a reliable guiding framework for the value-based and responsible actions of all employees (see chapter "Employees"). We are guided by the needs of our clients and pay particular attention to meeting their security needs and our data protection standards for the use of the various distribution channels at all times (see chapter "Finance and risk management"). Our aim is to win over clients with good products and services. As the bank for the country and the people, being able to offer attractive and innovative price models is important to LLB (see chapter "Sustainability in banking").

Corporate culture and value basis

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

To keep up with changing markets and client needs, we rely on employees who are motivated to think for themselves and have the courage to initiate improvement processes. As part of the "Cultural journey" project, we encouraged our employees again during the reporting year to bring in ideas, to question their actions and to exchange views. The core topics of the cultural journey were addressed and developed further on the intranet, at employee appraisals and through offerings for managers. The topic of "Ownership and delegation" was an element in the target agreements for all employees. It was agreed that the topic be jointly anchored in the workplace and promoted further.

Regulatory framework and developments

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

Implementation of regulatory frameworks 2013–2021

2013
- EU passport for the managers of alternative investment funds (AIFMG)
- Complete revision of the Due Diligence Act (DDA)

2015
- 4th EU Anti-Money Laundering Directive
- Agreement on the Automatic Exchange of Information (AEOI) signed by Liechtenstein / EU

2016
- Undertakings for Collective Investment in Transferable Securities Directive (UCITS) V
- Complete revision of the Investment Undertakings Act (IUA)
- Implementation of AEOI

2017
- Revision of Due Diligence Act (DDA)

2018
- Markets in Financial Instruments Directive (MiFID) II
- EU General Data Protection Regulation (GDPR)
- EU Mutual Assistance Directive

2019
- Deposit Guarantee Schemes Directive (DGSD)
- EU Payment Services Directive (PSD2)

2020
- Implementation project for the Financial Services Act (FinSA) / Financial Institutions Act (FinIA) Switzerland

2021
- Adaptation to the Due Diligence Act (DDA) to implement the 5th EU Anti-Money Laundering Directive

Financial centre strategy

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

International tax topics

Disclosure of cross-border tax planning arrangements

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

International cooperation on tax topics – Liechtenstein meets international requirements

The Principality of Liechtenstein is intent on creating an attractive tax system that takes account of European law and international developments. Hence, the Principality has implemented the international automatic exchange of information with 114 partner or reporting countries since the beginning of 2016. The FATCA agreement with the USA was concluded in 2014.
The Global Forum of the OECD confirmed in November 2021 that Liechtenstein is fully compliant with

the OECD requirements and described the Liechtenstein legal framework as “In place”, which corresponds to the highest rating.

Plans for international group taxation

While the OECD’s plans for an internationally unified approach to digital taxation presented in autumn 2019 are still in progress, the Group of Twenty (G20) countries endorsed in autumn 2021 a global minimum tax for corporations, which is set to apply from 2023.

Access to the EU market

While the OECD’s plans for an internationally unified approach to digital taxation presented in autumn 2019 are still in progress, the Group of Twenty (G20) countries endorsed in autumn 2021 a global minimum tax for corporations, which is set to apply from 2023.

Data protection

EU General Data Protection Regulation (EU GDPR)

LLB has implemented the requirements of the European EU General Data Protection Regulation (EU GDPR) Group-wide. The regulation regulates and standardises the collection and processing of personal data by companies and public authorities. LLB has established corresponding rules which are applicable throughout the Group and made the necessary adjustments to implement the requirements accordingly.

Data protection laws in Switzerland and Dubai (DIFC)

The Swiss Data Protection Act was completely revised in 2020 and partially aligned with the EU GDPR. But it retains its own basic concept. It can be expected to come into force in 2023.

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

Protection against money laundering and terrorist financing

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

Compliance with international standards

The Financial Intelligence Unit (FIU) serves as the country’s central authority for obtaining and analysing information that is necessary to recognise money laundering, predicate offences for money laundering, organised crime and terrorist financing. It represents Liechtenstein in the Committee of Experts on anti-money laundering and terrorist financing in the EU. The current version of the FIU Law of 2019 and the adaptations made to the Due Diligence Act in 2021 ensure Liechtenstein is fully legally compliant with the international standard.

In 2002, 2007, 2013/2014, the International Monetary Fund (IMF) and Moneyval (the Council of Europe’s Committee of Experts) assessed to what extent the Liechtenstein provisions on anti-money laundering and combating the financing of terrorism meet the standards laid down by the Financial Action Task Force (FATF 40 + 9 Recommendations). The IMF and Moneyval attested positively to Liechtenstein’s standards in combating money laundering and financing of terrorism in their last report. After carrying out the National Risk Assessments (NRA I) in 2016/2017 and updating them (NRA II) in 2020, Liechtenstein completed the Moneyval country examination in autumn 2021 in order to assess the effectiveness of the measures in preventing money laundering and terrorist financing. The results are still pending.

Deposit guarantee schemes and investor compensation

Bank Recovery and Resolution Directive

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

Deposit Guarantee Schemes Directive (DGSD)

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

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

Consumer protection

MiFID II / Liechtenstein

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

FinSA / Switzerland

In November 2019, Switzerland decided to follow a balanced and modern overall approach to investor protection with the adoption of the Financial Services Act (FinSA) and the Financial Institutions Act (FinIA). The two acts, which have been in force since January 2020, aim to create a level playing field for financial intermediaries and to improve client protection. The FinSA contains rules of conduct towards clients that financial service providers must comply with. It also provides for prospectus requirements and requires a basic information sheet for financial instruments that is easy to understand. The FinIA essentially standardises the authorisation rules for financial service providers.

Rules of the game in the EU payment systems market

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

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

LLB has implemented the rules and incorporated them into the relevant processes, with the consultation process being particularly affected.

Capital adequacy requirements

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

Transparency Regulation and Taxonomy (Regulation in the sustainability sector)
The EU Sustainable Finance Action Plan adopted by the European Commission in March 2018 aims, among other things, to improve the financial sector’s contribution to sustainable and inclusive growth by financing society’s long-term needs, as well as to strengthen financial stability by requiring environmental, social and governance (ESG) factors to be taken into account in investment decisions. This affects LLB AG, LLB Austria, as well as other institutions in Liechtenstein and Switzerland. The background to this is the progressive tightening of requirements in the European Economic Area (EEA), efforts to secure EU market access for Swiss financial service providers and the growing expectations of all market participants. The LLB Group is following developments closely and taking the steps that are necessary to meet the new requirements. For instance, during the reporting year, the “Sustainability” Group project focused, on the one hand, on strategic aspects and, on the other, on regulatory developments in the EU, the EEA and Switzerland. Specifically, the necessary steps were taken to implement the requirements of the regulation on sustainability-related disclosures in the financial services sector (the Sustainable Finance Disclosure Regulation, SFDR) and the new requirements of the so-called EU Taxonomy.

Economic value creation

Stability

Liechtenstein is one of only eleven countries worldwide with an AAA rating. In autumn 2021, the rating agency Standard & Poor's (S&P) reconfirmed its top rating for the country's creditworthiness. In its evaluation, it above all emphasised the financial situation of the public budgets and that this represents a stabilising factor during difficult times. It also praised the country's broadly differentiated economy and the fact that it has access to two economic areas. Despite an economic environment that continues to present challenges, S&P is satisfied as to the continued stability of Liechtenstein. The robust financial and banking centre with strong international connections contributes substantially to the positive position it is in. Almost a quarter of Liechtenstein's gross domestic product is generated by the financial sector.

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

The LLB share

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

Market capitalisation

The LLB share has been listed on the Swiss stock market, SIX Swiss Exchange, since 1993 under the symbol LLBN (security number: 35514757) and assigned to the "International Reporting Standard" segment. In 2021, around 2.3 million LLB shares (2020: 1.9 million) were traded on the SIX Swiss Exchange, corresponding to 7.4 per cent (2020: 6.2 %) of total shares issued. With 30.8 million registered shares issued, the market capitalisation of Liechtensteinische Landesbank AG stood at CHF 1.6 billion as at 31 December 2021 (2020: CHF 1.6 billion). The LLB share has been listed in the MSCI World Small Cap Index since 2018.

Shareholder structure

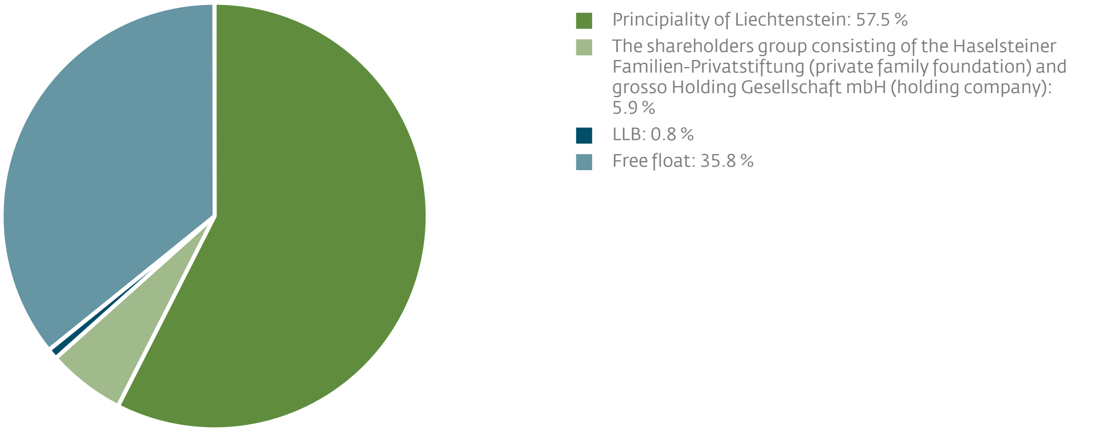
The Principality of Liechtenstein's holding of 17.7 million LLB shares, or 57.5 per cent of the share capital, remained unchanged in 2021. In 2011, the Liechtenstein Government, as the representative of the majority shareholder, adopted the ownership strategy it has been pursuing in regards to the Principality's equity stake in Liechtensteinische Landesbank AG (www.llb.li/en/investors/llb-share). It thereby explicitly supports the stock exchange listing of LLB and retains a majority stake of at least 51 per cent.

5.9 per cent of the shares were owned by the Haselsteiner Familien-Privatstiftung and the grosso Holding Gesellschaft mbH, both of which are domiciled in Austria, as at 31 December 2021 (see chapter "Corporate governance").

LLB held 0.8 per cent (2020: 0.9 %) of its own shares (treasury shares) as at the end of the reporting year. The remaining registered shares were in free float, whereby none of the other shareholders held more than 3 per cent of the share capital.

Overall 89.6 per cent of the 30.8 million total registered shares were entered in LLB AG's share register as at the end of the reporting year. 10.4 per cent, or 3'202'717 shares, were not registered.

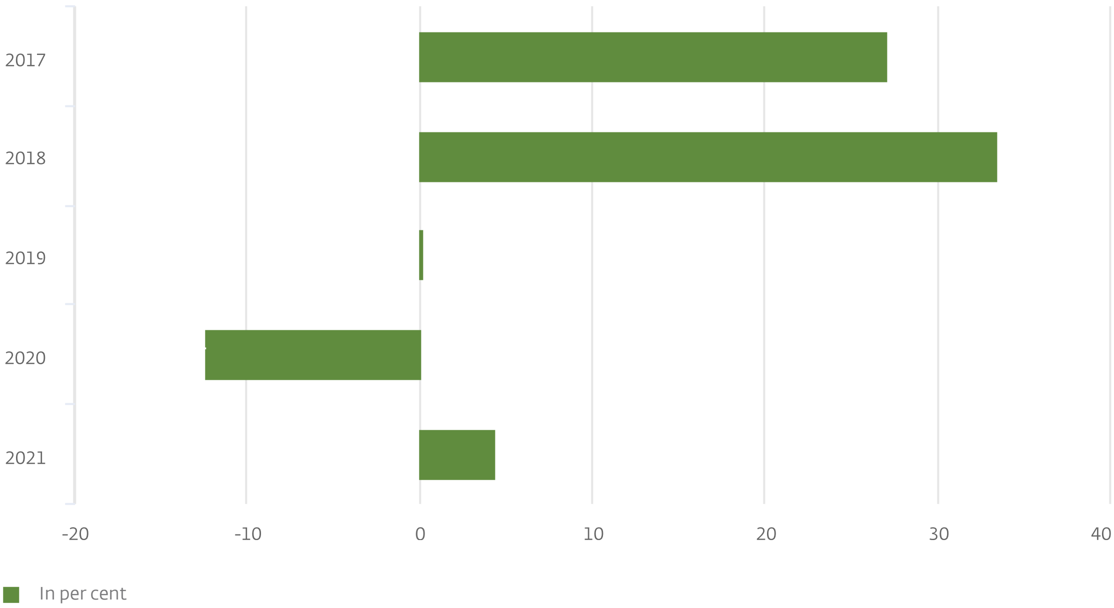
Shareholder structure in per cent



Share price performance

Despite some turbulence, 2021 turned out to be a strong year for the international financial markets. The economic recovery after the coronavirus shock, loose monetary policy and fiscal support had a positive impact on share prices (see chapter "Economic environment"). Measured by the Swiss Performance Index (SPI), shares listed on the Swiss stock exchange rose by 23.4 per cent. Shares in the Swiss SWX Banks Index performed less well. It ended in negative territory in 2021 (-4.2 %) for the second year in a row, while the LLB share produced a total return of 4.3 per cent for the reporting year. The share traded as high as CHF 55.70 and as low as CHF 50.00 in 2021.

Total return on the LLB share

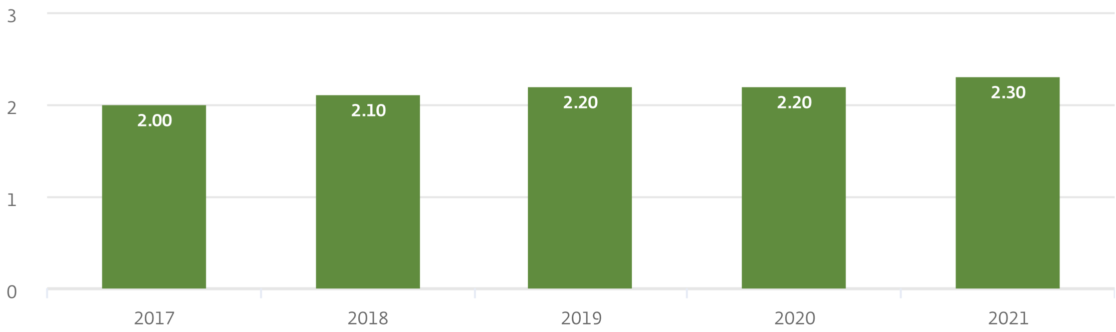


Dividend policy

Liechtensteinische Landesbank pursues an attractive, long-term-oriented dividend policy for the benefit of its shareholders. Furthermore, the LLB Group is committed to safeguarding its financial security and stability (see chapter "Strategy and organisation"). Under the StepUp2020 strategy, it sought to keep risk-bearing capital at a Tier 1 ratio of over 14 per cent in accordance with Basel III. Against this backdrop, the payout ratio for shareholders amounted to 40 to 60 per cent of Group net profit. With the introduction of the ACT-26 strategy from the 2022 business year, the sustainable and attractive dividend policy is being maintained. There is, however, a small change to the payout ratio, with it now being more than 50 per cent. Continuous dividend development is also being strived for. And a Tier 1 ratio of over 16 per cent is being targeted (see chapter "Strategy and organisation").

The Board of Directors will propose an increase in the dividend to CHF 2.30 (2020: CHF 2.20) per share at the 30th Ordinary General Meeting of Shareholders on 6 May 2022. Based on the share price as at the end of 2021, this corresponds to a dividend yield of 4.4 per cent. Total dividends to be paid out amount to CHF 70.3 million (2020: CHF 67.1 million). This represents a payout ratio of 51 per cent for 2021 (2020: 61.1 %).

Dividend per share (2017-2021[1] in CHF)



[1] The Board of Directors will propose a dividend increase for the year 2021 to CHF 2.30 at the Annual General Meeting on 6 May 2022.

Analysts' recommendations

In September 2021, Christian Schmidiger, the Zürcher Kantonalbank analyst responsible for monitoring the LLB share, wrote that "[the share] appears to us to be cheaply priced, which is why we recommend overweighting it". Schmidiger cites the dividend yield, which is higher than that of the peer group, as underpinning his recommendation.

Research Partners AG has been covering the LLB share since mid-2016. In a report that came out in November 2021, analyst Rainer Skierka confirmed his buy recommendation. He above all emphasised the positive position it is in thanks to the good financial results achieved in 2021. He also alluded to the financial objectives contained in the new ACT-26 strategy, stating that "they should be achievable in the current environment". The twelve-month price target was raised to CHF 77.00 (2020: CHF 72.00).

Communication with the capital market

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

Also at the General Meetings of Shareholders, the Board of Directors and the Board of Management inform transparently about the course of business. Both in 2020 and 2021, these had to be held without shareholders being physically present due to the coronavirus pandemic.

We also hold regular discussions with investors, provide information at roadshows and participate in specialist conferences for financial analysts and investors. Increased COVID-19 measures, however, meant that during the reporting year many of these activities could only take place on a limited scale and scope.

All publicly accessible information about the LLB Group can be accessed on our website at www.llb.li. Anyone interested is welcome to register at www.llb.li/registration to receive price-relevant information about the LLB Group electronically. Additionally, we publish our information via our social media channels such as Facebook and Twitter. We publish the annual and interim financial reports in a comprehensive online version. The Annual Report 2021 in German can be accessed online at gb2021.llb.li and in English at ar2021.llb.li.

The LLB share: facts and figures

in CHF thousands	31.12.2021	31.12.2020
Total of registered shares issued (fully paid up)	30'800'000	30'800'000
Number of shares eligible for dividend	30'567'065	30'511'590
Free float (number of shares)	11'062'065	11'006'590
Free float (in per cent)	35.9	35.7
Year's high (9 April 2021 / 20 February 2020)	55.70	67.80
Year's low (23 February 2021 / 16 March 2020)	50.00	48.50
Year-end price	52.60	52.50
Total return LLB share (in per cent)	4.3	– 12.4
Performance SPI (in per cent)	23.4	3.8
Performance SWX Banking Index (in per cent)	– 4.2	– 12.6
Average trading volume (number of shares)	10'272	7'566
Market capitalization (in CHF billions)	1.62	1.62
Basic earnings per share attributable to the shareholders of LLB (in CHF)	4.25	3.39
Dividend per LLB share (in CHF)	2	2.20
Payout ratio (in per cent)	51.0	61.1
Dividend yield at year-end price (in per cent)	4.4	4.2
Return on equity attributable to the shareholders of LLB (in per cent)	6.3	5.3
Eligible capital per LLB share (in CHF)	58.6	55.7

1 Proposal of the Board of Directors to the General Meeting of Shareholders on 6 May 2022

Sustainability in banking

Since its establishment 160 years ago, sustainability has been firmly rooted in Liechtensteinische Landesbank's DNA. The new ACT-26 strategy lends even more relevance to the topic. Sustainability is one of its three core elements. The LLB Group intends to play a pioneering role in the area of sustainability, with its range of products and services front and centre.

Sustainability as a core element of the strategy

Based on the conviction that it is doing the right thing, the LLB Group further strengthened its efforts on the sustainability front during the reporting year. We intend to keep up our efforts through 2022 and beyond. Indeed, with the implementation of the new ACT-26 corporate strategy we have set ourselves ambitious sustainability goals. By 2040 at the latest, we – and this includes our product range – aim to be completely climate-neutral (see chapter "ACT-26"). This is ten years earlier than foreseen by the Paris climate agreement and in line with the UN's ambitious target to limit global warming to 1.5°C (see chapter "Responsibilities for the economy, society and environment").

Transparent implementation

As we work towards our sustainability goals, we will ensure maximum transparency. In summer 2022, we will therefore be publishing our first-ever TCFD report based on the internationally recognised standards of the Task Force on Climate-related Financial Disclosures (TCFD). The LLB Group will be disclosing its catalogue of measures to achieve its goal on climate warming and where it stands on them, as well as how it will deal with risks related to climate warming and what opportunities it sees. Reporting will be on an annual basis.

Sustainable products and services

It is important to the LLB Group to integrate **ESG** criteria, i.e. aspects relating to the **e**nvironment, **s**ociety and corporate **g**overnance, into its investment process. Our range of sustainable products is already extensive today. During the reporting year, we forged ahead with the process of making our own bank products sustainable. The lion's share of our fund range has now been brought into line with LLB's ESG sustainability approach, which corresponds to the "light green" category under Article 8 of the EU Sustainable Finance Disclosure Regulation (SFDR). The aim of the European Union with this regulation is to provide greater transparency on how financial market participants and advisers take sustainability risks into account.

We also offer our clients asset management and advisory mandates based on ESG factors. At the beginning of 2022, we are launching our first-ever "dark green" LLB impact fund. It is considered sustainable under the EU Taxonomy and is aligned with the Paris climate goals (Art. 9 of the EU Disclosure Regulation).

We will be increasing our range of dark green LLB funds. We want to be able to offer our clients a variety of sustainable investing options to suit their particular preference. With this mind, we will be introducing, among other things, a fully digital sustainable asset management service in autumn 2022.

ESG integration in asset management

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

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

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

Sustainable investments

The LLB Group offers its clients strategy funds and asset management mandates that follow its sustainable investment approach. Only securities with a favourable ESG rating are considered for them when constructing a portfolio. Furthermore, companies with serious violations of important international norms and with substantial turnover in industries such as tobacco, gambling, nuclear energy or weapons are excluded from the portfolio altogether. As demand grows, the investment process is being refined ever further. LLB also offers the inclusion of sustainability aspects for its "LLB Invest" investment advisory packages.

Risk-conscious growth in the mortgage lending business

The development of the real estate and mortgage markets plays a key role in the economy. In Liechtenstein, LLB has a leadership position in the mortgage lending business with a market share of around 50 per cent. Bank Linth extends mortgages in eastern Switzerland. This makes us an important partner for private individuals and businesses. For the LLB Group, the quality of the mortgage portfolio is key: growth must be sustainable and risk-conscious as well as be in line with the type of property and the development of the market in the region. In 2021, mortgages accounted for 88.7 per cent (2020: 88.7 %) of loans granted by the LLB Group, corresponding to CHF 12.2 billion (2020: CHF 11.7 billion) (see chapter "Finance and risk management").

Liquidity assistance during the corona pandemic

The LLB Group is fully aware of the major economic responsibility that it has in Liechtenstein and in eastern Switzerland (see chapter "Economic value creation"). This was crystallised during the coronavirus crisis, which saw LLB and Bank Linth taking on an active role as partner banks to SMEs. Both participated in the governmental COVID-19 bridging loan programmes. These provided companies that had encountered financial difficulties as a result of the corona crisis with liquidity quickly and with a minimum of bureaucracy. The LLB Group approved approximately 750 such applications, providing a total of around CHF 71 million in bridging assistance.

Sustainable building

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

Ongoing sustainability training for employees

In autumn 2020, we launched a multi-stage sustainability training programme aimed at our client advisers to help them stay up to date in the face of our growing sustainable product range and increased sustainability requirements from the clients' side as well as the legislators'. The programme was continued and developed further during the reporting year. By the end of 2021, some 400 employees had completed the training. To make the sustainability training courses even more flexible and efficient, we transferred them online into an e-learning programme. This programme is mandatory for all new employees (in part) and client advisers (in full).

Customer orientation

Banking as an experience for clients

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

Client proximity through systematic surveys

Knowing the needs of clients is the basis for the further development of our channels and offerings. We regularly conduct surveys of clients for this purpose. In the last one, which was held in 2020, our clients gave us top marks for overall satisfaction as well as for willingness to recommend to others and satisfaction with e-banking.

The surveys are part of a customer experience concept with which LLB wants to anchor customer orientation even more systematically in the company. They are also a means to ensure permanent optimisation and improve client satisfaction. The next survey – which will include Bank Linth and LLB Österreich – is scheduled to take place in 2022.

Excellent client advisory services

We also received a particularly good rating from our clients for competence in investment advice and asset management. This very positive verdict was also confirmed by external experts. For instance, Liechtensteinische Landesbank achieved a top score in an independent comparison test conducted by the Fuchs | Richter testing body in the reporting year. Also on the all-time best list of private banking providers in German-speaking regions, LBB ranks among the top players (see chapter "Private Banking").

Fair competition

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

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

Financial planning for private individuals and entrepreneurs

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

LLB Pension Fund Foundation for Liechtenstein

With the LLB Pension Fund Foundation, we are the only bank in Liechtenstein with a collective foundation for Liechtenstein SMEs and that since 2005. Owing to its solid financial position, it is gaining popularity. At the end of 2021, Liechtenstein's youngest collective foundation managed CHF 1.27 billion (2020: CHF 1.18 billion). The LLB Pension Fund Foundation thus manages one of the largest amount of pension fund assets in Liechtenstein, making it an essential pillar of the domestic pension fund market. At the end of 2021, it had 760 affiliated companies (2020: 773) with a total of 7'866 active insured persons (2020: 7'238) as clients. The liquidity ratio stood at over 110.1 per cent (2020: 107.2 %). The LLB

Pension Fund Foundation has a very good structural ratio: as in the previous year, for each pensioner there are twelve active insured contributors.

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

Risk management

The LLB Group's risk management process ensures that climate risks are appropriately identified, assessed, managed and monitored. The risk strategy, which is aligned with the climate goals of the LLB Group, provides the framework for this (see chapter "Responsibilities for the economy, society and environment"). Through the strategy we want to promote the transition to a low-emission economy and society and strengthen the robustness of our business strategy against climate risks.

Regulatory development in the context of sustainability

The European Union (EU) promotes sustainable development of the economic system and is committed to the goals of the Paris climate agreement and those of the UN's Agenda 2030. With its "Action Plan for Financing Sustainable Growth", the EU aims – among other things, through incorporating sustainability into investment advice – to reorient capital flows towards a more sustainable economy. Integrating sustainability aspects into risk management and fostering transparency are key areas of the action plan. Achieving the European Union's goal of climate neutrality by 2050 will require a significant reduction in CO_2 emissions, supported by "green" financing.

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

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

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

The LLB Group started work on the implementation of the upcoming legislation in the reporting year, so that the regulatory requirements could be gradually implemented. This includes, for example, applying the sustainability-related disclosure obligations and paying increased attention to sustainability risks both in the bank's own risk management practices and in investment products under the sustainability approach of LLB Asset Management. Along with the expansion of the offering of sustainable investment solutions, we are concerned with providing maximum transparency to our clients on the sustainability classification of products. Here, the training of frontline staff began already in 2020.

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

Employees

Excellent, committed employees are a fundamental prerequisite for the success of a company. For this reason, the LLB Group attaches particular importance to an attractive and modern work environment. We offer a strong corporate culture, interesting tasks, high development potential as well as many opportunities to help shape our common future.

LLB as employer

As at the end of December 2021, the LLB Group had 1’229 employees (2020: 1’225), who together filled 1’056 full-time positions (2020: 1’064). This makes LLB one of the largest employers in Liechtenstein.

Well anchored in the region

We are very keen that our managers understand the mindset and concerns of our clients. And for this reason, almost 100 per cent of the managers and the majority of employees in the main business locations have their roots in their respective region. As a result, they are highly dedicated to the company and have a high level of integrity. They also take a longer-term view, which is very much appreciated by the clients.

To meet the demand for skilled employees, LLB relies on commuters who travel every day from eastern Switzerland (2021: 287) and the Austrian state of Vorarlberg (2021: 93) to Liechtenstein. This makes LLB a major regional employer in the Rhine Valley. Bank Linth recruits almost all of its professionals from the Swiss regions of Lake Zurich, Sarganserland and Winterthur.

Communicating with employees

A clear, consistent and transparent approach when addressing employees is essential for successful corporate management. This is all the more so in crisis situations like the corona pandemic, which affected many parts of day-to-day operations yet again in 2021. Internal communication thus assumed special relevance once again during the reporting year.

Across the entire Group, we kept our employees – tailored to the individual companies – informed about the latest developments through, for instance, news postings on the intranet. The Group CEO also reported on projects and new developments in regular video messages. Similarly, LLB (Österreich) AG posted video messages from members of the Board of Management. Bank Linth conducted employee information events virtually when they could not be held physically.

The main focus of internal communication in 2021 was again the Group Forum, an annual Group-wide information event, where the Group Executive Board set out the new ACT-26 corporate strategy. The event took place simultaneously at three of the Group’s locations, namely Vienna, Uznach and Vaduz. The employees could participate either in person or digitally.

The main instrument for internal communication is LLB’s intranet. The upgrading of our Group-wide, internal communication platform was completed during the reporting year so that we are now able to reach our employees in a more targeted way. Furthermore, the modernised intranet offers an array of collaboration tools such as, for example, the comment function. These tools enable employees to engage with each other in an interactive dialogue – much like other social platforms.

Attractive work environment

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

Flexible work environment

Mobile working is now well up the list of priorities for jobseekers. In recent years, the LLB Group has responded to this development and ramped up its home office capacities. The corona pandemic has sharply accelerated this process. Since the autumn of 2020, almost all employees have been able to work from home. During the reporting year, moreover, the home office regulations were made fit for the post-corona era. These provide that employees may work from home for up to 40 per cent of their workload, if their job duties permit it and the legal framework conditions allow it. The measures taken are in line with the Group's strong commitment to sustainability as defined in its new corporate strategy: after all, fewer days in the office reduces commuter traffic.

Compatibility of work and life situation

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

In addition, employees can increase their holiday entitlement by five or ten days and forego a corresponding amount of pay in return. This "FreiZeit-Kauf" (purchase leisure time) scheme is highly valued: in the reporting year, 105 employees (2020: 106) purchased a total of 745 additional leave days (2020: 745).

Compatibility of work and life situation is an important criterion when choosing an employer – particularly for mothers. We have launched a special programme to facilitate their return to work after childbirth. For example, the workload can be reduced to 60 per cent in the first year if a mutual commitment is made to subsequently increase this to 80 per cent. In other instances, individual arrangements to take extended leave after childbirth or a smaller workload are made (see section "Family-friendly company").

We also support paternity leave and permit our employees care leave in the case of a family emergency. The "Villa Wirbelwind" crèche in Vaduz, which was set up in co-operation with the Liechtenstein Bankers Association, is open to the children of all Liechtenstein bank employees.

Long-service employees are rewarded with a sabbatical. 45 employees (2020: 49) with long-service anniversaries of ten, twenty, thirty or forty years went on a sabbatical for up to four weeks in 2021.

Family-friendly company

LLB AG has been recognised by the Liechtenstein Government with the "Familienfreundliches Unternehmen 2021" (2021 Family-Friendly Company) award.

(Source: Liechtenstein government / IKR)

Over 50 domestic companies submitted their entry and were assessed and evaluated for their commitment to the compatibility of work and family life. An employee survey had been conducted internally in advance; for LLB, it revealed the following findings:

- A family-friendly environment is very important to our staff.
- Compared to the benchmark, our employees enjoy coming to work more than average and are more satisfied with the general conditions of work. More education, training and career development programmes are on offer than at other companies that took part in the survey.
- The compatibility of work and private life is very important and challenging for parents and carers.

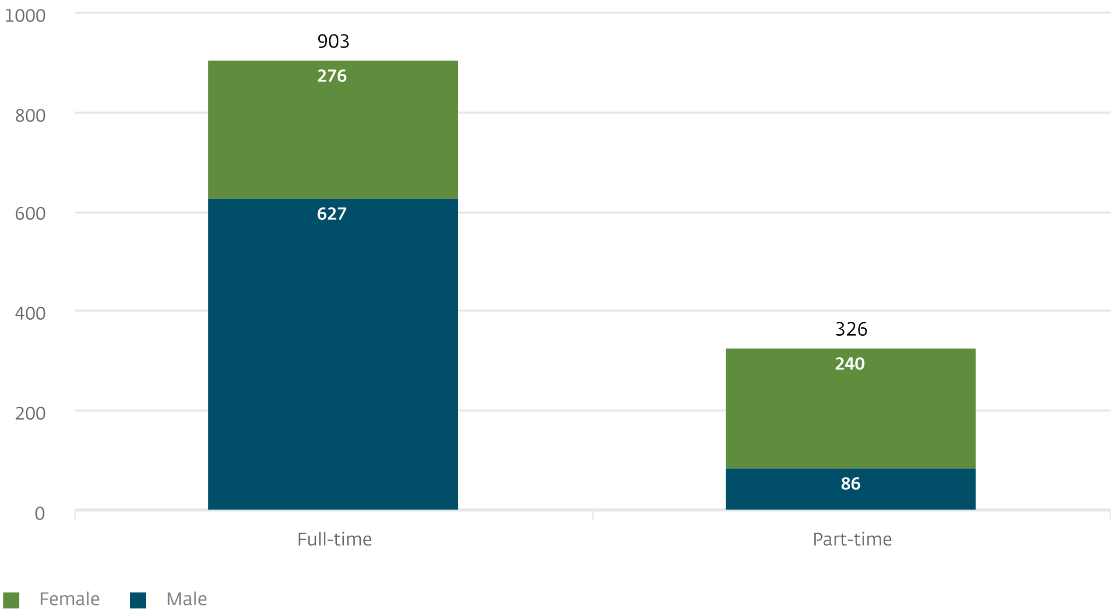
These topics all play a central role in our new HR strategy. The formulation of associated goals and measures is already underway.

Fair and performance-oriented compensation

The LLB Group offers attractive employment conditions. It spent CHF 190.0 million (2020: CHF 181.0 million) on salaries and social contributions in 2021.

We have a modern compensation system that is considered exemplary in the banking sector. For the majority of employees, it includes a variable remuneration component. We set great store by fair compensation that explicitly recognises skills and performance. Women and men in the same position and at the same performance level are in the same pay scale and wage model. In 2020, the LLB Group, together with the University of St. Gallen (HSG), analysed pay equality between men and women. The results from the analysis, which were presented in the reporting year, confirmed that there is no statistically significant disadvantaging of women at LLB. Based on this, Liechtensteinische Landesbank received the highest award possible, the "We pay fair" certificate. Bank Linth similarly complies with the legal framework with its wage differential.

Breakdown by employment type [1]



1 Including permanent and temporary employees

In 2013, we decided to introduce the Market-Adjusted Performance Indicator (MAPI) so as to be able to make a careful and objective evaluation of the management's performance (see chapter "Compensation report"). The model was developed in conjunction with FehrAdvice & Partners AG, Zurich, and is based on the results of behavioural economics research carried out by Professor Ernst Fehr from the University of Zurich.

High employee satisfaction

Employee satisfaction is an indicator of whether it is possible to retain motivated, high-achieving employees in the company. To understand where we stand in this respect, we regularly conduct in-depth employee surveys at the companies of the LLB Group. In the last survey of 2020, we achieved very good results once again in the main criteria of commitment, satisfaction and evaluation of the company as an employer. LLB AG and Bank Linth were subsequently honoured with the Swiss Employer Award. The next survey is scheduled for 2023.

Initiative for employees over 50

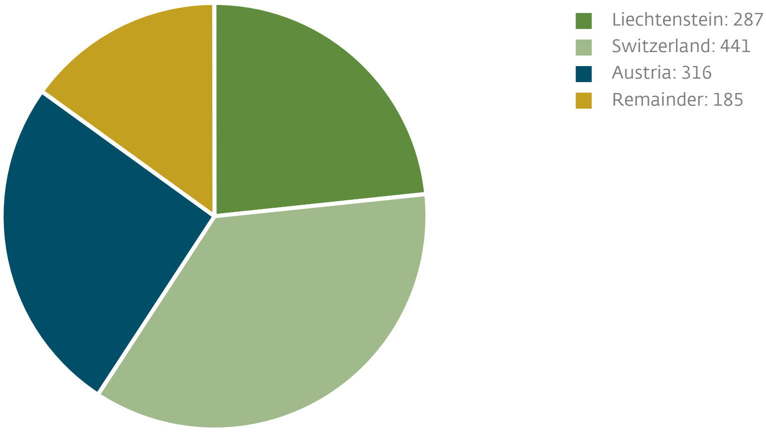
Rapid digital developments and growing complexity are affecting the workplace, making job profiles more demanding. Staying motivated and up-to-date is a challenge – especially for people who have been in professional life for a long time. At our Liechtenstein location, 28 per cent of employees are over the age of 50. To ensure they remain fit for the working world of the future, we have a special programme available for them. It includes, among other things, offerings to strengthen personal, professional and methodological competence. Training courses and workshops planned for 2021 had to be cancelled yet again due to coronavirus-related restrictions. They will be held again as soon as the situation allows. Our service offerings for employees turning 50, namely an analysis of their financial position, and for those over 56 of regular progress meetings are actively used and much appreciated. A new addition to the programme in 2021 was the "Skills 4.0" course from a leading centre of excellence for future-oriented learning in Switzerland. The course provides further education training to meet the needs specifically of the 50+ age group.

Health and safety

Gaining the "Friendly Work Space" label from Gesundheitsförderung Schweiz (Swiss Health Promotion) in 2020 has made us truly top of class in this metric. In 2021, we followed this initial success through with action. Besides our very broad health-focused offering, which formed the basis for this award, we dedicated our attention during the reporting year to further developing procedural topics and to mental fitness. Pilot events were also held on topics such as "Healthy leadership" for supervisors and "Stress fit" for employees. Following very good feedback, we will be rolling out these training courses more broadly over the next few years.

We want to reduce the absenteeism rate, which indicates the incidence of accidents and long-term illnesses, through these and other measures. We were again able to meet our target of a maximum of 2.5 per cent in the reporting year. In 2021, we registered 143 absences (2020: 133), corresponding to a rate of 1.9 per cent (2020: 1.5 %).

Breakdown by nationality [1]



1 Including permanent and temporary employees

Support at difficult times

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

Diversity of employees and managers

Productivity and innovation are key drivers of a company's success. Studies show that teams that are highly diverse are more likely to question existing processes and thought patterns as well as to develop and advance innovative ideas. The LLB Group has for this reason long since stated its commitment to diversity among its employees and at all levels of management.

In 2021, 23 per cent of our employees were Liechtenstein nationals, 36 per cent Swiss nationals and 26 per cent were Austrian nationals. All in all, people from 38 nations are employed at the LLB Group. We are committed to ensuring that our client base is reflected in our employee mix. This also applies to our traditional cross-border markets in Germany and the rest of Western Europe as well as to the growth markets of Central and Eastern Europe and the Middle East.

Breakdown by gender [1]

[1] Including permanent and temporary employees

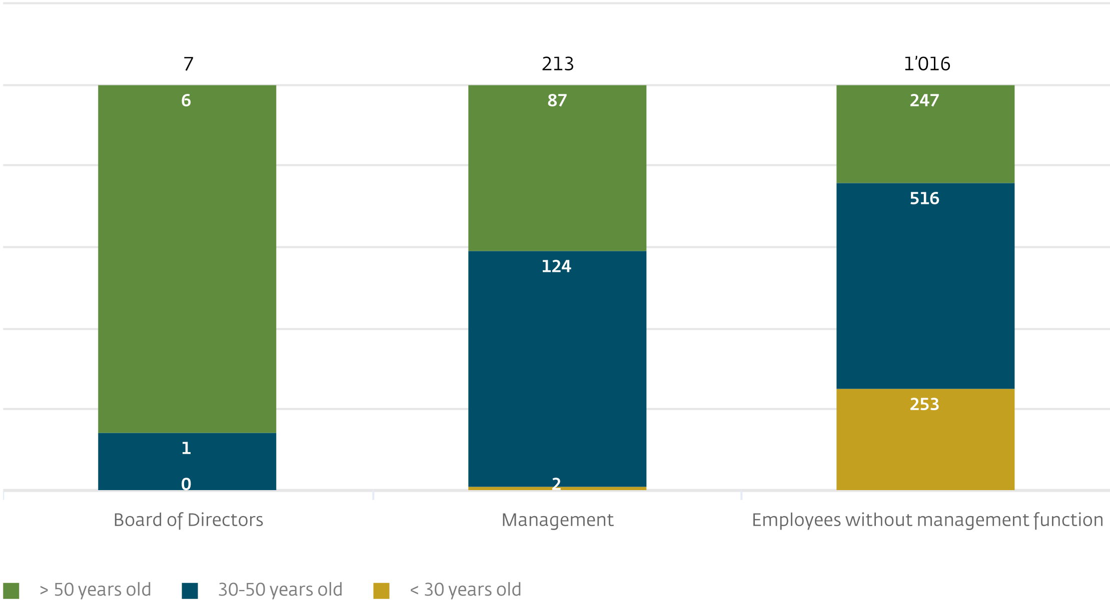
The proportion of women working for the LLB Group is relatively high at 43 per cent, though they are still under-represented in leadership positions. The first woman was appointed to the Group Executive Board in 2016 (see chapter "Corporate governance").

Women in management positions:
- Executive management: 4 men, 1 woman
- Senior management: 25 men, 1 woman

The Board of Directors of LLB, which is publicly listed, has been characterised by an above-average proportion of women since 2014. At the end of 2021, with two out of the seven members women, they represented just under a third (29 per cent) of the board members (see chapter "Corporate governance").

91 employees were assigned to the "Potential Pools", from which, among other things, future managers are recruited internally; of these, 27 were female.

Breakdown by age group [1]



1 Including permanent and temporary employees

Training as a main pillar of a company's success

For the LLB Group, training and professional education are important instruments for increasing its competitiveness. In 2021, we invested CHF 1.5 million (2020: CHF 1.4 million) in the targeted development of managers, talent and competences. By doing so, we were able to fill 76 per cent (2020: 63 %) of management positions that became vacant internally in the reporting year. In the "Career Planning" project, the developmental intentions and perspectives of those employees wishing to progress were discussed using a system-based process and with the aid of competence-oriented job profiles.

Digital learning

In the age of digitalisation, learning is increasingly taking place online. Digital learning formats are opening up new possibilities fo acquiring knowledge. Many of our internal training courses now use webinars to deliver content.

Since 2021, all LLB Group employees have enjoyed access to LinkedIn's entire e-learning offering. LinkedIn Learning provides expert-led practical courses that enable them to acquire or deepen specific skills. Greater flexibility is another advantage of e-learning: employees can learn at any time or place, according to their individual needs. LinkedIn Learning is therefore also an essential component of our Group-internal management training.

Client adviser certification

With mandatory SAQ client adviser certification, we are ensuring the outstanding advisory competence of the LLB Group for the long term according to uniform quality criteria. In 2021, all uncertified employees with client contact were able to complete the qualification according to SAQ standards. The recertification catalogue had new training topics added, both in the online and in-person formats. All employees needing recertification in 2021 were able to extend their SAQ certificate for another three years. The SAQ certification also complies with the regulatory requirements arising from the European Markets in Financial Instruments Directive (MiFID II) and the Swiss Financial Services Act (FinSA). In 2021, we invested CHF 198'000.00 (2020: CHF 176'000.00) in training programmes in accordance with the standards of the Swiss Association for Quality (SAQ). Of this total, CHF 132'000.00 was spent on initial certification and CHF 66'000.00 on recertification.

Management development

The success of a strategy requires a thorough understanding of the goals and intentions as well as of the corporate culture. Just as important, however, is an individual's attitude towards the changes that are coming. In autumn 2021, shortly after launching the new ACT-26 corporate strategy, the LLB Group therefore kicked off the "Leading to success III" training course. It enables management to develop the content of the strategy and subsequently implement it in their teams.

Professional training

Liechtensteinische Landesbank is one of the largest providers of training in Liechtenstein. In the reporting year, the LLB Group trained a total of 34 apprentices (2020: 30) in the fields of IT and commerce. These young adults benefit from high-quality dual vocational education and training. The traditional apprenticeship remains the main pillar of the development programme for our junior employees. We believe that the provision of a broad education is a key task, especially as through the Federal Vocational Baccalaureate (FVB) it allows young adults to keep their options open to go to a university of applied sciences or a traditional university.

Bachelor, work and study, and master programmes

The LLB Group focuses strongly on university graduates. There are three different programmes available for candidates:

- practical-based direct entry for graduates (2021: 8 participants);
- a work and study programme for postgraduates in the final phase of their studies (2021: 4 participants);
- and a trainee programme for postgraduates (2021: 4 participants) in the areas of general and relationship management.

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

The LLB Group continues to have a high demand for employees with a higher education. To enhance our profile as an attractive employer, we are regularly visibly present at both online and physical events at the Universities of Liechtenstein and St. Gallen, FHS St. Gallen University of Applied Sciences and Zurich University of Applied Sciences (ZHAW) in Winterthur. This is bearing fruit: the level of qualifications of new entrant employees and managers has increased significantly in recent years. At the end of 2021, 62 per cent of newly recruited employees had graduated from a university or a university of applied sciences or completed higher professional training.

Measuring the success of staff development

The LLB Group has established various processes in recent years to support the systematic further development of its staff and internal pool of specialists and experts. Based on regular assessments of performance and development potential as well as strategic staffing needs within the Group, concrete action plans can be developed and implemented for all employees. There are, among other things, so-called "Potential Pools". Some 87 individuals, or 8.9 per cent of employees (2020: 91 individuals; 10.3 %), were assigned to one of five "Potential Pools" in 2021.

Digitalisation of personnel management

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

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

Representation of Employees

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

Personnel Pension Fund Foundation

In the reporting year, 730 employees of our corporate Group who work in Liechtenstein were covered by the retirement, life and disability insurance plans of the autonomous Personnel Pension Fund Foundation of Liechtensteinische Landesbank. The pension fund and its defined contribution scheme offer three attractive savings plans that go beyond the requirements of the law (Occupational Pension Act (OPA)). In addition, LLB's contributions as an employer amount to two-thirds of the financing of the fund.

Thanks to good investment returns, the retirement assets of the insured persons bore interest of 4.0 per cent at year's end. To safeguard pension benefits, the Board of Trustees decided to switch from periodic tables to OPA2020 generational tables and a technical interest rate of 1.50 per cent. In the generational tables, the expected increase in life expectancy is included directly in the tariff. The switch renders the provision previously made for "Increase in life expectancy" no longer necessary and the future required return on the pension fund capital of pension recipients is reduced accordingly. The disadvantage is increasing retirement losses as a result of the pension conversion rate being too high. These, however, are within an acceptable range so that there is no need to reduce the pension conversion rate further.

The liquidity ratio increased as at the end of 2021 to 113.3 per cent (2020: 110.5 %). The fluctuation reserve amounted to CHF 46.7 million (2020: CHF 34.3 million), or around three quarters of its target value. The latter was increased from 116.0 per cent to 118.0 per cent following the decision in 2020 to adjust the investment strategy.

All these measures will further strengthen the financial resilience of the Personnel Pension Fund Foundation of Liechtensteinische Landesbank.

LLB Group headcount statistics

	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Employees					
Number of employees (full-time equivalents)	1'056	1'064	1'077	1'086	867
Full-time employees	903	918	930	953	769
of which Apprentices	27	30	34	33	36
of which Young talents [1]	17	10	9	13	4
Part-time employees	326	307	304	280	218
Employee retention					
Staff turnover rate in per cent	14.5	11.5	12.0	10.9	11.0
Average length of service in years	9	9	9	9	10
Average age in years	41	41	41	41	40
Diversity and equal opportunities					
Number of nations	38	36	38	38	36
Share of women in per cent	42	43	42	43	43
Training and professional education					
Training costs in CHF thousands	1'500	1'400	1'655	1'802	1'384
of which SAQ certification costs in CHF thousands	198	176	318	410	244

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

Corporate environmental and climate protection

As a responsibly operating company, it is important to us to contribute to environmental and climate protection and to the conservation of natural resources. With our new ACT-26 corporate strategy, we have set ourselves the goal of playing a pioneering role in this area. Since 2021 the LLB Group's banking operations have been climate-neutral. And we will continue resolutely down this path. By 2040, we want to achieve complete climate neutrality.

Transparent reporting

We, as the LLB Group, are committed to open and transparent reporting. That is why in 2021 we went over and above the regulatory requirements and by measuring Scope 1, 2 and 3[1] (excluding bank products and own investments) determined all material emission factors for our banking operations. Doing so allows us to identify and compare many more emission sources.

In order to analyse trends and derive targets and measures, the figures for 2019 and 2020 were recalculated to obtain data for comparative purposes. The figures for 2019 in particular would appear important given that it is the last representative business year for the CO_2 footprint before the COVID-19 pandemic and the numerous restrictions it brought with it.

Information on Scope 3 emissions from bank products and own investments, which have been omitted from this report, will be provided in our new TCFD report. Based on the internationally recognised standards of the Task Force on Climate-related Financial Disclosures, it is scheduled to be published for the first time in summer 2022.

Development of CO_2 emissions

CO_2 emissions were significantly lower in 2020 and 2021 compared to 2019, falling from 5'843 t/CO_2 to a 3'319 t/CO_2 and 3'042 t/CO_2 respectively. This reduction in CO_2 emissions is mainly due to one-off effects as a result of the COVID-19 pandemic. For example, emissions caused by mobility (commuter and business traffic and business trips) more than halved in the period being compared. By contrast, additional emissions from setting up home office workplaces in 2020 and 2021 were barely significant (see table).

CO_2 footprint within the LLB Group

At 75 per cent, the vast majority of our emissions in the pre-corona year 2019 were attributable to LLB AG and its subsidiaries in Liechtenstein, with LLB (Österreich) and Bank Linth roughly splitting the other 25 per cent. As expected, in 2019, Scope 3 emissions (not including bank products and own investments) far exceeded the CO_2 emissions generated by the emissions captured in Scope 1 and 2.

1 Emissions are grouped into so-called Scopes:
Scope 1 includes all direct emissions caused by combustion.
Scope 1 includes all direct emissions caused by combustion.
Scope 3 includes emissions caused by purchased inputs and third-party services.

Main sources of CO_2 emissions

Mobility is the biggest driver of emissions in the LLB Group's banking operations. In 2019, it was responsible for about three quarters of CO_2 emissions of 4'039 t/CO_2, of which commuting by employees and business trips each accounted for about half. This trend was also clearly visible in both years affected by the corona pandemic.

Across the individual business units though, there are clear differences. While LLB AG and its subsidiaries produce an average of 6.6 t/CO_2 per employee (FTE), Bank Linth and LLB (Österreich) produce considerably less, namely 3.8 t/CO_2 and 3.4 t/CO_2 respectively. In 2020 and 2021, emissions were significantly lower due to the said one-off effects (see table), but the uneven distribution of emissions remained unchanged. The reasons for this are the longer commuting distances to Liechtenstein, which employees from neighbouring countries often do using their own vehicle, as well as greater business travel activity at the Group's headquarters.

Jürgen Zeitelberger, Sustainability Officer LLB Group

"The corona pandemic also had an impact on our carbon footprint. Because many commuters were in the home office, the emissions caused by mobility were also significantly reduced. By switching to electricity from renewable sources, we were able to have an additional positive impact on our CO_2 emissions."

Measures set

As part of the new ACT-26 corporate strategy, the LLB Group has committed itself for the first time to quantitative targets that are in line with the Paris climate targets and conducted a thorough analysis of the climate footprint. In previous years, it has nevertheless taken significant measures to reduce CO_2 emissions, including employee mobility and our building management.

Corporate mobility management

The LLB Group is committed to keeping the environmental pollution caused by business and commuter traffic as low as possible. We have an incentive scheme to encourage our staff to use public or non-motorised transport or form car pools to get to work. Here, on the one hand, we subsidise the cost of season tickets on public transport and offer a bonus in return for foregoing a parking space. While, on the other hand, we levy parking charges – there are four charge bands and the charge levied depends on the distance to work. We promote the use of non-motorised transport by providing changing facilities and showers with towel services as well as company bicycles at our business locations. We also contribute CHF 50 towards the purchase of a bicycle helmet and motivate our employees to take part in the competition run by the Verkehrs-Club Liechtenstein (VCL) "Radfahren für Ihre Gesundheit" (Cycling for your health) and the one by the Liechtenstein Chamber of Commerce and Industry "Mit dem Rad zur Arbeit" (Cycling to work).

These measures are having an effect: out of all employees in Liechtenstein, 355 (2020: 295) now come to work by bus, bike or on foot; this corresponds to a share of 48 per cent. We have installed nine electric charging points in all at six locations in Liechtenstein. They are primarily available for use by our employees, but can also be used by our clients.

Numerous measures have already been taken in recent years to reduce CO_2 emissions within the LLB Group. For example, the LLB Group uses renewable energy sources whenever possible. Projects for the in-house production of electricity are also planned. In addition, great emphasis is placed on increasing energy efficiency and the economical use of resources.

Climate-conscious power-supply

The organisational unit Facility Management identifies potential energy savings and evaluates the effect of efficiency measures. We continue to improve the energy balance of our properties through renovating and refurbishing.

In October 2020, we switched over to certified hydroelectricity for all LLB Group properties in Liechtenstein. This enabled us to reduce CO_2 emissions from electricity consumption by more than 60 per cent by the end of 2021.

LLB (Österreich) switched completely over to green electricity on 1 January 2021, which, among other things, reduced Scope 2 emissions by upwards of 70 per cent.

Climate-neutral bank

The LLB Group's banking operations have been certified as climate-neutral by Swiss climate foundation "myclimate" since the 2021 reporting year. Initially, this has been achieved primarily through the purchase of climate certificates. These are solely used to finance environmental protection based projects that absorb carbon dioxide from the atmosphere – so-called carbon-removal projects (see chapter "Responsibilities for the economy, society and environment"). In parallel, we will be implementing other measures in 2022 and beyond to further reduce CO_2 emissions within the LLB Group.

Energy consumption and greenhouse gas emissions LLB Group[1]

	2021	2020	2019
Energy consumption (in MWh)	**6'781.5**	**6'497.5**	**6'893.7**
Electricity [2]	4'701.8	4'361.0	4'672.8
District heating	436.3	581.7	580.4
Total heating fuels	1'215.8	1'030.6	1'091.1
Heating oil [3]	136.2	126.3	136.1
Natural gas	719.6	904.3	955.0
Biogas	360.1	n. A.	n. A.
Total motor fuels	427.6	524.2	549.3
Diesel [4]	152.5	211.1	195.1
Petrol (vehicles)	272.1	313.1	354.3
Electric vehicles [5]	3.0	n. A.	n. A.
Hybrid vehicles [5]	25.3	n. A.	n. A.
CO_2 emissions (in tCO_2 e) [6]	**3'042.1**	**3'319.0**	**5'843.8**
Scope 1 totall [7]	308.8	365.6	383.6
Heating fuels	175.4	208.9	221.2
Motor fuels	105.6	122.7	128.3
Volatile gases (refrigerants)	27.8	34.1	34.0
Scope 2 total [8]	150.2	471.0	399.9
Electricity [9]	102.0	417.8	342.1
District heating	46.7	53.2	57.8
Scope 3 total	2'583.1	2'482.4	5'060.3
Purchased goods and services	321.1	315.6	396.7
Capital goods	154.1	298.6	32.0
Fuel and energy-related activities	263.0	322.7	326.5
Transports	59.0	54.0	60.9
Operational waste	25.0	26.5	29.4
Business trips	259.1	215.4	1'897.7
Commute employees	1'501.8	1'249.6	2.317.2

1 Due to optimized data management, the data basis was updated in the reporting year. Therefore, the data from the LLB Annual Report 2020 differs from the current data. This includes the LLB locations in Liechtenstein and Austria as well as Bank Linth. Some consumption data at the Vienna location was estimated based on the previous year's consumption.
2 The increased electricity consumption compared to 2020 is due, among other things, to the pandemic-related work of a large part of the workforce from the home office. In addition, there were several changes at the system boundary at Bank Linth (new branch office in Meilen, changed energy reference areas in various branch offices). However, the impact of these changes on total electricity consumption is negligible.
3 The data collection on heat consumption for Bank Linth is partly incomplete and will be optimized.
4 The significant reduction in diesel consumption is attributable to the reduced use of diesel vehicles at LLB (Austria) and increasingly virtual held meetings.
5 Data collection from 2021
6 Greenhouse gas emissions were calculated in accordance with the guidelines of the Greenhouse Gas Protocol. Due to the update of the emission factors in the reporting year, the electricity-related CO_2 emissions for 2019 and 2020 were subsequently adjusted.
7 Greenhouse gas emissions from own heating boilers, fuels and air conditioning systems
8 Greenhouse gas emissions resulting from the production of purchased electricity and district heating.
9 Emissions from the use of electric vehicles are also included here. Reported according to the market-based approach of the Greenhouse Gas Protocol Scope 2 Guidance.

Industry initiatives and corporate citizenship

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

Economic contribution

The LLB Group bases its business policy on market conditions and strives to generate a reasonable profit, all the while respecting ethical and ecological principles. After all, the LLB Group plays an important role in Liechtenstein's economy: its contribution – dividends and direct taxes – amounted to CHF 43.8 million in 2021 (2020: CHF 47.2 million). LLB receives no financial support for its banks or Group companies in Liechtenstein, Switzerland or Austria from any government. As a bank of systemic importance, it is subject to particularly strict financial market regulation and high capital adequacy requirements. With the implementation of the Capital Requirements Directive (CRD IV) and the establishment of the Deposit Guarantee and Investor Compensation Foundation (EAS), Liechtenstein has a modern guarantee system, which guarantees an adequate equity base and protection of client deposits (see chapter "Values and corporate management").

Major employer in the region

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

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

Participation in industry initiatives

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

As an active member of the Liechtenstein Bankers Association (LBA), LLB AG is committed to making Liechtenstein a sustainable financial centre. It has long worked within the framework of the LBA towards making sustainable finance an important pillar of the banking centre's strategy. Behind this is the understanding that the financial industry is crucial in the transformation towards a more sustainable economy.

Moved by conviction to do the right thing, we joined the UN Net-Zero Banking Alliance in 2021. We plan in 2022 to become a member of The Climate Pledge. Following our membership in summer 2020 of the

UN Principles for Responsible Investment (UN PRI) Finance Initiative, we are also committed to the goal of responsible investment management. Social and ecological issues are central to this (see chapter "Responsibilities for the economy, society and environment"). And last but not least, its membership of the Principles for Responsible Banking initiative, which the LLB Group took up back in 2020, underlines its increased commitment to sustainability and climate protection.

Sponsoring

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

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

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

Winners of the "2021 LLB Business Day Award": Bernadette Kubick-Risch (left) and Gabi Jansen.

Bank Linth also supports a range of organisations, with a similar focus on the three thematic areas of sports, culture and competence. Besides acting already as sponsor to the Kulturtreff Rotfarb (a cultural centre) in Uznach, Knie's Kinderzoo in Rapperswil-Jona and the Flumserberg mountain lifts, it entered into a new agreement in 2021 with the Unihockey Club HC Rychenberg in Winterthur.

LLB Österreich makes donations to numerous organisations engaged in the areas of art, culture and community service. It is also a member of various friends or supporters associations, including those of the Burgtheater, the Leopold Museum and the Albertina. In 2021, the bank once again supported and targeted donations at local Austrian institutions (including the Vienna Boys' Choir) and traditional companies.

The charitable nature of sponsoring undertaken by the LLB Group is placed to the fore. The projects and institutions supported are independent in terms of content and organisation. In 2021, LLB made awards worth CHF 335'000 (2020: CHF 385'000) in Liechtenstein, and Bank Linth awards worth around CHF 350'000 (2020: CHF 342'000) in Switzerland. LLB Österreich spent around EUR 110'000 (2020: EUR 100'000) on donations and membership fees in Austria.

Through our many commitments, we contribute significantly to the implementation of the sustainability strategy of the LLB Group.

The non-profit Future Foundation

The "Zukunftsstiftung der Liechtensteinischen Landesbank AG" (the Future Foundation of Liechtensteinische Landesbank AG), which was founded in 2011 as part of our 150th anniversary celebrations, supports commitment to social and ecological sustainability in everyday life. We support organisations and non-profit projects that improve living and working conditions and promote self-responsibility. We also promote projects dedicated to environmental protection. We focus on innovations in the areas of knowledge transfer as well as the integration and implementation of social entrepreneurship.

Trust, responsibility and reliability are important to the LLB Group. The company is closely connected to the people as well as the economy of Liechtenstein and our other home markets. In addition to project-specific contributions amounting to CHF 62'000, the Future Foundation contributed to society by donating a total of CHF 85'500 to 24 social organisations in 2021. The Future Foundation is a member of the network of the "Vereinigung liechtensteinischer gemeinnütziger Stiftungen" (Association of Liechtenstein Non-Profit Foundations), which aims to promote the idea of entrepreneurial philanthropy.

Projects in 2021

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

Over the past decade, the Future Foundation has made over 210 donations and contributions to over 60 projects, in all totalling around CHF 1.5 million. The projects receiving funding contributions are targeted and located in the market regions of LLB and Bank Linth (Liechtenstein and eastern Switzerland) as well as LLB (Österreich). In 2021, the Future Foundation supported the following projects:

- **Verein Ackerschaft:** With its public post-harvest campaign, the Ackerschaft association wants to put an end to vegetables being left behind in the field after conventional harvesting. Through its actions it is creating linkages between agriculture and consumers.
- **Global Shapers Vaduz:** Refugees who have applied for asylum in Liechtenstein are not allowed to cross the border to go on an excursion. Global Shapers Vaduz facilitates and organises a range of experience days in the Principality for asylum seekers.
- **Zukunft.li Foundation:** LLB has been backing this think tank, which addresses economic and socio-political topics relevant to the sustainable development of Liechtenstein and the securing of its future, for the past eight years.
- **pepperMINT:** The MINT Initiative Liechtenstein is a social foundation that offers children and young people the chance to experience and learn mathematics, computer science, natural science and technology in a fun way.
- **Stiftung Lebenswertes Liechtenstein:** The foundation's aim is to promote the long-term healthy social, ecological and economic development of the Principality of Liechtenstein, creating a positive national and international appeal and impact.

In 2021, the LLB Future Foundation supported the Verein Ackerschaft, which, among other things, ran a post-harvest campaign in Vaduz.

On the occasion of its 10th anniversary, the Board of Trustees of the LLB Future Foundation decided to additionally award a Future Prize every two years for an outstanding commitment to sustainability.

Organisational structure

on 31 December 2021

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

Group companies

on 31 December 2021

Liechtensteinische Landesbank (Österreich) AG (100 %)

Supervisory Board

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

Board of Management

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

LLB Asset Management AG (100 %)

Board of Directors

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

Board of Management

- Markus Wiedemann, Managing Director
- Christian Zogg

Bank Linth LLB AG (74.9 %)

Board of Directors

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

Board of Management

- David Sarasin, CEO
- Luc Schuurmans, Vice CEO
- Martin Kaindl, CFO

LLB Fund Services AG (100 %)

Board of Directors

- Natalie Flatz, Chairwoman
- Stefan Rein, Vice Chairman
- Thomas Vock

Board of Management

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

LLB Swiss Investment AG (100 %)

Board of Directors

- Natalie Flatz, Chairwoman
- Bruno Schranz, Vice Chairman
- Markus Fuchs

Board of Management

- Dominik Rutishauser, CEO
- Ferdinand Buholzer

Corporate Governance

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

Basis

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

The principles and directives defining corporate governance are laid down in two laws: "the law concerning the control and supervision of public companies" (ÖUSG) of 19 November 2009 and the Law on the Liechtensteinische Landesbank (LLBG) of 21 October 1992. In addition, they are laid down in the statutes and rules of procedure of the LLB. These documents are based on the directives and recommendations of the "Swiss Code of Best Practice for Corporate Governance" issued by the Swiss Business Federation (economiesuisse).
On 22 November 2011, the Liechtenstein Government as the representative of the principal shareholder, the Principality of Liechtenstein, adopted – with reference to the ÖUSG Law – a so-called participation strategy for Liechtensteinische Landesbank AG. This strategy defines how the Principality intends to deal with its majority shareholding in the medium and long term and therefore also provides minority shareholders with certainty in planning.

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

The Board of Directors of the LLB Group has held the "Best Board Practice" label of the Swiss Association for Quality and Management Systems (SQS) and the Liechtenstein Association for Quality Assurance Certificates (LQS) since December 2010. Within the scope of the recertification process carried out on 28 January and 21 February 2020, both SQS and LQS confirmed that the business activities and organisation of the LLB Board of Directors exhibit a constantly high level of quality and consistently fulfil the Best Board Practice criteria. Accordingly, the label was extended for a further three years. The annual assessment performed in November 2022 reaffirmed the excellent evaluation.

The following corporate governance report complies with the requirements of the Corporate Governance Directive (RLCG) of the SIX Swiss Exchange Regulation, status 18 June 2021, as well as the fully revised guidelines of the Six Exchange Regulation regarding the RLCG of 10 April 2017. If information required by the RLCG is disclosed in the Notes to the financial statement, a corresponding reference is shown.

The corporate governance report represents the status as at 31 December 2021. Important changes, which may have occurred between the balance sheet date and the editorial deadline for the annual report, are clearly disclosed in the chapter "Important events since the balance sheet " or next to the respective point in the report.

1 Group structure and shareholders

1.1 Group structure

1.1.1 Description of the operative structure

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

The LLB Group has an organisational structure based on market divisions which is geared towards client and market needs. Besides the three market divisions "Retail & Corporate Banking", "Private Banking" and "Institutional Clients", the management structure encompasses the functions of Group Chief Executive Officer (Group CEO), Group Chief Financial Officer (Group CFO) and Group Chief Operating Officer (Group COO).

The rules of procedure adopted by the Board of Directors, in particular, the functions diagram in the appendix ensure the proper conduct of business, the appropriate organisation, as well as the uniform management of the LLB Group. In accordance with the functions diagram, the Board of Directors, the Chairman of the Board of Directors, the committees of the Board of Directors, the Group CEO and the Group Executive Board are decision-making authorities.
The functions of the Board of Directors and the Group Executive Board of the LLB Group are combined with those of the Board of Directors and the Board of Management of the LLB parent company. Within the scope of the duties and powers defined by the rules of procedure and the functions diagram, the above-mentioned authorities can make decisions and issue rulings that are binding for both the parent company and the LLB Group companies – but taking into consideration the provisions of current local law applicable to the individual Group companies.

The members of the Group Executive Board are represented on the Boards of Directors of the consolidated companies. A member of the Group Executive Board serves as the Chairman of the Board of Directors of a subsidiary company with the exception of Bank Linth LLB AG.

On 27 October 2021, the LLB Group announced its new ACT-26 strategy. Starting from 1 January 2022, the LLB Group began rigorously implementing the strategic goals of ACT-26 within the organisation. The strategy focuses on clients and technological transformation. In future, the LLB Group shall comprise five divisions instead of the previous six (see chapter "ACT-26" and "Events since the balance sheet date").

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

1.1.2 Listed companies included in the scope of consolidation

The Liechtensteinische Landesbank, with its headquarters in Vaduz, is listed on the SIX Swiss Exchange. As at 31 December 2021, its market capitalisation stood at CHF 1'620.1 million (30'800'000 registered shares at a nominal value of CHF 5.00 at a year-end price of CHF 52.60).

Bank Linth LLB AG, with its headquarters in Uznach, in which the Liechtensteinische Landesbank holds a majority equity stake of 74.9 per cent, is also listed on the SIX Swiss Exchange. As at 31 December 2021, its market capitalisation stood at CHF 389.8 million (805'403 registered shares with a nominal value of CHF 20.00 at a year-end price of CHF 484.00).

1.1.3 Unlisted companies included in the scope of consolidation

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

1.2 Major shareholders

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

At the end of 2021, the Principality's equity stake in the shares of the Liechtensteinische Landesbank remained unchanged at 57.5 per cent. Detailed information about the development of this equity stake can be found at www.llb.li/capital+structure.

At 31 December 2021, the Haselsteiner Familien-Privatstiftung, Ortenburger Strasse 27, 9800 Spittal / Drau, Austria, and grosso Holding Gesellschaft mbH, Walfischgasse 5, 1015 Vienna, Austria, held 1'805'000 shares, or a share of 5.9 per cent of the capital and voting rights of LLB (https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html#notificationId=TBI6P00024). The Haselsteiner Familien-Privatstiftung and grosso Holding Gesellschaft mbH constitute a shareholder group. The voting rights will be exercised in mutual agreement between the parties.

The remaining registered shares were in free float, whereby none of the other shareholders held more than 3 per cent of the share capital. There are no binding shareholder agreements.

As per 31 December 2021, Liechtensteinische Landesbank held, directly or indirectly, a total of 232'935 of its own registered shares (0.8 % of the share capital). No shares were cancelled so that the capital structure remained the same. The repurchased shares are to be used for the purpose of future acquisitions or for Treasury management purposes.

Less than 0.3 per cent of the share capital was held by members of the Board of Directors and the Group Executive Board.
There are no binding shareholder agreements.

1.3 Cross participations

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

Company	Reg. office	Listed on	Market capitalisation (in CHF thousands)	Stake (in %)	Segment	Security number	ISIN number
Liechtensteinische Landesbank AG	Vaduz	SIX Swiss Exchange	1'620'080		International Reporting Standard	35514757	LI0355147575
Bank Linth LLB AG[1]	Uznach	SIX Swiss Exchange	389'815	74.9	Swiss Reporting Standard	130775	CH0001307757

1 On 27 January 2022, the LLB announced its intention to increase the shareholding in its subsidiary Bank Linth LLB AG to 100 percent. It offers the shareholders of shareholders of Bank Linth an attractive premium and the free choice between a partial exchange offer in LLB shares with a cash component and a full cash settlement.

2 Capital structure

2.1 Capital

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

2.2 Conditional and approved capital

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

2.3 Changes to capital

The share capital amounts to CHF 154 million and has not changed during the last three years. The LLB Group's equity totalled CHF 2'060 million on 31 December 2019, CHF 2'138 million on 31 December 2020 and CHF 2'138 million on 31 December 2021 (see table "Consolidated statement of changes in equity", for the composition and changes to capital during the last two report years).

in CHF thousands	31.12.2021	31.12.2020	31.12.2019
Share capital	154'000	154'000	154'000
Share premium	– 13'952	– 13'177	– 22'432
Treasury shares	– 15'073	– 18'663	– 23'574
Retained earnings	1'959'517	1'902'316	1'866'121
Other reserves	12'932	– 20'911	– 44'803
Total	2'097'423	2'003'565	1'929'312
Non-controlling interests	142'704	134'028	130'785
Total equity	2'240'128	2'137'593	2'060'097

2.4 Shares and participation certificates

As at 31 December 2021, the share capital amounted to 30'800'000 fully paid registered shares with a nominal value of CHF 5.00. With the exception of the LLB shares held by the Liechtensteinische Landesbank and its subsidiaries (232'935 shares), all the shares are eligible for dividend. As at 31 December 2021, share capital eligible for dividend therefore amounted to CHF 152.8 million. In principle, all LLB shares are eligible for voting according to the principle of "one share, one vote". However, on account of the regulations concerning the purchase of own shares (Art. 306a ff. PGR / Liechtenstein Person and Company Law), the shares held by Liechtensteinische Landesbank and its subsidiaries are not eligible for voting. There are no priority rights or similar entitlements. Shareholders have a subscription right with the issue of new shares, which entitles them to subscribe to new shares in proportion to the number of shares they already hold.

Liechtensteinische Landesbank AG has not issued participation certificates.

2.5 Profit-sharing certificates

Liechtensteinische Landesbank AG has no outstanding profit-sharing certificates

2.6 Transfer limitations and nominee registrations

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

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

2.7 Convertible bonds and options

As at 31 December 2021, the Liechtensteinische Landesbank had no convertible bonds or options on its own shares outstanding.

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

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

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

3 Board of Directors

a) Name, nationality, education and professional career

Name	Year of birth	Profession	Nationality
Georg Wohlwend	1963	Business economist	FL
Gabriela Nagel-Jungo	1969	Professor of financial management	CH
Patrizia Holenstein	1957	Lawyer	CH
Urs Leinhäuser	1959	Business economist	CH
Thomas Russenberger	1975	Head of Group Human Resources	FL
Richard Senti	1964	Business economist	FL
Karl Sevelda	1950	Bank manager (ret.)	AT

On the basis of their education, their professional background and their experience, the seven members contribute various, complementary skills and abilities. With two female members of the Board at the end of 2021, 30 per cent of the Board consisted of females.

b) Executive / non-executive members

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

c) Independence

All members of the Board of Directors are independent within the context of the Swiss Exchange "Directive Corporate Governance" concerning corporate governance information. In 2021, as well as in the three previous years, no member of the Board of Directors was a member of the Group Executive Board or the Board of Management of the Liechtensteinische Landesbank or a Group company. No member of the Board of Directors had significant business relationships with the Liechtensteinische Landesbank or a Group company. In accordance with Art. 12 of the Liechtenstein law concerning the control and supervision of public companies, all contracts with the members of the Board of Directors must be in writing and they must be approved by the Board of Directors. The same conditions apply to contracts concluded with third parties.

3.1 Member

Georg Wohlwend
Chairman, Business economist 1963, FL

Education:
- Licentiate in economics, University of Zurich, field of study information systems, 1991
- International Professional Development Program at the University of Tulsa (USA) 1992
- Swiss Banking School, 1999
- EFQM Assessor, 2007
- Management training at the University of St. Gallen, 2008
- Taxation training at the University of Liechtenstein, 2012
- Swiss Board School, St. Gallen, 2014

Professional career:
- Working scholarship of Martin Hilti Foundation at Hilti, Tulsa (USA), 1992 – 1993
- Employee in the Organisation Department of VP Bank AG, Vaduz, 1994 – 1996
- Deputy Head Logistics at VP Bank AG, Vaduz, 1998 – 2000
- Member of the Management Board and Head Logistics at VP Bank AG, Vaduz, 1998 – 2000
- Member of the Management Board and Head Trust Banking at VP Bank AG, Vaduz, 2000 – 2006
- Member Group Executive Management and Head Intermediaries at VP Bank AG, Vaduz, 2006 – 2010
- Member Group Executive Management and Head Banking Liechtenstein and Regional Market at VP Bank AG, Vaduz, 2010 – 2012
- Partner and Member of the Executive Board of Salmann Investment Management AG, Vaduz, 2013 – 2014

Gabriela Nagel-Jungo
Vice Chairwoman, Professor of financial management 1969, CH

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

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

Patrizia Holenstein
Lawyer
1957, CH

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

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

Urs Leinhäuser
Business economist
1959, CH

Education:
- Business economist HWV, 1983
- IMD Lausanne, SSE 1998

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

Thomas Russenberger
Personnel manager
1975, FL

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

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

Richard Senti
Business economist
1964, FL

Education:
- Licentiate in economics, University of St. Gallen, 1989
- Dr.oec. HSG, University of St. Gallen, 1994

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

Karl Sevelda
Bank manger (retired)
1950, AT

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

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

3.2 Other activities and commitments
- **Georg Wohlwend** is Chairman of the Board of Directors of Neutrik AG, Schaan, and Chairman of the Board of Directors of Alegra Capital AG, Vaduz.
- **Gabriela Nagel-Jungo** is a Member of the Board of Directors of Ruetschi Technology AG, Muntelier, and of the GVZ Building Insurance Institute of Canton Zurich.
- **Patrizia Holenstein** is a Member of the Board of Directors of Argos Holding AG, Sarnen, as well as of Oase Holding AG, Baar und Bellerive Estates AG, Zurich.
- **Urs Leinhäuser** is a Member of the Board of Directors of Burckhardt Compression Holding AG, Winterthur, of Ammann Group Holding, Berne, of VAT Group, Haag, of Pensador Partner AG, Zurich, as well as Chairman of the Board of Directors of AVESCO AG, Langenthal.enthal.
- **Thomas Russenberger** is Chairman of the Foundation Board the "Presta Stiftung" pension fund, Eschen.
- **Richard Senti** is Chairman of the Board of Directors of the Hoval Group.
- **Karl Sevelda** is a member of the Supervisory Board of SIGNA Development Selection AG and SIGNA Prime Selection AG, Vienna / Innsbruck, of Siemens AG Austria, Vienna, as well as a member of the Board of Directors of RHI Magnesita NV, Arnhem (NL) / Vienna. Furthermore, he is a member of the

Foundation Board of CUSTOS Privatstifung, Graz, and Chairman of EcoAustria Economic Research Institute, Vienna.

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

3.3 The number of permitted activities

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

3.4 Election and term of office

In accordance with the Law on the Liechtensteinische Landesbank of 21 October 1992, the Board of Directors of the Liechtensteinische Landesbank is composed of five to seven members, who are elected individually by the General Meeting of Shareholders for a term of office of three years; whereby a year corresponds to the period from one ordinary General Meeting of Shareholders to the next. Members can be re-elected for a further two terms. After three terms of office, the Chairman of the Board of Directors can – in justified cases – be re-elected for an extraordinary term of office of at most two years. The "Group regulation concerning the Group Nomination & Compensation Committee" (see point 3.5.2 "Composition of all Board of Directors' committees, their duties and individual competences") stipulates that the Board of Directors aims at continuity through the orderly renewal of the Board, succession planning, as well as through the appropriate staggering of the terms of office (no complete renewal) pursuant to current corporate governance provisions.
The Chairman of the Board of Directors is elected by the General Meeting of Shareholders. The Vice Chairman is elected from among the members of the Board of Directors by its members. New members or the Chairman of the Board of Directors elected as substitutes shall be elected for a full term of office of three years. The General Meeting of Shareholders can dismiss members of the Board of Directors on important grounds. Georg Wohlwend is Chairman of the Board of Directors. Gabriela Nagel-Jungo is Vice Chairwoman. Cyrill Sele is Secretary (recorder of the minutes).

3.4.1 First-time election and remaining term of office

Name	First-time appointment	Elected until
Georg Wohlwend	2017	2024
Gabriela Nagel-Jungo	2014	2023
Patrizia Holenstein	2013	2022
Urs Leinhäuser	2014	2023
Thomas Russenberger	2018	2024
Richard Senti	2018	2024
Karl Sevelda	2019	2022

3.5 Internal organisation

Name	Function	Committee memberships
Georg Wohlwend	Chairman	Group Nomination & Compensation Committee Group Strategy Commitee [1]
Gabriela Nagel-Jungo	Vice Chairwoman	Group Audit Committee [1] Group Strategy Committee
Patrizia Holenstein	Member	Group Audit Committee Group Risk Committee
Urs Leinhäuser	Member	Group Audit Committee Group Risk Committee Group Strategy Committee
Thomas Russenberger	Member	Group Nomination & Compensation Committee [1]
Richard Senti	Member	Group Risk Committee [1] Group Nomination & Compensation Committee
Karl Sevelda	Member	Group Risk Committee Group Strategy Committee

1 Chair

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

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

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

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

The Board of Directors has issued separate regulations for the three committees, the Group Nomination & Compensation Committee, the Group Audit Committee and the Group Risk Committee, in which the tasks and areas of responsibility are defined.

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

Group Audit Committee

The Group Audit Committee supports the Board of Directors in fulfilling the duties and responsibilities vested in it by banking law with respect to its duty of overall direction of the company, as well as supervision and control.

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

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

According to Appendix 4.3 of the Banking Ordinance, the guidelines concerning internal controls according to Art. 7a and Art. 21c ff. of the Banking Law, the Group Audit Committee mainly concerns itself with the methodology and quality of the external auditors, the quality of financial reporting, as well as the collaboration between the internal and external auditors and their independence.

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

This includes:
- Analysing the LLB Group's Consolidated Interim Report and the Annual Report as well as the financial statement of the parent bank. This encompasses the discussion of the following subject areas with the Group CFO, the Head Group Finance, the auditor in charge of the external auditors and the Head of Group Internal Audit;
- Examining whether the financial reporting has been prepared in compliance with applicable accounting standards as well as the legal and regulatory provisions;
- Evaluating the quality of applicable accounting principles and processes;
- Evaluating the budgeting process as well as the budget proposal of the Group Executive Board for the following year and submitting a proposal to the Board of Directors as the approval body;

Group Risk Committee
The Group Risk Committee supports the Board of Directors in fulfilling the duties and responsibilities vested in it by banking law.

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

Name	Function
Richard Senti	Chairman
Patrizia Holenstein	Member
Urs Leinhäuser	Member
Karl Sevelda	Member

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

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

Group Nomination & Compensation Committee
The Group Nomination & Compensation Committee supports the Board of Directors in fulfilling the following duties and responsibilities vested in it by banking law.

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

Name	Function
Thomas Russenberger	Chairman
Richard Senti	Member
Georg Wohlwend	Member

On behalf of the Board of Directors and the Group Executive Board, the Group Nomination & Compensation Committee strives to achieve the following goals while complying with the applicable principles of corporate governance:
- A balanced composition of the bodies taking into consideration the professional knowledge required for the bank and personal suitability of members;
- Continuity thanks to planned renewal and succession as well as a reasonable staggering of terms of office (no complete renewal);
- Smooth transfer of office and functions through systematic introduction to the specific tasks of the bank.

In addition, the Group Nomination & Compensation Committee is responsible for these tasks:
- The annual evaluation of the knowledge, abilities and experience of the individual members of the Board of Directors and the Group Executive Board, as well as its bodies. The submission of the evaluation to the Board of Directors and the Group Executive Board.
- The annual assessment of the structure, size, composition and performance of the Board of Directors as well as the Group Executive Board and - if necessary - recommendation of changes;
- The ensuring that the decision-making process of the Group Executive Board and the Group Board of Directors cannot be influenced by an individual person or a group of persons in a manner detrimental of the LLB Group's interests;
- Reviewing the course of the Board of Directors in the selection and appointment of the Group Executive Board and making recommendations to the Board of Directors;
- Review of the remuneration of the members of the Group Executive Board and senior executives in the areas of risk management and compliance;
- The review of the procedure adopted by the Board of Directors in selecting and appointing the Group Executive Board, as well as submission of recommendations to the Board of Directors.
- The formulating of compensation regulations for the parent bank and the LLB Group.
- The preparation of decisions regarding the compensation of the members of the Board of Directors and the Group Executive Board, as well as of other employees, in so far as their compensation is to be

determined by the Board of Directors in accordance with the compensation regulations and taking into consideration the long-term interests of stakeholders, investors and other parties.
- The establishment of the guidelines for the human resources policy.

The Group Nomination & Compensation Committee ensures an expedient and smooth procedure for the nomination, election and re-election of the member of the Board of Directors. It is responsible, in particular, for the following tasks:
- The development of criteria for the selection, election and re-election of candidates;
- The selection and evaluation of candidates as well as the submission of election proposals to the Board of Directors for submission to the General Meeting of Shareholders in accordance with the developed criteria;
- The development of succession plans and the periodic review of them, both in the case of the end of a term of office and in the case of an early stepping down of members;
- Ensuring the further training of the entire Board of Directors;
- Planning the introductory phase for new members.

The Group Nomination & Compensation Committee ensures an expedient and smooth procedure for the election and re-election of the members of the Group Executive Board. It is responsible, in particular, for the following tasks:
- The development of criteria for the selection and appointment of candidates for the attention of the Board of Directors;
- The selection and evaluation of candidates as well as the submission of proposals to the Board of Directors at the request of the Group CEO in accordance with the developed criteria;
- The development and application of criteria for the performance appraisal of the Group Executive Board in corpore as well as of individual members at the request of the Group CEO;
- The development of succession plans and the periodic review of them, both in the case of the age-related or contingency stepping down of members, in collaboration with the Group CEO;
- Ensuring the further training of the members of the Group Executive Board;

The Group Nomination & Compensation Committee ensures an expedient and smooth procedure for the appointment and appraisal of the Head of Group Internal Audit. It has the following tasks in particular:
- The development of criteria for the selection and appointment of candidates for the attention of the Board of Directors;
- The selection and evaluation of candidates as well as the submission of proposals to the Board of Directors in accordance with the developed criteria;
- The development and application of criteria for the performance appraisal of the Head of Group Internal Audit.
- The development of succession plans and the periodic review of them, both in the case of the age-related or contingency stepping down of the Head of Group Internal Audit, this in collaboration with the Chairman of the Board of Directors and the Chairman of the Group Audit Committee.

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

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

The Group Nomination & Compensation Committee has the following tasks, in particular, in relation to compensation:
- The formulation of recommendations, both for the definition of basic principles and for the stipulating of regulations, regarding the compensation policy of the members of the Board of Directors, of the Group Executive Board and of other employees of the bank for submission to the Board of Directors;
- The formulation of proposals for the compensation of the members of the Board of Directors, of the Group Executive Board and of the Head of Group Internal Audit for submission to the Board of Directors in accordance with the existing principles and regulations;

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

The Group Nomination & Compensation Committee has the following responsibilities in relation to strategic human resources management:
- The stipulation and periodic review of the principles of human resources strategy;
- The review of the processes for the systematic development of employees and executives.

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

Name	Function
Georg Wohlwend	Chairman
Gabriela Nagel-Jungo	Member
Urs Leinhäuser	Member
Karl Sevelda	Member

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

3.5.3 Working methods of the Board of Directors and its committees
Board of Directors
A meeting of the Board of Directors is convened by invitation of its Chairman as often as business requires, but at least four times a year. If a member of the Board of Directors, the Group CEO or at least two members of the Group Executive Board submit a written request to the Chairman, he will promptly convene a meeting of the Board of Directors. Together with the written invitation, the members of the Board of Directors also receive the agenda for the meeting, the minutes of the last meeting and other important documentation required for the meeting at least five business days prior to the date set for the meeting. Meetings of the Board of Directors can also be called with a shorter period of notice if there is a pressing matter. It is within the discretion of the Chairman to determine the urgency of that matter. Board meetings are chaired by the Chairman. A quorum of the Board of Directors is constituted when a majority of the members is present. In urgent cases, resolutions may be passed by circular, provided no member requests a verbal discussion at a meeting within three work days or within the period specified by the Chairman of the Board of Directors in an individual case. If no period is specified by the Chairman for the casting of a circular vote, the vote shall take place within a period of five days from receipt of the circular voting request. A resolution taken by circular vote is just as binding as a resolution taken at a meeting of the Board of Directors. The Chairman shall inform the other members immediately about the result of the circular vote. Resolutions taken by circular shall be entered in the minutes at the next ordinary meeting of the Group Board of Directors.

Meetings of the Board of Directors can be held in the form of physical, telephone or video conferences. The meetings held in the form of telephone or video conferences shall be entered in the minutes in the same manner as at physical meetings of the Board.

The members of the Board of Directors are to exercise their tasks, competences and responsibilities with the necessary care and to regulate their personal and business matters in such a manner that, as far as possible, actual or potential conflicts of interest are avoided. The members of the Board of Directors are obliged to inform the Chairman in cases of real or potential conflicts of interest. This is regardless of

whether the real or potential conflicts of interest are of a general nature or related to a matter to be discussed at a meeting. The Chairman of the Board of Directors shall decide whether there are grounds for a recusal of a member. In such a case, the following recusal options are possible:
- The member concerned may attend the discussion but may not be present at the passing of the resolution concerning the respective matter. He will receive the corresponding minutes;
- The member concerned may not be present either at the discussion or the passing of the resolution concerning the respective matter. He will receive the corresponding minutes;
- The member concerned may not be present either at the discussion or the passing of the resolution concerning the respective matter. He will not receive the corresponding minutes.

During the 2021 business year, the Board of Directors of Liechtensteinische Landesbank AG held a total of eleven ordinary and four extraordinary meetings. The meetings lasted between 0.50 and 9.00 hours. A closed meeting lasting an half day was conducted by the Board of Directors in collaboration with the Group Executive Board following the ordinary meeting in June 2021. The closed meeting focused on the new corporate strategy. The subjects of the extraordinary board meetings were the resignation of CEO Roland Matt and the appointment of his successor Gabriel Brenna, the agreement with Credit Suisse (Luxembourg) S.A. regarding the referral of private banking clients in Austria and a settlement reached in a legal case.

Date	Meeting	Attendance	Duration in h
24 January 2021	extraordinary	all	1.00
01 February 2021	extraordinary	all	2.00
08 February 2021	extraordinary	all	1.00
23 February 2021	ordinary	all	6.25
09 March 2021	ordinary	all	1.00
23 March 2021	ordinary	all	4.25
22 April 2021	ordinary	all	5.25
21 May 2021	ordinary	all	5.50
11 June 2021	extraordinary	all	0.50
28 June 2021	ordinary	all	4.00
28 June 2021	closed meeting	all	5.00
20 August 2021	ordinary	all, excepting Patrizia Holenstein	5.00
28 September 2021	ordinary	all	9.00
25 October 2021	ordinary	all	8.75
25 November	ordinary	all	4.50
17 December 2021	ordinary	all	7.50

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

During the 2021 business year, the members of the Group Audit Committee met for six meetings. No external experts were called in during the business year.

Date	Attendance	Duration in h
21 January 2021	all	1.00
22 February 2021	all	3.00
20 May 2021	all	2.75
15 July 2021	all	0.50
20 August 2021	all	3.25
16 December 2021	all	4.00

Group Risk Committee

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

During the 2021 business year, the Group Risk Committee held five ordinary meetings. No external experts were called in during the business year.

Date	Attendance	Duration in h
22 February 2021	all	2.50
22 May 2021	all	4.50
19 August 2021	all	3.25
22 November 2021	all	0.75
16 November 2021	all	3.50

Group Nomination & Compensation Committee

The Group Nomination & Compensation Committee convenes as often as business requires, but at least twice a year. The meetings are convened by the Chairman. He compiles an agenda prior to each meeting, which is sent together with the necessary information and the minutes of the last meeting to the meeting's participants at least five days prior t the meeting.

To deal with specific issues, the Group Nomination & Compensation Committee can also invite other persons, such as the Head of Group Human Resources, representatives of the external auditors or external consultants. The Group CEO usually participates in the meetings in an advisory capacity; except when topics are discussed that particularly concern the Board of Directors itself, the business area of Group Internal Audit or the performance assessment of the Group CEO and the establishment of his compensation. Furthermore, the Head of Group Human Resources and the Head of Group Internal Audit usually participate in the meetings in an advisory capacity. The members of the Board of Directors, who are not members of the Group Nomination & Compensation Committee, have the right to attend the meetings. In 2021, four meetings were held.

Date	Attendance	Duration in h
22 January 2021	all	2.75
18 May 2021	all	2.00
26 August 2021	all	2.50
29.11.2021	all	2.25

The Strategy Committee

The Strategy Committee held seven meetings in 2021 at which relevant aspects of the development of the new ACT-26 corporate strategy were explored (see chapter "ACT-26").

Date	Attendance	Duration in h
08 February 2021	all	1.50
13 April 2021	all	3.00
18 May 2021	all, excepting Urs Leinhäuser	3.25
16 June 2021	all	3.00
17 August 2021	all	2.00
20 September 2021	all	3.00
18 October 2021	all, ecxepting Georg Wohlwend	2.75

Resolutions at the committee meetings

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

Self-evaluation

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

In summer 2021, the Board of Directors carried out a self-evaluation on the basis of a questionnaire. The consolidated responses were discussed at the meeting in August. As in previous years, the overall evaluation was very positive. The collaboration between the Board members is very good. The culture of open and frank discussions is constructive and effective. The interdisciplinary composition of the Board and the range of ages of the members are regarded as very positive. In addition to the many items on the agenda to be reviewed and assessed, in future the Board of Directors would like to deal more frequently with creative and formative elements, as well as placing sharper focus on continual further training.

3.6 Definition of areas of responsibility

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

Within the scope of the duties and responsibilities defined in the Statutes, the Board of Directors has the following tasks:
- Strategy and management;
- Organisation;
- Financial management;

- Risk policy and management.

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

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

Concerning the ultimate liability for the organization of accounting, financial control and financial planning of the LLB Group, the Board of Directors is, in particular, responsible for:
- The approval of the applicable accounting standards;
- The approval of medium-term planning and budgeting;
- The overall supervision of the complete equity and liquidity management system;
- The approval of the Consolidated Annual Report with the consolidated financial statement and the consolidated management report;
- The approval of the Consolidated Interim Reporting;
- The ensuring of regular reporting on the course of business and extraordinary occurrences;

- The stipulation of the competence to authorize expenditure;
- The supervision of the Group's business development.

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

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

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

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

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

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

In addition to the powers and duties set forth in the statutes, the Group Executive Board is responsible, in particular, for:
- Operative management;
- Implementation of the strategy;
- Risk management.

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

The Group Executive Board:

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

The Group Executive Board:
- Implements an efficient structure and organisation and an effective internal control system for the prevention and limitation of risks of all types;
- Within the risk policy framework of the LLB Group has the following tasks, in particular:
  - Implementing and reviewing compliance with the risk policy and risk regulations approved by the Board of Directors;
  - Managing all significant risks;
  - Ensuring a reasonable valuation of assets;
  - Using external and internal models to manage and monitor key risks;
  - Ensuring comprehensive reporting to the Board of Directors regarding the risk situation in accordance with the provisions of risk policy;
  - Deciding on the composition of the Risk Committee of the LLB Group.

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

The Group CEO

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

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

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

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

The Group CEO generally attends the meetings of the Board of Directors in an advisory capacity, informs it about the development of business as well as about extraordinary occurrences and provides additional information on request. The Group CFO regularly informs the Board of Directors about finances and risk management as well as about the proper implementation of the Bank's risk policy. The other members of the Group Executive Board attend meetings when matters involving them are dealt with. The Group CEO and the Group CFO usually participate in the meetings of the Group Audit Committee and the Group Risk Committee in an advisory capacity. If required, the Group CEO can inform the Chairman of the Board of Directors outside of meetings of the Board of Directors about the course of business and special occurrences. The Chairman of the Board of Directors informs the other Board members about important events.
During meetings, each member of the Board of Directors can request information about all matters relating to the LLB Group. Outside of meetings, each member of the Board of Directors can also request information about the course of business from members of the Group Executive Board and, with the approval of the Chairman of the Board of Directors, also about individual business transactions.

Internal supervision and control

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

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

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

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

To avoid duplication of work and to optimize controls, the auditing plans are coordinated with the statutory auditors. The auditing plan and the personnel requirement plan are reviewed by the Group Audit Committee and submitted to the Board of Directors for approval. In addition, Group Internal Audit regularly monitors the rectification of any deficiencies found and the implementation of its recommendations; it submits reports about this procedure to the Group Audit Committee.

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

Risik management

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

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

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

- Ensuring a complete overview of the entire risk spectrum, especially of the character of the existing types of risk and the risk situation;
- Formulation of the risk policy as well as the preparation and analysis of all important decisions regarding risk management;
- Identification and measurement of significant risks as well as reporting to the Board of Directors and the Group Executive Board;
- Continual checking of the effectiveness of risk management measures. The Group Risk Committee invites the persons responsible for risk management to a quarterly discussion of the risk status. Their reports are summarised every six months in an overall risk report of the LLB Group, which is submitted to the Board of Directors.

Further details of risk management can be found in the chapter "Financial and risk management", as well as in the notes to the consolidated financial statement of the LLB Group.

Compliance

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

4 Group Executive Board

4.1 Members

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

Gabriel Brenna

Group Chief Executive Officer,
Head of Private Banking Division 1973, CH / I

Joined the Group Executive Board:
2012

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

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

Liechtensteinische Landesbank:
- Member of the Group Executive Board and the Board of Management, since October 2012
- Head of Private Banking Division, October 2012 - 2021
- Group Chief Executive Officer, since March 2021

Board of Directors mandates in Liechtensteinische Landesbank Group companies:
- Liechtensteinische Landesbank (Österreich) AG (Chairman)
- Bank Linth LLB AG (Member)
- LLB Asset Management AG (Vice Chairman)
- LLB Services (Schweiz) AG (Chairman)

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

Urs Müller

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

Joined the Group Executive Board:
2011

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

Professional career:
- Auditor, Unterrheintal District Court and Associate Court Clerk, Oberrheintal District Court, 1993 – 1995

Liechtensteinische Landesbank:
- Legal counsel, 1995 – 1998
- Head of Legal & Compliance, 1998 – 2006
- Head of Institutional Clients Division, 2007 until April 2011
- Member of the Group Executive Board and the Board of Management, since April 2011
- Head of Domestic Market and Institutional Market Divisions, April 2011 until June 2012
- Head of Institutional Clients Division, July 2012 until June 2016
- Head of Retail & Corporate Banking Division since July 2016
- Vice Group Chief Executive Officer, July 2012 - 2021

Board of Directors mandates in Liechtensteinische Landesbank Group companies:
- Bank Linth LLB AG (Chairman)
- LLB Asset Management AG (Member)

Other functions:
- Member of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"

Natalie Flatz
Head of Institutional Clients Division
1977, AT

Joined the Group Executive Board:
2016

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

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

Liechtensteinische Landesbank:
- Head of Institutional Clients Business Unit, 2011 – June 2012
- Head of Fund Services Business Ares, July 2012 – June 2016
- Member of the Group Executive Board and the Board of Management, since July 2016
- Head of Institutional Clients Division, July 2016 – 2021
- Head of the International Wealth Management Division, from 2022

Board of Directors mandates in Liechtensteinische Landesbank Group companies:
- Liechtensteinische Landesbank (Österreich) AG (Member)
- LLB Fund Services AG (Chairwoman)
- LLB Swiss Investment AG (Chairwoman)
- LLB Asset Management AG (Chairwoman)
- LLB Invest KAG (Member)
- LLB Invest AGmvK (Member)

Other functions:
- Member of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"

Patrick Fürer
Group Chief Operating Officer
1965, CH

Entry into Group Executive Board:
2019

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

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

Liechtensteinische Landesbank:
- Member of Executive and Group Executive Boards since January 2019
- Group Chief Operating Officer, January 2019 - 2021
- Group Chief Digital & Operating Officer, from 2022

Board of Directors mandates in Liechtensteinische Landesbank Group companies:
- Liechtensteinische Landesbank (Österreich) AG (Member)

Other functions:
- Member of the Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"

Christoph Reich
Group Chief Financial Officer
1974, CH

Entry into Group Executive Board:
2012

Education:
- Federally qualified licentiate in economics, FHS St. Gallen, 1999
- Executive MBA, University of St. Gallen (HSG), 2009
- DAS Compliance Management, University St. Gallen, 2021

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

Liechtensteinische Landesbank:
- Head of Group Finance & Risk Department, November 2010 until January 2012
- Member of the Group Executive Board and the Board of Management, since January 2012
- Chief Financial Officer, January 2012 until June 2012
- Group Chief Financial Officer, since July 2012
- Deputy Group Chief Executive Officer, from 2022

Board of Directors mandates in Liechtensteinische Landesbank Group companies:
- Liechtensteinische Landesbank (Österreich) AG (Vice Chairman)
- Bank Linth LLB AG (Member)
- LLB Asset Management AG (Member)
- LLB Verwaltung (Schweiz) AG (Chairman)
- LLB Holding AG (Chairman)

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

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

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

4.4 Management contracts
The Liechtensteinische Landesbank has not concluded any management contracts.

5 Compensation, participations and loans
Details concerning compensation, participations and loans can be found in the compensation report.

6 Shareholders’ participation rights
6.1 Voting right limitation and representation
At the Liechtensteinische Landesbank’s General Meeting of Shareholders, each share carries one vote. In accordance with Art. 306a ff. of person and company law, the LLB shares held by the Liechtensteinische Landesbank itself and its subsidiaries (232'935 shares as at 31 December 2021) are not eligible to vote.

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

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

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

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

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

6.4 Agenda

The Board of Directors specifies the agenda for the General Meeting of Shareholders in accordance with Art. 1 the Liechtensteinische Landesbank's statutes (www.llb.li/statutes). The General Meeting can only deal with items which are listed in the agenda, with the exception of a proposal for the convening of an extraordinary General Meeting.

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

6.5 Registration in the company's share register

The Liechtensteinische Landesbank has exclusively issued registered shares. It maintains a share register containing the names of the owners of registered shares. Upon request, the purchasers of registered shares are entered in the share register as shareholders having a voting right provided that they expressly render a declaration that they have purchased these shares in their own name for their own account. If the purchaser is not prepared to render such a declaration, the Board of Directors can refuse to enter the shares with voting rights in the register. Pursuant to Art. 5a of the Statutes (www.llb.li/statutes), the Board of Directors has specified that nominee registrations without the above-mentioned declaration are generally to be made without a voting right. In order for the right to vote to be exercised at the General Meeting of Shareholders, entry in the share register must be made at the latest three working days prior to the date of the General Meeting. Accordingly, the deadline for entry in the share register for the General Meeting on Friday, 6 May 2022 was fixed at 5 p.m. on Monday, 2 May 2022. From 3 May to 6 May 2022 no entries will be made in the share register.

7 Change of control and defensive measures

The Liechtensteinische Landesbank is a banking institute licensed under Liechtenstein law with its registered office in the Principality of Liechtenstein. As a Liechtenstein bank listed on SIX Swiss Exchange, Liechtensteinische Landesbank AG must in addition to complying with Liechtenstein law also comply with various Swiss regulatory requirements. Since 1 January 2016, the provisions regarding the disclosure of significant shareholders are regulated in the Financial Market Infrastructure Law and in the Financial Market Infrastructure Ordinance and also apply to the LLB. Shareholders attaining, falling below or exceeding the threshold percentages of 3, 5, 10, 15, 20, 25, 33.33, 50 or 66.67 of voting rights must notify SIX and the LLB (www.llb.li/thresholds).

The Liechtensteinische Landesbank's statutes contain no regulations comparable with the Swiss provisions regarding opting out or opting up. Likewise, there are no changes of control clauses in favour of the members of the Board of Directors and / or the members of the Group Executive Board or other senior executives.
Pursuant to the Law on the Liechtensteinische Landesbank, the Principality of Liechtenstein holds at least 51 per cent of the capital and votes.

8 Independent auditors

8.1 Duration of mandate and term of office

8.1.1 Date of acceptance of existing auditing mandate

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

For corporate governance reasons and in view of the probable introduction of a mandatory rotation of auditors, the Board of Directors proposed to the General Meeting of Shareholders held on 7 May 2021 that the independent auditors be changed from PricewaterhouseCoopers AG, St. Gallen, to KPMG Liechtenstein AG, Vaduz. PricewaterhouseCoopers AG, St. Gallen, had excercised this function for more than twenty years.

The General Meeting approved the proposal of the Board of Directors and appointed KPMG Liechtenstein AG as the independent auditors, pursuant to person and company law and banking law, for a period of one year.

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

Philipp Rickert has been the responsible auditor in charge since 2021. The auditor in charge changes every seven years.

8.2 Audit fees

In the 2021 business year, KPMG invoiced the companies of the LLB Group for CHF thousands CHF 1'027 (2020: CHF thousands 1'301) in respect of audit fees. These fees include the work carried out as required by the respective regulatory authorities. In addition, in the 2021 business year, KPMG received CHF thousands 82 (2020: CHF thousands 233) for services in connection with our own investment funds.

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

8.3 Additional fees

For other services, KPMG invoiced the LLB Group companies CHF thousands 268 (2020: CHF thousands 250) in 2021.

Audit fees and additional fees

in CHF thousands	31.12.2021	31.12.2020[1]
Audit fees	1'027	1'301
Additional fees	268	250
Corporate finance	0	55
Taxation advice	172	185
Regulatory advice	60	0
Legal and other advice	36	10

1 For the 2020 financial year, PricewaterhouseCoopers AG, St. Gallen, were the auditors in accordance with the Persons and Companies Act and the Banking Act.

8.4 Information instruments of the external auditors

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

- Discussing and taking note of the risk analysis made by the external auditors, the auditing strategy derived from it and the respective risk-oriented auditing plan;
- The discussion of major problems identified during the auditing process with the external auditors;
- the monitoring of the implementation of recommendations put forward by the external auditors and Group Internal Audit to eliminate problems;
- The evaluation of the audit reports submitted by the external audit and Group Internal Audit to the Board of Directors;
- The assessment of the qualification, quality, independence, objectivity and performance of the external and Group Internal Audit;

- The discussion of the annual activity report and annual planning including risk analysis of Group Internal Audit with assessment of whether this business unit has adequate resources and competences and submission of a proposal for approval to the Board of Directors;
- The examination of the compatibility of external auditors' auditing activities with possible consulting mandates as well as the evaluation and discussion of their professional fees;
- The evaluation of the collaboration between the external auditors and Group Internal Audit;
- The submission of a proposal to the Board of Directors for the attention of the General Meeting regarding the appointment or dismissal of the external auditors (appointed according to banking law and person and company law). The Group Audit Committee is responsible for defining the procedure to appoint new external auditors.

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

Important findings in the reports of the internal and external auditors since the last meeting and all reports concerning the Group companies are addressed at the next meeting of the Group Audit Committee. The Head of Group Internal Audit is responsible for providing the relevant information and reports directly to the Group Audit Committee. He is appointed by the Board of Directors and is subordinate to the Board's Chairman.
Representatives of the external auditors participated in six meetings of the Group Audit Committee but did not attend any meetings of the Board of Directors during the report period. The Head of Group Internal Audit attended all the meetings of the Group Audit Committee and all the meetings of the Board of Directors except one. The external auditors submit periodic reports dealing with the audit planning based on risk analysis, the current audit reporting, the annual activity report as well as on a comparison of actual with budgeted fees.

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

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

The Group Audit Committee reports to the full Board of Directors once a year concerning the activities of the external auditors and the assessment of their performance.
The external auditors have direct access to the Board of Directors at all times. They hold regular discussions with the Chairman of the Board of Directors and the Chairman of the Group Audit Committee.

9 Information policy

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

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

As a listed company, the Liechtensteinische Landesbank is obliged to publish information about potential share price-relevant facts (ad hoc publicity, Art. 53 of the exchange listing regulations). To receive ad hoc announcements in accordance with the directives for ad hoc publicity automatically, an interested party can register at www.llb.li/ registration. Ad hoc announcements are published under the link www.llb.li/mediacommuniques.

Black-out periods
In connection with the preparation and publication of its annual and interim reports, the LLB Group has imposed black-out periods, the purpose of which is to prevent insider trading, or the appearance of insider trading, by the LLB Group or its employees. These black-out periods apply to persons and business areas, and parties related to them, who/which have access, or could have access, to insider information. These include, in particular, members of the Board of Directors, members of the Executive Board, and their assistants, as well as staff of the Group Finance, Group Credit & Risk Management, Group Corporate Development, Group Legal & Compliance, Group Corporate Communications & Sustainability and Group Internal Audit Business Areas.

During the periods from 1 June and 1 December up to the publication date of the interim financial reporting and the annual financial reporting the persons concerned may not carry out transactions in shares of LLB AG or Bank Linth LLB AG, or financial instruments related to them.

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

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Head Group Corporate Communications & Sustainability
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Date	Time	Event
	7.00 a.m.	Publishing of 2021 business result at www.llb.li;
25 Februar 2022	10.30 a.m.	Financial reporting and analyst conference
25 Februar 2022		2021 business result advertisement in the "Liechtensteiner Vaterland" and the "Liechtensteiner Volksblatt"
		Release of online Annual Report 2021 at https://reports.llb.li/2020/ar/en/
08 April 2022		Printed edition of short report 2021
06 May 2022	6.00 p.m.	General Meeting of Shareholders
10 May 2022		Ex-dividend date
11 May 2022		Dividend record date
12 May 2022		Dividend payment date
	7.00 a.m.	Publishing of interim financial statement 2022; publication of printed interim financial statement 2022 and release of online interim financial statement 2022 at www.llb.li
24 August 2022	10.30 a.m.	Webcast
25 August 2022		2022 interim financial result advertisement in the "Liechtensteiner Vaterland" and the "Liechtensteiner Volksblatt"

10 Important changes since the balance sheet date

At the 30th ordinary General Meeting of Shareholders on 6 May 2022, Patrizia Holenstein will reach the legally stipulated term of office limit and step down from the Board of Directors. The Board of Directors proposes Leila Frick-Marxer for election as a new member of the Board of Directors for a three-year term of office, and Karl Sevelda for re-election as a member of the Board of Directors for a three-year term of office.

On 27 October 2021, the LLB Group announced its new ACT-26 strategy (see chapter "ACT-26"). Starting from 1 January 2022, the LLB Group began rigorously implementing the strategic goals of ACT-26 in the organisation. The strategy focuses on clients and technological transformation. The LLB Group will now comprise five divisions instead of six. Furthermore, in going forward, the LLB Group will have two clearly positioned market divisions, namely the Private and Corporate Clients, and the International Wealth Management Division. The Private and Corporate Clients Division takes care of locally orientated private banking clients (in Liechtenstein, Switzerland and Germany), as well as corporate and private clients in Liechtenstein and Switzerland. The International Wealth Management Division focuses on Austrian and international private banking clients, as well as institutional and investment fund clients. To advance LLB's strategic ambitions of becoming an efficient, digital and innovative banking group, the necessary change capacities and skills will now be pooled in what was previously the Group COO Division. It will now be renamed the Group CDO (Chief Digital & Operating Officer) Division, and a new Group Digital Transformation business area will be created.

From 1 January 2022, the new organisational structure and composition of Group Executive Management will be as follows:

- Group CEO: Dr. Gabriel Brenna
- Retail and Corporate Banking: Urs Müller
- International Wealth Management: Natalie Flatz
- Group CDO: Dr. Patrick Fürer
- Group CFO: Christoph Reich

Moreover, the Board of Directors has named Christoph Reich Deputy Group CEO as of 1 January 2022. Urs Müller, who has held this position since 1 July 2012, will be focussing on the strategic further development of the Retail and Corporate Banking Market Division.

In an advance announcement on 27 January 2022, LLB announced its intention of increasing its share stake in its subsidiary Bank Linth LLB AG to 100 per cent. It is offering the shareholders of Bank Linth an attractive premium and a free choice of either a partial exchange offer in LLB shares with a cash component, or a complete cash settlement. The Boards of Directors of LLB and Bank Linth have jointly reached the conclusion that Bank Linth should be delisted from the SIX Exchange.

Compensation report

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

Introduction

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

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

The following report deals with the compensation policy, the basis and elements of the compensation, the responsibilities and methods of determining compensation. The compensation paid during the 2021 reporting year is also presented.

Compensation policy

On 18 August 2011, the Board of Directors issued the Group regulation "Compensation standards" for Liechtensteinische Landesbank AG and its Group companies (revised on 1 February 2021). The Group regulation is based on: the current version of the Ordinance on Banks and Investment Firms (Banking Ordinance) of 22 February 1994, in particular Appendix 4.4; EU Directive 2013/36/EU (CRD IV) of 26 June 2013; Regulation No. 575/2013 (CRR) of 26 June 2013; Delegated Regulation No. 527/2014 of 12 March 2014; Delegated Regulation No. 2021/923 of 25 March 2021; Delegated Regulation No. 2016/861 of 18 February 2016; and EBA Guideline "EBA/GL/2015/22" of 27 June 2016. These legal provisions are applied to the LLB Group in a way and to a degree that is commensurate with its size and internal organisation as well as the type, scope and complexity of its business.

The Group regulation "Compensation standards" regulates the framework for the Group-wide compensation policy, in particular in regard to its alignment to risk management. It stipulates the basis, values and objectives and sets out the minimum requirements for the design of the compensation systems. In addition, it regulates Group-internal and Group-external reporting as well as related responsibilities. The Group regulation applies particularly to those persons who are identified as risk takers in a process that is carried out annually. To implement the Group regulation "Compensation standards" at Liechtensteinische Landesbank AG, the Board of Directors has also issued the separate regulation "Compensation standards" (revised on 1 February 2021).

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

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

- **Sustainability and risk adjustment:** Compensation practices must contribute to long-term corporate development. They must support risk management and the pursuit of both sustainable increases in the company's value as well as long-term client and employee retention. Compensation policy has to offer incentives in a manner that allows for adequate risk behaviour by individual persons in order to counteract any conflicts of interest.
  Compensation policy is so designed to be consistent with and promote sound and effective risk management with respect to sustainability risks. Specifically, the compensation structure does not encourage excessive risk–taking with respect to sustainability risks. This is ensured, among other things, by adequately addressing risks with regard to sustainability aspects and business performance. The LLB Group applies these principles also to corresponding target agreements with relevant persons.
- **Foundation of trust:**The design of the compensation regulations and processes is based on a mutual foundation of trust between employees and employers. This is necessary because there are time differences between the provision of the performance and the acceptance of responsibility on the one hand, and the payment of the compensation on the other. Furthermore, a performance appraisal has subjective elements. Accordingly, the voluntary nature of the payment of the variable component must be ensured and attention must be drawn to the scope of discretion in this respect.
- **Performance and success orientation:** Compensation practices also have to reward both individual performance and company-related performance. The focus on the Group's success promotes, and is in line with, the LLB Group's long-term interests. Acknowledging individual performance serves performance motivation, the management of individual performance contributions towards achieving company targets as well as the retention of top performers.
- **Simplicity, clarity and comprehensibility:** The compensation regulations and models are to be kept simple, clear and comprehensible. Employees as well as third parties should be able to easily understand the basic concepts.
- **Fair compensation in accordance with responsibilities and management level:** The determination of compensation also has to consider the workload as well as the degree of responsibility and reflect the different management level requirements in a clear and fair manner.
- **Group orientation:** Compensation has to promote Group orientation. It aims to further commitment towards Group success and increased identification with the Group through employee participation in the long-term development of value and in shared ownership by means of an appropriate share option scheme.
- **Freedom from discrimination:** All decisions concerning the employment relationship, including decisions on compensation, are based on the qualifications, the performance and the conduct of the individual or on other legitimate, objective corporate considerations.

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

Elements of compensation

The compensation model of the LLB Group

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

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

In March 2017, the LLB Group's compensation model was honoured by the Swiss Institute of Directors as the best salary model in 2016 of all companies listed on the Swiss stock exchange. The jury of experts described the compensation model as "exemplary". The three main criteria by which it was judged were internal fairness, external fairness and performance-related fairness.

The compensation system of the LLB Group

The compensation system is essentially based on the following approaches:

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

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

Target compensation

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

Fixed component of target compensation

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

Variable component of target compensation

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

A clawback ruling applies to the blocked portion of the variable compensation, which is largely governed by the individually attained performance and the risks taken. If a significant change occurs in the assessment of performance and risks during the blocking period (for example, inadequate due diligence, untrustworthy business management or incurring excessive risks), the acquired share entitlements are to be reduced accordingly. The body which determines the amount of the variable compensation during the annual compensation process will decide about the reduction of the share entitlements. Moreover, the share entitlement in the year concerned will be forfeited if the average Group net profit in the last three years is negative.

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

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

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

Compensation of the Board of Directors and the Group Executive Board

Board of Directors

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

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

Compensation in 2021 was determined on the basis of a compensation benchmark, which was comprised of 20 companies from the banking and investment services industry in Liechtenstein and Switzerland that have a comparable business model, carried out by Hostettler & Company in 2019. Their business performance, balance sheet total and employees (FTEs) are all within a range of about 50 to 250 per cent of the size of LLB. Applying equal weighting to the financial variables, LLB is positioned close to the market median of the defined comparable companies. The structure and the amount of compensation remained unchanged in 2021.

Group Executive Board

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

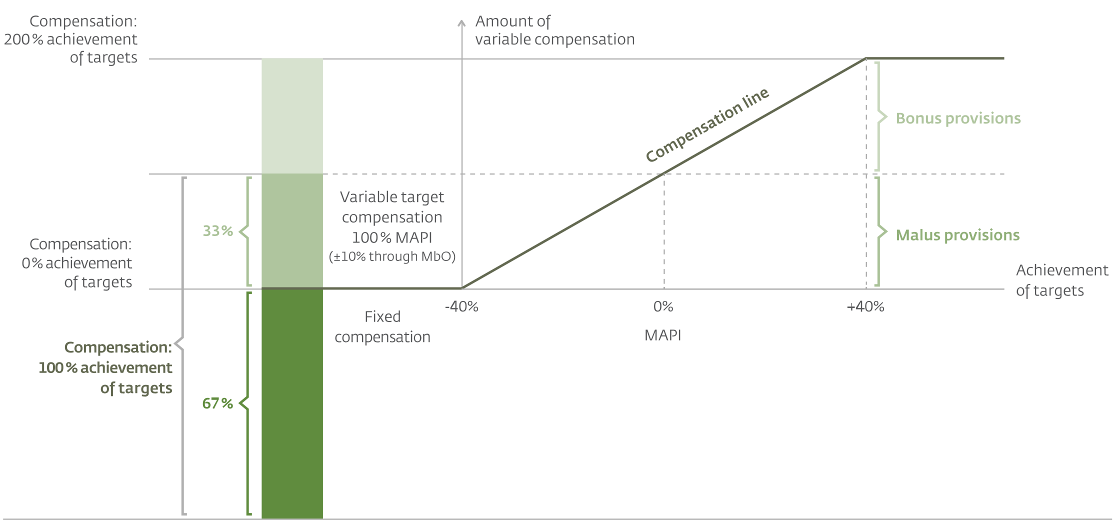
The compensation model also contains a bonus-malus provision. The members of the Group Executive Board receive more or less than their target compensation depending on whether they exceed, partly attain or do not attain the annual objectives. The maximum bonus possible is 200 per cent of the variable target compensation and the maximum malus possible is 0 per cent of the variable target compensation. This means that the variable compensation is limited to the total amount of the fixed compensation.

The fixed compensation in relation to the functions of the Group Executive Board in 2021 was determined on the basis of a compensation analysis carried out by the Kienbaum Consultants International company in 2020. It comprised between 20 and 24 comparable banks and between 24 and 31 comparable positions per function represented on the Group Executive Board. The comparable groups included in particular financial institutions that are of a similar size to LLB. This means that companies with a size of up to plus / minus 50 per cent were used in the comparison. Relevant for the determination of size was the number of people employed on the one hand, and the balance sheet total on the other. In the case of significantly larger companies, comparable positions with a similar scope of responsibility, which are typically found at lower hierarchical levels, were used. In addition, the determination of comparable functions was – where possible – based on the function value.

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

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

Compensation model: Group Executive Board[1]



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

Geographic distribution of the 26 banks in the peer group[1]

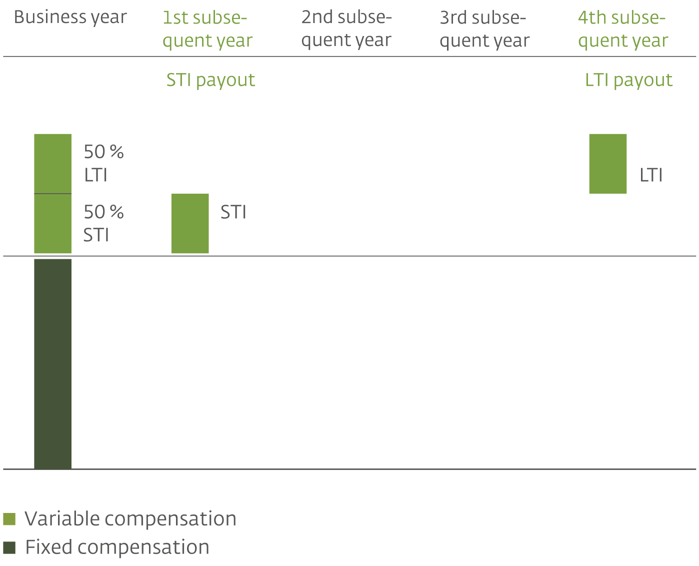
Liechtenstein	1
Switzerland	20
Austria	5

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

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

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

LTI with clawback mechanism



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

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

Responsibilities and methods of determining compensation

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

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

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

Compensation in 2021

For the 2021 business year, the members of the Board of Directors received a fixed compensation of CHF thousands 902. Contributions to benefit plans and other social contributions amounted to CHF thousands 109. The fixed compensation was paid in cash (CHF thousands 743) as well as in the form of an entitlement to acquire LLB shares (CHF thousands 159). The entitlement to acquire LLB shares is subject to a blocked period of three years.

In comparison with the previous year, the total compensation of the members of the Board of Directors decreased by CHF thousands 46 or 4.4 per cent. The lower compensation expense in 2021 was attributable mainly to the fact that from the beginning of November 2020 up to the General Meeting of May 2021 the Board of Directors temporarily consisted of six members. It has since been made up of seven members again.

For the 2021 business year, the members of the Group Executive Board received a fixed compensation of CHF thousands 3'212 and a variable compensation of CHF thousands 1'264. Contributions to benefit plans and other social contributions amounted to CHF thousands 1'071. The fixed compensation was paid in cash. The variable compensation was paid in cash (50 %) as well as in the form of an entitlement to acquire LLB shares (50 %), which is subject to a blocked period of three years. The number of shares for the share-based compensation is calculated from the average share price of the last quarter of 2021 (CHF 52.47). The variable compensation for the members of the Group Executive Board was, on average, approximately 39.1 per cent of the fixed compensation or 22.7 per cent of total compensation.

The total compensation of the members of the Group Executive Board in 2021 decreased by CHF thousands 676 or 10.9 per cent. The lower compensation expense in 2021 was attributable mainly to the fact that the Group Executive Board was comprised of only five members following the stepping-down of Roland Matt as Group CEO and his definitive departure at the end of May 2021. The variable compensation decreased by CHF thousands 206 or 14.0 per cent. The performance of the LLB share was worse in the 2021 business year than the performance of the comparable group. The total shareholder return (TSR) of LLB was 2.0 per cent and thus below the TSR of the peer group (11.1 %). The relative MAPI was therefore minus 9.1 percentage points (previous year: minus 7.0 percentage points). Consequently, the degree of objective attainment for the variable target compensation is 77.3 per cent (previous year: 82.5 %).

The total compensation of the members of the Board of Directors and the members of the Group Executive Board for the 2021 business year is reported on an accrual basis. The variable compensation was charged to the 2021 income statement. Payment of the STI to the members of the Group Executive Board will be made in the first quarter of 2022. The entitlement to acquire LLB shares by the Group Executive Board (LTI) and the Board of Directors is subject to a blocked period of three years.

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

Compensation of key management personnel

	Fixed compensation		Variable compensation		Entitlements[1]		Contribution to benefit plans and other social contributions		Total	
in CHF thousands	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Members of the Board of Directors										
Georg Wohlwend, Chairman[2]	194	275	0	0	26	37	55	73	275	385
Gabriela Nagel-Jungo, Vice Chairwoman	190	154	0	0	33	32	43	14	266	200
Patrizia Holenstein, Member	70	70	0	0	20	20	0	7	90	97
Urs Leinhäuser, Member[3]	81	81	0	0	20	20	0	0	101	101
Thomas Russenberger, Member	71	71	0	0	20	20	5	5	96	96
Richard Senti, Member	76	76	0	0	20	20	6	6	102	102
Karl Sevelda, Member	61	56	0	0	20	20	0	0	81	76
Total	**743**	**783**	**0**	**0**	**159**	**168**	**109**	**105**	**1'011**	**1'057**
Members of the Board of Management[4]										
Roland Matt, Group CEO since 26.01.2021[5]		804		167		167		231		1'369
Gabriel Brenna, Group CEO since 01.03.2021	748		147		147		210		1'252	
Other members of the Board of Management	2'464	2'766	485	568	485	568	862	952	4'296	4'854
Total	**3'212**	**3'570**	**632**	**735**	**632**	**735**	**1'071**	**1'183**	**5'547**	**6'223**

1 The members of the Board of Directors receive a portion of their fixed compensation in the form of share entitlements. With lthe members of the Executive Management, 50 per cent of the variable compensation consists of share entitlements. The total compensation comprises the total of the fixed and variable compensation plus the share entitlements.
2 Georg Wohlwend resigned from the Board of Directors on 3 November 2020. The task of chairing the Board of Directors until Georg Wohlwend's re-election at the Annual General Meeting on 7 May 2021 was taken over by Vice Chair Gabriela Nagel-Jungo.
3 The compensation was paid to Adulco GmbH.
4 Since the resignation of Roland Matt, the Executive Management consists of five members.
5 On 26 January 2021, Roland Matt stepped down as Chairman of the Executive Board and left the company on 31 May 2021. During the period from 26 January 2021 to 28 February 2021, Deputy Chairman Urs Müller assumed the duties of Chairman of the Executive Board.

Shareholdings of related parties

	Registered shares	
	31.12.2021	31.12.2020
Members of the Board of Directors		
Georg Wohlwend, Chairman [1]	2'145	
Gabriela Nagel-Jungo, Vice Chairwoman	2'038	1'634
Patrizia Holenstein, Member	2'339	1'935
Urs Leinhäuser, Member	2'053	1'649
Thomas Russenberger, Member	0	0
Richard Senti, Member	300	300
Karl Sevelda, Member	0	0
Total	**8'875**	**5'518**
Members of the Board of Management		
Roland Matt, Group CEO since 26.01.2021 [2]		20'912
Gabriel Brenna, Group CEO since 01.03.2021	27'936	24'712
Urs Müller, Vice Group CEO [3]	29'220	26'358
Natalie Flatz	6'363	4'315
Patrick Fürer	8'000	8'000
Christoph Reich	18'678	16'105
Total	**90'197**	**100'402**
Other related companies and parties		
Related parties	4'550	4'550
Total	**4'550**	**4'550**

1 Georg Wohlwend resigned from the Board of Directors on 3 November 2020. The task of chairing the Board of Directors until Georg Wohlwend's re-election at the Annual General Meeting on 7 May 2021 was taken over by Vice Chair Gabriela Nagel-Jungo.
2 On 26 January 2021, Roland Matt stepped down as Chairman of the Executive Board and left the company on 31 May 2021.
3 During the period from 26 January 2021 to 28 February 2021, Deputy Chairman Urs Müller assumed the duties of Chairman of the Executive Board.

No member of the Board of Directors or the Executive Board holds more than 0.1 per cent of the voting rights.

Loans to key management personnel

	Fixed mortgages		Variable mortgages		Total	
in CHF thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Members of the Board of Directors						
Georg Wohlwend, Chairman[1]	0		0		0	
Gabriela Nagel-Jungo, Vice Chairwoman	200	400	0	0	200	400
Patrizia Holenstein, Member	0	0	0	0	0	0
Urs Leinhäuser, Member	0	0	0	0	0	0
Thomas Russenberger, Member	0	0	0	0	0	0
Richard Senti, Member	305	575	364	93	669	668
Karl Sevelda, Member	0	0	0	0	0	0
and related parties	0	0	0	0	0	0
Total	**505**	**975**	**364**	**93**	**869**	**1'068**
Members of the Board of Management						
Roland Matt, Group CEO since 26.01.2021[2]		2'000		1'000		3'000
Gabriel Brenna, Group CEO since 01.03.2021	0	0	0	0	0	0
Other members of the Board of Management[3]	1'560	1'560	0	0	1'560	1'560
and related parties[4]	0	0	0	0	0	0
Total	**1'560**	**3'560**	**0**	**1'000**	**1'560**	**4'560**

1 Georg Wohlwend resigned from the Board of Directors on 3 November 2020. The task of chairing the Board of Directors until Georg Wohlwend's re-election at the Annual General Meeting on 7 May 2021 was taken over by Vice Chair Gabriela Nagel-Jungo.
2 On 26 January 2021, Roland Matt stepped down as Chairman of the Executive Board and left the company on 31 May 2021.
3 One member of the Executive Board was granted a guarantee in the amount of CHF thousand 500 (previous year: bail limit for one member of the Executive Board in the amount of CHF thousand 84).
4 No guarantees were granted (previous year: deposit limits in the amount of CHF thousand 84).

All mortgage loans to member of management in key positions and related parties are fully secured.

At 31 December 2021, the maturities of the fixed mortgages for the members of the Board of Directors and related parties ranged between 15 and 51 months (previous year: between 3 and 63 months) at standard market client interest rates of 0.75 to 1.25 per cent per annum (previous year: 0.95 to 1.65 %). Following its expiry, a mortgage was reissued at new market rates.

At 31 December 2021, the maturities of variable mortgages for members of the Board of Directors and related parties extended to a maximum of 1 month (previous year: 1 month) at standard market client interest rates of 0.80 to 0.95 per cent per annum (2020: 0.95 %). Following expiry, these are extended for a further 3 months providing they are not revoked. One variable mortgage was reissued at market conditions.

At 31 December 2021, the maturities of fixed mortgages for members of the Board of Management ranged between 0 and 42 months (previous year: between 1 and 118 months) at interest rates of 1.05 to 1.80 per cent per annum. (2020: 0.46 to 1.80 %).

The fair value of the collateral of the newly issued mortgages amounted to CHF thousands 1'055.

Of the total amount of mortgages for the members of the Board of Management, CHF thousands 500 (previous year: CHF thousands 1'500) was granted at the preferential interest rate for staff, the remainder was subject to the standard market client interest rate. No other loans were issued to the Board of Management (2020: none).

No allowances for loans and other credit lines to management were necessary. LLB granted third party guarantees amounting to CHF thousands CHF 500 (previous year: CHF thousands 168) for management and related parties. In addition, LLB confirmed that it would extend two mortgages.

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

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

GRI Content Index

For the Materiality Disclosures Service, the GRI Services Team verified that the GRI Content Index is clearly presented and the references for disclosures 102–40 to 102–49 agree with the corresponding parts of the report.

Find here our Management Approaches (PDF, German).

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

Universal standards

GRI 101: 2016 - Foundation

GRI 102: 2016 - General disclosures

Organisational profile

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

Strategy

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

Ethics and integrity

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

Governance

	GRI Standards and Disclosures	Information
102-18	Governance structure	

Stakeholder engagement

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

Reporting practice

	GRI Standards and Disclosures	Information
102-45	Entities included in the consolidated financial statements	The annual report includes all companies in which the Group holds a 100 percent stake as well as Bank Linth LLB AG, unless explicitly stated otherwise.
102-46	Defining report content and topic Boundaries	
102-47	List of material topics	
102-48	Restatements of information	Subsequent corrections to previous year's figures are explained at the appropriate location in the report.
102-49	Changes in reporting	None
102-50	Reporting period	Calendar year 2021
102-51	Date of most recent report	March 2021
102-52	Reporting cycle	annually
102-53	Contact point for questions regarding the report	berit.pietschmann@llb.li
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI content index	
102-56	External assurance	none

Topic-specific standards

GRI 200 – Economic topics

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

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

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

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

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

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

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

Customer Orientation

	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach	MA, p. 7	

Sustainable Products and Services

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

ESG-Integration in Asset Management

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

Corporate Governance and Corporate Culture

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

Ethics and Integrity

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

GRI 300 – Environmental topics

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

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

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

GRI 400 – Social topics

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

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

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

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

GRI 405: 2016	Diversity and Equal Opportunity		
	GRI Standards and Disclosures	Information	Omission
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach		
405-1	Diversity of governance bodies and employees		

GRI 406: 2016	Non-Discrimination		
	GRI Standards and Disclosures	Information	Omission

GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach		
406-1	Incidents of discrimination and corrective actions taken		

GRI 413: 2016	**Local Communities**		
	GRI Standards and Disclosures	**Information**	**Omission**
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach		
413-1	Operations with local community engagement, impact assessments, and development programs		
FS13	Access points in low-populated or economically disadvantaged areas		

GRI 415: 2016	**Public Policy**		
	GRI Standards and Disclosures	**Information**	**Omission**
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach		
415-1	Political contributions		

GRI 417: 2016	**Marketing and Labeling**		
	GRI Standards and Disclosures	**Information**	**Omission**
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach		
417-1	Requirements for product and service information and labeling		
417-3	Incidents of non-compliance concerning marketing communications		

GRI 418: 2016	**Customer Privacy**		
	GRI Standards and Disclosures	**Information**	**Omission**
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		

GRI 419: 2016	**Socioeconomic Compliance**		
	GRI Standards and Disclosures	**Information**	**Omission**
GRI 103: 2016 103-1/ 103-2/ 103-3	Management approach		
419-1	Non-compliance with laws and regulations in the social and economic area		

The issue of tax compliance, mentioned under the economic topics, refers to the prevention of evasion of applicable tax obligations by LLB clients. For this reason, the GRI Standard 207, which predominantly relates to the tax practices of the reporting company, is not applied in this report.

Unless otherwise stated, the references in this index refer to this report. In some cases, disclosures are provided in our online document on management approaches to sustainability. In these cases, the relevant references are marked with “MA”.

Consolidated financial statement of the LLB Group

Consolidated management report

Income statement

Thanks to continuing dynamic growth, improved quality of earnings and strict cost discipline, in the 2021 business year the LLB Group achieved its best business result for over ten years, reporting a Group net profit of CHF 137.9 million. This is 25.5 per cent higher than in the previous year (2020: CHF 109.8 million).

The net profit attributable to the shareholders of Liechtensteinische Landesbank AG amounted to CHF 129.9 million (2020: CHF 103.5 million). Undiluted earnings per share stood at CHF 4.25 (2020: CHF 3.39).

Operating income in the 2021 business year rose by 10.7 per cent to CHF 476.4 million (2020: CHF 430.3 million).

Interest income remained virtually unchanged at CHF 154.0 million (2020: CHF 154.1 million). Income from business with clients benefitted from targeted growth with mortgage lending business, lower refinancing costs and an expansion of negative interest rates. This enabled the persisting pressure on margins, as well as the extension of fixed interest loans at lower conditions, to be compensated for. In other interest business, the LLB Group posted a fall, especially in interest income from debt instruments, due to the persisting low level of interest rates.

In the case of allowances for expected credit losses, successful recoveries in the 2021 business year led to a net release of provisions totalling CHF 2.5 million. In the previous year, on account of the corona pandemic, provisions amounting to net CHF 11.6 million were allocated for expected credit losses. After expected credit losses, interest income at CHF 156.5 million was therefore 9.9 per cent higher than in the previous year (2020: CHF 142.5 million).

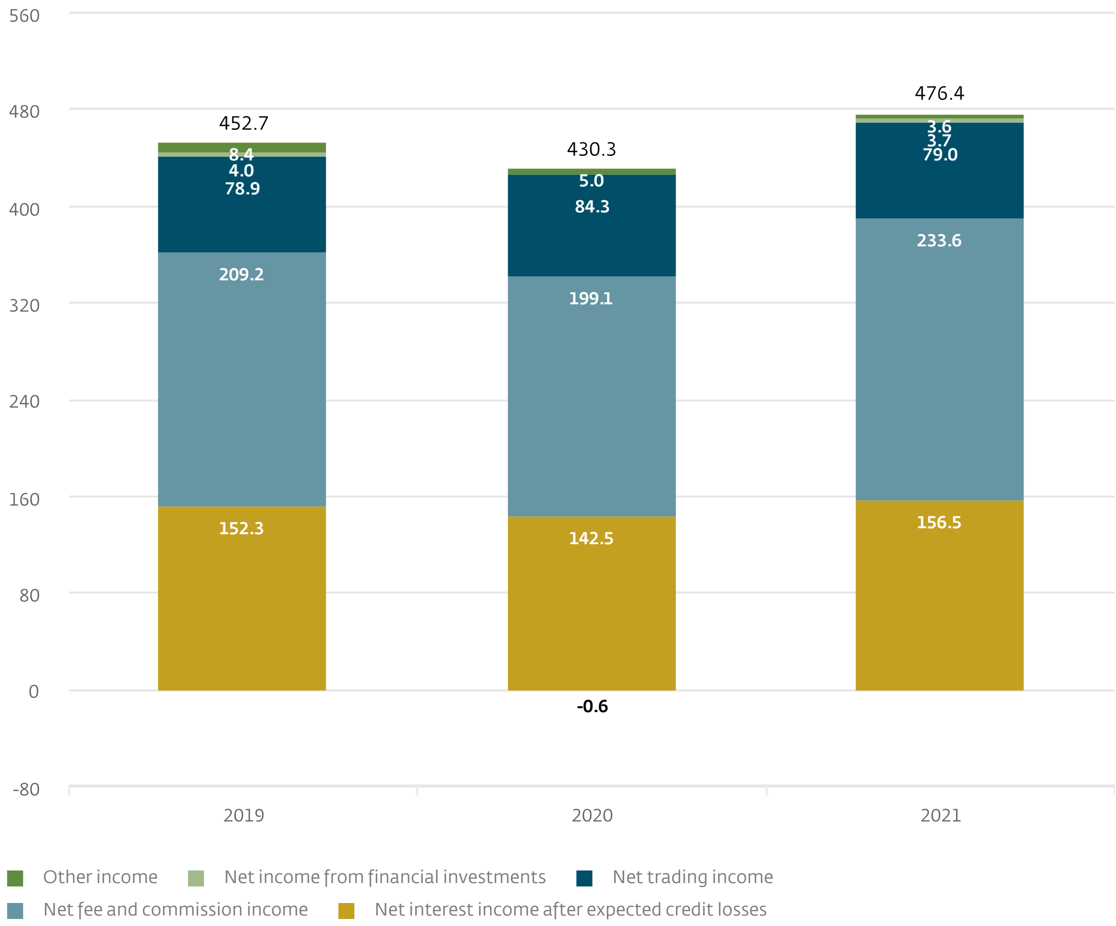
At CHF 233.6 million and an increase of 17.3 per cent, net fee and commission income significantly exceeded the previous year's result (2020: CHF 199.1 million). Higher volumes of client assets and larger margins led to a significant increase in portfolio-dependent revenues. Higher performance fees and increased earnings from investment funds were major contributors to this success.

Net trading income in the 2021 business year stood at CHF 79.0 million (2020: CHF 84.3 million). Trading in foreign exchange, foreign notes and precious metals fell year on year by 1.8 per cent to CHF 69.5 million. The valuation gains on interest rate hedging instruments, measured on the reporting date, amounted to CHF 9.4 million (2020: CHF 13.5 million).

Income from financial investments reached CHF 3.7 million (2020: minus CHF 0.6 million). Earnings from dividends posted a positive development at CHF 3.5 million (2020: CHF 2.4 million). Turbulence on the markets had caused book losses, measured on the reporting date, of CHF 2.9 million in the previous year. In the 2021 business year a small gain of CHF 0.2 million was attained.

Other income fell year on year by CHF 1.4 million to CHF 3.6 million (2020: CHF 5.0 million). The decrease was largely attributable to a one-time profit in the previous year from the sale of properties.

Operating income (in CHF millions)



Operating expenses in the 2021 business year stood at CHF 313.0 million, 2.1 per cent higher than in the previous year (2020: CHF 306.7 million).

Personnel expenses increased by 4.9 per cent, or CHF 9.0 million, to CHF 190.0 million (2020: CHF 181.0 million). An important reason for the increase was the adjustment of the conversion rate of the LLB pension fund, which in accordance with IAS 19 led to a credit in favour of the income statement in the previous year. In addition, personnel expenses rose due to the strategic takeover of client advisors.

General and administrative expenses at CHF 83.4 million were unchanged compared with the previous year (2020: CHF 83.4 million). The reported business result includes a settlement payment in a legal case of CHF 2.7 million. In addition, net provisions of CHF 1.0 million (2020: release of CHF 2.0 million) were set aside for legal and litigation risks. In contrast, IT costs were lower.

Depreciation and amortisation fell by 6.4 per cent to CHF 39.6 million (2020: CHF 42.3 million).

The Cost Income Ratio improved to 65.8 per cent (2020: 69.8 %).

Balance sheet

In comparison with 31 December 2020, the consolidated balance sheet total expanded by 6.6 per cent and stood at CHF 25.1 billion on 31 December 2021 (31.12.2020: CHF 23.6 billion).

Equity attributable to the shareholders of LLB amounted to CHF 2.1 billion on 31 December 2021 (31.12.2020: CHF 2.0 billion). The tier 1 ratio stood at 20.3 per cent (31.12.2020: 21.6 %). The return on equity attributable to shareholders of LLB amounted to 6.3 per cent (2020: 5.3 %).

Business volume

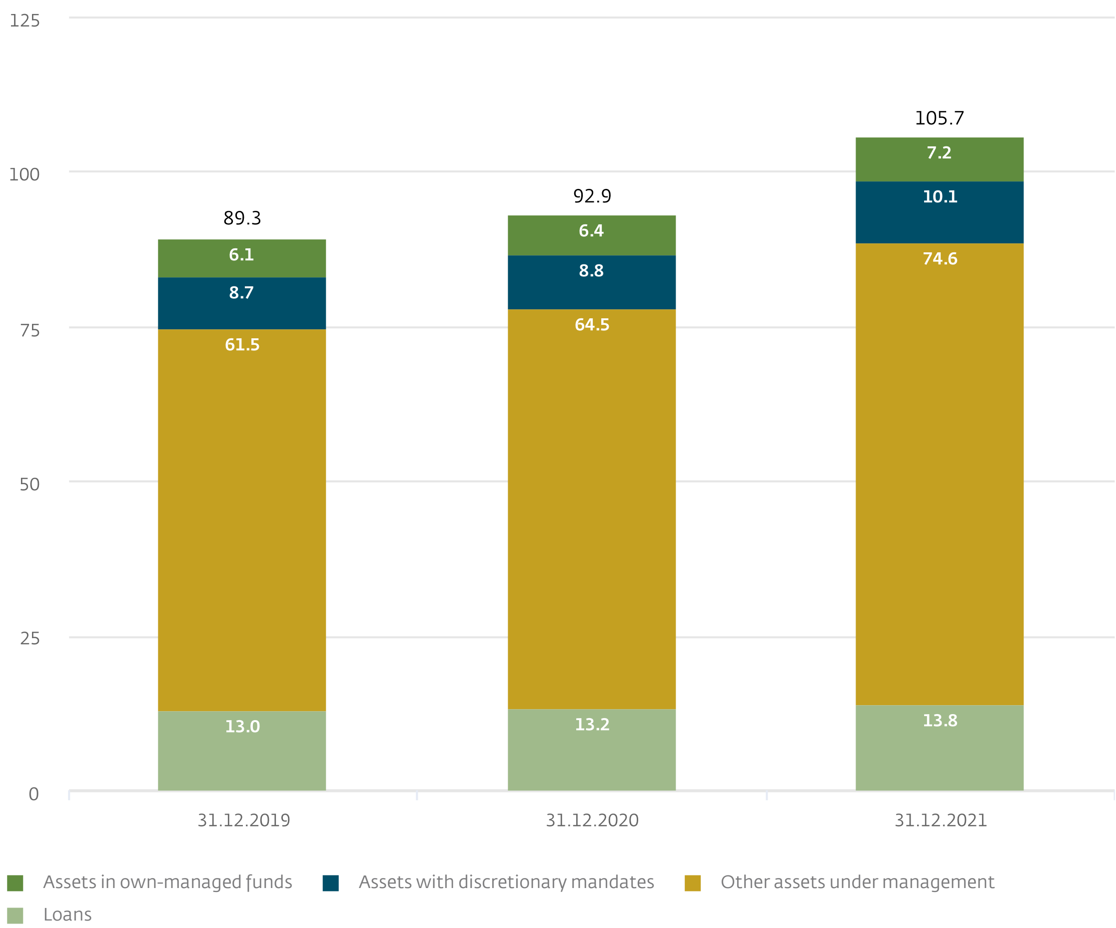
At 31 December 2021, the LLB Group achieved a new record business volume of CHF 105.7 billion (31.12.2020: CHF 92.9 billion) and therefore continued its dynamic growth.

In the 2021 business year, the LLB Group registered a net new money inflow of CHF 7'212 million (2020: CHF 3'274 million). At 9.1 per cent, this represents the highest inflow since the introduction of this indicator. All market divisions and booking centers were able to contribute to net new money growth. LLB Österreich's referral agreement with Credit Suisse also had a positive impact of CHF 0.8 billion on net new money inflow.

Combined with the good performance of the financial markets this led to an increase in client assets under management of 15.4 per cent to CHF 91.9 billion (31.12.2020: CHF 79.7 billion).

Loans to clients climbed by 4.3 per cent to CHF 13.8 billion in comparison with 31 December 2020 (31.12.2020: CHF 13.2 billion). Mortgage loans expanded by 4.3 per cent to CHF 12.2 billion (31.12.2020: CHF 11.7 billion).

Business volume (in CHF billion)



Outlook

The market environment remains challenging. Factors such as the Corona pandemic, the rising danger of inflation or uncertainties in the political situation pose a not inconsiderable risk to economic development in the coming months. Nevertheless, the LLB Group views the future with confidence and expects its dynamic development to continue over the next few years. It stands on a solid foundation and, with the new ACT-26 strategy, has a clear, forward-looking strategy whose implementation has already begun. For the year 2022, the LLB Group expects a solid result.

Consolidated income statement

in CHF thousands	Note	2021	2020	+ / – %
Interest Income	1	197'850	208'384	– 5.1
Interest expenses	1	– 43'839	– 54'287	– 19.2
Net interest income	**1**	**154'010**	**154'097**	**– 0.1**
Expected credit losses		2'487	– 11'640	
Net interest income after expected credit losses		**156'497**	**142'457**	**9.9**
Fee and commission income	2	399'634	332'850	20.1
Fee and commission expenses	2	– 165'996	– 133'714	24.1
Net fee and commission income	**2**	**233'638**	**199'136**	**17.3**
Net trading income	3	78'966	84'294	– 6.3
Net income from financial investments	4	3'727	– 556	
Other income	5	3'574	4'975	– 28.2
Total operating income		**476'403**	**430'306**	**10.7**
Personnel expenses	6	– 189'991	– 181'040	4.9
General and administrative expenses	7	– 83'445	– 83'371	0.1
Depreciation	8	– 39'555	– 42'251	– 6.4
Total operating expenses		**– 312'991**	**– 306'663**	**2.1**
Operating profit before tax		**163'412**	**123'643**	**32.2**
Tax expenses	9	– 25'549	– 13'820	84.9
Net profit		**137'863**	**109'823**	**25.5**
Of which attributable to:				
Shareholders of LLB		129'907	103'524	25.5
Non-controlling interests	32	7'956	6'299	26.3
Earnings per share attributable to the shareholders of LLB				
Basic earnings per share (in CHF)	10	4.25	3.39	25.2
Diluted earnings per share (in CHF)	10	4.23	3.38	25.2

Consolidated statement of comprehensive income

in CHF thousands	Note	2021	2020	+ / – %
Net profit		137'863	109'823	25.5
Other comprehensive income (net of tax), which can be reclassified to the income statement				
Foreign currency translation	31/32	– 14'433	– 1'265	
Changes in value of debt instruments, recognised at fair value through other comprehensive income		– 28'106	17'865	
Reclassified (profit) / loss with debt instruments, recognised at fair value through other comprehensive income	4	– 865	– 2	
Tax effects	24	2'842	– 1'859	
Total		**– 40'562**	**14'738**	
Other comprehensive income (net of tax), which cannot be reclassified to the income statement				
Actuarial gains / (losses) of pension plans [1]		50'772	9'225	450.4
Changes in value of equity instruments, recognised at fair value through other comprehensive income		27'579	– 120	
Tax effects	24	– 6'386	– 854	647.8
Total		**71'964**	**8'251**	**772.2**
Total other comprehensive income (after tax)		**31'403**	**22'989**	**36.6**
Comprehensive income for the period		**169'266**	**132'811**	**27.4**
Of which attributable to:				
Shareholders of LLB		158'281	127'211	24.4
Non-controlling interests		10'985	5'601	96.1

1 In the 2021 business year this relates prinicipally to income from plan assets (CHF 28.6 million net, i.e. after deduction of the interest credit rate) and the change in demographic assumptions (CHF 15.0 million).

Consolidated balance sheet

in CHF thousands	Note	31.12.2021	31.12.2020	+ / – %
Assets				
Cash and balances with central banks	11	7'213'159	6'715'610	7.4
Due from banks	12	889'744	691'011	28.8
Loans	13	13'805'188	13'229'931	4.3
Derivative financial instruments	14	219'704	199'634	10.1
Financial investments	15	2'440'183	2'192'312	11.3
Property and equipment	16	142'076	148'895	– 4.6
Goodwill and other intangible assets	17	283'376	278'289	1.8
Current tax assets		29	1'290	– 97.7
Deferred tax assets	24	7'825	11'483	– 31.9
Accrued income and prepaid expenses		75'824	60'601	25.1
Other assets [1]	18	52'383	45'931	14.0
Total assets		**25'129'490**	**23'574'986**	**6.6**
Liabilities				
Due to banks	20	2'322'918	1'326'170	75.2
Due to customers	21	18'060'199	17'752'199	1.7
Derivative financial instruments	14	256'198	249'176	2.8
Debt issued	22	1'949'418	1'794'317	8.6
Current tax liabilities		24'644	13'525	82.2
Deferred tax liabilities	24	28'708	28'992	– 1.0
Accrued expenses and deferred income		73'047	63'398	15.2
Provisions	25	12'217	11'199	9.1
Other liabilities [1]	26	162'014	198'417	– 18.3
Total liabilities		**22'889'362**	**21'437'392**	**6.8**
Equity				
Share capital	27	154'000	154'000	0.0
Share premium	28	– 13'952	– 13'177	5.9
Treasury shares	29	– 15'073	– 18'663	– 19.2
Retained earnings	30	1'959'517	1'902'316	3.0
Other reserves	31	12'932	– 20'911	
Total equity attributable to shareholders of LLB		**2'097'423**	**2'003'565**	**4.7**
Non-controlling interests	32	142'704	134'029	6.5
Total equity		**2'240'128**	**2'137'594**	**4.8**
Total liabilities and equity		**25'129'490**	**23'574'986**	**6.6**

1 Reclassifications of a non-material nature were made. Details can be found in point 2.1.1 of the accounting principles.

Consolidated statement of changes in equity

in CHF thousands	Note	Attributable to shareholders of LLB Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
As at 1 January 2020		154'000	– 22'432	– 23'574	1'866'121	– 44'803	1'929'312	130'785	2'060'097
Comprehensive income for the period					103'524	23'688	127'211	5'601	132'812
Net profit					103'524		103'524	6'299	109'823
Other comprehensive income						23'688	23'688	– 699	22'989
Reclassification not affecting the income statement [1]	30/31				– 204	204	0		0
Net movements in treasury shares [2]	28/29		9'255	4'911			14'166		14'166
Dividend 2019, paid 2020	30/32				– 67'124		– 67'124	– 2'357	– 69'480
Increase / (Reduction) in non-controlling interests	30/32				0		0	0	0
As at 31 December 2020		**154'000**	**– 13'177**	**– 18'663**	**1'902'316**	**– 20'911**	**2'003'565**	**134'029**	**2'137'594**
As at 1 January 2021		154'000	– 13'177	– 18'663	1'902'316	– 20'911	2'003'565	134'029	2'137'594
Comprehensive income for the period					129'907	28'374	158'281	10'985	169'266
Net profit					129'907		129'907	7'956	137'863
Other comprehensive income						28'374	28'374	3'029	31'403
Reclassification not affecting the income statement [1/3]	30/31				– 5'469	5'469	0		0
Net movements in treasury shares [2]	28/29		– 775	3'590			2'815		2'815
Dividend 2020, paid 2021	30/32				– 67'237		– 67'237	– 2'345	– 69'583
Increase / (Reduction) in non-controlling interests	30/32				0		0	36	36
As at 31 December 2021		**154'000**	**– 13'952**	**– 15'073**	**1'959'517**	**12'932**	**2'097'423**	**142'704**	**2'240'128**

1 The reclassification reflects the transfer of a loss amounting to CHF thousands 80 (previous year loss of CHF thousands 204) from the sale of equity instruments recognised at fair value in other comprehensive income.
2 Contains change of reserves for security entitlements.
3 Reclassification of pension obligations (IAS 19) from other reserves in retained earnings.

Consolidated statement of cash flows

in CHF thousands	Note	2021	2020
Cash flow from / (used in) operating activities			
Interest received		193'798	220'627
Dividends received from financial investments	4	3'512	2'360
Interest paid		– 43'046	– 56'016
Fees and commission received		388'403	335'285
Fees and commission paid		– 158'900	– 126'786
Trading income		67'693	57'343
Other income		3'052	3'369
Payments for personnel, general and administrative expenses		– 272'914	– 272'973
Income tax paid	9	– 11'863	– 14'572
Rent paid for short-term and low-value leases		– 382	– 508
Cash flow from operating activities, before changes in operating assets and liabilities		169'353	148'128
Net due from / to banks		782'195	264'284
Loans / due to customers		– 181'730	516'985
Other assets		– 5'788	29'270
Other liabilities		– 59	10'965
Changes in operating assets and liabilities		594'619	821'503
Net cash flow from / (used in) operating activities		**763'972**	**969'631**
Cash flow from / (used in) investing activities			
Purchase of property and equipment	16	– 9'163	– 10'007
Disposal of property and equipment		0	1'485
Purchase of other intangible assets	17	– 14'341	– 11'968
Purchase of financial investments		– 832'186	– 453'140
Disposal of financial investments		565'059	435'670
Sale of non-current assets held for sale		0	14'109
Net cash flow from / (used in) investing activities		**– 290'631**	**– 23'850**
Cash flow from / (used in) financing activities			
Dividends paid	30	– 67'237	– 67'124
Dividends paid to non-controlling interests	32	– 2'345	– 2'357
Increase in non-controlling interests	30/32	36	0
Repayment of lease liabilities	23	– 5'175	– 5'106
Issuance of debt	23	323'498	358'925
Repayment of debt	23	– 166'966	– 146'850
Net cash flow from / (used in) financing activities		**81'810**	**137'488**
Effects of foreign currency translation on cash and cash equivalents		– 74'338	– 10'488
Net increase / (decrease) in cash and cash equivalents		**480'813**	**1'072'781**
Cash and cash equivalents at beginning of the period		7'125'871	6'053'089
Cash and cash equivalents at end of the period		**7'606'684**	**7'125'871**
Cash and cash equivalents comprise:			
Cash and balances with central banks	11	7'213'159	6'715'610
Due from banks (due daily)	12	393'524	410'261
Total cash and cash equivalents		**7'606'684**	**7'125'871**

Accounting principles

1 Basic information

The LLB Group offers a broad spectrum of financial services. Of particular importance are asset management and investment advisory for private and institutional clients, as well as retail and corporate client businesses.

The Liechtensteinische Landesbank Aktiengesellschaft, founded in and with its registered office located in Vaduz, Principality of Liechtenstein, is the parent company of the LLB Group. It is listed on the SIX Swiss Exchange.

The Board of Directors reviewed this consolidated annual statement at its meeting on 24 February 2022 and approved it for publication.

2 Summary of significant accounting policies

The significant accounting and valuation methods employed in the preparation of this consolidated financial statement are described in the following. The described methods have been consistently employed for the reporting periods shown, provided no statement to the contrary is specified.

2.1 Basis for financial accounting

2.1.1 General points

The consolidated financial statement was prepared in accordance with the International Financial Reporting Standards (IFRS). Except for the revaluation of certain financial assets and liabilities, as well as of investment property, the consolidated financial statement was prepared on the basis of the historical acquisition or production cost. The consolidated financial statement continues to include the requirements stipulated in Article 17a of the Person and Company Law Ordinance of the Principality of Liechtenstein.

On account of detailed definitions in its presentation, the consolidated financial statement of the comparison period may contain reclassifications. These reclassifications are reported, if they are regarded as substantial.

The LLB Group is continually working to improve the reporting of its financial statements. The LLB Group currently regards the following balance sheet positions

- Non-current assets held for sale
- Investment in associates and joint venture
- Investment property
- Non-current liabilities held for sale

as being not significant for the reader. They are therefore reported under Other assets or Other liabilities. Moreover, a further specification was made of which items are to be reported under income from properties. This led to a reclassification of the income statement positions "Net income from properties" and "Other income" amounting to CHF thousands 1'797 for the 2020 business year in note 5 "Other income". The total amount reported in this note and in this income statement position remains unchanged.

2.1.2 New IFRS, amendments and interpretations

2.1.2.1 Changes to accounting policies effective from 1 January 2021

The following new or amended IFRS or interpretations were applied by the LLB Group for the first time from 1 January 2021. The LLB Group decided against the early adoption of amendments coming into effect at a later date. On account of their importance, only the amendments in connection with the IBOR Reform, Phase 2 are dealt with in more detail.

IBOR Reform, Phase 2 – Amendments to IFRS 9 „Financial Instruments“, IAS 39 „Financial Instruments: Recognition and Measurement“, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases”

Phase 2 of the reform deals with issues relating to financial reporting at the time of the replacement of an existing benchmark interest rate by a replacement interest rate. The amendments, applicable retrospectively, should mitigate the effects of the IBOR reform on financial reporting.

The LLB Group successfully completed the project concerning the changeover of interbank interest rates in December 2021. Therefore, the LLB Group is not exposed to any further risks arising from the IBOR reform due to the fact that the financial instruments concerned have been changed over to the new benchmark interest rates. For an overview of the financial instruments concerned, please refer to the Interim Financial Reporting 2021 (chapter 1.3.1).

The changeover of the benchmark interest rates also led to an adjustment of the effective interest rate for variable interest financial instruments measured at cost. The hedge accounting documentation of interest rate swaps was updated. No further simplifications were implemented.

The Phase 2 amendments have no material effect on the consolidated financial statement of the LLB Group. The amendments to IFRS 4 and IFRS 16 were not implemented.

Other standards and interpretations

The extension of the period of application for the amendments to IFRS 16 “Leases” in connection with rental concessions affected by Covid-19 is not relevant for the LLB Group.

2.1.2.2 Applicable for financial years beginning on 1 January 2022

The following new or amended IFRS or interpretations are relevant for the LLB Group from 1 January 2022 or later. The LLB Group decided against an early adoption unless otherwise stated. On account of their importance, only the amendments relating to IAS 1 in connection with the disclosures initiative are dealt with in more detail.

Amendments to IAS 1 – Material Accounting Policies

The amendments to IAS 1 require that in future entities disclose their material accounting policy information rather than their significant accounting policies. The assessment of what is material depends on the usefulness of the information to the recipients of the financial statement for decision-making purposes. Guidelines were provided for this purpose. The aim of the amendments is to facilitate the provision in the accounting methods of more specific disclosures about the entity instead of general information. The amendments have no effect on the disclosure requirements of individual standards.

The amendments will have no material influence on the financial statement of the LLB Group; however, they will affect the presentation of the LLB Group’s accounting principles. These will be further streamlined and simplified. Preliminary analyses will commence in the 2022 financial year.

The amendments are to be applied prospectively for financial years, which commence on or after 1 January 2023. An earlier adoption is possible.

Other standards and interpretations

According to the preliminary analyses performed, the effects of the following new or amended standards and interpretations have no major influence on the accounting policies of the LLB Group:

- IAS 1 “Presentation of Financial Statements – Classification of Debt as Short or Long Term“ (applicable for the first time for financial years starting from 1 January 2023)
- IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors“ – The amendments introduced the definition of accounting estimates to distinguish changes in accounting estimates from changes in accounting policies (applicable for the first time for financial years starting from 1 January 2023)
- IAS 12 „Income Taxes“ – The amendment clarifies that deferred taxes are to be allocated for single transactions on initial recognition if equal amounts of deductable and taxable temporary differences arise from the single transaction (applicable for the first time for financial years starting from 1 January 2023)

- IAS 37 „Provisions, Contingent Liabilities and Contingent Assets" – Clarification of the Definition of obligation settlement costs (applicable for the first time for financial years starting from 1 January 2022)
- Annual adjustments within the scope of the Annual Improvements to IFRS 2018 – 2020 Cycle (applicable for the first time for financial years starting from 1 January 2022).

2.1.3 Use of estimates in the preparation of financial statements

In preparing the financial statements in conformity with IFRS, the management is required to make estimates and assumptions, which can contain significant uncertainties. These assumptions can affect individual items in income, expenses, assets and liabilities, as well as the disclosure of contingent assets and liabilities. The estimates and assumptions are based on the best information available at the time and are continually adjusted to take into consideration the latest facts and circumstances. Actual results in the future could differ substantially from such estimates and assumptions.

Significant estimates and assumptions are found principally in the following areas of the consolidated financial statement, and are dealt with partly in the explanations concerning the valuation of balance sheet positions and/or partly in the corresponding notes to the consolidated income statement in Expected credit losses, Goodwill, Provisions, Fair value measurement, as well as Pension plans and other long-term benefits.

2.2 Consolidation policies

The presentation of the consolidated financial statement adopts a business perspective. The consolidation period corresponds to the calendar year.

2.2.1 Subsidiaries

LLB Group companies, in which Liechtensteinische Landesbank AG holds, directly or indirectly, the majority of the voting rights or otherwise exercises control, are fully consolidated. The chapter „Scope of consolidation" contains an overview of the companies, which the consolidated statement encompasses.

The capital consolidation is carried out according to the purchase method.

2.2.2 Participation in associated companies

Associated companies are recognised according to the equity method.

2.2.3 Investment in joint venture

Joint ventures, i.e. companies in which LLB has a 50 per cent participation, are recognised according to the equity method.

2.2.4 Changes to the scope of consolidation

There were no changes in the scope of consolidation.

2.3 General principles

2.3.1 Income accrual

Sales and purchases from trading assets, derivative financial instruments and financial investments are booked on the transaction date. Loans, including those to clients, are recorded in that period of time in which the funds flow to the borrower.

2.3.2 Income accrual

Interest and dividend income is subject to the provisions of IFRS 9. Interest income is recorded using the effective interest method and dividends are recorded at the time point when a legal claim comes into existence.

Income disclosed in note 2 is subject to the provisions of IFRS 15 "Revenue from contracts with customers". For further information see point 2.7. "Recognition of revenues".

2.3.3 Inland versus abroad

"Inland" encompasses the Principality of Liechtenstein and Switzerland.

2.4 Foreign currency translation

2.4.1 Functional currency and reporting currency

The items contained in the financial accounts of each Group company are valued in the currency which is used in the primary business environment in which the company operates (functional currency).

The reporting currency of the LLB Group is the Swiss franc.

2.4.2 Group financial statement

Group companies which report their financial accounts in a functional currency other than the Group's reporting currency are translated as follows: all assets and liabilities are converted at the relevant exchange rate valid on the balance sheet date. All individual items in the income statement and statement of cash flows are converted at the average exchange rate for the accounting period. All resulting exchange differences are booked individually to equity and other comprehensive income, respectively.

2.4.3 Separate financial statements

Foreign currency transactions are translated on the day of the transaction at spot rates into the functional currency. Foreign currency differences with financial assets and financial liabilities occur if the exchange rate prevailing on the reporting date differs from the spot rate on the transaction date. In the case of monetary items, the resulting foreign currency differences are recognised in the income statement in the position foreign exchange trading under net trading income. The same applies to non-monetary items, which are recognised at fair value. In the case of non-monetary items, whose fair value changes are recognised directly in equity and in other comprehensive income without affecting net income, respectively, the foreign currency difference is a part of the change in fair value. If material, the foreign currency difference is reported. The following exchange rates were employed for foreign currency conversion:

Reporting date rate	31.12.2021	31.12.2020
1 USD	0.9121	0.8803
1 EUR	1.0331	1.0802

Average rate	2021	2020
1 USD	0.9115	0.9373
1 EUR	1.0799	1.0720

2.5 Cash and cash equivalents

The cash reported in the consolidated statement of cash flows consist of Cash and balances with central banks, cash in hand, postal cheque balances, giro and sight deposits at the Swiss National Bank and foreign central banks, as well as clearing credit balances at recognised central savings and clearing banks, claims from money market instruments with an original maturity period of less than three months, as well as loans due from banks (due daily).

2.6 Measurement of balance sheet positions

Depending on the basis on which they are measured, balance sheet positions can be assigned to two groups: IFRS 9 relevant and IFRS 9 non-relevant. The major portion of the LLB Group's balance sheet total is composed of balance sheet items that are measured according to IFRS 9.

2.6.1 Balance sheet positions measured according to IFRS 9 and portfolio hedge accounting according to IAS 39

A financial asset or a financial liability is recognised when LLB or one of its subsidiaries becomes a contracting party. Financial assets and liabilities are always initially recognised at fair value. Provided no measurement at fair value through profit and loss is made, the transactions costs form an integral part of the fair value of the financial instrument.

2.6.1.1 Classification and measurement of financial assets

Under IFRS 9, there are three methods of measuring financial assets, which have an influence on subsequent valuations. How a financial asset is measured depends on the business model employed by the company and the cash flow characteristics of the financial asset.

The following table provides an overview of the individual measurement methods and the assets associated with them at the LLB Group:

	Valuation method		
	Amortised cost	**At fair value through other comprehensive income**	**At fair value through profit and loss**
Assets	Cash and balances with central banks Due from banks Loans	Financial investments - Debt instruments - Equity instruments	Financial investments - Debt instruments - Equity instruments Derivative financial instruments Precious metal receivables
Conditions	"Hold" business model SPPI ability	Debt instruments - "Hold to Collect and Sell" business model - SPPI ability - Equity instruments - Designation - Not held for trading purposes - No contingent consideration resulting from business combinations	"Others" business model The conditions of other valuation methods were not fulfilled

Employment within the LLB Group

With regard to the classification of financial assets of the LLB Group, discretionary powers exist only in the case of financial investments and estimates are made with regard to the business model and SPPI conformity. In the case of financial investments, the management of the LLB Group determines the strategy and the respective business model for all Group companies. Two business models are employed: "Hold and Sell" and "Others". The allocation to the individual business model depends on the category to which the financial investment belongs. The LLB Group divides financial investments into two categories: "Asset & Liability Management" and "Strategic Participations".

Debt instruments in the "Asset & Liability Management" category are assigned to the "Hold and Sell" business model. Basically – provided they fulfil SPPI criteria – they are recognised at fair value in other comprehensive income. In the case of investments in new issues, the internal assessment is compared downstream with the external assessment from Bloomberg. Where assumptions diverge and there is no conformity with SPPI criteria according to Bloomberg, management is informed accordingly. It then decides about the further treatment of the debt instruments. An external assessment is utilised in the case of instruments which are traded on a market. Old holdings, i.e. debt instruments that under IAS 39 "Financial Instruments: Recognition and Measurement" were recognised at fair value through profit and loss, will continue to be measured according to this method. These serve primarily as economic hedging instruments and therefore do not fulfil the criteria of the business models "Hold" or "Hold and Sell". They are assigned to the business model "Others".

Financial investments of the strategic participations category encompass equity instruments and investment fund units. They do not fulfil the SPPI criteria and are therefore recognised at fair value through profit and loss. In the case of some equity instruments that comply with the definition of equity capital securities, they are designated irrevocably for measurement at fair value in other comprehensive income. Consequently, if the instruments are sold, the unrealised gains accrued in other comprehensive income cannot be recycled. Further information is provided in note 15.

The decision regarding the allocation to a business model or the appropriate designation is made at the product level.

Financial assets measured at amortised cost

- Cash and balances with central banks
  These are measured at amortised cost using the effective interest method. As there is neither a premium nor a discount, the value corresponds to the nominal value.
- Due from banks and loans
  These claims are measured at amortised cost using the effective interest method and taking into consideration an expected credit loss (ECL). The value stated in the balance sheet therefore corresponds to a net carrying amount because the expected credit loss is recognised in the balance sheet as a reduction of the carrying amount of a receivable. For off-balance sheet items, such as a commitment, however, a provision for credit loss is reported. The off-balance sheet total is not reduced. The impairments are recognised in the income statement and reported under "Expected credit losses". Detailed information about expected credit loss and its calculation is provided in point 2.6.1.4 "Impairments". Further information can be found in "Risk management" chapter 3 "Credit risk". Interest and negative interest is recognised on an accrual basis and reported in interest income. The calculation basis is the gross carrying value for the financial instruments of stages 1 and 2, i.e. the value attained using the effective interest method before expected credit loss. In the case of stage 3 positions, the basis is the net carrying value. Basically, the LLB Group extends loans only on a collateralised basis, or only to counterparties having very high credit worthiness.

Financial assets recognised at fair value through other comprehensive income

- Debt instruments
  The debt instruments (corporate bonds) are measured in a two-step process. First, they are measured at amortized cost using the effective interest method. Subsequently, this value is adjusted to fair value. Note 33 provides information on the determination of fair value. Debt instruments are exposed to credit risk. To account for this, an expected credit loss is calculated. Unlike for assets measured at amortized cost, this is equity-neutral. Detailed information on expected credit losses and their calculation is disclosed in point 2.6.1.4 "Impairments". Further information can be found in the comments on risk management in Chapter 3 "Credit risks". Interest or negative interest is recognized on an accrual basis and reported in net interest income. The basis of calculation is the value calculated using the effective interest method before adjustment to fair value. If the debt instrument matures or is sold before maturity, the unrealized gains or losses accumulated in other comprehensive income are recycled to income from financial investments.
- Equity instruments
  Equity instruments are measured at fair value. Value changes and the corresponding gains / losses are recognised in other comprehensive income. Note 33 contains information about the calculation of fair value. In the case of the disposal of the equity instruments, the unrealised gains reported in the consolidated statement of comprehensive income are not reclassified in the income statement. These are reclassified in retained earnings without affecting the income statement. Dividend earnings are recognised in the income statement under income from financial investments.

Financial assets at fair value through profit and loss

- Receivables from precious metals
  These receivables are measured at fair value through profit or loss.
- Derivative financial instruments
  Derivative financial instruments are valued as positive or negative replacement values corresponding to fair value and are reported in the balance sheet. Note 33 contains information about the calculation of fair value. Derivative financial instruments are held within the LLB Group for hedging and trading purposes. If the derivative financial instruments held for hedging purposes do not fulfil the strict IFRS hedge accounting criteria, changes in fair value are recognised, as with derivative financial instruments held for trading purposes, in net trading income. According to the guidelines governing fair value hedge accounting, income effects with hedging transactions occur only if opposite earnings effects do not completely neutralise each other. They are reported in net interest income.
- Hedge accounting
  Within the scope of risk management at the LLB Group, derivative financial instruments are

employed principally to manage interest rate risk and only with counterparties having very high credit worthiness within predetermined limits. The management of interest rate risks is based on the requirements of the limits system. If these transactions fulfil the IFRS-specific hedge accounting criteria, and if these were employed as hedging instruments from a risk management perspective, they can be shown according to hedge accounting guidelines. If these transactions do not fulfil the IFRS-specific hedge accounting criteria, they are not presented according to hedge accounting guidelines, even if from an economic point of view they represent hedging transactions and are consistent with the risk management principles of the LLB Group. The LLB Group employs portfolio fair value hedge accounting (PFVH) for fixed-interest rate interest instruments interest rate instruments. In this case, the interest rate risks of the underlying transaction (e.g. a fixed-rate mortgage) are hedged by means of hedging instruments (e.g. an interest rate swap). The PFVH portfolios consist of a sub portfolio of hedging transactions, which is compared with a sub portfolio of underlying transactions. The interest rate risk profile of the sub portfolios is determined using an optimisation algorithm in order to achieve an optimum hedge allocation. The portfolios are designated over a hedge period of one month and are measured both retrospectively and prospectively. The effect on the income statement of the change in fair value of the hedging instrument is recognised under the same position in the income statement as the respective effect of the change in fair value of the hedged basic transaction. In the case of the hedging of interest rate risks at the portfolio level, the fair value change in the hedged item is recognised in the same balance sheet position as the underlying item. If fair value hedge accounting is employed for reasons other than the derecognition of the hedged transaction, the amount, which is reported in the same balance sheet position as the underlying transaction, is amortised over the residual term of the underlying transaction in the income statement.

- Financial investments
  Within the LLB Group, the portfolio of financial investments recognised at fair value through profit and loss encompasses debt instruments and equity instruments. The debt instruments include both corporate bonds and investment fund units. The fund units represent callable instruments, which do not meet the criteria for equity instruments. These financial assets are measured at fair value. Note 33 contains information about the calculation of fair value. Non-realised gains or losses are reported in income from financial investments.

2.6.1.2 Classification and measurement of financial liabilities

Basically, the LLB Group's financial liabilities are classified at amortised cost. Exceptions are derivative financial instruments and liabilities from precious metals, which are classified at fair value through profit and loss.

The following table provides an overview of the individual measurement methods and the financial liabilities with which they are employed at the LLB Group.

	Valuation method	
	Amortised cost	At fair value through profit and loss
Liabilities	Due to banks	Derivative financial instruments
	Due to customers	Precious metal liabilities
	Commitments for leases	
	Debt issued	

Financial liabilities measured at amortised cost

These liabilities are measured at amortised cost using the effective interest method.

Interest and negative interest is recognised on an accrual basis and reported in interest income. Effects which arise as a result of the early disposal of the financial liability are recognised in the income statement.

Financial liabilities at fair value through profit and loss

Derivative financial instruments are measured at fair value through profit and loss within the LLB Group. Note 33 contains information about the calculation of fair value. Liabilities from precious metals are measured at fair value through profit or loss.

2.6.1.3 Derecognition of financial assets and liabilities
The derecognition of financial assets occurs if the contractual claim to payment streams expires or if the ownership of the financial assets with all pertaining rights and risks is transferred.

Financial liabilities are derecognised when they have been settled.

2.6.1.4 Impairments
In line with IFRS 9, the LLB Group has developed and implemented an impairment model in order to quantify expected credit losses.

Governance in relation to input factors, assumptions and estimation procedures
The impairment model for the determination of the expected credit loss requires a range of input factors, assumptions and estimation procedures that are specific to the individual institute. This, in turn, necessitates the establishment of a governance process. The regular review, stipulation and approval of input factors, assumptions and estimation procedures is the responsibility of Group Management and is carried out on an ad hoc basis, but at least once a year. In addition, internal control systems at the LLB Group ensure the correct quantification of the expected loss as well as the conformance with IFRS.

Segmentation of the credit portfolio
The LLB Group segments its credit portfolio according to two criteria: by type of credit and by customer segment. The following types of credit are considered for the modelling of probability of default (PD), loss given default (LGD) and exposure at default (EAD):
- Mortgage loans
- Lombard loans
- Unsecured loans
- Financial guarantees
- Credit cards
- Bank deposits, secured
- Bank deposits, unsecured
- Financial investments
- SIC (Swiss National Bank)

In the case of the first five listed types of credit, a further differentiation is made between the customer segments: private clients, corporate clients and public sector debtors. There are therefore 19 segments, which differ from each other in the modelling of the calculation parameters, to enable the LLB Group's credit portfolio to be segregated into risk groups that are as homogenous as possible.

Modelling principles and calculation parameters of expected credit loss
The calculation of the expected credit loss is based on the components: probability of default, exposure at default and loss given default, whereby specific scenarios are used to determine these criteria. The most important differences in the modelling of the calculation parameters are shown in the following.
- Probability of default: The probability of default is determined differently depending on the segment. In the case of corporate clients, the ratings are based on an external scoring model where the financial statements of the corporate clients serve as a basis for the calculation of the respective ratings and probability of default. With bank and financial deposits, the ratings and probability of default are obtained from external sources (Moody's). Basically, the probability of default is calculated at the position level. One exception is the private client segment, where a global probability of default is applied for the entire private client segment. In determining the portfolio probability of default, the only differentiation made is based on the internal historical default rates. A common factor with all ratings is that the probability of default in all cases is determined on a through-the-cycle basis, which is adjusted within the scope of micro- scenarios to take into consideration the expected economic conditions (point in time). For this purpose, in the case of private and corporate clients, the LLB Group estimates the development of interest rates as well as gross domestic product and models the impact of the expected economic development on the

probability of default. In the case of bank and financial investments having ratings from Moody's, this agency's outlook of their future development is considered in the calculation.
- Exposure at default: Exposure at default is determined on the basis of the average amortised cost in the individual monthly period. The development of amortised cost is calculated on the basis of the initial credit exposure compounded with the effective interest, plus or minus additional inflows or outflows of resources such as amortisation payments. The average amortised cost of the individual period is extrapolated from the development resulting from integration and division by the length of the periods. The duration of the credits is in accordance with the conditions specified in the credit agreement. In the case of credits having an unspecified duration, a model is used as basis for the calculation. The term of the loans is defined in the individual credit agreements. In the case of loans with an unspecified term, a model is used to ascertain the term. The period of notice is used as a basis for the calculation. Cash inflows (loan repayments) are defined on the basis of the planned amortisation payments. Cash outflows (loan increases) are dependent on the type of loan and the agreed-but-not-yet-utilised credit limit. Internal experts estimate a credit conversion factor, which is approved by the Board of Management, and is then employed to define the expected credit utilisation.
- Loss given default: Basically, there are three approaches for determining the loss given default: internal loss given default models (loans with real estate collateral), estimates made by internal experts (Lombard loans) and external studies from Moody's (bank and financial deposits). In the case of loss given default models, the LGD of loans secured by mortgages is calculated on the basis of workout procedures at the position level, taking into consideration the collateral provided. In this case, all the expected future cash flows are estimated and discounted. In addition, the value of the collateral provided is modelled on the basis of the expected development of real estate prices given various scenarios.

The expected credit loss is calculated as the sum of probability of default, exposure at default and loss given default.

The credit quality determines the structure of the calculation.
- Credit quality level 1: No significant increase in the credit risk since initial recognition; the expected credit loss is calculated over one year.
- Credit quality level 2: Significant increase in the credit risk since initial recognition; the expected credit loss is calculated over the remaining term of the loan.
- Credit quality level 3: Default in accordance the Capital Requirements Regulation (CRR). Art. 178 CRR specifies that a default can be considered to have occurred when a) it is unlikely that the debtor can pay back his liabilities in the full amount unless measures such as, for example, the realisation of collateral have to be implemented, or b) a substantial liability is more than 90 days overdue. In the case of defaulted positions, a specific value allowance is determined. The expected credit loss is calculated over the remaining term of the loan.

The allocation to a credit quality level has a influence on the magnitude of the expected credit loss because in the case of level 2 and level 3 positions this can be substantially higher than with level 1 positions.

Credit quality level, monitoring of significant increase in credit risk (SICR) and cure period
Loans are allocated to a credit quality level. In addition to historical analysis, forward-looking factors are taken into consideration.

Historical analysis at the LLB Group considers, for example, whether the credit risk with a position has significantly increased since the beginning of the contractual term, or whether there are already payment arrears. Payments more than 30 days past due are assigned to credit quality level 2; payments more than 90 days past due are assigned to credit quality level 3. In the event of an increase of one percentage point in the default probability, the LLB Group assumes there will be a significant increase in the credit risk and accordingly calculates the expected credit loss for such positions over the remaining term of the loan.

In a forward-looking test, based on the development of a customer's cash flows, it is examined whether a deterioration in the credit worthiness of the customer is to be expected in the future. Furthermore, in the case of bank and financial deposits, for example, the expectations of the rating agencies with respect to the future development of the ratings are considered in the assignment of a credit quality level for a loan.

During initial recognition, all risk-bearing positions are allocated to level 1 because no financial assets having an adverse effect on credit quality are purchased or generated.

Loans in credit quality level 2 are only reassigned to credit quality level 1 following a sustained improvement in their credit quality. The LLB Group defines a sustained improvement in credit quality as being the fulfilment of the criteria for credit quality level 1 for at least three months.

In the case of loans in credit quality level 3, the Group Recovery Department is responsible for estimating the extent of a sustained improvement in credit quality. This decision is largely guided by whether the default, as defined by the LLB Group, still exists or not. Here too, in order for a position to be returned to credit quality level 2, the criteria governing the credit quality level must have been fulfilled for at least three months.

Macro-scenarios

Three scenarios are utilised for the measurement of the expected credit loss: a basic scenario as well as a negative and a positive scenario. The probability of a credit loss occurring is the same with all three scenarios. The average value derived from these scenarios represents the final expected credit loss.

In determining the expected credit loss on the basis of the various scenarios, the LLB Group utilises the following three macro-factors, which have an influence on the creditworthiness of a debtor as well as on the value of the collateral provided for the loan:
- Gross domestic product
- Interest rate development
- Real estate price development

The impact of the macro-factors is based on estimates made by the Asset Management Division of and the Risk Management Department of the LLB Group, whereby the macro-factors are also regularly submitted to the Board of Management for its approval.

Definition of default, determination of creditworthiness and write-off policy

The LLB Group bases its definition of default, according to IFRS 9, on the Capital Requirements Regulation (Art. 178 CRR) in order to ensure a uniform definition for regulatory and accounting policy purposes. On the one hand, claims which are more than 90 days past due are regarded as defaulted and, on the other, indications that a debt is unlikely to be paid can also lead to a claim being classified as in default.

The LLB Group regards the creditworthiness of a financial asset as being impaired when its recoverable value, which is determined on the basis of a calculation of the present value, is lower than the carrying value. The difference between the present value and the carrying value is recognised as a specific allowance.

A debt is written off only when, in accordance with the enforcement order, there is no reasonable expectation of recovery in the future, where agreement has been reached with the debtor that LLB or a subsidiary within the LLB Group irrevocably waives a part of the debt, or where a pledge default certificate has been submitted, which enables, in spite of the write-off, the remaining debt or a part of the remaining debt to be claimed in the future. The pledge default certificate is only relevant in the case of private individuals because, following liquidation, insolvent legal entities no longer exist. A collection agency is commissioned to recover the debt.

Reporting of impairments

The LLB Group reports all impairments in the position „Expected credit losses".

2.6.2 Balance sheet positions outside IFRS 9

2.6.2.1 Non-current assets and liabilities held for sale

Properties are classified as held for sale if these are to be disposed of in line with the business location or business strategy and the corresponding classification criteria are fulfilled.

Furthermore, within the scope of recovery measures, the LLB Group classifies the auctioned properties of its debtors as held for sale as soon as the corresponding classification criteria are fulfilled. A reclassification is made of investment property if it proves impossible to sell this property within the specified time period because the LLB Group does not itself utilise the auctioned properties of former recovery cases.

2.6.2.2 Property, investment property and other equipment

At the LLB Group, property encompasses real estate, buildings and additional building costs. It is valued at acquisition cost less any impairment and depreciation necessary for operational reasons. The LLB Group owns only a few properties, which it does not use entirely itself. The part of the property it does not use itself is rented out. This part property is always immaterial and cannot be separately sold. Accordingly, the properties are not classified as investment property but rather as tangible assets.

At the LLB Group, investment property is held for the purpose of capital appreciation and consists of real estate and buildings. A classification is made only on the basis of objective indications and not on the basis of an intention to change the use of a property. Its value is measured according to the fair value model on every reporting date. Changes in the fair value, based on the assessments made by experts, are only recognised in net income from properties if a certain fluctuation margin is exceeded in order to avoid insignificant value fluctuations as a result of possible estimate uncertainties.

Other equipment encompasses fixtures, furnishings, machinery and IT equipment. These items are recognised in the accounts at amortised cost.

Depreciation is carried out on a straight-line basis over the estimated useful life:

Buildings	33 years
Building supplementary costs	10 years
Fixtures, furnishings, machinery	5 years
IT equipment	3-6 years
Investment property	No depreciation
Land	No depreciation

Small value purchases are charged directly to general and administrative expenses. In general, maintenance and renovation expenditures are booked to general and administrative expenses. If the related cost is substantial and results in an increase in value, such expenditures are capitalised and depreciated over their useful life. Profits from the sale of other equipment are reported as other income.

Property and other equipment are reviewed for impairment on every balance sheet reporting date. If, as a result of the review, a change in the useful life and / or a reduction in value is determined, the residual carrying value is depreciated over the new adjusted useful life and / or a new unplanned write-down is made. Any increases in value that occur after a reduction in value are only considered up to the amount, which would have been attained without the reduction in value.

2.6.2.3 Leasing

2.6.2.3.1 Group companies as lessees

The measurement of a lease liability is based on the fixed lease payments over the basic term of the lease, as well as on the assessment of extension and / or termination options. Non-lease components, where identifiable, are measured in accordance with the prevailing standards. Currently, there are no contracts having special contents such as variable lease payments, purchase options or penalty payments. To calculate the present value, the LLB Group utilises, almost without exception, the lessee's incremental borrowing rate of interest, which corresponds to the duration of the lease.

The subsequent measurement for the right of use is made according to the acquisition cost model, and for the lease liability at amortised cost. The carrying value may change as a result of the reassessment of extension and / or termination options, as well as on account of a change in the amount to be paid periodically. These possible changes are monitored.

The LLB Group does not recognise leases having terms of up to twelve months, or of low-value leases, in the balance sheet. The payments are recognised in the income statement on a straight-line basis over the term of the lease as general and administrative expenses.

2.6.2.3.2 Group companies as lessors
All leasing contracts qualify as operating leases. The leasing revenues earned are recognised on a monthly basis as an integral part of other income in the income statement. The underlying assets are subject to the provisions described in point 2.6.2.2 "Property, investment property and other equipment".

2.6.2.4 Goodwill and other intangible assets
Goodwill is recognised in the balance sheet at acquisition cost in the functional currency of the taken over company on the date of acquisition and the value is reviewed and converted at the closing prices on the balance sheet reporting date. Goodwill is tested for impairment annually in the third quarter, or when events make this necessary. If impairment has occurred, an appropriate value allowance is made.

Other intangible assets are composed of client relationships, software and other intangible assets. They are recognised at acquisition cost minus necessary operating depreciation and impairments. They are reviewed for impairment on every balance sheet reporting date.

Intangible assets from acquisitions are amortised in a straight-line over an estimated useful life of five to fifteen years. In general, software is amortised over a period of three to six years. Core banking system software is amortised in a straight line over a period of up to 10 years.

Cloud computing activities are recognised by the LLB Group in the balance sheet only when certain conditions are fulfilled. In doing so, the LLB Group differentiates between licenses, service agreements and service agreements including system modifications. A license in relation to a cloud computing agreement is only recognised if a contractual right exists to take possession of the software during the hosting period without incurring a significant contractual penalty, or to install the software on LLB's own hardware, or if an external third party can be commissioned to host the software. The LLB Group recognises a cloud computing service in the balance sheet only if this qualifies as a leasing asset or as an intangible asset. System modifications are only recognised if a power of disposition exists in the cloud environment.

2.6.2.5 Current and deferred taxes
Current income tax is calculated on the basis of the tax law applicable in the individual country and recorded as expense for the accounting period in which the related income was earned. These are reported in the balance sheet as tax liabilities. If uncertainty exists about whether a tax issue will be recognised by the tax authorities, the LLB Group contacts the tax authority concerned at an early date. If a tax issue cannot be conclusively clarified before the reporting date, the LLB Group makes assumptions regarding the amount that the tax authorities will accept. In this case, the amount reported in the IFRS statement can differ from the amount shown in the income tax return.

The tax impact from time differentials due to different valuations arising from the values of assets and liabilities reported according to IFRS shown on the Group balance sheet and their taxable value are recorded on the balance sheet as accrued tax assets or, as the case may be, deferred tax liabilities. Deferred tax assets attributable to time differentials or accountable loss carry forwards are capitalised if there is a high probability that sufficient taxable profits will be available to offset such differentials of loss carry forwards. Accrued / deferred tax assets / liabilities are calculated at the tax rates that are likely to be applicable for the accounting period in which the tax assets are realised or the tax liabilities paid.

Current and deferred taxes are credited or charged directly to equity or other comprehensive income if the related tax pertains to items that have been credited or charged directly to equity or other comprehensive income in the same or some other accounting period.

2.6.2.6 Employee benefits

Retirement benefit plans

The LLB Group has pension plans for its employees, which are defined according to IFRS as defined benefit plans. In addition, there are long-term service awards which qualify as other long-term employee benefits.

For benefit-oriented plans, the period costs are determined by opinions obtained from external experts. The benefits provided by these plans are generally based on the number of insured years, the employee's age, covered salary and partly on the amount of capital saved. For benefit- oriented plans with segregated assets, the relevant funded status is recorded on the balance sheet as an asset or liability (in accordance with the Projected Unit Credit Method). An asset position is calculated according to the criteria of IFRIC 14.

For plans without segregated assets, the relevant funded status recorded on the balance sheet corresponds to the cash value of the claims. The cash value of the claims is calculated using the projected unit credit method, whereby the number of insured years accrued up to the valuation date are taken into consideration.

If changes, curtailments or settlements occur during the reporting period, the net debt is recalculated. In this case, the current service cost and the net interest, which have to be recalculated on the basis of new net debt, are to be newly determined for the remaining business year using the latest actuarial assumptions.

Variable salary component and share-based compensation

The valuation procedure for the variable salary component is based on the degree of individual target attainment and a market-adjusted performance indicator, which measures the performance achieved by means of comparison with a customised, relevant peer group. Executives receive a portion of their profit-related bonus in the form of entitlements to LLB shares. After a blocking period of three years, the shares are automatically transferred to them, provided there are no circumstances which enable a reclaiming of the shares.

Share-based compensation with equity instruments represents an equity transaction. The change in the inventory of entitlement shares is recognised under share premium, whereby personnel expenses serve as the off-setting item. The calculation of the fair value of the earned share entitlements at the end of the year is made on the basis of an estimate as part of the variable salary component. The number of share entitlements granted is calculated on the basis of the average of all share prices in the fourth quarter of a year.

The LLB Group holds shares in order to operate a share-based compensation system with treasury shares. The difference between the market value on the acquisition date and the market value on the date of grant is recognised in share premium.

2.6.2.7 Provisions and contingent liabilities

A provision is allocated, if the LLB Group bears a current liability on the reporting date arising from a past event, which will probably lead to an outflow of resources, the amount of which can be reliably estimated. In assessing whether the allocation of a provision and its amount are reasonable, the best possible estimates and assumptions available on the balance sheet reporting date are utilised, which may be adjusted accordingly at a later date to take into consideration new facts and circumstances.

For legal proceedings in cases where the facts are not specifically known, the claimant has not quantified the alleged damages, the proceedings are at an early stage, or where sound and substantial information is lacking, the LLB Group is not in a position to estimate reliably the approximate financial implication.

In addition, provisions are allocated for expected credit losses with off-balance-sheet positions. This is due to the fact that there is no corresponding asset within the balance sheet which could be reduced in value by means of a value allowance. The expected credit loss is reported in the income statement under “expected credit losses”. Credit loss forms an integral part of other business risks.

If liabilities do not fulfil the criteria applying to a provision, this could result in the formation of a contingent liability. Guarantees issued lead to contingent liabilities if indeed LLB can be made jointly and severally liable for liabilities towards third parties, but it can be assumed that these liabilities will not be paid by the LLB Group. If, on the basis of the current evaluation of contingent liabilities, an outflow of economic resources in the future is probable, a provision is allocated for this position which was previously treated as a contingent liability.

2.6.2.8 Treasury shares
Shares of Liechtensteinische Landesbank AG held by the LLB Group are valued at cost of acquisition and reported as a reduction in equity. The difference between the sale proceeds and the corresponding cost of acquisition of treasury shares is recorded under capital reserves.

2.6.2.9 Securities lending and borrowing transactions
Securities lending and borrowing transactions are generally entered into on a collateralised basis, with securities mainly being advanced or received as collateral.

Securities lent out remain in the trading portfolio or in the financial investments portfolio as long as the risks and rewards of ownership of the shares are not transferred. Securities that are borrowed are not recognised in the balance sheet as long as the risks and rewards of ownership of the securities remain with the lender.

Fees and interest received or paid are recognised on an accrual basis and recorded under net fee and commission income.

2.7 Recognition of revenues
2.7.1 Recognition of revenues
Revenues are recognised when the obligation to provide the service has been fulfilled by the LLB Group and when it has been ensured that, at a time of uncertainty, no significant cancellations of previously recognised revenues can occur.

2.7.1.1 Recognition of revenues over a specified period
Fees for securities administration which do not include variable components are typical revenues earned from fees and services that are recognised over a period at the LLB Group.

On account of the nature of the contracts at the LLB Group, a time period exists between the provision of the service and the payment by the client for it, which generally amounts to a maximum of one year. The payments made by clients are made on specific dates, usually at the end of a quarter.

The costs incurred in the provision of the service are recognised continually over the period because these are the same services that are required every day.

2.7.1.2 Recognition of revenues on a specific date
Typical revenues earned from fees and services that are recognised on a specific date include brokerage or processing fees for Visa debit cards used abroad.

In the case of services that are only delivered over a period, but the payment for them is variable and a large degree of uncertainty exists concerning the amount of the revenues, recognition of the revenues occurs only at that time when it is highly probably that no significant cancellation will occur with the recognised revenues. At the LLB Group, this situation can only arise in connection with performance-related fees (e.g. performance fees). The recognition period is generally a maximum of one year.

Costs incurred in providing a service are generally recognised at the time the service is provided.

2.7.2 Recognition
The revenues recognised from fees and services are based on the service obligations specified in the contract and the payment to be made by the client for them. The payment may contain both fixed and variable components, whereby variable payments only occur in connection with asset management and are influenced by certain threshold values. The client may have to make an additional payment if, for example, a specified return is attained or he has decided to pay a previously stipulated percentage on his assets on a previously determined date as a fee.

If discounts have been granted within the scope of combinations of several products, these can be assigned to the individual service obligations.

2.7.3 All-in fee
Clients have the possibility of paying an all-in fee in the form of a lump sum or a percentage fee of assets for a range of different services. This all-in fee is reported in note 2 in a separate table. No reclassification into the corresponding line items of the individual revenue types containing the all-in fee is made because the all-in fee is assigned to the asset management and investment business line item on account of its business model. The additional table provides greater transparency of how these revenues are broken down in their entirety.

3 Events after the balance sheet date
On 27 October 2021, the LLB Group announced its new ACT-26 strategy. Starting from 1 January 2022, the LLB Group began rigorously implementing the strategic goals of ACT-26 in the organisation. The strategy focuses on clients and technological transformation. In going forward, the LLB Group has two clearly positioned market divisions, namely the Private and Corporate Clients, and the International Wealth Management Division. The Private and Corporate Clients Division takes care of locally orientated private banking clients (in Liechtenstein, Switzerland and Germany), as well as corporate and private clients in Liechtenstein and Switzerland. The International Wealth Management Division focuses on Austrian and international private banking clients, as well as institutional and investment fund clients. From 1 January 2022, segment reporting will be carried out according to these two market divisions.

In an advance announcement on 27 January 2022, LLB announced its intention of increasing its share stake in its subsidiary Bank Linth LLB AG to 100 per cent. It is offering the shareholders of Bank Linth an attractive premium and a free choice of either a partial exchange offer in LLB shares with a cash component, or a complete cash settlement. The Boards of Directors of LLB and Bank Linth have jointly reached the conclusion that Bank Linth should be delisted from the SIX Exchange. This public purchase offer is to be provisionally transacted in May 2022.

Segment reporting

The business activities of the LLB Group are divided into the following three business areas. These form the basis for the segment reporting:
- Retail and Corporate Banking segment encompasses the universal banking business in the home markets of Liechtenstein and Switzerland.
- Private Banking segment encompasses all the private banking activities of the LLB Group.
- Institutional Clients segment encompasses the financial intermediary and investment fund business as well as the asset management activities of the LLB Group.

The segments receive comprehensive support from the Corporate Center. It comprises the following functions: finance, credit and risk management, legal and compliance matters, trading and securities administration, payment services, human resources management, communication and marketing, corporate development, as well as logistics and IT services.

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group Executive Management (chief operating decision maker), which is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments used by the LLB Group meet the definition of a reportable segment under IFRS 8.

In accordance with the principle of responsibility and based on the organisational structure, income and expenditure are allocated to the business divisions. Indirect costs resulting from services provided internally are accounted for according to the principle of causation and are recorded as a revenue increase for the service provider and as a cost increase for the service beneficiary. The remaining income and expenditure for overriding services which cannot be assigned to the segments are shown under Corporate Center. Furthermore, consolidation adjustments are reported under Corporate Center.

Transactions between the segments are executed at standard market conditions.

Financial year 2020

in CHF thousands	Retail & Corporate Banking	Private Banking	Institutional Clients	Corporate Center	Total Group
Net interest income	91'216	25'739	14'943	22'199	154'097
Expected credit losses	– 4'120	– 4'365	– 3'155	0	– 11'640
Net interest income after expected credit losses	87'096	21'374	11'788	22'199	142'457
Net fee and commission income	33'059	81'102	98'088	– 13'112	199'136
Net trading income	10'092	11'906	14'620	47'676	84'294
Net income from financial investments	0	0	0	– 556	– 556
Other income	2'258	3	2	2'712	4'975
Total operating income [1]	**132'504**	**114'384**	**124'499**	**58'919**	**430'306**
Personnel expenses	– 27'224	– 36'484	– 31'687	– 85'645	– 181'040
General and administrative expenses	– 1'572	– 2'478	– 6'568	– 72'753	– 83'371
Depreciation	0	– 128	– 381	– 41'742	– 42'251
Services (from) / to segments	– 56'252	– 38'087	– 27'309	121'648	0
Total operating expenses	**– 85'049**	**– 77'177**	**– 65'946**	**– 78'492**	**– 306'663**
Operating profit before tax	**47'455**	**37'207**	**58'553**	**– 19'573**	**123'643**
Tax expenses					– 13'820
Net profit					**109'823**

1 There were no substantial earnings generated between the segments so that income between the segments is not material.

Financial year 2021

in CHF thousands	Retail & Corporate Banking	Private Banking	Institutional Clients	Corporate Center	Total Group
Net interest income	91'674	21'515	12'390	28'431	154'010
Expected credit losses	5'521	74	– 3'108	– 0	2'487
Net interest income after expected credit losses	97'195	21'589	9'282	28'431	156'497
Net fee and commission income	36'018	100'566	108'553	– 11'499	233'638
Net trading income	10'795	11'998	14'585	41'588	78'966
Net income from financial investments	0	0	0	3'727	3'727
Other income	2'014	2	2	1'557	3'574
Total operating income [1]	**146'022**	**134'155**	**132'422**	**63'804**	**476'403**
Personnel expenses	– 28'099	– 38'973	– 32'586	– 90'333	– 189'991
General and administrative expenses	– 3'635	– 2'821	– 6'038	– 70'952	– 83'445
Depreciation	– 23	– 88	– 391	– 39'052	– 39'555
Services (from) / to segments	– 55'285	– 38'354	– 28'507	122'146	0
Total operating expenses	**– 87'042**	**– 80'236**	**– 67'522**	**– 78'190**	**– 312'991**
Operating profit before tax	**58'980**	**53'919**	**64'900**	**– 14'387**	**163'412**
Tax expenses					– 25'549
Net profit					**137'863**

1 There were no substantial earnings generated between the segments so that income between the segments is not material.

There were no revenues deriving from transactions with a single external customer that amounted to ten per cent or more of the Group's revenues.

Segment reporting by geographic location

The geographic analysis of operating income and assets is based on the location of the company in which the transactions and assets are recorded.

Financial year 2020

	Liechtenstein		Switzerland		Austria		Total Group	
		in %		in %		in %		in %
Operating income (in CHF thousands)	259'968	60.4	108'619	25.2	61'719	14.3	430'306	100.0
Total assets (in CHF millions)	12'817	54.4	8'403	35.6	2'355	10.0	23'575	100.0

Financial year 2021

	Liechtenstein		Switzerland		Austria		Total Group	
		in %		in %		in %		in %
Operating income (in CHF thousands)	292'141	61.3	111'410	23.4	72'852	15.3	476'403	100.0
Total assets (in CHF millions)	13'926	55.4	8'679	34.5	2'524	10.0	25'129	100.0

Notes to the consolidated income statement

1 Net interest income

in CHF thousands	2021	2020	+ / – %
Interest income from financial instruments measured at amortised cost			
Due from banks	731	5'684	– 87.1
Loans	147'643	153'546	– 3.8
Loan commissions with the character of interest	3'386	3'771	– 10.2
Received negative interest	27'923	19'951	40.0
Total interest income from financial instruments measured at amortised cost	**179'683**	**182'953**	**– 1.8**
Interest income from financial instruments, recognised at fair value through other comprehensive income			
Debt instruments	11'816	14'141	– 16.4
Total interest income from financial instruments, recognised at fair value through other comprehensive income	**11'816**	**14'141**	**– 16.4**
Interest income from financial instruments at fair value through profit and loss			
Debt instruments	2'810	5'193	– 45.9
Interest rate derivatives	3'540	6'097	– 41.9
Total interest income from financial instruments at fair value through profit and loss	**6'350**	**11'290**	**– 43.8**
Total interest income	**197'850**	**208'384**	**– 5.1**
Interest expenses from financial instruments measured at amortised cost			
Due to banks	– 1'921	– 3'830	– 49.8
Due to customers	– 3'679	– 10'215	– 64.0
Paid negative interest	– 20'392	– 15'255	33.7
Lease liabilities	– 273	– 308	– 11.2
Debt issued	– 4'509	– 6'204	– 27.3
Total interest expenses from financial instruments measured at amortised cost	**– 30'774**	**– 35'812**	**– 14.1**
Interest expenses from financial instruments measured at fair value			
Interest rate derivatives	– 13'065	– 18'475	– 29.3
Total interest expenses from financial instruments measured at fair value	**– 13'065**	**– 18'475**	**– 29.3**
Total interest expenses	**– 43'839**	**– 54'287**	**– 19.2**
Total net interest income	**154'010**	**154'097**	**– 0.1**

2 Net fee and commission income

in CHF thousands	2021	2020	+ / – %
Brokerage fees	54'382	53'293	2.0
Custody fees	54'576	44'830	21.7
Advisory and management fees	65'463	51'956	26.0
Investment fund fees	194'843	155'084	25.6
Credit-related fees and commissions	648	663	– 2.3
Commission income from other services	29'722	27'025	10.0
Total fee and commission income	**399'634**	**332'850**	**20.1**
Brokerage fees paid	– 11'180	– 11'161	0.2
Other fee and commission expenses	– 154'816	– 122'553	26.3
Total fee and commission expenses	**– 165'996**	**– 133'714**	**24.1**
Total net fee and commission income	**233'638**	**199'136**	**17.3**

LLB and its subsidiaries offer clients an all-in fee for various services. This is recognised in the line "Advisory and management fees". The following table shows what share of the income position the all-in fee has and what proportion of which services is included in it:

in CHF thousands	2021	2020	+ / – %
Total all-in-fees	**40'599**	**29'642**	**37.0**
of which brokerage	15'126	12'525	20.8
of which securities administration	6'225	4'241	46.8
of which asset management	19'248	12'876	49.5

3 Net trading income

in CHF thousands	2021	2020	+ / – %
Foreign exchange trading	68'295	68'398	– 0.2
Foreign note trading	– 542	– 110	394.1
Precious metals trading	1'773	2'524	– 29.8
Interest rate instruments [1]	9'439	13'481	– 30.0
Total net trading income	**78'966**	**84'294**	**– 6.3**

1 The LLB Group uses interest rate swaps for trading and hedging purposes. If the interest rate swaps do not fulfil the approval criteria according to IAS 39 in order to be booked as hedging transactions, they are treated as interest rate swaps for trading purposes.

4 Net income from financial investments

in CHF thousands	2021	2020	+ / – %
Financial investments at fair value through profit and loss			
Dividend income	292	353	– 17.3
Price gains [1]	– 631	– 2'853	– 77.9
Total net income from financial investments at fair value through profit and loss	**– 338**	**– 2'500**	**– 86.5**
Financial investments, recognised at fair value through other comprehensive income			
Dividend income	3'219	2'006	60.5
of which from financial investments held on the balance sheet date	3'211	1'856	73.0
of which from financial investments sold during the reporting period [2]	9	150	– 94.3
Realised gain	865	2	
Expected credit loss on financial investments	– 18	– 65	– 71.5
Total financial investments, recognised at fair value through other comprehensive income	**4'066**	**1'944**	**109.2**
Total net income from financial investments at fair value	**3'727**	**– 556**	

1 The realised price gains for 2021 amounted to CHF thousands minus 157 (previous year: CHF thousands minus 1'587).
2 Further details are provided in note 15.

5 Other income

in CHF thousands	2021	2020	+ / – %
Net income from properties [1/2]	2'207	3'592	– 38.5
Income from various services	488	905	– 46.2
Share of income from associated companies and joint venture	3	– 1	
Additional other income [1]	876	479	83.0
Total other income	**3'574**	**4'975**	**– 28.2**

1 Reclassifications of a non-material nature were made. Details can be found in point 2.1.1 of the accounting principles.
2 In the 2021 business year net income from properties consists prinicipally of rental income and the revaluation of an investment property (2020: rental income and sale of properties).

6 Personnel expenses

in CHF thousands	2021	2020	+ / – %
Salaries [1]	– 149'184	– 146'591	1.8
Pension and other post-employment benefit plans [2]	– 17'106	– 11'135	53.6
Other social contributions	– 16'486	– 16'247	1.5
Training costs	– 1'383	– 1'348	2.6
Other personnel expenses	– 5'833	– 5'719	2.0
Total personnel expenses	**– 189'991**	**– 181'040**	**4.9**

1 Contains the variable compensation of the management, which is disclosed in note "Related party transactions".
2 See note "Pension plans and other long-term benefits" for details

An overview of the employees and their employment relationship is shown in the following table:

	2021	2020
Employees		
Number of employees (full-time equivalents)	1'055	1'076
Full-time employees	902	931
of which apprentices	28	32
of which young talents [1]	11	7
Part-time employees	317	306

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

7 General and administrative expenses

in CHF thousands	2021	2020	+ / – %
Occupancy	– 6'630	– 6'712	– 1.2
Expenses for IT, machinery and other equipment	– 26'926	– 32'961	– 18.3
Information and communication expenses	– 19'305	– 18'725	3.1
Marketing and public relations	– 7'357	– 7'386	– 0.4
Consulting and audit fees	– 6'637	– 7'113	– 6.7
Provisions for legal and litigation risks [1]	– 952	1'987	
Litigation, legal and representation costs	– 4'940	– 1'772	178.8
Contributions to Deposit Protection Fund	– 2'661	– 2'766	– 3.8
Other general and administrative expenses	– 8'037	– 7'924	1.4
Total general and administrative expenses	**– 83'445**	**– 83'371**	**0.1**

1 See note 25 for details

8 Depreciation

in CHF thousands	2021	2020	+ / – %
Property	– 4'428	– 4'753	– 6.8
Other equipment	– 10'627	– 9'655	10.1
Intangible assets	– 18'531	– 22'977	– 19.4
Right of use assets	– 5'968	– 4'866	22.6
Total depreciation	**– 39'555**	**– 42'251**	**– 6.4**

9 Tax expenses

in CHF thousands	2021	2020	+ / – %
Current taxes	– 25'682	– 14'304	79.5
Deferred taxes [1]	133	484	– 72.5
Total tax expenses	**– 25'549**	**– 13'820**	**84.9**

1 For further details, see note 24

The actual net payments made by the LLB Group for domestic and foreign corporate profit taxes amounted to CHF 11.9 million for the 2021 financial year (previous year: CHF 14.6 million).

The tax on pre-tax Group profit deviates from the theoretical amount, calculated on the basis of the weighted average Group tax rate on profit before tax, as follows:

in CHF thousands	2021	2020	+ / – %
Operating profit before tax	163'412	123'643	32.2
Assumed average income tax rate of 13.4 per cent (previous year: 12.6 %)	**– 21'921**	**– 15'620**	**40.3**
Increase / (Decrease) resulting from			
Use of losses carried forward	0	506	– 100.0
Tax savings / (charges) from previous years	– 3'616	– 488	640.3
Non-tax deductible (expenses) / tax-exempt income	– 12	1'782	
Total tax expenses	**– 25'549**	**– 13'820**	**84.9**

The assumed average tax burden is based on the weighted average tax rates of the individual group companies.

The increase in average tax burden is attributable to the changed profit contributions of the Group companies. In particular, the increased relative profit contribution of LLB (Österreich) AG in 2021 led to a higher assumed average tax burden in comparison with the previous year.

As per 31 December 2021, there were losses carried forward amounting to CHF 84 million, which were not reported as deferred tax receivables (previous year: CHF 98 million). They expire within the next five years. In general, tax losses can be carried forward for seven years in Switzerland, and indefinitely in the Principality of Liechtenstein and in Austria.

10 Earnings per share

	2021	2020	+ / – %
Net profit attributable to the shareholders of LLB (in CHF thousands)	129'907	103'524	25.5
Weighted average shares outstanding	30'551'544	30'493'736	0.2
Basic earnings per share (in CHF)	**4.25**	**3.39**	**25.2**
Net profit for diluted earnings per share attributable to the shareholders of LLB (in CHF thousands)	129'907	103'524	25.5
Weighted average shares outstanding for diluted earnings per share	30'723'923	30'665'525	0.2
Diluted earnings per share (in CHF)	**4.23**	**3.38**	**25.2**
Dividend (in CHF)	2.30 [1]	2.20	

1 Proposal of the Board of Directors to the General Meeting of Shareholders on 6 May 2022

The weighted average number of shares outstanding for the calculation of the undiluted and diluted result differs in that the share entitlements are included in the calculation of the diluted earnings. There are no other factors that would lead to a dilution of earnings.

Notes to the consolidated balance sheet

11 Cash and balances with central banks

	31.12.2021	31.12.2020	+ / – %
Cash	54'289	61'959	– 12.4
Demand deposits with central banks	7'158'871	6'653'651	7.6
Total cash and balances with central banks	**7'213'159**	**6'715'610**	**7.4**

12 Due from banks

in CHF thousands	31.12.2021	31.12.2020	+ / – %
On demand	393'524	410'261	– 4.1
At maturity or callable	496'219	280'751	76.7
Total due from banks	**889'744**	**691'011**	**28.8**

13 Loans

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Mortgage loans	12'240'442	11'733'792	4.3
Public institutions	72'253	78'343	– 7.8
Fixed advances and loans	1'052'776	960'669	9.6
Other loans and advances	517'658	536'573	– 3.5
Expected credit losses	– 77'941	– 79'446	– 1.9
Total loans	**13'805'188**	**13'229'931**	**4.3**

Further information, especially regarding the expected credit loss, is provided in Risk management in chapter 3 “Credit risk”.

14 Derivative financial instruments

Interest rate swaps are concluded to hedge against interest rate fluctuation risks. In addition, derivative financial instruments are employed primarily within the scope of client business. In this case, both standardised and OTC derivatives are traded. International banks having a high creditworthiness serve as counterparties. LLB does not assume a market-maker role on the interbank market. The tables in this note contain information about the nominal value (contract volume), about the replacement values and about the hedge accounting positions.

in CHF thousands	Total					
	Positive replacement values		Negative replacement values		Total contract volume	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Derivative financial instruments in the trading portfolio						
Interest rate contracts						
Interest rate swaps	3'118	0	11'633	20'299	2'285'000	565'000
Forward contracts	194	263	504	255	96'719	108'162
Foreign exchange contracts						
Forward contracts	198'660	188'688	226'465	199'761	23'562'245	20'209'099
Options (OTC)	2'377	5'975	2'377	5'975	74'362	617'520
Precious metals contracts						
Options (OTC)	131	46	131	46	5'534	2'704
Equity / index contracts						
Options (OTC)	2'312	469	2'312	469	255'345	25'287
Total derivative financial instruments in the trading portfolio	**206'792**	**195'441**	**243'421**	**226'805**	**26'279'204**	**21'527'771**
Derivative financial instruments for hedging purposes						
Interest rate contracts						
Interest rate swaps (fair value hedge)	12'912	4'193	12'777	22'371	1'410'331	1'481'604
Total derivative financial instruments for hedging purposes	**12'912**	**4'193**	**12'777**	**22'371**	**1'410'331**	**1'481'604**
Total derivative financial instruments	**219'704**	**199'634**	**256'198**	**249'176**	**27'689'535**	**23'009'375**

Within the scope of fair value hedge accounting, the LLB Group employs interest rate swaps for interest rate risks on fixed-rate instruments. Ineffectiveness in highly effective hedge accounting positions occurs as a result of small mismatches in the risk profile, for example, differing payment dates or divergences in the term of the instruments amounting to a few days. Furthermore, different sensitivities in the underlying transactions and hedging instruments play a role, for example, major changes in the value of the front leg of the swap, for which there is no corresponding sensitivity in the underlying transaction. There are basic risks, which could have an influence on the effectiveness, such as different benchmark curves for the underlying and hedging transactions. In general, the LLB Group uses identical benchmark curves, however special situations such as the IBOR changeover could mean that a different approach is taken. Since the LLB Group utilises a macro hedge accounting concept, mortgage loans and medium-term notes represent the whole population of possible hedge accounting transactions. The population corresponds to the carrying amounts of the balance sheet items of the hedged items. Of these, only a portion is designated in the hedge accounting relationship.The designation between underlying transaction and hedging instrument is carried out with the aid of an optimisation algorithm, which determines the interest risk profile of the sub-portfolios in order to attain an optimal hedge allocation.

in CHF thousands	Nominal value of hedging instrument	Carrying value of hedging instrument: Assets	Carrying value of hedging instrument: Liabilities	Balance sheet position of hedging instrument	Fair value change to measurement of ineffective hedge
31.12.2020					
Fair value hedge					
Interest rate swaps	705'802	4'193		Derivative financial instruments	159
Interest rate swaps	775'802		– 22'371	Derivative financial instruments	– 6'029

in CHF thousands	Nominal value of hedging instrument	Carrying value of hedging instrument: Assets	Carrying value of hedging instrument: Liabilities	Balance sheet position of hedging instrument	Fair value change to measurement of ineffective hedge
31.12.2021					
Fair value hedge					
Interest rate swaps	625'000	12'912		Derivative financial instruments	9'330
Interest rate swaps	785'331		– 12'777	Derivative financial instruments	9'643

	Carrying value of underlying transaction		Cumulative total from fair value adjustments of the underlying transaction		Balance sheet position of underlying transaction	Fair value change to measurement of ineffective hedge
in CHF thousands	**Assets**	**Liabilities**	**Assets**	**Liabilities**		
31.12.2020						
Fair value hedge						
Mortgage loans	11'733'792		14'685		Loans	3'751
Medium-term notes		1'392'978		– 350	Debt issued	– 87

	Carrying value of underlying transaction		Cumulative total from fair value adjustments of the underlying transaction		Balance sheet position of underlying transaction	Fair value change to measurement of ineffective hedge
in CHF thousands	**Assets**	**Liabilities**	**Assets**	**Liabilities**		
31.12.2021						
Fair value hedge						
Mortgage loans	12'240'442		– 3'610		Loans	– 18'295
Medium-term notes		1'548'220		497	Debt issued	847

in CHF thousands	Ineffectiveness recognised in the income statement	Income statement position
31.12.2020		
Fair value hedge		
Interest rate risk	– 2'206	Interest expenses
31.12.2021		
Fair value hedge		
Interest rate risk	1'524	Interest income

15 Financial investments

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Financial investments at fair value through profit and loss			
Debt instruments			
listed	146'032	263'285	– 44.5
unlisted	44'985	29'602	52.0
Total debt instruments	**191'017**	**292'887**	**– 34.8**
Equity instruments			
listed	2	57	– 96.4
unlisted	2'315	2'245	3.1
Total equity instruments	**2'317**	**2'302**	**0.7**
Total financial investments at fair value through profit and loss	**193'334**	**295'189**	**– 34.5**
Financial investments, recognised at fair value through other comprehensive income			
Debt instruments			
listed	1'986'598	1'809'930	9.8
Total debt instruments	**1'986'598**	**1'809'930**	**9.8**
Equity instruments			
listed	229'300	57'041	302.0
unlisted	30'952	30'152	2.7
Total equity instruments	**260'251**	**87'193**	**198.5**
Total financial investments, recognised at fair value through other comprehensive income	**2'246'849**	**1'897'123**	**18.4**
Total financial investments	**2'440'183**	**2'192'312**	**11.3**

The equity instruments recognised at fair value through other comprehensive income consist of strategic investments of an infrastructure nature, which are not exchange-listed (see note 33), as well as various equities of the Swiss Market Index (SMI). Short-term profit-taking is not the focus with equity instruments recognised at fair value through other comprehensive income, rather they represent a long-term position which pursues the collection of dividends and a long-term appreciation in value.

During the reporting period, additional investments were made in securities that track the SMI. In addition, due to the departure of the Swatch Group from the SMI, there was a sale of these equity securities. The sale resulted in a loss of CHF thousands 80 (previous year: minus CHF thousands 215). The fair value of the transactions amounts to CHF thousands 752 (previous year: CHF thousands 6'645). The loss was recognised directly in retained earnings.

16 Property and other equipment

in CHF thousands	Property	Right of use assets[1]	Other equipment	Total
Year ended December 2020				
Cost as at 1 January	203'138	44'159	98'475	345'772
Additions	1'305	2'398	8'702	12'405
Disposals	– 2'240	– 1'901	– 3'304	– 7'444
Currency effects	0	– 95	– 31	– 126
Cost as at 31 December	**202'203**	**44'561**	**103'842**	**350'606**
Accumulated depreciation / impairments as at 1 January	– 117'424	– 4'667	– 64'757	– 186'848
Depreciation	– 4'753	– 4'866	– 9'655	– 19'274
Disposals / (Additions) from accumulated depreciation	955	383	3'071	4'409
Currency effects	0	– 9	11	2
Accumulated depreciation / revaluation as at 31 December	**– 121'222**	**– 9'160**	**– 71'329**	**– 201'712**
Net book amount as at 31 December 2020	**80'981**	**35'401**	**32'513**	**148'895**
Year ended December 2021				
Cost as at 1 January	202'203	44'561	103'842	350'606
Additions	2'027	5'650	7'136	14'813
Disposals	– 5'365	– 68	– 11'894	– 17'328
Currency effects	0	– 840	– 273	– 1'113
Cost as at 31 December	**198'865**	**49'303**	**98'811**	**346'979**
Accumulated depreciation / impairments as at 1 January	– 121'222	– 9'160	– 71'329	– 201'712
Depreciation	– 4'428	– 5'307	– 9'766	– 19'501
Impairments	0	– 662	– 861	– 1'523
Disposals / (Additions) from accumulated depreciation	5'365	174	11'861	17'401
Currency effects	0	223	208	432
Accumulated depreciation / impairments as at 31 December	**– 120'285**	**– 14'731**	**– 69'887**	**– 204'903**
Net book amount as at 31 December 2021	**78'579**	**34'571**	**28'925**	**142'076**

1 The rights of use relate mainly to real estate. An immaterial proportion relates to the use of vehicles.

Impairments in the 2021 financial year are related to rental properties that are no longer used and whose leases cannot be terminated. Accordingly, the right of use is reduced, but the liability remains. The infrastructure associated with these properties, such as leasehold improvements, consequently lost their value and was also written down.

The LLB Group as lessee

Further details regarding leases, besides this note, are provided for the repayment of leasing liabilities (see Statement of cash flows and note 23) as well as their amounts (note 26), maturities (see Risk management, chapter 2) and interest expenses (see note 1).

Leasing relationships not recognised in the balance sheet

in CHF thousands	2021	2020	+ / – %
Short-term lease expenses	379	505	– 25.0
Low-value lease expenses	3	3	0.0
Total expenses for unrecognised lease obligations	**382**	**508**	**– 24.8**

Expenses from unrecognised leases are included in general and administrative expenses.

Further information

Within the scope of its strategy, the LLB Group evaluates which business locations are relevant in its target markets, and whether properties should be purchased or rented at these locations. If the LLB Group decides against the purchase of properties, leasing contracts are concluded. These frequently contain termination and extension options. The assessment of these options is considered at the time of initial recognition. They are reassessed only if a significant event occurs.

The recognised liabilities from leasing contracts and the corresponding rights of use contain extension options. These reflect the current assumptions relating to durations. The off-balance sheet leasing contracts encompass office premises with short contract periods, as well as parking places, which contain reciprocal short-term termination options. These are basically classified as short-term leases provided there is substitutability for them.

The LLB Group as lessor

Future claims from operating leases

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Due within one year	1'364	1'628	– 16.2
Residual period to maturity between 1 and 2 years	1'258	1'314	– 4.2
Residual period to maturity between 2 and 3 years	1'166	1'253	– 6.9
Residual period to maturity between 3 and 4 years	1'114	1'161	– 4.1
Residual period to maturity between 4 and 5 years	1'114	1'109	0.4
Due in more than five years	2'364	3'473	– 31.9
Total future net receivables from operating leases	**8'380**	**9'939**	**– 15.7**

Income from operating leases is a part of other income and amounted to CHF thousands 1'687 (2020: CHF thousands 1'799). Properties are only leased.

17 Goodwill and other intangible assets

in CHF thousands	Goodwill	Client relationships	Software	Other intangible assets	Total
Year ended December 2020					
Cost as at 1 January	163'767	135'832	116'873	1'152	417'625
Additions	0	0	11'968	0	11'968
Disposals	0	0	– 87	0	– 87
Currency effects	– 462	– 314	– 18	0	– 794
Cost as at 31 December	**163'306**	**135'518**	**128'736**	**1'152**	**428'712**
Accumulated depreciation / impairments as at 1 January	0	– 57'320	– 69'859	– 344	– 127'523
Depreciation	0	– 8'889	– 13'872	– 215	– 22'977
Disposals / (Additions) from accumulated amortisation	0	0	87	0	87
Currency effects	0	– 26	16	– 1	– 11
Accumulated depreciation / impairments as at 31 December	**0**	**– 66'235**	**– 83'628**	**– 560**	**– 150'423**
Net book amount as at 31 December 2020	**163'306**	**69'283**	**45'108**	**592**	**278'289**
Year ended December 2021					
Cost as at 1 January	163'306	135'518	128'736	1'152	428'712
Additions[1]	0	17'200	12'759	0	29'959
Disposals	0	0	– 1'401	0	– 1'401
Currency effects	– 4'181	– 2'125	– 870	– 12	– 7'189
Cost as at 31 December	**159'124**	**150'593**	**139'224**	**1'140**	**450'081**
Accumulated depreciation / impairments as at 1 January	0	– 66'235	– 83'628	– 560	– 150'423
Depreciation	0	– 9'211	– 9'106	– 213	– 18'531
Disposals / (Additions) from accumulated amortisation	0	0	1'401	0	1'401
Currency effects	0	247	600	0	847
Accumulated depreciation / impairments as at 31 December	**0**	**– 75'198**	**– 90'733**	**– 774**	**– 166'705**
Net book amount as at 31 December 2021	**159'124**	**75'395**	**48'491**	**366**	**283'376**

1 Includes client relationships from the referral agreement of LLB Österreich with Credit Suisse. Payment will take place for the most part in the 2022 business year.

Goodwill

The LLB Group carried goodwill for the following cash generating units:

in CHF thousands	31.12.2021	31.12.2020
Bank Linth LLB AG	55'620	55'620
Liechtensteinische Landesbank AG[1]	58'720	61'229
Liechtensteinische Landesbank (Österreich) AG[1]	36'892	38'564
LLB Swiss Investment AG	7'892	7'892
Total	**159'124**	**163'306**

1 Fluctuations in goodwill are attributable to conversion of the functional currency into the reporting currency.

Goodwill impairment testing

Goodwill is tested for impairment annually in the third quarter as a basis for the annual financial reporting at 31 December, and also as required. In order to determine a possible impairment, the recoverable amount of each cash generating unit which carries goodwill is compared with its balance sheet value. According to the calculations made, the recoverable amount of a cash generating unit always corresponds to the value in use. The balance sheet value or carrying value comprises equity before goodwill and intangible assets, as well as goodwill and intangible assets from the underlying purchase price allocation of this cash generating unit.

On the basis of the impairment testing carried out, management reached the conclusion that for the year ended on 31 December 2021, the total goodwill of CHF 159.1 million allocated to the cash generating units remains recoverable. No impairment of goodwill has to be recognised because the recoverable amount exceeds the carrying value.

Recoverable amount

For determining the value in use, which corresponds to the recoverable amount of the respective cash generating units, the LLB Group employs a discounted cash flow (DCF) valuation model. It takes into consideration the special characteristics of the banking business and the financial services sector, as well as the regulatory environment. With the aid of the model, and on the basis of the financial planning approved by management, the cash value of estimated free cash flow is calculated. If regulatory capital requirements exist for the cash generating unit, these capital requirements are deducted from the estimated free cash flows for the respective period. This amount, adjusted for regulatory capital requirements, then corresponds to the theoretical sum that could be paid out to the shareholders. For the assessment of the forecasted earnings, management employs approved financial plans covering a period of five years. The results for all periods after the fifth year are extrapolated from the forecasted result and the free cash flows of the fifth year with a long-term growth rate, which corresponds to the long-term inflation rate of the functional currency of the tested cash generating unit. These are the inflation rates of Switzerland, Liechtenstein and Austria. Under certain circumstances, the growth rates may vary for the individual cash generating units because the probable developments and conditions in the respective markets are taken into account.

Assumptions

As far as possible, and when available, the parameters on which the valuation model is based are coordinated with external market information. In this context, the value in use of a cash generating unit reacts in the most sensitive manner to changes in the forecasted earnings, changes to the discount rate and changes in the long-term growth rate. The forecasted earnings are based on an economic scenario, whose input factors are the projected interest rate, currency and stock market developments, as well as the sales planning of the individual market divisions. The discount rate is determined on the basis of the capital asset pricing model (CAPM), which contains a risk-free interest rate, a market risk premium, a small cap premium, as well as factor for the systematic market risk, i.e. the beta factor.

The long-term growth rate outside the five-year planning period (terminal value), on which the impairment tests for the annual report as at 31 December 2021 were based and which were used for extrapolation purposes, as well as the discount rate for the cash generating units are shown in the table below.

	Growth rate		Discount rate	
in per cent	2021	2020	2021	2020
Bank Linth LLB AG	1.0	1.0	5.5	5.8
Liechtensteinische Landesbank AG	1.0	1.0	6.0	6.5
Liechtensteinische Landesbank (Österreich) AG	2.0	2.0	8.0	8.5
LLB Swiss Investment AG	1.0	1.0	8.5	8.5

Sensitivities

All the parameters and assumptions, on which the testing of the individual cash generating units are based, are reviewed and, if necessary, adjusted during the periodic preparation and conducting of impairment tests. In order to check the effects of parameter adjustments on the value in use of the individual cash generating units, the parameters and assumptions used with the valuation model are subjected to an individual sensitivity analysis. For this purpose, the forecasted free cash flow attributable to shareholders is changed by 10 per cent, the discount rate by 10 per cent and the long-term growth rates also by 10 per cent. According to the results of the impairment tests performed, and based on the assumptions described, an amount of between CHF 16 million and CHF 160 million in excess of the balance sheet value is obtained for all cash generating units. A reduction of the free cash flow by 10 per cent, or an increase in the discount rate of 10 per cent, or a reduction in the long-term growth rate of 10 per cent would not result in any impairment of the goodwill.

Over the last five years, the parameters have remained very constant. In the 2021 business year, adjustments were made to the discount rate; LLB Swiss Investment AG was not affected by this. In essence, these adjustments were based on a reduced small cap premium. Since a constant development of the parameters is also expected in the future, the sensitivities of 10 per cent for each of the three parameters are regarded as reasonable.

In view of the challenging situation in the financial industry, which is expected to persist in the future, an impairment of goodwill in the coming financial years can not be ruled out. However, thanks to measures to increase earnings, improve efficiency and cut costs as well as the further planned growth, a positive development is expected over the medium to long term.

If the estimated earnings and other assumptions in future financial years deviate from the current outlook due to political or global risks in the banking industry (for example, due to uncertainty in connection with the implementation of regulatory provisions and the introduction of certain legislation, or a decline in general economic performance) this could result in an impairment of goodwill in the future. This would lead to a reduction in the income statement of the LLB Group and a decrease in the equity attributable to shareholders and net profit. Such an impairment would not, however, have an impact on cash flows or on the tier 1 ratio because, in accordance with the Liechtenstein Capital Adequacy Ordinance, goodwill must be deducted from capital.

Client relationships

Client relationships are assets, which are acquired and capitalised within the scope of an acquisition. These are amortised over a period of 15 years on a straight-line basis. Estimated aggregated amortisation amounts to:

in CHF thousands	
2022	7'016
2023	6'403
2024	6'403
2025	6'403
2026	6'403
2027 and thereafter	42'768
Total	**75'395**

18 Other assets

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Precious metals holdings	13'978	15'035	– 7.0
Settlement accounts	14'755	6'825	116.2
VAT and other tax receivables	2'135	2'227	– 4.1
Investment property	19'732	15'000	31.5
Non-current assets held for sale	1'750	6'813	– 74.3
Investment in associates and joint venture	33	30	9.2
Total other assets	**52'383**	**45'931**	**14.0**

19 Assets pledged

	31.12.2021		31.12.2020	
in CHF thousands	Carrying value	Actual liability	Carrying value	Actual liability
Due from banks	82'219	76'014	58'225	51'059
Mortgage loans	1'720'980	1'396'400	1'501'113	1'204'700
Financial investments	1'085'150	886'655	756'102	544'010
Loans	45'248	36'870	52'351	49'000
Total pledged / assigned assets	**2'933'597**	**2'395'939**	**2'367'791**	**1'848'769**

The mortgage loans are pledged as collateral for shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions.

The financial assets are pledged for Repurchase agreements, Stock exchange deposits, Lombard limits at national and central banks and to secure other business activities.

The bridging loans granted in the course of the corona pandemic and guaranteed by the Swiss Confederation were pledged to the Swiss National Bank as loans and advances to customers for refinancing purposes.

20 Due to banks

in CHF thousands	31.12.2021	31.12.2020	+ / – %
On demand	387'362	252'062	53.7
At maturity or callable	1'935'556	1'074'108	80.2
Total due to banks	**2'322'918**	**1'326'170**	**75.2**

21 Due to customers

in CHF thousands	31.12.2021	31.12.2020	+ / – %
On demand	13'682'220	13'299'777	2.9
At maturity or callable	902'673	1'120'724	– 19.5
Savings accounts	3'475'307	3'331'698	4.3
Total due to customers	**18'060'199**	**17'752'199**	**1.7**

22 Debt issued

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Medium-term notes[1]	150'298	186'472	– 19.4
Shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions[2]	1'397'921	1'206'506	15.9
Bonds	401'198	401'339	– 0.0
Total debt issued	**1'949'418**	**1'794'317**	**8.6**

1 The average interest rate was 0.3 per cent as at 31 December 2021 and 0.4 per cent as at 31 December 2020.
2 The average interest rate was 0.4 per cent as at 31 December 2021 and 0.5 per cent as at 31 December 2020.

							in CHF thousands		
Year issued	Name	ISIN	Currency	Maturity	Effective annual interest rate in %	Nominal interest rate in %	Nominal value	31.12.2021	31.12.2020
2019	Liechtensteinische Landesbank AG 0.125 % Senior Preferred Anleihe 2019 – 2026	CH0419041204	CHF	28.05.2026	0.106 %	0.125 %	150'000	150'235	150'263
2019	Liechtensteinische Landesbank AG 0.000 % Senior Preferred Anleihe 2019 – 2029	CH0419041527	CHF	27.09.2029	– 0.133 %	0.000 %	100'000	101'039	101'173
2020	Liechtensteinische Landesbank AG 0.300 % Senior Preferred Anleihe 2020 – 2030	CH0536893255	CHF	24.09.2030	0.315 %	0.300 %	150'000	149'924	149'902

23 Changes to liabilities from financing activities

			Non-cash changes				
in CHF thousands	01.01.2020	Cash changes	Changes in scope of consolidation	Changes in exchange rates	Changes in fair value	Other	31.12.2020
Medium-term notes[1]	219'473	– 32'925	0	0	0	– 77	186'472
Shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions[1]	1'111'918	95'000	0	0	0	– 412	1'206'506
Bonds[1]	251'600	150'000	0	0	0	– 262	401'339
Lease liabilities	39'677	– 5'106	0	0	0	1'158	35'729
Total liabilities from financing activities	**1'622'669**	**206'969**	**0**	**0**	**0**	**407**	**1'830'045**

			Non-cash changes				
in CHF thousands	01.01.2021	Cash changes	Changes in scope of consolidation	Changes in exchange rates	Changes in fair value	Other	31.12.2021
Medium-term notes[1]	186'472	– 35'168	0	0	– 847	– 159	150'298
Shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions[1]	1'206'506	191'700	0	0	0	– 284	1'397'921
Bonds[1]	401'339	0	0	0	0	– 141	401'198
Lease liabilities	35'729	– 5'175	0	0	0	5'160	35'714
Total liabilities from financing activities	**1'830'045**	**151'357**	**0**	**0**	**– 847**	**4'576**	**1'985'131**

1 Part of the balance sheet position "Debt issued"

24 Deferred taxes

in CHF thousands	As at 1 January	Amount recognised in the income statement	Amount recognised in other comprehen-sive income	Currency effects	From other ef-fects (reclassi-fications)	As at 31 December
Deferred tax assets						
2020						
Recognised rights of use from leases	36	25	0			61
Property and equipment	4'334	– 254	0			4'080
Liability for pension plans	13'675	– 337	– 869			12'469
Intangible assets	13	– 13	0			– 0
Derivative financial instruments	2'685	– 1'169	0			1'516
Expected credit losses	1'258	– 557	4			705
Total deferred tax assets	**21'999**	**– 2'305**	**– 865**			**18'830**
Offsetting						– 7'346
Total after offsetting						**11'483**
2021						
Recognised rights of use from leases	61	21	0	0	0	82
Property and equipment	4'080	– 82	0	0	– 530	3'468
Specific allowance	0	0	0	– 11	530	519
Liability for pension plans	12'469	148	– 6'243	2	0	6'375
Intangible assets	– 0	0	0	0	0	– 0
Derivative financial instruments	1'516	– 969	0	0	297	844
Expected credit losses	705	– 86	0	0	0	619
Total deferred tax assets	**18'830**	**– 968**	**– 6'243**	**– 9**	**297**	**11'906**
Offsetting						– 4'081
Total after offsetting						**7'825**
Deferred tax liabilities						
2020						
Intangible assets	18'576	– 1'952	– 130			16'494
Financial investments	7'626	– 608	1'850			8'869
Property and equipment	229	– 229	0			0
Provisions	10'977	0	0			10'977
Total deferred tax liabilities	**37'407**	**– 2'789**	**1'720**			**36'338**
Offsetting						– 7'346
Total after offsetting						**28'992**
2021						
Intangible assets	16'494	– 1'974	0	– 456	0	14'063
Financial investments	8'869	– 143	– 2'700	– 67	0	5'959
Property and equipment	0	248	0	– 36	515	727
Provisions	10'977	768	0	0	297	12'042
Total deferred tax liabilities	**36'338**	**– 1'101**	**– 2'700**	**– 559**	**812**	**32'789**
Offsetting						– 4'081
Total after offsetting						**28'708**

As per 31 December 2021, there were no temporary differences which were not reported as deferred taxes and which in future could be offset with potential tax allowances (previous year: CHF thousands 0).

25 Provisions

in CHF thousands	Provisions for legal and litigation risks	Provisions for other business risks and restructuring	Total 2021	Total 2020
As at 1 January	2'757	8'441	11'199	14'907
Provisions applied	– 34	– 3'877	– 3'911	– 4'158
Increase in provisions recognised in the income statement	952	4'473	5'425	4'654
Decrease in provisions recognised in the income statement	0	– 467	– 467	– 4'145
Changes due to foreign exchange differences	– 17	– 12	– 29	– 59
As at 31 December	**3'658**	**8'558**	**12'217**	**11'199**

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Short-term provisions	751	1'736	– 56.8
Long-term provisions	11'466	9'462	21.2
Total	**12'217**	**11'199**	**9.1**

Estimates and assumptions are made to assess the amount of provisions required. However, such estimates and assumptions can mean that substantial uncertainties could exist in relation to the occurrence of the events for which provisions were allocated.

Provisions for other risks and restructuring measures

In the 2021 business year, the LLB Group allocated provisions for restructuring measures totalling net CHF 3.0 million, and CHF 1.8 million were utilised for this purpose. At 31.12.2021, the total amount of these provisions stood at CHF 4.5 million.

The provisions for a service agreement for the use of Tambas banking software, which is no longer used, were utilised fully for this purpose in the 2021 business year (effect in 2021: CHF 1.9 million).

There were no contingent liabilities in connection with legal and litigation risks.

26 Other liabilities

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Lease liabilities	35'714	35'729	– 0.0
Charge accounts	12'081	10'040	20.3
Accounts payable	19'420	17'730	9.5
Settlement accounts	34'835	23'619	47.5
Pension plans	51'642	101'140	– 48.9
Outstanding holidays / flexi-time	4'122	3'551	16.1
Other long-term benefits	4'199	4'358	– 3.6
Non-current liabilities held for sale	0	2'250	– 100.0
Total other liabilities	**162'014**	**198'417**	**– 18.3**

27 Share capital

	31.12.2021	31.12.2020	+ / – %
Number of registered shares (fully paid up)	30'800'000	30'800'000	0.0
Nominal value per registered share (in CHF)	5	5	0.0
Total nominal value (in CHF thousands)	**154'000**	**154'000**	**0.0**

28 Share premium

in CHF thousands	2021	2020	+ / – %
As at 1 January	– 13'177	– 22'432	– 41.3
Net movements in treasury shares [1]	– 775	9'255	
As at 31 December	**– 13'952**	**– 13'177**	**5.9**

1 Contains a change to reserves for security entitlements and realised price gains on treasury shares.

Share entitlements at the LLB

Risk takers whose decisions have a significant impact on the bank's risk profile and other employees in selected salary models receive part of their variable salary component paid out in share entitlements. The variable component of compensation depends on individual target achievement and the relative equity performance of the LLB. The share component of the variable compensation of risk takers is at least 50 per cent, of the other employees at least 40 per cent.

In 2021, share entitlements of CHF 2.4 million (44'810 shares at an average price of CHF 52.47) were earned and recognised in personnel expenses. In the previous year, it was CHF 2.0 million (37'270 shares at an average price of CHF 53.80).

29 Treasury shares

	Quantity	in CHF thousands
As at 1 January 2020	364'295	23'574
Purchases	0	0
Disposals	– 75'885	– 4'911
As at 31 December 2020	**288'410**	**18'663**
Purchases	0	0
Disposals	– 55'475	– 3'590
As at 31 December 2021	**232'935**	**15'073**

The disposals were in connection with the transfer of share entitlements to the entitled employees of the LLB Group following a blocked period of three years. Only earned shares were transferred, no cash funds were paid out. The average price per share amounted to CHF 64.71 (previous year: CHF 64.71). The proportion of share capital represented by the transferred shares was 0.2 per cent (previous year: 0.2 %).

30 Retained earnings

in CHF thousands	2021	2020	+ / – %
As at 1 January	1'902'316	1'866'121	1.9
Net profit attributable to the shareholders of LLB	129'907	103'523	25.5
Dividends paid	– 67'237	– 67'124	0.2
Increase / (Reduction) in non-controlling interests	0	0	
Reclassification not affecting the income statement	– 5'469	– 204	
As at 31 December	**1'959'517**	**1'902'316**	**3.0**

31 Other reserves

in CHF thousands	2021	2020	+ / – %
As at 1 January	– 20'911	– 44'803	– 53.3
Foreign currency translation	– 14'372	– 1'258	
Actuarial gains / (losses) of pension plans	46'707	9'000	419.0
Value changes from financial investments measured at fair value through other comprehensive income	– 3'962	15'946	
Reclassification not affecting the income statement	5'469	204	
As at 31 December	**12'932**	**– 20'911**	

32 Non-controlling interests

in CHF thousands	2021	2020	+ / – %
As at 1 January	134'029	130'785	2.5
Foreign currency translation	– 61	– 7	
Non-controlling interests in net profit	7'956	6'299	26.3
(Dividends paid) / Reduction of nominal value in non-controlling interests	– 2'345	– 2'357	– 0.5
Increase / (Reduction) in non-controlling interests	36	0	
Actuarial gains / (losses) of pension plans	3'211	– 641	
Value changes from financial investments measured at fair value through other comprehensive income	– 120	– 51	134.5
As at 31 December	**142'704**	**134'029**	**6.5**

From the Group's perspective, the minorities are considered immaterial, so that no further disclosures are made in the annual report. From an individual company perspective, the minority interests of Bank Linth are of a certain relevance. For further information, see the annual report of Bank Linth.

33 Fair value measurement

Measurement guidelines and classification in the fair value hierarchy

The fair value represents a market-based measurement and not an entity-specific valuation. It is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date on the principal market or the most advantageous market.

Various techniques and models are employed to determine the fair value. As far as possible, the LLB Group uses observable input factors from active markets accessible to the company on the measurement date. The fewer the number of observable input factors that can be employed, the more assumptions and estimates have to be utilised to enable an exit price on the measurement date to be determined from the perspective of the market participant. Such assumptions and estimates contain uncertainties, which at a later date can lead to substantial changes in the fair value of financial and non-financial assets and liabilities.

All financial and non-financial assets and liabilities, which possess a fair value, are assigned to one of the following three levels of fair value hierarchy. It is possible that the input factors, which are used to measure the fair value of individual financial and non-financial assets and liabilities, fall into different levels of the fair value hierarchy. The classification of the financial or non-financial asset or liability in the fair value hierarchy is made to the lowest level, to which one of the significant input factors is assigned.

Level 1

Financial and non-financial assets and liabilities, whose prices are quoted for identical assets and liabilities on active markets and which were not calculated on the basis of valuation techniques or models for the determination of fair value.

Level 2

If no market price quotes are available, or if they cannot be extrapolated from active markets, the fair value is determined by means of valuation methods or models which are based on assumptions made on the basis of observable market prices and other market quotes.

Level 3

Input factors are considered in the valuation methods and models to determine the fair value, which are not observable because they are not based on market prices.

Valuation methods

Valuation methods and models are employed to determine the fair value of financial and non-financial assets and liabilities if no market prices quoted on an active market are available. The LLB Group employs standardised and generally recognised valuation methods and models.

The LLB Group employs the market-based approach to determine the fair value of investment funds and shares, which are not traded on an active market or which are not listed.

The income-based approach is used if payment streams or expenses and revenues with financial assets and liabilities form the basis for the fair value measurement. The present or cash value method is used to determine the fair value by discounting the payment streams to the present value on the reporting date. Interest rate curves appropriate for the term and / or foreign currency curves, as well as spot prices form the main basis for this purpose. Forward pricing models are used in the case of futures contracts.

To determine the fair value of financial and non-financial assets and liabilities, which are classified as Level 3 positions, the LLB Group takes over the fair value determined by third parties (estimates made by experts).

The following table shows the most important valuation methods and models together with the key input factors:

	Valuation technique / model	Inputs	Significant, non-observable inputs
Level 2			
Derivative financial instruments (interest rate swaps)	Income approach, present value calculation	Market price of congruent SARON interest rates, spot rates	
Derivative financial instruments (forward contracts)	Income approach, present value calculation	Market price of congruent SARON interest rates, spot rates	
Investment funds	Market approach	Market prices of underlying assets	
Equities	Market approach	Market prices of underlying assets	
Due from banks	Income approach, present value calculation	Market price of congruent SARON interest rates	
Due to banks	Income approach, present value calculation	Market price of congruent SARON interest rates	
Loans	Income approach, present value calculation	Market price of congruent SARON interest rates	
Due to customers	Income approach, present value calculation	Market price of congruent SARON interest rates	
Medium-term notes and shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	Income approach, present value calculation	Market price of congruent SARON interest rates	
Level 3			
Infrastructure title	Market approach	Audited financial statements	Illiquidity, special micro-economic conditions
Investment property	External expert opinions, present value calculation	Prices of comparable properties	Assessment of special property factors, expected expenses and earnings for the property

Measurement of assets and liabilities, classified as Level 3

The measurement process to determine the fair value of recurring and non-recurring Level 3 assets and liabilities, especially the non-observable input factors, as shown in the previous table, are explained in the following. No explanation of the interrelationships between observable and non-observable inputs is provided because these have no material influence on the measurement of the fair value.

Financial investments measured at fair value through other comprehensive income

These financial investments largely relate to non-listed shares in companies having an infrastructure nature, which offer the services necessary or advantageous for the operation of a bank. The largest proportion of the portfolio consists of shares in the SIX Swiss Exchange and in the Pfandbriefbank Schweizerischer Hypothekarinstitute (Swiss Mortgage Institutes). The financial investments are periodically revalued on the basis of current company data, or with the aid of external valuation models.

Investment property

These properties are periodically valued by external experts. The assessments take into consideration such circumstances as the location and condition of the property, as well as the costs and revenues expected in connection with it.

Measurement of fair values through active markets or valuation techniques

The following table shows the classification of financial and non-financial assets and liabilities of the LLB Group within the fair value hierarchy and their fair value.

Positions measured at fair value are recognised on a recurring basis in the balance sheet at fair value. As at 31 December 2021, the LLB Group had no assets or liabilities which were measured at fair value on a non-recurring basis in the balance sheet. In the 2021 financial year, there were no significant transfers between Level 1, Level 2 and Level 3 financial instruments.

in CHF thousands	31.12.2021	31.12.2020	+/– %
Assets			
Level 1			
Financial investments at fair value through profit and loss	146'034	263'342	– 44.5
Financial investments, recognised at fair value through other comprehensive income	2'215'897	1'866'971	18.7
Precious metal receivables	134'236	112'081	19.8
Total financial instruments at fair value	**2'496'167**	**2'242'393**	**11.3**
Precious metals	13'978	15'035	– 7.0
Total other assets at fair value	**13'978**	**15'035**	**– 7.0**
Cash and balances with central banks	7'213'159	6'715'610	7.4
Total financial instruments not at fair value	**7'213'159**	**6'715'610**	**7.4**
Total Level 1	**9'723'305**	**8'973'039**	**8.4**
Level 2			
Derivative financial instruments	219'704	199'634	10.1
of which for hedging purpose	12'912	4'193	208.0
Financial investments at fair value through profit and loss [1]	47'300	31'847	48.5
Total financial instruments at fair value	**267'003**	**231'481**	**15.3**
Due from banks	755'584	691'156	9.3
Loans	14'265'921	13'806'289	3.3
Total financial instruments not at fair value	**15'021'505**	**14'497'445**	**3.6**
Total Level 2	**15'288'509**	**14'728'926**	**3.8**
Level 3			
Financial investments, recognised at fair value through other comprehensive income [2]	30'952	30'152	2.7
Total financial instruments at fair value	**30'952**	**30'152**	**2.7**
Investment property	19'732	15'000	31.5
Total other assets at fair value	**19'732**	**15'000**	**31.5**
Total Level 3	**50'683**	**45'152**	**12.2**
Total assets	**25'062'498**	**23'747'117**	**5.5**

1 Investment funds and equities
2 Infrastructure title

in CHF thousands	31.12.2021	31.12.2020	+/– %
Liabilities			
Level 1			
Precious metal liabilities	147'908	126'807	16.6
Total financial instruments at fair value	**147'908**	**126'807**	**16.6**
Bonds	397'980	402'655	
Total financial instruments not at fair value	**397'980**	**402'655**	
Total Level 1	**545'888**	**529'462**	**3.1**
Level 2			
Derivative financial instruments	256'198	249'176	2.8
of which for hedging purpose	12'777	22'371	– 42.9
Total financial instruments at fair value	**256'198**	**249'176**	**2.8**
Due to banks	2'323'976	1'329'815	74.8
Due to customers	17'980'507	17'861'027	0.7
Medium-term notes and shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	1'583'750	1'452'239	9.1
Total financial instruments not at fair value	**21'888'233**	**20'643'081**	**6.0**
Total Level 2	**22'144'431**	**20'892'257**	**6.0**
Level 3			
Total Level 3	**0**	**0**	
Total liabilities	**22'690'319**	**21'421'718**	**5.9**

Reconciliation of assets and liabilities classified as Level 3

All Level 3 positions are measured by third parties and, due to their amount, are not material. The reconciliation is not therefore shown in tabular form.

The financial investments measured at fair value through other comprehensive income rose by CHF 0.8 million in the 2021 business year (previous year: CHF 2.0 million). The increase was attributable solely to a change in the fair value due to higher market prices.

The change in investment property was due to the acquisition of a property, which is now classified as investment property.

Financial investments not measured at fair value

The fair value hierarchy also includes details of financial assets and liabilities which are not measured on a fair value basis, but for which a fair value does exist. In addition to their inclusion in the fair value hierarchy, basically a comparison between the fair value and the carrying value of the individual categories of financial assets and liabilities is to be presented.

The following table shows this comparison only for positions which were not measured at fair value, since for positions measured at fair value the carrying value corresponds to the fair value. On account of the maturity being more than one year, for specific positions a present value was calculated taking as a basis SARON interest rates appropriate for the duration of the term. In the case of all other positions, the carrying value represents a reasonable approximation of the fair value.

in CHF thousands	31.12.2021 Book amount	31.12.2021 Fair value	31.12.2020 Book amount	31.12.2020 Fair value
Assets				
Cash and balances with central banks	7'213'159	7'213'159	6'715'610	6'715'610
Due from banks [1]	755'508	755'584	578'930	579'075
Loans	13'805'188	14'265'921	13'229'931	13'806'289
Liabilities				
Due to banks	2'322'918	2'323'976	1'326'170	1'329'815
Due to customers [1]	17'912'291	17'980'507	17'625'392	17'734'220
Medium-term notes and shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	1'548'220	1'583'750	1'392'978	1'452'239
Bonds	401'198	397'980	401'339	402'655

1 Adjusted to consider the claims or liabilities from precious metals accounts due to the separate disclosure in the fair value hierarchy.

34 Netting of financial assets and financial liabilities

The LLB Group has concluded agreements with various counterparties which permit netting. These are mainly agreements in connection with securities lending and borrowing transactions, reverse-repurchase deals and over-the-counter transactions. The following table provides an overview of the financial assets and financial liabilities which are subject to an enforceable netting agreement or similar agreements. The LLB Group does not conduct balance sheet netting with the financial assets and financial liabilities of balance sheet transactions because the legal requirements for netting are not satisfied. Accordingly, the table shows unnetted amounts on the balance sheet and therefore risks, which the bank has accepted with the individual executed transactions, and which existed on the balance sheet date. The information provided in the table does not represent the current credit risk in connection with the transactions conducted by the LLB Group.

in CHF thousands	On the balance sheet recognised amounts	Potential netting amounts: Financial instruments	Potential netting amounts: Financial collaterals	Amounts after potential netting
31.12.2020				
Financial assets subject to off-setting, enforceable netting agreements or similar arrangements				
Positive replacement values	199'634	54'577	96'375	48'682
Total assets	**199'634**	**54'577**	**96'375**	**48'682**
Financial liabilities subject to off-setting, enforceable netting agreements or similar arrangements				
Repurchase agreements	490'000	490'000	0	0
Negative replacement values	249'176	54'577	58'225	136'374
Total liabilities	**739'176**	**544'577**	**58'225**	**136'374**

in CHF thousands	On the balance sheet recognised amounts	Potential netting amounts: Financial instruments	Potential netting amounts: Financial collaterals	Amounts after potential netting
31.12.2021				
Financial assets subject to off-setting, enforceable netting agreements or similar arrangements				
Positive replacement values	219'704	79'294	34'444	105'965
Total assets	**219'704**	**79'294**	**34'444**	**105'965**
Financial liabilities subject to off-setting, enforceable netting agreements or similar arrangements				
Repurchase agreements	835'000	835'000	0	0
Negative replacement values	256'198	79'294	82'219	94'685
Total liabilities	**1'091'198**	**914'294**	**82'219**	**94'685**

Notes to the consolidated off-balance sheet transactions

35 Contingent liabilities

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Collateral guarantees and similar instruments	24'845	26'164	– 5.0
Performance guarantees and similar instruments	35'247	36'253	– 2.8
Total contingent liabilities	**60'093**	**62'416**	**– 3.7**

36 Credit risks

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Irrevocable commitments	727'203	696'915	4.3
Deposit and call liabilities	13'639	15'036	– 9.3
Total credit risks	**740'842**	**711'952**	**4.1**

37 Fiduciary transactions

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Fiduciary deposits with other banks	58'425	202'772	– 71.2
Other fiduciary financial transactions	3'176	1'646	92.9
Total fiduciary transactions	**61'600**	**204'418**	**– 69.9**

38 Lending and pension transactions with securities

LLB has own securities which have been lent or pledged by it. These are recognised in LLB's balance sheet and recorded in the table below. Furthermore, securities owned by third parties which LLB received as collateral and in some cases has repledged or resold are reported in the table. These are not recognised in LLB's balance sheet.

	31.12.2021		31.12.2020	
in CHF thousands	Carrying value	Actual liability	Carrying value	Actual liability
Self-owned securities lent or delivered as collateral within the scope of securities lending or borrowing transactions, or self-owned securities transferred in connection with repurchase agreements	838'911	840'587	490'000	488'791
of which capable of being resold or further pledged without restrictions	833'431	835'000	490'000	488'791
Securities received as collateral within the scope of securities lending or securities received in connection with reverse repurchase agreements, which are capable of being resold or further pledged without restrictions	0	0	0	0
of which resold or further pledged securities	0	0	0	0

Pension plans and other long-term benefits

Pension plans

Post-employment benefits

The LLB Group has established a number of pension plans, in compliance with prevailing legal provisions, which insure most employees in the event of death, invalidity and retirement. In addition, further plans exist for long-service anniversaries, which qualify as other long-term employee benefits. In the case of the pension plans, contributions are made by employees, which are then supplemented by corresponding contributions from the LLB Group. The pension schemes are financed in compliance with the local legal and fiscal regulations. The risk benefits are based on the insured salary and the pension benefits on the accumulated capital. The assets of the funded pension plans are held within separate foundations or insurances and may not revert to the employer. For the calculation of mortality, life expectancy and disability, the technical bases BVG 2020 (previous year: BVG 2015) were used for all significant pension plans. The last actuarial valuations were performed on 31 December 2021. The actuarial gains and losses are included in other comprehensive income.

Joint committees are set up for pension plans, which are administered via collective foundations. The foundation board of the autonomous pension foundation is also composed of an equal number of employee and employer representatives. On the basis of the legal provisions and the pension plan regulations, the foundation board is obligated to act solely in the interest of the foundation and the actively insured persons and pensioners. Consequently, in this pension plan the employer itself may not decide on benefits and their financing, rather decisions must be taken on equal terms.

The foundation board is responsible for determining the investment strategy, for amendments to the pension plan regulations, and especially for the financing of the pension plan benefits. The foundation board members of the pension plans specify investment guidelines for the investment of the pension plan assets, which contain the tactical asset allocation and the benchmarks for the comparison of performance with a general investment universe. The assets of the pension plans are well diversified. With regard to diversification and security, the legal provisions of the BPVG Pension Law apply to pension plans in Liechtenstein, and the legal provisions of the BVG Pension Law apply to pension plans in Switzerland. The foundation board members continually monitor whether the selected investment strategy is suitable for the provision of the pension plan benefits and whether the risk budget corresponds to the demographic structure. The observance of the investment guidelines and the investment performance of the investment advisers are reviewed on a quarterly basis. In addition, the investment strategy and its suitability and effectiveness are periodically checked by an external consultant.

The pension plan is designed as a defined contribution plan, i.e. a savings account is maintained for all the retirement benefits of each employee. The annual savings contributions and interest (no negative interest is possible) are credited to the pension savings account annually. At the time of retirement, the insured person may choose between a life-long pension, which includes a reversionary spouse pension, or the withdrawal of the savings capital. In addition to the retirement benefits, the pension plan also includes invalidity and partner pensions. These are calculated on the basis of the insured annual salary (defined benefit plan). Furthermore, the insured employee may purchase improvements to his pension plan up to a maximum sum specified in the regulations. If the employee leaves the company, the savings credit balance is transferred to the new employer's pension plan or to a blocked pension savings account. When determining the benefits, the minimum provisions of the Professional Pension Plans Law (BPVG) and its implementing ordinance are to be observed. The minimum salary to be insured and the minimum pension savings balance sum are stipulated in the BPVG. On account of the pension plan structure and the legal provisions of the BPVG, the employer is subject to actuarial risks. The most important of these are investment risk, interest rate risk and longevity risk. The risks of death and invalidity are congruently re-insured. Currently, the individually accumulated pension capital is converted into a life-long pension at age 65 at a pension conversion rate of 5.32 per cent. The conversion rate will gradually decrease to 4.82 per cent at age 65 by 1 January 2028. This decision led to a profit from plan amendments, which was recognised immediately as a reduction of personnel expenses in the income statement. To calculate the effect of the plan amendment, in accordance with IAS 19, an interim financial statement was compiled for the pension fund. Amendments to the contribution payments made by the bank, the associated companies, or the employees require, in accordance with the regulations, the approval of the bank, the associated companies and a majority of the foundation board. The pension plans are financed through contributions made by the employer and the employees. The amount of the contributions is specified in the pension plan regulations. The employer must bear at least half of the contributions. In the event of underfunding, financial recovery contributions may be charged to both the employer and the employee to eliminate the shortfall in coverage.

The following amounts were recognised in the income statement and in equity as pension costs:

Benefit expenses

	Pensions plans		Other long-term benefits	
in CHF thousands	**2021**	**2020**	**2021**	**2020**
Defined benefit costs				
Service cost				
Current service cost	– 16'759	– 16'495	– 553	– 570
Past service cost including effects of curtailment	613	6'697	0	0
Total service cost	**– 16'146**	**– 9'798**	**– 553**	**– 570**
Net interest				
Interest cost on defined benefit obligation	– 1'390	– 1'717	– 9	– 15
Interest income on plan assets	1'246	1'352	0	0
Total net interest	**– 144**	**– 365**	**– 9**	**– 15**
Administration expense	– 616	– 616	0	0
Net actuarial (losses) / gains recognised	0	0	– 100	– 185
Total defined benefit cost	**– 16'906**	**– 10'779**	**– 662**	**– 770**
of which personnel expenses	– 16'906	– 10'779	– 662	– 770
of which financial expense	0	0	0	0
Contributions to defined contribution plans	**– 200**	**– 356**	**0**	**0**
Remeasurement of the defined benefit liability				
Actuarial (gains) / losses				
Arising from changes in demographic assumptions	14'997	0	0	0
Arising from changes in economic assumptions	7'132	– 2'540	0	0
Arising from experience	– 15'480	– 4'047	0	0
Return on plan assets (excl. amounts in interest income)	44'123	15'812	0	0
Total defined benefit cost recognised in other comprehensive income	**50'772**	**9'225**	**0**	**0**
Total benefit cost	**33'666**	**– 1'910**	**– 662**	**– 770**

Development of plan obligations

in CHF thousands	Pensions plans 2021	Pensions plans 2020	Other long-term benefits 2021	Other long-term benefits 2020
As at 1 January	600'460	588'661	4'359	4'325
Current service cost	16'759	16'495	553	570
Plan participation contributions	8'070	8'011	0	0
Interest costs	1'390	1'717	9	15
Benefits paid through pension assets	– 21'052	– 13'968	0	0
Benefits paid by employer	– 96	– 238	– 759	– 731
Actuarial (gains) / losses	– 6'649	6'587	101	185
Plan amendments	– 613	– 6'697	0	0
Exchange rate differences	13	– 108	– 63	– 5
As at 31 December	**598'282**	**600'460**	**4'200**	**4'359**
of which active employees	409'091	404'386		
of which pensioners	189'190	196'074		
Average term of obligation	15.1	15.8		

Development of plan assets

in CHF thousands	Pension plans 2021	Pension plans 2020
As at 1 January	499'320	473'780
Plan participation contributions	8'070	8'011
Company contributions	15'550	14'949
Interest income on plan assets	1'246	1'352
Administration expense	– 616	– 616
Assets assumed in a business combination	0	0
Benefits paid through pension assets	– 21'052	– 13'968
Return on plan assets (excl. amounts in interest income)	44'123	15'812
As at 31 December	**546'641**	**499'320**

The pension fund assets as at 31 December 2021 include shares of LLB with a market value of CHF thousands 14 (31.12. 2020: CHF thousands 12). The expected Group contributions for the 2022 financial year amount to CHF thousands 14'730 for the pension plans and CHF thousands 705 for the other long-term benefits.

Overview of net debt recognised in the balance sheet

in CHF thousands	Pension plans 31.12.2021	Pension plans 31.12.2020	Other long-term benefits 31.12.2021	Other long-term benefits 31.12.2020
Present value of funded obligations	596'723	598'909	0	0
Minus fair value of plan assets	546'641	499'320	0	0
Under- / (Over-)funded	**50'082**	**99'589**	**0**	**0**
Present value of unfunded obligations	1'559	1'551	4'199	4'358
Net debt recognised in the balance sheet	**51'641**	**101'140**	**4'199**	**4'358**

Asset classes

in CHF thousands	31.12.2021 Share of total assets	31.12.2020 Share of total assets
Equities		
listed market prices (Level 1)	187'993	157'862
other than listed market prices	0	0
Bonds		
listed market prices (Level 1)	173'299	180'567
other than listed market prices	0	0
Real estate		
listed market prices (Level 1)	12'003	5'367
other than listed market prices / direct investments	60'407	59'531
Alternative financial investments	48'332	45'945
Qualified insurance policies	40'808	35'840
Other financial investments	0	63
Cash and cash equivalents	23'799	14'145

Weighted average of principal actuarial assumptions

	Pension plans		Other long-term benefits	
in per cent	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Discount rate	0.30	0.18	0.45	0.20
Future salary increases	1.30	1.00	1.70	1.33
Future pension indexations	0.00	0.00	0.00	0.00
Interest credit rate	0.49	0.41		
Life expectancy at the age of 65				
Year of birth	1976	1975	1976	1975
men	24.9	24.5	24.9	24.5
women	26.4	26.5	26.4	26.5
Year of birth	1956	1955	1956	1955
men	22.6	22.7	22.6	22.7
women	24.4	24.8	24.4	24.8

The demographic assumptions correspond to those for the year 2021 based on BVG 2020.

Sensitivity analysis of significant actuarial assumptions

The following sensitivity analysis for the significant actuarial assumptions, on which calculations are based, shows how the cash value of pension obligations would change on the balance sheet date on account of a possible change in the actuarial assumptions. Only the listed assumption changes, all other assumptions remain unchanged.

	Pension plans			
	31.12.2021		31.12.2020	
in CHF thousands	+ 0.25 %	- 0.25 %	+ 0.25 %	- 0.25 %
Discount rate	– 22'272	23'800	– 23'434	25'097
Salary increase	1'930	– 1'885	1'942	– 1'896
Interest credit rate	5'231	– 5'114	5'312	– 5'193

in CHF thousands	+ 1 year	- 1 year	+ 1 year	- 1 year
Life expectancy	14'295	– 14'446	15'214	– 15'343

Related party transactions

Related parties

The LLB Group is controlled by the Principality of Liechtenstein, which holds 57.5 per cent of the registered shares of Liechtensteinische Landesbank AG, Vaduz. The shareholder group, consisting of the Haselsteiner Familien-Privatstiftung and grosso Holding Gesellschaft mbH, holds 5.9 per cent of the registered shares. At the end of the year under report, LLB held 0.9 per cent of its own shares and 0.4 per cent were held by members of the Board of Directors and the Board of Management. The remaining registered shares are owned by the general public.

The related parties of the LLB Group comprise the Principality of Liechtenstein, associated companies, members of the Board of Directors and the Board of Management, as well as their close family members and companies, in which these individuals are part of the company management, either through their majority shareholding or through their function, as well as own pension funds.

Within the scope of its business activity, the LLB Group also conducts banking transactions with related parties. These transactions mainly involve loans, investments and services. The volumes of these transactions, the holdings and corresponding income and expenses are shown below. For information regarding important business transactions with the Principality of Liechtenstein reference is made to note 8 in the separate financial statement of LLB AG.

See "Scope of consolidation" for a detailed list of the intercompany relationships of the LLB Group.

Compensation of key management personnel

	Fixed compensation		Variable compensation		Entitlements[1]		Contribution to benefit plans and other social contributions		Total	
in CHF thousands	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Members of the Board of Directors										
Georg Wohlwend, Chairman[2]	194	275	0	0	26	37	55	73	275	385
Gabriela Nagel-Jungo, Vice Chairwoman	190	154	0	0	33	32	43	14	266	200
Patrizia Holenstein, Member	70	70	0	0	20	20	0	7	90	97
Urs Leinhäuser, Member[3]	81	81	0	0	20	20	0	0	101	101
Thomas Russenberger, Member	71	71	0	0	20	20	5	5	96	96
Richard Senti, Member	76	76	0	0	20	20	6	6	102	102
Karl Sevelda, Member	61	56	0	0	20	20	0	0	81	76
Total	**743**	**783**	**0**	**0**	**159**	**168**	**109**	**105**	**1'011**	**1'057**
Members of the Board of Management[4]										
Roland Matt, Group CEO since 26.01.2021[5]		804		167		167		231		1'369
Gabriel Brenna, Group CEO since 01.03.2021	748		147		147		210		1'252	
Other members of the Board of Management	2'464	2'766	485	568	485	568	862	952	4'296	4'854
Total	**3'212**	**3'570**	**632**	**735**	**632**	**735**	**1'071**	**1'183**	**5'547**	**6'223**

1 The members of the Board of Directors receive a portion of their fixed compensation in the form of share entitlements. With lthe members of the Executive Management, 50 per cent of the variable compensation consists of share entitlements. The total compensation comprises the total of the fixed and variable compensation plus the share entitlements.
2 Georg Wohlwend resigned from the Board of Directors on 3 November 2020. The task of chairing the Board of Directors until Georg Wohlwend's re-election at the Annual General Meeting on 7 May 2021 was taken over by Vice Chair Gabriela Nagel-Jungo.
3 The compensation was paid to Adulco GmbH.
4 Since the resignation of Roland Matt, the Executive Management consists of five members.
5 On 26 January 2021, Roland Matt stepped down as Chairman of the Executive Board and left the company on 31 May 2021. During the period from 26 January 2021 to 28 February 2021, Deputy Chairman Urs Müller assumed the duties of Chairman of the Executive Board.

Loans to key management personnel and related parties

	Fixed mortgages		Variable mortgages		Total	
in CHF thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Members of the Board of Directors						
Georg Wohlwend, Chairman [1]	0		0		0	
Gabriela Nagel-Jungo, Vice Chairwoman	200	400	0	0	200	400
Patrizia Holenstein, Member	0	0	0	0	0	0
Urs Leinhäuser, Member	0	0	0	0	0	0
Thomas Russenberger, Member	0	0	0	0	0	0
Richard Senti, Member	305	575	364	93	669	668
Karl Sevelda, Member	0	0	0	0	0	0
and related parties	0	0	0	0	0	0
Total	**505**	**975**	**364**	**93**	**869**	**1'068**
Members of the Board of Management						
Roland Matt, Group CEO until 26.01.2021 [2]		2'000		1'000		3'000
Gabriel Brenna, Group CEO since 01.03.2021	0	0	0	0	0	0
Other members of the Board of Management	1'560	1'560	0	0	1'560	1'560
and related parties	0	0	0	0	0	0
Total	**1'560**	**3'560**	**0**	**1'000**	**1'560**	**4'560**

1 Georg Wohlwend resigned from the Board of Directors on 3 November 2020. The task of chairing the Board of Directors until Georg Wohlwend's re-election at the Annual General Meeting on 7 May 2021 was taken over by Vice Chair Gabriela Nagel-Jungo.
2 On 26 January 2021, Roland Matt stepped down as Chairman of the Executive Board and left the company on 31 May 2021.

All mortgage loans to member of management in key positions and related parties are fully secured.

At 31 December 2021, the maturities of the fixed mortgages for the members of the Board of Directors and related parties ranged between 15 and 51 months (previous year: between 3 and 63 months) at standard market client interest rates of 0.75 to 1.25 per cent per annum (previous year: 0.95 to 1.65 %). Following its expiry, a mortgage was reissued at new market rates.

At 31 December 2021, the maturities of variable mortgages for members of the Board of Directors and related parties extended to a maximum of 1 month (previous year: 1 month) at standard market client interest rates of 0.80 to 0.95 per cent per annum (previous year: 0.95 %). Following expiry, these are extended for a further 3 months providing they are not revoked. One variable mortgage was reissued at market conditions.

At 31 December 2021, the maturities of fixed mortgages for members of the Board of Management ranged between 0 and 42 months (previous year: between 1 and 118 months) at interest rates of 1.05 to 1.80 per cent per annum. (previous year: 0.46 to 1.80 %).

The fair value of the collateral of the newly issued mortgages amounted to CHF thousands 1'055.

Of the total amount of mortgages for the members of the Board of Management, CHF thousands 500 (previous year: CHF thousands 1'500) was granted at the preferential interest rate for staff, the remainder was subject to the standard market client interest rate. No other loans were issued to the Board of Management (previous year: none).

No allowances for loans and other credit lines to management were necessary. LLB granted third party guarantees amounting to CHF thousands CHF 500 (previous year: CHF thousands 168) for management and related parties. In addition, LLB confirmed that it would extend two mortgages.

Transactions with key management personnel and related parties

in CHF thousands	2021	2020	+ / – %
Loans			
As at 1 January	5'628	3'628	55.1
Loans issued / changes to management and related parties	270	2'000	– 86.5
Loan repayments / changes to management and related parties	– 3'470	0	
As at 31 December	**2'429**	**5'628**	**– 56.8**
Deposits			
As at 1 January	3'914	6'695	– 41.5
Change	3'782	– 2'780	
As at 31 December	**7'697**	**3'914**	**96.6**
Income and expenses			
Interest income	32	47	– 31.6
Interest expenses	– 0	– 2	– 76.8
Other income [1]	21	7	224.4
Other expenses	0	0	
Total	**53**	**51**	**3.0**

1 Mainly net fee and commission income

Transactions with associated companies

in CHF thousands	2021	2020	+ / – %
Loans			
As at 1 January	10'003	1'502	566.2
Change	– 9'367	8'502	
As at 31 December	**636**	**10'003**	**– 93.6**
Deposits			
As at 1 January	29'757	13'063	127.8
Change	– 13'227	16'694	
As at 31 December	**16'530**	**29'757**	**– 44.4**
Income and expenses			
Interest income	49	87	– 43.4
Interest expenses	– 0	0	
Other income	64	20	211.8
Other expenses	– 154	– 153	0.5
Total	**– 41**	**– 45**	**– 10.0**

The LLB Group has not issued guarantees to third parties for related parties.

No company has currently unused credit limits (previous year: CHF 10 million).

Transactions with own pension funds

in CHF thousands	2021	2020	+ / – %
Loans			
As at 1 January	0	0	
Change	0	0	
As at 31 December	**0**	**0**	
Deposits			
As at 1 January	10'976	17'868	– 38.6
Change	9'655	– 6'892	
As at 31 December	**20'631**	**10'976**	**88.0**
Income and expenses			
Interest income	0	0	– 100.0
Interest expenses	– 0	0	
Other income [1]	1'809	1'009	79.3
Other expenses	0	0	
Total	**1'809**	**1'009**	**79.3**

1 Mainly earnings from derivative financial instruments as well as income from commissions and fees.

No guarantees have been granted by the LLB Group for third parties on behalf of own pension funds.

Claims exist from derivative financial instruments against the own pension fund totalling CHF thousands 22 (previous year: CHF thousands 133) and liabilities amounting to CHF thousands 957(previous year: CHF thousands 370).

Scope of consolidation

Company	Registered office	Business activity	Currency	Capital Stock	Equity interest (in %) IFRS	Legal
Fully consolidated companies						
Bank Linth LLB AG	Uznach (CH)	Bank	CHF	16'108'060	74.9	74.9
Liechtensteinische Landesbank AG	Vaduz (FL)	Bank	CHF	154'000'000	100.0	100.0
Liechtensteinische Landesbank (Österreich) AG	Vienna (AT)	Bank	EUR	5'000'000	100.0	100.0
LLB Asset Management AG	Vaduz (FL)	Asset management company	CHF	1'000'000	100.0	100.0
LLB Berufliche Vorsorge AG in Liquidation	Lachen (CH)	Pension scheme	CHF	500'000	100.0	100.0
LLB Beteiligungs GmbH	Vienna (AT)	Investment company	EUR	35'000	100.0	100.0
LLB Fund Services AG	Vaduz (FL)	Fund management company	CHF	2'000'000	100.0	100.0
LLB Holding AG	Uznach (CH)	Holding company	CHF	95'328'000	100.0	100.0
LLB Immo Kapitalanlagegesellschaft m.b.H.	Vienna (AT)	Investment company	EUR	5'000'000	94.9	94.9
LLB Invest AGmvK	Vaduz (FL)	Investment company	CHF	65'000	100.0	100.0
LLB Invest Kapitalanlagegesellschaft m.b.H.	Vienna (AT)	Investment company	EUR	2'300'000	100.0	100.0
LLB Private Equity GmbH	Vienna (AT)	Financial consulting company	EUR	36'842	65.0	65.0
LLB Realitäten GmbH	Vienna (AT)	Real estate trust company	EUR	35'000	100.0	100.0
LLB Services (Schweiz) AG	Zurich (CH)	Service company	CHF	100'000	100.0	100.0
LLB Swiss Investment AG	Zurich (CH)	Fund management company	CHF	8'000'000	100.0	100.0
LLB Verwaltung (Schweiz) AG	Uznach (CH)	Management company	CHF	100'000	100.0	100.0
PREMIUM Spitalgasse 19A GmbH & Co KG	Vienna (AT)	Real estate company	EUR	1'370'060	80.0	80.0
Zukunftsstiftung der Liechtensteinischen Landesbank AG	Vaduz (FL)	Charitable foundation	CHF	30'000	100.0	100.0
Associates						
Gain Capital Management S.A.R.L.	Luxembourg	Fund management company	EUR	12'000	30.0	30.0
Joint venture						
Data Info Services AG	Vaduz (FL)	Service company	CHF	50'000	50.0	50.0

There were no disposals of companies or shares in companies in the reporting year. As at 31 December 2021 and as at 31 December 2020, there were no major restrictions in relation to the possibility to access assets of the Group companies or to appropriate them. As at 31 December 2021 and as at 31 December 2020, there were no participations in consolidated structured companies.

Risk management

Principles of risk management
One of the core competences of a financial institute is to consciously accept risks and manage them profitably. In its risk policy, the LLB Group defines qualitative and quantitative standards of risk responsibility, risk management and risk control. Furthermore, the organisational and methodical parameters for the identification, measurement, control and monitoring of risks are specified. The proactive management of risk is an integral part of corporate policy and safeguards the LLB Group's ability to bear and accept risk.

Organisation and responsibilities
The Board of Directors of the LLB Group is responsible for stipulating risk management principles, as well as for specifying responsibilities and procedures for approving business transactions entailing risk. In fulfilling its tasks and duties, the Group Board of Directors is supported by the Group Risk Committee.

Group Executive Board
The Group Executive Board is responsible for the overall management of risk readiness within the parameters defined by the Group Board of Directors and for the implementation of the risk management processes. It is supported in this task by various risk committees.

Group Credit & Risk Management
Group Credit & Risk Management identifies, assesses, monitors and reports on the principal risk exposure of the LLB Group and is functionally and organisationally independent of the operative units. It supports the Group Executive Board in the overall management of risk exposure.

Risk categories
The LLB Group is exposed to various types of risks. It differentiates between the following risk categories:

Market risk
The risk of losses arises from unfavourable changes in interest rates, exchange rates, security prices and other relevant market parameters.

Liquidity and refinancing risk
Represents the risk of not being able to fulfil payment obligations on time or not being able to obtain refinancing funds on the market at a reasonable price to fulfil current or future payment liabilities.

Credit risk
Credit or counterparty risk includes the danger that a client or a counterparty cannot or cannot completely fulfil their obligations vis à vis the LLB Group or an individual Group company. This can result in a financial loss for the LLB Group.

Operational risk
Is the danger of losses due to the unsuitability or failure of internal procedures, people or systems, or as a result of external events.

Strategic risk
Arises as a result of decisions taken by the Group Executive Board which have a negative influence on the survival, development ability or independence of the LLB Group.

Reputation risk
If risks are not recognized, reasonably controlled and monitored, this can lead to considerable financial losses and damage to the company's reputation.

Risk categories

- Market risk
- Liquidity and refinancing risk
- Credit risk
- Operational risk
- Strategic risk

Reputation risk

Risk management process

The implementation of an efficient risk management process is essential to enable risks to be identified, assessed, controlled and monitored, and should create a culture of risk awareness at all levels of the LLB Group. The Group Board of Directors specifies the risk strategy, which provides the operative units with a framework for the treatment of risk exposure. Depending on the type of risk, not only the stipulation of upper limits for losses may be required, but also a detailed set of regulations which stipulate which risks may be accepted under what conditions, and when measures to control risks are to be implemented.

The following process diagram shows the control loop of the LLB Group's risk management process.

Risk management process

Risk policy / Risk strategy Group Board of Directors

Risk identification → **Risk assessment** → **Risk reporting** → **Risk management** → **Risk monitoring**

Risk identification	Risk assessment	Risk reporting	Risk management	Risk monitoring
Group Credit & Risk Management	Group Credit & Risk Management	Group Credit & Risk Management	Management / Group Credit & Risk Management	Group Credit & Risk Management

Process monitoring Group Internal Audit

Internal Capital Adequacy Assessment Process (ICAAP)

For the purposes of ensuring a continual capital adequacy, the LLB Group has in place sound, effective and comprehensive strategies and processes. The bank's internal capital adequacy process is an important instrument of risk management for the LLB Group. Its goal is to make a significant contribution to the continued existence of the LLB Group by measuring and safeguarding the bank's capital adequacy from various perspectives.

From the normative internal perspective, an assessment is made of the extent to which the LLB Group is in a position over the medium term to fulfil its quantitative regulatory and supervisory capital requirements and targets, as well as other external financial constraints.

The normative internal perspective is supplemented by an economic internal perspective, within the scope of which all major risks are identified and quantified which, from an economic viewpoint, could cause losses and substantially reduce the amount of internal capital. In conformity with the economic perspective, the LLB Group ensures all its risks are adequately covered by the availability of internal capital.

The adequacy of the Group's capital resources from the individual perspective has to be tested using internal methods. The quantified risks arising from the individual risk categories are aggregated in an overall risk potential and are compared with the capital available to cover these potential losses. It is then determined to what extent the LLB Group is in a position to bear potential losses.

The LLB Group's financial strength should remain unimpaired by fluctuations on the capital markets. Scenario analyses and stress tests are employed to simulate external influences and assess their impact on equity capital. Where necessary, measures are implemented to mitigate risks.

The ICAAP is documented in internal regulations and guidelines and is reviewed and revised annually.

1 Market risks

Market risk is the risk that arises from changes in interest rates, exchange rates and security prices in the financial and capital markets. A differentiation is made between market risks in the trading book and market risks in the banking book. The potential for losses exists primarily in the impairment of the value of an asset or the increase in the value of liabilities (market value perspective) as well as in secondary capacity in the diminution of current earnings or an increase in current expenditures (earnings perspective).

1.1 Market risk management

The LLB Group has in place a differentiated risk management and risk control system for market risks. The market risk control process comprises a sophisticated framework of rules involving the identification and the uniform valuation of market risk-relevant data as well as the control, monitoring and reporting of market risks.

Trading book

The trading book contains own positions in financial instruments which are held for short-term further sale or repurchase. These tasks are closely related to the clients' needs for capital market products and are understood as a supporting activity for the core business.

The LLB Group conducts relatively small-scale trading book activities in accordance with Article 94 (1) of the Capital Requirements Regulation (CRR). A limits system is in operation to ensure compliance and is monitored by Group Risk Management. Due to the lack of materiality, the trading book is no longer explained in detail.

Banking book

In general, the holdings in the banking book are employed to pursue long-term investment goals. These holdings include assets, liabilities, and off-balance sheet positions, which are the result, on the one hand, of classical banking business and, on the other, are held to earn revenue over their life.

Market risks with the banking book mainly involve interest rate fluctuation risk, exchange rate risk and equity price risk.

Exchange rate risk

This relates to the risks arising in connection with the uncertainties regarding future exchange rate trends. The calculation of these risks takes into consideration all the positions entered into by the bank.

Interest rate fluctuation risk

This is regarded as the adverse effects of changes in market interest rates on capital resources or current earnings. The different interest maturity periods of claims and liabilities from balance sheet transactions and derivatives represent the most important basis.

Equity price risk

This is understood to be the risk of losses due to adverse changes in the market prices of equities.

1.2 Valuation of market risks

Sensitivity analysis

In sensitivity analysis a risk factor is altered. Subsequently, the effects of the alteration of the risk factor on the portfolio concerned are estimated.

Scenario analysis

The aim of the scenario analyses of the LLB Group is to simulate the effects of normal and stress scenarios.

1.3 Management of market risks

In client business, currency risks are basically controlled by making investments or obtaining refinancing in matching currencies. The residual currency risk is restricted by means of sensitivity limits.

Within the specified limit parameters, the individual Group companies are at liberty to manage their interest rate risks as they wish. Interest rate swaps are employed mainly to control interest rate risks.

Equity investments are limited by means of nominal limits.

1.4 Monitoring and reporting of market risks

Group Credit & Risk Management monitors the observance of market risk limits and is also responsible for reporting market risks.

1.5 Effects on Group net profit

Exchange rate risk

The price gains resulting from the valuation of transactions and balances are booked to profit and loss. The price gains resulting from the transfer of the functional currency into the reporting currency are booked under other comprehensive income without affecting profit and loss.

Interest rate fluctuation risk

The LLB Group recognises client loans in the balance sheet at amortised cost. This means that a change in the interest rate does not cause any change in the recognised amount and therefore to no significant recognition affecting profit and loss of the effects of interest rate fluctuation. However, fluctuations in interest rates can lead to risks because the LLB Group largely finances long-term loans with client assets. Within the scope of financial risk management, these interest rate fluctuation risks in the balance sheet business of the LLB Group are hedged mainly by means of interest rate swaps. If the IFRS hedge accounting criteria for hedging instruments (interest rate swaps) and underlying transactions (loans) are met, the hedged part of the loans to clients is recognised in the balance sheet at fair value. Further information regarding recognition and measurement is provided in the chapter "Accounting principles".

Equity price risk

The valuation is carried out at current market prices. The equity price risk resulting from the valuation at current market prices is reflected in the income statement and in other comprehensive income.

1.6 Sensitivities by risk categories

In measuring risk, the LLB Group employs scenario analyses to test sensitivities with market risks. The impact on equity capital, according to the assumptions, is shown in the following.

Currency sensitivity affects both interest rate sensitive and non-interest rate sensitive instruments. The sensitivity of instruments in foreign currencies is determined by multiplying the CHF market value by the assumed exchange rate fluctuation of + / – 10 per cent.

Interest rate sensitivity measures the market change on interest rate-sensitive instruments for the LLB Group caused by a linear interest rate adjustment of + / – 100 basis points.

The equity price risks are measured assuming a price fluctuation of + / – 10 per cent on the equity market.

Sensitivity of existing market risks

in CHF thousands	31.12.2021 Sensitivity	31.12.2020 Sensitivity
Currency risk	**37'607**	**26'343**
of which affecting net income	1'757	324
of which not affecting net income	35'850	26'019
Interest rate risk	**100'644**	**72'066**
of which affecting net income	8'428	8'701
of which not affecting net income	92'216	63'365
Equity price risk	**26'257**	**8'949**
of which affecting net income	232	230
of which not affecting net income	26'025	8'719

Foreign exchange risk arises from the following currencies:

in CHF thousands	31.12.2021 Sensitivity	31.12.2020 Sensitivity
Currency risk	**37'607**	**26'343**
of which USD	1'747	312
of which EUR	35'850	26'019
of which others	11	12

1.7 Currency risks

Currency exposure as at 31 December 2020

in CHF thousands	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central banks	5'184'989	107	1'530'514	1	6'715'610
Due from banks	319'196	47'691	115'657	208'468	691'011
Loans	12'211'414	218'606	685'288	114'622	13'229'931
Derivative financial instruments	194'622	2'249	2'191	571	199'634
Financial investments	877'053	685'779	629'479	0	2'192'312
Property and equipment	130'586	0	18'309	0	148'895
Goodwill and other intangible assets	127'224	0	151'065	0	278'289
Current tax assets	0	0	1'290	0	1'290
Deferred tax assets	10'896	0	587	0	11'483
Accrued income and prepaid expenses	36'863	16'163	6'615	960	60'601
Other assets	20'018	320	10'584	15'009	45'931
Total assets reported in the balance sheet	**19'112'861**	**970'914**	**3'151'580**	**339'630**	**23'574'986**
Delivery claims from forex spot, forex futures and forex options transactions	4'439'307	7'302'542	6'459'225	1'993'412	20'194'486
Total assets	**23'552'169**	**8'273'456**	**9'610'805**	**2'333'042**	**43'769'472**
Liabilities and equity					
Due to banks	1'090'786	35'925	189'691	9'769	1'326'170
Due to customers	11'132'309	2'469'147	3'385'035	765'708	17'752'199
Derivative financial instruments	242'858	4'322	1'425	571	249'176
Debt issued	1'794'317	0	0	0	1'794'317
Current tax liabilities	10'090	0	3'435	0	13'525
Deferred tax liabilities	13'927	0	15'065	0	28'992
Accrued expenses and deferred income	28'232	17'871	16'226	1'068	63'398
Provisions	8'342	0	2'856	0	11'199
Other liabilities	147'902	5'957	44'329	229	198'417
Share capital	154'000	0	0	0	154'000
Share premium	– 13'177	0	0	0	– 13'177
Treasury shares	– 18'663	0	0	0	– 18'663
Retained earnings	1'902'316	0	0	0	1'902'316
Other reserves	– 20'911	0	0	0	– 20'911
Non-controlling interests	134'029	0	0	0	134'029
Liabilities and equity reported in the balance sheet	**16'606'357**	**2'533'222**	**3'658'062**	**777'345**	**23'574'986**
Delivery liabilities from forex spot, forex futures and forex options transactions	7'219'009	5'737'116	5'692'554	1'555'577	20'204'255
Total liabilities and equity	**23'825'366**	**8'270'338**	**9'350'616**	**2'332'922**	**43'779'241**
Net position per currency	**– 273'197**	**3'119**	**260'189**	**120**	**– 9'769**

Currency exposure as at 31 December 2021

in CHF thousands	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central banks	5'619'657	333	1'593'113	56	7'213'159
Due from banks	541'609	39'681	115'651	192'803	889'744
Loans	12'717'800	332'764	672'777	81'847	13'805'188
Derivative financial instruments	174'959	40'176	2'065	2'504	219'704
Financial investments	959'772	745'596	734'815	0	2'440'183
Property and equipment	120'739	0	21'337	0	142'076
Goodwill and other intangible assets	124'776	0	158'600	0	283'376
Current tax assets	0	0	29	0	29
Deferred tax assets	7'240	0	585	0	7'825
Accrued income and prepaid expenses	39'476	17'945	17'442	961	75'824
Other assets	25'576	623	12'209	13'975	52'383
Total assets reported in the balance sheet	**20'331'604**	**1'177'119**	**3'328'623**	**292'146**	**25'129'490**
Delivery claims from forex spot, forex futures and forex options transactions	4'479'286	8'595'587	7'723'010	2'511'490	23'309'374
Total assets	**24'810'890**	**9'772'706**	**11'051'633**	**2'803'636**	**48'438'865**
Liabilities and equity					
Due to banks	2'146'106	29'597	133'204	14'011	2'322'918
Due to customers	10'744'577	2'810'600	3'719'610	785'412	18'060'199
Derivative financial instruments	231'380	20'249	2'065	2'504	256'198
Debt issued	1'949'418	0	0	0	1'949'418
Current tax liabilities	16'224	0	8'420	0	24'644
Deferred tax liabilities	15'944	0	12'764	0	28'708
Accrued expenses and deferred income	29'602	19'707	22'298	1'440	73'047
Provisions	11'159	0	1'058	0	12'217
Other liabilities	99'951	4'501	57'434	128	162'014
Share capital	154'000	0	0	0	154'000
Share premium	– 13'952	0	0	0	– 13'952
Treasury shares	– 15'073	0	0	0	– 15'073
Retained earnings	1'959'517	0	0	0	1'959'517
Other reserves	12'932	0	0	0	12'932
Non-controlling interests	142'704	0	0	0	142'704
Liabilities and equity reported in the balance sheet	**17'484'489**	**2'884'654**	**3'956'853**	**803'495**	**25'129'490**
Delivery liabilities from forex spot, forex futures and forex options transactions	7'691'952	6'870'585	6'736'283	2'000'035	23'298'855
Total liabilities and equity	**25'176'441**	**9'755'239**	**10'693'136**	**2'803'529**	**48'428'345**
Net position per currency	**– 365'551**	**17'467**	**358'497**	**107**	**10'520**

1.8 Interest rate repricing balance sheet

In the fixed-interest-rate repricing balance sheet, asset and liability surpluses from fixed-interest rate positions as well as from interest- rate-sensitive derivative positions in the balance sheet are calculated and broken down into maturity ranges (cycle times). The positions with an unspecified duration of interest rate repricing are allocated to the corresponding maturity ranges (cycle times) on the basis of a replication.

Interest commitments of financial assets and liabilities (nominal)

in CHF thousands	Within 1 month	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	Total
31.12.2020						
Financial assets						
Cash and balances with central banks	6'653'651	0	0	0	0	6'653'651
Due from banks	548'492	30'439	0	0	0	578'930
Loans	3'015'684	1'344'985	1'543'329	5'043'164	2'282'525	13'229'688
Financial investments	52'032	159'230	317'452	1'274'822	208'106	2'011'641
Total financial assets	**10'269'858**	**1'534'654**	**1'860'781**	**6'317'986**	**2'490'631**	**22'473'910**
Derivative financial instruments	110'802	545'000	1'035'802	355'000	0	2'046'604
Total	**10'380'660**	**2'079'654**	**2'896'583**	**6'672'986**	**2'490'631**	**24'520'514**
Financial liabilities						
Due to banks	817'160	59'500	265'500	184'010	0	1'326'170
Due to customers	7'964'308	1'467'578	2'998'198	5'108'648	14'150	17'552'882
Debt issued	33'878	43'607	97'083	521'773	1'097'976	1'794'317
Total financial liabilities	**8'815'346**	**1'570'685**	**3'360'781**	**5'814'431**	**1'112'126**	**20'673'368**
Derivative financial instruments	50'802	120'000	565'000	660'000	650'802	2'046'604
Total	**8'866'148**	**1'690'685**	**3'925'781**	**6'474'431**	**1'762'928**	**22'719'972**
Interest rate repricing exposure	**1'514'513**	**388'969**	**– 1'029'198**	**198'555**	**727'703**	**1'800'542**
31.12.2021						
Financial assets						
Cash and balances with central banks	7'158'915	0	0	0	0	7'158'915
Due from banks	755'508	0	0	0	0	755'508
Loans	2'622'438	2'130'662	1'508'973	4'967'405	2'575'672	13'805'149
Financial investments	39'329	90'954	241'905	1'410'520	322'126	2'104'834
Total financial assets	**10'576'189**	**2'221'616**	**1'750'877**	**6'377'925**	**2'897'798**	**23'824'405**
Derivative financial instruments	1'593'685	560'080	1'105'347	406'312	30'291	3'695'714
Total	**12'169'874**	**2'781'695**	**2'856'225**	**6'784'237**	**2'928'089**	**27'520'119**
Financial liabilities						
Due to banks	1'423'263	535'000	198'000	166'655	0	2'322'918
Due to customers	8'737'657	1'305'433	2'798'254	5'022'485	10'000	17'873'829
Debt issued	31'212	47'075	93'049	658'427	1'119'655	1'949'418
Total financial liabilities	**10'192'132**	**1'887'508**	**3'089'303**	**5'847'567**	**1'129'655**	**22'146'165**
Derivative financial instruments	1'119'003	405'019	1'055'193	485'472	630'354	3'695'040
Total	**11'311'135**	**2'292'527**	**4'144'495**	**6'333'039**	**1'760'009**	**25'841'205**
Interest rate repricing exposure	**858'739**	**489'168**	**– 1'288'271**	**451'198**	**1'168'080**	**1'678'914**

2 Liquidity and refinancing risk

Liquidity risk is defined as a situation where present and future payment obligations cannot be fully met or met on time, or in the event of a liquidity crisis refinancing funds may only be available at increased market rates (refinancing costs) or assets can only be made liquid at markdowns to market rates (market liquidity risk).

2.1 Internal Liquidity Adequacy Assessment Process (ILAAP)

For the purposes of continually evaluating and adequately ensuring a reasonable liquidity base, the LLB Group has in place sound, effective and comprehensive strategies and processes. The bank's internal liquidity adequacy assessment process is an important instrument of risk management for the LLB Group. Its goal is to make a significant contribution to the continued existence of the LLB Group by measuring and safeguarding the bank's liquidity adequacy from various perspectives.

The goal of liquidity risk management at the LLB Group encompasses the following points:

- Ensuring the ability to meet financial obligations at all times
- Compliance with regulatory provisions
- Optimising of refinancing structure
- Optimising of payment streams within the LLB Group

From the normative internal perspective, an assessment is made over a period of several years of the extent to which the LLB Group is in a position to fulfil its quantitative regulatory and supervisory liquidity requirements and targets, as well as other external financial constraints. All aspects are considered, which could affect the relevant supervisory quotas during the planning period.

Within the scope of the economic internal perspective it has to be ensured that internal liquidity is continually adequate to cover the risks and expected outflows, as well as to support the Group's strategy. All the risks are taken into account, which could have a significant effect on the liquidity positions.

The LLB Group's liquidity adequacy should remain unimpaired by fluctuations on the markets. Scenario analyses and stress tests are employed to simulate external influences and assess their impact on liquidity adequacy. Where necessary, measures are implemented to mitigate risks.

The ILAAP is documented in internal regulations and guidelines and is reviewed and revised annually.

2.2 Valuation of liquidity risks

In our liquidity risk management concept, scenario analysis plays a central role. This includes the valuation of the liquidity of assets, i.e. the liquidity characteristics of our asset holdings in various stress scenarios.

2.3 Contingency planning

The LLB Group's liquidity risk management encompasses a contingency plan. The contingency plan includes an overview of emergency measures, sources of alternative financing and governance in stress situations.

2.4 Monitoring and reporting of liquidity risks

Group Credit & Risk Management monitors compliance with liquidity risk limits and is responsible for reporting on liquidity risks.

The following tables show the maturities according to contractual periods, separated according to derivative and non-derivative financial instruments as well as off-balance sheet transactions. The values of derivative financial instruments represent replacement values. All other values correspond to nominal values, i.e. possible interest and coupon payments are included.

Maturity structure of derivative financial instruments

in CHF thousands	Term to maturity within 3 months PRV[1]	NRV[1]	Term to maturity 4 to 12 months PRV[1]	NRV[1]	Term to maturity 1 to 5 years PRV[1]	NRV[1]	Term to maturity after 5 years PRV[1]	NRV[1]	Total PRV[1]	NRV[1]
31.12.2020										
Derivative financial instruments in the trading portfolio										
Interest rate contracts										
Swaps	0	519	0	1'655	0	18'125	0	0	0	20'299
Forward contracts	175	172	71	83	17	0	0	0	263	255
Foreign exchange contracts										
Forward contracts	139'510	151'017	48'463	47'982	715	699	0	62	188'688	199'761
Options (OTC)	2'213	2'213	3'697	3'697	64	64	0	0	5'975	5'975
Precious metals contracts										
Options (OTC)	9	9	0	0	37	37	0	0	46	46
Equity instruments / Index contracts										
Options (OTC)	469	469	0	0	0	0	0	0	469	469
Total derivative financial instruments in the trading portfolio	**142'377**	**154'400**	**52'231**	**53'418**	**833**	**18'925**	**0**	**62**	**195'441**	**226'805**
Derivative financial instruments for hedging purposes										
Interest rate contracts										
Swaps (fair value hedge)	9	0	692	3	1'944	8'550	1'547	13'818	4'193	22'371
Total derivative financial instruments for hedging purposes	**9**	**0**	**692**	**3**	**1'944**	**8'550**	**1'547**	**13'818**	**4'193**	**22'371**
Total derivative financial instruments	**142'386**	**154'400**	**52'923**	**53'421**	**2'778**	**27'475**	**1'547**	**13'881**	**199'634**	**249'176**

1 PRV: Positive replacement values; NRV: Negative replacement values

in CHF thousands	Term to maturity within 3 months PRV[1]	NRV[1]	Term to maturity 4 to 12 months PRV[1]	NRV[1]	Term to maturity 1 to 5 years PRV[1]	NRV[1]	Term to maturity after 5 years PRV[1]	NRV[1]	Total PRV[1]	NRV[1]
31.12.2021										
Derivative financial instruments in the trading portfolio										
Interest rate contracts										
Swaps	976	2'258	2'104	4'937	39	4'437	0	0	3'118	11'633
Forward contracts	178	223	16	280	0	0	0	0	194	504
Foreign exchange contracts										
Forward contracts	135'875	164'033	59'839	59'425	2'677	2'740	269	266	198'660	226'465
Options (OTC)	159	159	1'770	1'770	448	448	0	0	2'377	2'377
Precious metals contracts										
Options (OTC)	0	0	106	106	25	25	0	0	131	131
Equity instruments / Index contracts										
Options (OTC)	2'312	2'312	0	0	0	0	0	0	2'312	2'312
Total derivative financial instruments in the trading portfolio	**139'500**	**168'987**	**63'834**	**66'518**	**3'189**	**7'650**	**269**	**266**	**206'792**	**243'421**
Derivative financial instruments for hedging purposes										
Interest rate contracts										
Swaps (fair value hedge)	44	0	52	48	999	6'957	11'817	5'772	12'912	12'777
Total derivative financial instruments for hedging purposes	**44**	**0**	**52**	**48**	**999**	**6'957**	**11'817**	**5'772**	**12'912**	**12'777**
Total derivative financial instruments	**139'544**	**168'987**	**63'886**	**66'566**	**4'188**	**14'607**	**12'086**	**6'038**	**219'704**	**256'198**

1 PRV: Positive replacement values; NRV: Negative replacement values

Maturity structure of non-derivative financial instruments and off-balance sheet transactions

in CHF thousands	Demand deposits	Callable	Due within 3 months	Due between 3 months to 12 months	Due between 12 months to 5 years	Due after 5 years	Total
31.12.2020							
Financial assets							
Cash and balances with central banks	6'653'651	0	0	0	0	0	6'653'651
Due from banks	298'348	0	280'497	0	0	0	578'845
Loans	513'834	170'059	3'350'914	2'124'626	5'086'275	2'382'251	13'627'958
Financial investments	0	0	145'952	358'942	1'348'575	216'915	2'070'385
Accrued income and prepaid expenses	0	0	60'601	0	0	0	60'601
Total financial assets	**7'465'833**	**170'059**	**3'837'964**	**2'483'568**	**6'434'850**	**2'599'166**	**22'991'440**
Financial liabilities							
Due to banks	250'424	0	625'876	265'083	184'105	0	1'325'489
Due to customers	12'675'597	3'757'386	492'570	397'552	217'238	14'231	17'554'573
Lease liabilities	0	0	726	3'545	15'651	17'176	37'097
Debt issued	0	0	79'734	102'250	538'762	1'104'825	1'825'571
Accrued expenses and deferred income	0	0	63'398	0	0	0	63'398
Total financial liabilities	**12'926'021**	**3'757'386**	**1'262'304**	**768'430**	**955'756**	**1'136'232**	**20'806'129**
Net liquidity exposure	**– 5'460'188**	**– 3'587'327**	**2'575'660**	**1'715'138**	**5'479'093**	**1'462'934**	**2'185'311**
Off-balance-sheet transactions	**774'368**	**0**	**0**	**0**	**0**	**0**	**774'368**
Contingent liabilities	62'416	0	0	0	0	0	62'416
Irrevocable commitments	696'915	0	0	0	0	0	696'915
Deposit and call liabilities	15'036	0	0	0	0	0	15'036

in CHF thousands	Demand deposits	Callable	Due within 3 months	Due between 3 months to 12 months	Due between 12 months to 5 years	Due after 5 years	Total
31.12.2021							
Financial assets							
Cash and balances with central banks	7'158'915	0	0	0	0	0	7'158'915
Due from banks	408'728	0	494'770	0	0	0	903'497
Loans	479'054	133'830	4'246'431	1'512'015	5'139'207	2'681'209	14'191'747
Financial investments	0	0	92'503	264'545	1'468'259	331'311	2'156'618
Accrued income and prepaid expenses	0	0	75'824	0	0	0	75'824
Total financial assets	**8'046'696**	**133'830**	**4'909'527**	**1'776'561**	**6'607'466**	**3'012'520**	**24'486'601**
Financial liabilities							
Due to banks	387'451	0	1'569'104	197'395	166'699	0	2'320'649
Due to customers	13'530'074	3'586'221	448'241	238'425	207'150	10'049	18'020'160
Lease liabilities	0	0	860	4'065	17'818	13'919	36'661
Debt issued	0	0	80'134	97'526	674'663	1'126'331	1'978'654
Accrued expenses and deferred income	0	0	73'047	0	0	0	73'047
Total financial liabilities	**13'917'525**	**3'586'221**	**2'171'386**	**537'410**	**1'066'330**	**1'150'299**	**22'429'172**
Net liquidity exposure	**– 5'870'829**	**– 3'452'391**	**2'738'141**	**1'239'151**	**5'541'137**	**1'862'221**	**2'057'429**
Off-balance-sheet transactions	**800'935**	**0**	**0**	**0**	**0**	**0**	**800'935**
Contingent liabilities	60'093	0	0	0	0	0	60'093
Irrevocable commitments	727'203	0	0	0	0	0	727'203
Deposit and call liabilities	13'639	0	0	0	0	0	13'639

3 Credit risk

Within the scope of credit risk management, vital importance is attached to the avoidance of credit losses and the early identification of default risks. In addition to systematic risk / return management at the individual loan level, the LLB Group proactively manages its credit risks at the credit portfolio level. The primary objective is to reduce the overall level of risk through diversification and a stabilisation of expected returns.

3.1 Credit risk management

Processes and organisational structures ensure that credit risks are identified, uniformly evaluated, controlled, monitored and included in risk reporting.

Basically, the LLB Group conducts its lending business for private and corporate clients on a secured basis. The process of granting a loan is based on a thorough evaluation of the borrower's creditworthiness, the possible impairment and the legal existence of collateral, as well as risk classification in a rating process performed by experienced credit specialists. The granting of loans is subject to a specified assignment of authority. A major characteristic of the credit approval process is the separation between front and back office functions.

In addition, the LLB Group conducts lending business with banks on a secured and unsecured basis, whereby individual risk limits are approved for every counterparty.

3.2 Evaluation of credit risks

The consistent evaluation of credit risks represents an essential prerequisite of successful risk management. The credit risk can be broken down into the components: probability of default, loss given default and the expected exposure at the time point of the default.

Probability of default

The LLB Group assesses the probability of default of individual counterparties by means of an internal rating system. The different rating procedures are adapted to suit the different characteristics of borrowers. The credit risk management ratings employed for banks and debt instruments are based on external ratings from recognised rating agencies.

The reconciliation of the internal rating with the external rating is carried out in accordance with the following master scale.

LLB rating	Description	External rating [2]
1 to 4	Investment grade	AAA, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Baa2, Baa3
5 to 8, not rated [1]	Standard monitoring	Ba1, Ba2, Ba3, B1, B2
9 to 10	Special monitoring	B3, Caa, Ca, C
11 to 14	Sub-standard	Default

1 Non-rated loans are covered and subject to limits.
2 For the securitisation of credit risks in the standard approach, the LLB Group employs solely the external ratings of the recognised rating agency Moody's (for the segments: due from banks, finance companies and securities firms, due from companies and due from international organisations).

Loss given default

The loss given default is influenced by the amount of collateralisation and the costs of realising the collateral. It is expressed as a percentage of the individual commitment.

The potential loss at portfolio level is broken down as follows at the LLB Group:

- Expected loss – Expected loss is a future-related, statistical concept that permits the LLB Group to estimate the average annual costs. It is calculated on the basis of the default probability of a counterparty, the expected credit commitment made to this counterparty at the time of the default, and the magnitude of the loss given default. The concept of expected loss is also applied within the scope of IFRS 9 / ECL. See chapter "Accounting principles".
- Scenario analysis – The modelling of external credit losses is performed on the basis of stress scenarios, which enable us to evaluate the effects of fluctuations in the default rates of the assets pledged as collateral taking into consideration the existing risk concentration in every portfolio.

3.3 Controlling credit risk

Credit risk management has the task of actively influencing the risk situation of the LLB Group. This is carried out using a limits system, risk-adjusted pricing, through the possibility of using risk hedging instruments and the specific repayment of credit commitments. Risk management is conducted both at the individual loan and at the portfolio level.

Risk restriction

The LLB Group has in place a comprehensive limits system to restrict credit risk exposure. In addition to the limitation of individual credit risks, to prevent risk concentrations, the LLB Group assigns limits for regions and sectors.

Risk mitigation

To mitigate credit risk exposure, the LLB Group takes security mainly in the form of pledged assets and financial collateral. In the case of financial collateral in the form of marketable securities, we determine their collateral value by applying a schedule of reductions, the size of which is based on the quality, liquidity, volatility and complexity of the separate instruments.

Derivatives

The LLB Group may employ credit derivatives to reduce risks. This possibility has not been utilised in recent years.

3.4 Monitoring and reporting of credit risks

The organisational structure of the LLB Group ensures that departments which cause the risks (front office) and those that evaluate, manage and monitor them (back office) are completely separated.

Individual credit risks are monitored by means of a comprehensive limits system. Infringements are immediately reported to the senior officer responsible.

3.5 Risk provisioning

Overdue claims

A claim is deemed to be overdue if a substantial liability from a borrower to the bank is outstanding. The overdraft begins on the date when a borrower exceeds an approved limit, has not paid interest or amortisation, or has utilised an unauthorised credit facility.

For claims that are more than 90 days overdue, individual value allowances are made in the amount of the expected credit loss.

Default-endangered claims

Claims are regarded as being in danger of default if, on the basis of the client's creditworthiness, a loan default can no longer be excluded in the near future.

Impairments

Basically, an impairment is calculated and a provision set aside for all positions which are subject to a credit risk. Essentially, the credit quality determines the scope of the impairment. If the credit risk has not risen significantly since initial recognition, the expected credit loss is calculated over a year (credit quality level 1). However, if a significant increase in the credit risk has occurred since initial recognition, the expected loss is calculated over the remaining term to maturity (credit quality level 2). In the case of defaulted credit positions – a default in accordance with the Capital Requirements Regulation (CRR) Art. 178 – a specific value allowance is determined and recognised by the Group Recovery Department. The expected credit loss is calculated over the loan's remaining term to maturity (credit quality level 3).

3.6 Country risks

A country risk arises if specific political or economic conditions in a country affect the value of a foreign position. Country risk is composed of transfer risk (e.g. restrictions on the free movement of money and capital) and other country risks (e.g. country-related liquidity, market and correlation risks).

Country risks are controlled on the basis of a limits system and are continually monitored. Ratings provided by a recognised rating agency are utilised for certain individual countries.

3.7 Risk concentration

The largest credit risk for the LLB Group arises from loans made to banks and loans made to customers. In the case of loans to customers, the majority of loans are secured by mortgages, which are granted to clients having first-class creditworthiness within the scope of the LLB Group's lending policy. Thanks to the diversified nature of the collateral portfolio, containing properties primarily in the Principality of Liechtenstein and in Switzerland, the risk of losses is reduced to a minimum. The LLB Group undertakes bank investments on both a secured and an unsecured basis. The risk of losses with loans to banks is restricted, on the one hand, through a broad distribution of risks and, on the other, by the strict minimum lending requirements applied to the counterparties.

Maximal credit risk by region without considering collateral

in CHF thousands	Liechten-stein / Switzerland	Europe excl. FL / CH	North America	Asia	Others[1]	Total
31.12.2020						
Credit risks from balance sheet transactions						
Due from banks	509'958	132'660	13'579	26'880	8'009	691'086
Loans						
Mortgage loans	11'530'874	146'047	1'916	13'166	14'938	11'706'941
Loans to public institutions	78'343	1	0	0	0	78'343
Miscellaneous loans	722'797	314'520	302	179'895	231'384	1'448'898
Derivative financial instruments	56'125	141'590	2	1'346	571	199'634
Financial investments						
Debt instruments	520'162	907'544	518'190	97'230	59'692	2'102'817
Total	**13'418'258**	**1'642'361**	**533'990**	**318'516**	**314'594**	**16'227'718**
Credit risks from off-balance sheet transactions						
Contingent liabilities	41'305	7'575	0	332	13'204	62'416
Irrevocable commitments	429'332	166'476	300	9'774	91'033	696'915
Deposit and call liabilities	15'036	0	0	0	0	15'036
Total	**485'673**	**174'051**	**300**	**10'106**	**104'237**	**774'368**
31.12.2021						
Credit risks from balance sheet transactions						
Due from banks	754'216	118'340	5'311	8'897	2'986	889'751
Loans						
Mortgage loans	12'054'065	141'048	834	14'541	7'742	12'218'229
Loans to public institutions	72'253	0	0	0	0	72'253
Miscellaneous loans	692'720	348'100	0	231'747	245'467	1'518'034
Derivative financial instruments	112'981	104'588	0	243	1'892	219'704
Financial investments						
Debt instruments	551'882	991'934	465'935	104'239	63'624	2'177'615
Total	**14'238'115**	**1'704'010**	**472'080**	**359'668**	**321'712**	**17'095'585**
Credit risks from off-balance sheet transactions						
Contingent liabilities	46'431	7'342	0	1'475	4'845	60'093
Irrevocable commitments	446'950	216'759	236	4'715	58'544	727'203
Deposit and call liabilities	13'639	0	0	0	0	13'639
Total	**507'020**	**224'101**	**236**	**6'190**	**63'389**	**800'935**

1 With contingent liabilities, in the previous year CHF 8 million of the total volume was attributable to the Central America region. With all the other positions under the item "Others", no individual region exceeded 10 per cent of the total volume in this and the previous business year.

Maximal credit risk by sector without considering collateral

in CHF thousands	Financial services	Real estate	Private households	Others[1]	Total
31.12.2020					
Credit risks from balance sheet transactions					
Due from banks	691'086	0	0	0	691'086
Loans					
Mortgage loans	209'966	2'920'692	7'621'079	955'204	11'706'941
Loans to public institutions	0	0	0	78'343	78'343
Miscellaneous loans	463'679	93'041	525'020	367'157	1'448'898
Derivative financial instruments	190'170	5	8'126	1'333	199'634
Financial investments					
Debt instruments	2'097'595	0	0	5'222	2'102'817
Total	**3'652'496**	**3'013'738**	**8'154'225**	**1'407'259**	**16'227'718**
Credit risks from off-balance sheet transactions					
Contingent liabilities	13'820	8'543	13'460	26'594	62'416
Irrevocable commitments	229'573	157'455	196'794	113'092	696'915
Deposit and call liabilities	15'036	0	0	0	15'036
Total	**258'429**	**165'998**	**210'254**	**139'686**	**774'368**
31.12.2021					
Credit risks from balance sheet transactions					
Due from banks	889'751	0	0	0	889'751
Loans					
Mortgage loans	201'600	3'307'950	7'742'168	966'512	12'218'229
Loans to public institutions	0	0	0	72'253	72'253
Miscellaneous loans	454'323	107'038	587'319	369'353	1'518'034
Derivative financial instruments	214'762	116	3'499	1'327	219'704
Financial investments					
Debt instruments	2'171'478	0	0	6'137	2'177'615
Total	**3'931'913**	**3'415'103**	**8'332'986**	**1'415'582**	**17'095'585**
Credit risks from off-balance sheet transactions					
Contingent liabilities	13'356	9'612	12'333	24'792	60'093
Irrevocable commitments	211'808	111'275	274'157	129'964	727'203
Deposit and call liabilities	13'639	0	0	0	13'639
Total	**238'803**	**120'886**	**286'490**	**154'755**	**800'935**

1 CHF 50 million (previous year: CHF 54 million) of the total volume of loans to public institutions relates to the energy supply sector and CHF 11 million (previous year: CHF 13 million) to public administration. With all other positions under the item "Others", no individual sector exceeds 10 per cent of the total volume.

3.8 Risk of default for financial instruments not measured at fair value through profit and loss according to the creditworthiness of the borrower

The following tables show the creditworthiness of borrowers with financial instruments, which are measured at amortised cost or at fair value through other comprehensive income, as well as for credit commitments and financial guarantees.

The carrying value of financial instruments, which are measured at fair value through other comprehensive income, is not corrected by means of a value allowance because the impairment is charged directly to other comprehensive income. In the case of credit commitments and financial guarantees, a corresponding provision is set aside.

in CHF thousands	Note	Investment Grade	Standard Monitoring	Special Monitoring	Sub-standard	Total
31.12.2020						
Due from banks	12	690'073	938	0	0	691'011
Loans	13	2'801'901	10'038'910	274'762	114'359	13'229'931
Financial investments						
Debt instruments measured at fair value through other comprehensive income	15	1'809'930	0	0	0	1'809'930
Credit risks from balance sheet transactions		**5'301'904**	**10'039'848**	**274'762**	**114'359**	**15'730'872**
Financial guarantees		365'380	397'716	6'234	5'037	774'368
Credit risks from off-balance sheet transactions		**365'380**	**397'716**	**6'234**	**5'037**	**774'368**
31.12.2021						
Due from banks	12	889'744	0	0	0	889'744
Loans	13	2'938'994	10'586'801	189'146	90'247	13'805'188
Financial investments						
Debt instruments measured at fair value through other comprehensive income	15	1'986'598	0	0	0	1'986'598
Credit risks from balance sheet transactions		**5'815'335**	**10'586'801**	**189'146**	**90'247**	**16'681'529**
Financial guarantees		352'903	426'361	16'689	4'981	800'935
Credit risks from off-balance sheet transactions		**352'903**	**426'361**	**16'689**	**4'981**	**800'935**

in CHF thousands	Stage 1 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
31.12.2020				
Due from banks				
Investment grade	690'147	0	0	690'147
Standard monitoring	938	0	0	938
Special monitoring	0	0	0	0
Sub-standard	0	0	0	0
Total gross carrying value	**691'086**	**0**	**0**	**691'086**
Total value allowances	**– 74**	**0**	**0**	**– 74**
Total net carrying value	**691'011**	**0**	**0**	**691'011**
31.12.2021				
Due from banks				
Investment grade	889'751	0	0	889'751
Standard monitoring	0	0	0	0
Special monitoring	0	0	0	0
Sub-standard	0	0	0	0
Total gross carrying value	**889'751**	**0**	**0**	**889'751**
Total value allowances	**– 7**	**– 0**	**0**	**– 7**
Total net carrying value	**889'744**	**– 0**	**0**	**889'744**

in CHF thousands	Stage 1 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
31.12.2020				
Loans				
Investment grade	2'779'437	23'214	0	2'802'651
Standard monitoring	9'708'845	333'349	0	10'042'194
Special monitoring	212'832	62'146	0	274'978
Sub-standard	0	0	189'554	189'554
Total gross carrying value	**12'701'114**	**418'709**	**189'554**	**13'309'377**
Total value allowances	**– 3'149**	**– 1'102**	**– 75'195**	**– 79'446**
Total net carrying value	**12'697'965**	**417'607**	**114'359**	**13'229'931**
31.12.2021				
Loans				
Investment grade	2'922'174	17'377	0	2'939'551
Standard monitoring	10'287'143	302'242	0	10'589'384
Special monitoring	125'044	64'290	0	189'334
Sub-standard	0	0	164'860	164'860
Total gross carrying value	**13'334'361**	**383'908**	**164'860**	**13'883'129**
Total value allowances	**– 2'336**	**– 991**	**– 74'613**	**– 77'941**
Total net carrying value	**13'332'024**	**382'917**	**90'247**	**13'805'188**

in CHF thousands	Stage 1 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
31.12.2020				
Debt instruments measured at fair value through other comprehensive income				
Investment grade	1'809'930	0	0	1'809'930
Standard monitoring	0	0	0	0
Special monitoring	0	0	0	0
Sub-standard	0	0	0	0
Total carrying value	**1'809'930**	**0**	**0**	**1'809'930**
Total value allowances	**– 172**	**0**	**0**	**– 172**
31.12.2021				
Debt instruments measured at fair value through other comprehensive income				
Investment grade	1'986'598	0	0	1'986'598
Standard monitoring	0	0	0	0
Special monitoring	0	0	0	0
Sub-standard	0	0	0	0
Total carrying value	**1'986'598**	**0**	**0**	**1'986'598**
Total value allowances	**– 187**	**0**	**0**	**– 187**

in CHF thousands	Stage 1 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
31.12.2020				
Financial guarantees				
Investment grade	365'380	0	0	365'380
Standard monitoring	392'187	5'529	0	397'716
Special monitoring	5'863	371	0	6'234
Sub-standard	0	0	5'037	5'037
Total credit risk	**763'430**	**5'900**	**5'037**	**774'368**
Total provisions	**– 996**	**– 178**	**– 1'304**	**– 2'478**
31.12.2021				
Financial guarantees				
Investment grade	352'903	0	0	352'903
Standard monitoring	402'726	23'635	0	426'361
Special monitoring	16'525	165	0	16'689
Sub-standard	0	0	4'981	4'981
Total credit risk	**772'154**	**23'800**	**4'981**	**800'935**
Total provisions	**– 850**	**– 896**	**– 536**	**– 2'282**

3.9 Expected credit loss and value allowances

The development of expected credit loss and the value allowances made are shown in the following overview. The following table shows, on an aggregated basis, the values for all balance sheet and off-balance sheet positions for which a calculation of the expected credit loss was made, followed by a complete reconciliation for only the most important positions.

in CHF thousands	Note	Gross carrying value				Value allowances			
31.12.2020		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets (balance sheet positions)									
Financial instruments measured at amortised cost									
Due from banks	12	691'086	0	0	691'086	– 74	0	0	– 74
Loans	13	12'701'114	418'709	189'554	13'309'377	– 3'149	– 1'102	– 75'195	– 79'446
Total		**13'392'200**	**418'709**	**189'554**	**14'000'463**	**– 3'223**	**– 1'102**	**– 75'195**	**– 79'521**

in CHF thousands	Note	Carrying value				Value allowances			
31.12.2020		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial instruments measured at fair value through other income[1]									
Debt instruments	15	1'809'930	0	0	1'809'930	– 172	0	0	– 172
Total		**1'809'930**	**0**	**0**	**1'809'930**	**– 172**	**0**	**0**	**– 172**

in CHF thousands	Note	Credit risk				Value allowance provision			
31.12.2020		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Commitments and financial guarantees (off-balance sheet positions)[2]									
Financial guarantees		763'430	5'900	5'037	774'368	– 996	– 179	– 1'304	– 2'478
Total		**763'430**	**5'900**	**5'037**	**774'368**	**– 996**	**– 179**	**– 1'304**	**– 2'478**

1 The carrying value corresponds to fair value, no value allowance can be made. The value allowance is made through other comprehensive income.
2 The value corresponds to the maximum credit risk. Value allowances are recognised as provisions.

in CHF thousands	Note	Gross carrying value				Value allowances			
31.12.2021		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets (balance sheet positions)									
Financial instruments measured at amortised cost									
Due from banks	12	889'751	0	0	889'751	– 7	– 0	0	– 7
Loans	13	13'334'361	383'908	164'860	13'883'129	– 2'336	– 991	– 74'613	– 77'941
Total		**14'224'111**	**383'908**	**164'860**	**14'772'879**	**– 2'343**	**– 991**	**– 74'613**	**– 77'948**

in CHF thousands	Note	Carrying value				Value allowances			
31.12.2021		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial instruments measured at fair value through other income [1]									
Debt instruments	15	1'986'598	0	0	1'986'598	– 187	0	0	– 187
Total		**1'986'598**	**0**	**0**	**1'986'598**	**– 187**	**0**	**0**	**– 187**

in CHF thousands	Note	Credit risk				Value allowance provision			
31.12.2021		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Commitments and financial guarantees (off-balance sheet positions) [2]									
Financial guarantees		772'154	23'800	4'981	800'935	– 850	– 896	– 536	– 2'282
Total		**772'154**	**23'800**	**4'981**	**800'935**	**– 850**	**– 896**	**– 536**	**– 2'282**

1 The carrying value corresponds to fair value, no value allowance can be made. The value allowance is made through other comprehensive income.
2 The value corresponds to the maximum credit risk. Value allowances are recognised as provisions.

in CHF thousands	Stage 1 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
Loans				
Gross carrying amount as at 1 January 2020	12'239'351	563'827	236'257	13'039'435
Transfers				
from Stage 1 to Stage 2	– 416'243	416'243	0	0
from Stage 2 to Stage 1	179'442	– 179'442	0	0
from Stage 2 to Stage 3	0	– 43'533	43'533	0
from Stage 3 to Stage 2	0	39'730	– 39'730	0
Additions from changes to scope of consolidation	0	0	0	0
Additions due to issuing loans / interest	5'031'968	57'788	6'034	5'095'789
Disposals due to redemption of loans / waiving of claims	– 4'331'803	– 435'903	– 56'481	– 4'824'187
Foreign currency influences	– 1'601	0	– 59	– 1'660
Gross carrying amount as at 31 December 2020	**12'701'114**	**418'709**	**189'554**	**13'309'377**

in CHF thousands	Stage 1 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
Loans				
Valuation allowance as at 1 January 2020	– 5'191	– 2'126	– 71'594	– 78'911
Transfers				
from Stage 1 to Stage 2	960	– 960	0	0
from Stage 2 to Stage 1	– 980	980	0	0
from Stage 2 to Stage 3	0	47	– 47	0
from Stage 3 to Stage 2	0	– 1'230	1'230	0
Net revaluation effect	2'752	1'189	– 17'560	– 13'619
Additions from changes to scope of consolidation	0	0	0	0
Addition on account of new loans to customers / interest	– 2'336	– 170	– 3'771	– 6'278
Disposals due to redemption of loans / waiving of claims	1'646	1'168	15'318	18'132
Foreign currency influences	0	0	1'229	1'229
Valuation allowance as at 31 December 2020	**– 3'149**	**– 1'102**	**– 75'195**	**– 79'446**

in CHF thousands	Stage 1 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
Loans				
Gross carrying amount as at 1 January 2021	12'701'114	418'709	189'554	13'309'377
Transfers				
from Stage 1 to Stage 2	– 121'061	121'061	0	0
from Stage 2 to Stage 1	150'359	– 150'359	0	0
from Stage 2 to Stage 3	0	– 12'056	12'056	0
from Stage 3 to Stage 2	0	11'617	– 11'617	0
Additions from changes to scope of consolidation	0	0	0	0
Additions due to issuing loans / interest	6'280'038	80'485	3'358	6'363'881
Disposals due to redemption of loans / waiving of claims	– 5'674'543	– 85'549	– 28'711	– 5'788'803
Foreign currency influences	– 1'546	– 0	220	– 1'327
Gross carrying amount as at 31 December 2021	**13'334'361**	**383'908**	**164'860**	**13'883'129**

in CHF thousands	Stage 1 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
Loans				
Valuation allowance as at 1 January 2021	– 3'149	– 1'102	– 75'195	– 79'446
Transfers				
from Stage 1 to Stage 2	69	– 69	0	0
from Stage 2 to Stage 1	– 699	699	0	0
from Stage 2 to Stage 3	0	16	– 16	0
from Stage 3 to Stage 2	0	– 2'962	2'962	0
Net revaluation effect	350	2'234	– 8'765	– 6'182
Additions from changes to scope of consolidation	0	0	0	0
Addition on account of new loans to customers / interest	– 1'034	– 32	– 882	– 1'948
Disposals due to redemption of loans / waiving of claims	2'123	225	7'621	9'968
Foreign currency influences	4	0	– 337	– 334
Valuation allowance as at 31 December 2021	**– 2'336**	**– 991**	**– 74'613**	**– 77'941**

in CHF thousands	Stage 1 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
Financial guarantees				
Credit risk as at 1 January 2020	584'203	8'847	808	593'859
Transfers				
from Stage 1 to Stage 2	– 3'147	3'147	0	0
from Stage 2 to Stage 1	2'062	– 2'062	0	0
from Stage 2 to Stage 3	0	– 2'285	2'285	0
from Stage 3 to Stage 2	0	56	– 56	0
Additions from changes to scope of consolidation	0	0	0	0
Addition due to granting of new financial guarantees	369'447	630	2'319	372'395
Disposal due to withdrawal of financial guarantees	– 187'885	– 2'432	– 319	– 190'636
Foreign currency influences	– 1'250	0	0	– 1'250
Credit risk as at 31 December 2020	**763'430**	**5'900**	**5'037**	**774'368**

in CHF thousands	Stage 1 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
Financial guarantees				
Provision on 1 January 2020	– 1'058	– 572	– 808	– 2'437
Transfers				
from Stage 1 to Stage 2	8	– 8	0	0
from Stage 2 to Stage 1	– 231	231	0	0
from Stage 2 to Stage 3	0	0	– 0	0
from Stage 3 to Stage 2	0	– 56	56	0
Net revaluation effect	660	208	0	868
Additions from changes to scope of consolidation	0	0	0	0
Addition due to granting of new financial guarantees	– 695	– 6	– 871	– 1'572
Disposal due to withdrawal of financial guarantees	308	24	320	652
Foreign currency influences	11	0	0	11
Provision as at 31 December 2020	**– 996**	**– 179**	**– 1'304**	**– 2'478**

in CHF thousands	Stage 1 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
Financial guarantees				
Credit risk as at 1 January 2021	763'430	5'900	5'037	774'368
Transfers				
from Stage 1 to Stage 2	– 18'880	18'880	0	0
from Stage 2 to Stage 1	283	– 283	0	0
from Stage 2 to Stage 3	0	– 1'853	1'853	0
from Stage 3 to Stage 2	0	941	– 941	0
Additions from changes to scope of consolidation	0	0	0	0
Addition due to granting of new financial guarantees	327'384	539	2'402	330'325
Disposal due to withdrawal of financial guarantees	– 298'734	– 324	– 3'371	– 302'428
Foreign currency influences	– 1'330	0	0	– 1'330
Credit risk as at 31 December 2021	**772'154**	**23'800**	**4'981**	**800'935**

in CHF thousands	Stage 1 Expected 12-month credit loss	Stage 2 Credit losses expected over the period without impairment of creditworthiness	Stage 3 Credit losses expected over the period with impairment of creditworthiness	Total
Financial guarantees				
Provision on 1 January 2021	– 990	– 178	– 1'304	– 2'472
Transfers				
from Stage 1 to Stage 2	2	– 2	0	0
from Stage 2 to Stage 1	– 22	22	0	0
from Stage 2 to Stage 3	0	3	– 3	0
from Stage 3 to Stage 2	0	– 291	291	0
Net revaluation effect	78	– 505	0	– 427
Additions from changes to scope of consolidation	0	0	0	0
Addition due to granting of new financial guarantees	– 200	– 30	– 93	– 324
Disposal due to withdrawal of financial guarantees	281	85	572	939
Foreign currency influences	1	0	0	1
Provision as at 31 December 2021	**– 850**	**– 896**	**– 536**	**– 2'282**

3.10 Collateral and positions with impaired credit rating

Chapter 3.7 “Risk concentration” shows the maximum credit risk without considering possible collateral. The LLB Group pursues the goal of reducing credit risks where possible. This is achieved by obtaining collateral from the borrower. The LLB Group predominantly holds collateral against loans to clients and banks (see note 34).

The types of cover for loans to clients and due from banks are shown in the following tables.

Types of cover for loans

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Secured by properties	12'194'414	11'707'441	4.2
Other collateral	1'298'404	1'263'877	2.7
Unsecured	312'370	258'613	20.8
Total	**13'805'188**	**13'229'931**	**4.3**

Loans to clients secured by properties are predominantly secured by residential properties in Switzerland and the Principality of Liechtenstein. In the category "Other collateral" client loans secured by securities (money market instruments, equities, bonds, investment fund units, hedge fund units, structured products, as well as other traditional and alternative financial investments) are reported. To ensure the adequate quality and liquidity of the pledged collateral, the LLB Group pursues a strict collateral quality and lending value system.

The table above shows the types of cover for net client loans, i.e. after deduction of expected credit loss. If value allowances are made for client loans, the amount of the allowance largely depends on the collateral provided by the client. The maximum value allowance may only correspond to the expected liquidation value of the collateral held and is shown in the following table.

in CHF thousands	Gross carrying value	Impaired creditworthiness	Net carrying value	Fair value of collateral held
Financial assets of stage 3 on reporting date 31.12.2020				
Loans to customers	189'554	– 75'195	114'359	114'359
Financial assets of stage 3 on reporting date 31.12.2021				
Loans to customers	164'860	– 74'613	90'247	90'247

Write-offs are made only on a very restrictive basis. The following table shows to what extent the LLB Group can also legally recover written- off claims in future.

in CHF thousands	31.12.2021	31.12.2020
Written-off financial assets in year under report, subject to an enforcement measure	**Contractually outstanding amount**	**Contractually outstanding amount**
Loans to customers	1'156	3'597

Changes to collateral policy

There were no substantial changes to the collateral policy or in the quality of collateral in the 2021 business year.

Types of cover for due from banks

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Other collateral	0	0	
Unsecured	889'744	691'011	28.8
Total	**889'744**	**691'011**	**28.8**

Expected credit loss of stage 1 exist only for claims due from banks.

Taken-over collateral

in CHF thousands	2021 Real estate / Properties	2021 Total	2020 Real estate / Properties	2020 Total
As at 1 January	1'750	1'750	1'750	1'750
Additions / (Disposals)	0	0	0	0
(Value allowances) / Revaluations	0	0	0	0
As at 31 December	**1'750**	**1'750**	**1'750**	**1'750**

Taken-over collateral is disposed of again as soon as possible. It is reported under financial investments, trading portfolio assets, investment property and non-current assets held for sale, respectively.

4 Operational risk

The LLB Group defines operational risks as being the danger of losses due to the failure of internal procedures, people or IT systems or as a result of an external event. Legal risks form a part of operational risks. The LLB Group has in place an active and systematic process for managing operational risks. Policies and directives have been formulated for the identification, control and management of this risk category, which are valid for all Group companies. Potential and incurred losses from all organisational units, as well as significant external events, are recorded and evaluated promptly at the parent bank. In addition, the LLB Group collates and analyses risk ratios, e.g. from the areas of due diligence and employee transactions for own account. Ultimately, the risks are limited by means of internal rules and regulations regarding organisation and control.

5 Strategic risk

For LLB Group, a strategic risk represents the endangering of a projected business result due to the inadequate focusing of the Group on the political, economic, technological, social or ecological environment. Accordingly, these risks can arise as a result of an inadequate strategic decision-making process, unforeseeable events on the market or a deficient implementation of the selected strategies.

Strategic risks are regularly reviewed by the Group Risk Committee and by the Group Board of Directors.

6 Reputational risk

If risks are not identified, adequately managed and monitored, this can lead not only to substantial financial losses, but also to reputational damage. The LLB Group does not regard reputational risk as an independent risk category, but rather as the danger of additional losses stemming from the categories concerned. To this extent, a reputational risk can cause and also result in losses in all risk categories, such as market or credit risks.

Reputational risks are regularly reviewed by the Group Risk Committee and by the Group Board of Directors.

7 Regulatory disclosures

As at 31 December 2021, the leverage ratio (LR) of the LLB Group stood at 7.0 per cent (31.12.2020: 7.1 %).

At the end of 2021, a regulatory liquidity coverage ratio (LCR) lower limit of 100 per cent was applicable for the LLB Group. With a value of 147.6 per cent, the LLB Group's ratio was substantially higher than the legal requirements (31.12.2020: 149.3 %).

As at the end of 2021, the LLB Group had CHF 2.2 billion in equity capital (31.12.2020: CHF 2.1 billion). At 20.3 per cent (31.12.2019: 21.6 %), its Tier 1 ratio is well above the regulatory requirement and above its target of 16 per cent.

Further information on regulatory disclosures can be found in the Disclosure Report in accordance with CRR.

Assets under management

in CHF millions	31.12.2021	31.12.2020	+ / – %
Assets in own-managed funds	7'194	6'350	13.3
Assets with discretionary mandates	10'101	8'795	14.9
Other assets under management	74'597	64'517	15.6
Total assets under management	**91'892**	**79'662**	**15.4**
of which double counting	5'546	5'039	10.1

in CHF millions	2021	2020
Total assets under management as at 1 January [1]	79'662	76'322
Net new money	7'212	3'274
Market and currency effects [2]	5'018	65
Other effects (incl. reclassifications)	0	0
Total assets under management as at 31 December [1]	**91'892**	**79'662**

1 Including double counting
2 Including interest and dividend income

Breakdown of assets under management

in per cent	31.12.2021	31.12.2020
By asset class		
Equities	24	22
Bonds	18	19
Investment funds	35	33
Liquidity	19	21
Precious metals / others	4	5
Total	**100**	**100**
By currency		
CHF	29	31
EUR	38	39
USD	26	24
Others	7	7
Total	**100**	**100**

Calculation method

Assets under management comprise all client assets managed or held for investment purposes. Basically, these include all balances due to customers, fiduciary time deposits and all valued portfolio assets.

Also included are other types of client assets which can be deduced from the principle of the investment purpose. Custody assets (assets held solely for transaction and safekeeping purposes) are not included in assets under management.

Assets in own-managed funds

This item comprises the assets of the LLB Group's own managed, collective investment funds.

Assets with discretionary mandates

Securities, value rights, precious metals, the market value of fiduciary investments with third parties and customer deposits are included in the calculation of assets with discretionary mandates. The figures comprise both assets deposited with Group companies and assets deposited with third parties, for which the Group companies hold a discretionary mandate.

Other assets under management
Securities, value rights, precious metals, the market value of fiduciary investments with third parties and customer deposits are included in the calculation of other assets under management. The figures comprise assets for which an administration or advisory mandate is exercised.

Double counting
This item comprises fund units in own-managed, collective investment funds which are contained in client portfolios with discretionary mandates and in other client safekeeping accounts.

Net new money
This position is composed of the acquisition of new clients, lost client accounts and inflows or outflows from existing clients. Performance related asset fluctuations, e.g. price changes, interest and dividend payments including interest, commissions and expenses charged to client accounts, are not regarded as inflows or outflows. Acquisition related changes to assets will also not be considered.

Other effects
In the year under report, no client / custody assets were reclassified.

KPMG

Liechtensteinische Landesbank Aktiengesellschaft, Vaduz

Statutory Auditor's Report

on the Consolidated Financial Statements

to the General Meeting

2021 Consolidated financial statements

KPMG (Liechtenstein) AG
Vaduz, 24 February 2022

KPMG

Statutory Auditor's Report

To the General Meeting of Liechtensteinische Landesbank Aktiengesellschaft, Vaduz

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Liechtensteinische Landesbank Aktiengesellschaft (Group), which comprise the consolidated balance sheet as at 31 December 2021, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 153 to 241) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Liechtenstein law.

Basis for Opinion

We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

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

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

Key Audit Matters

RECOVERABILITY OF LOANS

RECOVERABILITY OF GOODWILL

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

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RECOVERABILITY OF LOANS

Key Audit Matter

As at 31 December 2021, the Group reports loans of CHF 13.8 billion, representing 54.9% of total assets.

Loans are valued at amortized cost using the effective interest method, taking into account an expected credit loss (ECL).

The expected credit loss is calculated over the scheduled residual term and is based on the components probability of default, loan amount and loss rate in the event of default.

Due to the existence of considerable scope for judgement in the method of calculating and measuring any need for allowances and the high amount of the balance sheet position, we consider the recoverability of loans to be a key audit matter.

Our response

Our audit procedures included the verification of key controls relating to the approval, recording and monitoring of loans and an evaluation of the methods, inputs and assumptions used by the Group to calculate the allowances for loans using the ECL model. In this regard, we performed effectiveness tests of key controls on a sample basis.

For a sample of loans with specific allowances for credit losses, we assessed whether the allowances made by the bank were appropriate.

We also tested a sample of loans that were not identified by the bank as potentially impaired and assessed whether, taking into account respective collaterals, there was a need for allowance.

Finally, we verified the complete and correct disclosure of the information in the notes to the consolidated financial statements in connection with the loans.

For further information on loans, refer to the following pages of the notes to the consolidated financial statements:

- Page 163: Accounting policies: Financial assets measured at amortized cost
- Pages 165 to 167: Accounting policies: Impairments
- Page 180: Notes to the consolidated balance sheet 13 loans
- Pages 224 to 239: Risk management: Credit Risk

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RECOVERABILITY OF GOODWILL

Key Audit Matter

As at 31 December 2021, the Group recognizes goodwill of CHF 159.1 million arising from a number of past acquisitions.

Goodwill impairment testing is performed at the level of cash generating units ('CGUs') and is based on an estimate of the value-in-use based on discounted future cash flows. The estimation uncertainty is typically highest for those CGUs where headroom between value-in-use and carrying value is small or where the value-in-use is highly sensitive to changes in projected future cash flows and other key assumptions.

Due to the significance of the Group's recognized goodwill and due to the scope for judgement in forecasting and discounting future cash flows, the recoverability of goodwill is deemed to be a key audit matter.

Our response

Our audit procedures included the assessment of the Group's process and key controls for the testing of the recoverability of goodwill, including the assumptions used.

We tested key assumptions in the value-in-use calculations of the individual CGUs, including the cash flow projections and discount rates used. We assessed the appropriateness of cash flow projections and key inputs (such as discount rates and growth rates) by comparing them with historical data and results of the Group and externally available industry, economic and financial data.

With the assistance of our own valuation specialists, we critically assessed the assumptions and methods used to determine the value-in-use for those CGUs where significant goodwill was found to be sensitive to changes in those assumptions.

We also compared the aggregate values-in-use determined by the Group with its market capitalization.

Finally, we verified the complete and correct disclosure of the information in the notes to the consolidated financial statements in connection with the goodwill.

For further information on goodwill, refer to the following pages in the notes to the consolidated financial statements:

- Pages 169: Accounting policies: Goodwill and other intangible assets
- Pages 186 to 188: Notes to the consolidated balance sheet 17 Goodwill and other intangible assets

Other matters

The consolidated financial statements of Group for the year ended on 31 December 2020 were audited by another auditor whose report, dated 9 March 2021, expressed an unmodified opinion on those statements.

Other Information

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

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

In connection with our audit, we have the responsibility to read the other information and to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, on the basis of our work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Board of Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements or, whether due to fraud design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of Regulation (EU) No 537/2014

We were elected as statutory auditor by the General Meeting on 7 May 2021. We have been the statutory auditor of the Group without interruption since the financial year ending on 31 December 2021.

We declare that the audit opinions contained in this statutory auditor's report are consistent with the additional report to the Group Audit Committee pursuant to Article 11 of Regulation (EU) No 537/2014.

We have provided the following services, which were not disclosed in the consolidated financial statements or in the consolidated management report, in addition to the statutory audit for the audited company or for the companies controlled by it:

- Regulatory audit according to the applicable requirements
- Tax services in accordance with Article 46 WPG as well as regulatory and other consulting services

Further, we declare that no prohibited non-audit services pursuant to Article 5 para. 1 Regulation (EU) No. 537/2014 were provided.

Further Confirmations pursuant to Article 196 PGR

The consolidated management report (pages 149 to 152) has been prepared in accordance with the applicable legal requirements, is consistent with the consolidated financial statements and, in our opinion, based on the knowledge obtained in the audit of the consolidated financial statements and our understanding of the Group and its environment does not contain any material misstatements.

We further confirm that the consolidated financial statements comply with Liechtenstein law and the articles of incorporation. We recommend that the accompanying consolidated financial statements submitted to you be approved.

KPMG (Liechtenstein) AG

Philipp Rickert Chartered Accountant (CH) Engagement Leadpartner	Moreno Halter Chartered Accountant Auditor in Charge

Vaduz, 24 February 2022

KPMG (Liechtenstein) AG, Aeulestrasse 2, LI-9490 Vaduz

Financial statement of LLB AG, Vaduz

Management report

Liechtensteinische Landesbank AG was entered in the Commercial Register of the Principality of Liechtenstein on 3 August 1926 under the register number FL-0001.000.289-1.

The details of the management report of Liechtensteinische Landesbank AG, Vaduz, can largely be seen in the consolidated management report of the LLB Group. The non-financial section of the report is contained in the management report.

On the balance sheet date, Liechtensteinische Landesbank AG, Vaduz, and its subsidiaries held a total of 232'935 registered shares (previous year: 288'410 shares). This corresponds to a share capital stake of 0.8 per cent (previous year: 0.9 %). With respect to the volume of, and changes to, treasury shares of Liechtensteinische Landesbank AG, reference is made to note 6.

The Board of Directors proposes to the General Meeting of Shareholders on 6 May 2022 that a dividend of CHF 2.30 per registered share be paid out.

In connection with important events since the balance sheet date, reference is made to the notes at the end of the accounting principles in the LLB Group report. No additional data and / or a correction of the 2021 financial statement were necessary because of this.

Balance sheet

in CHF thousands	Note	31.12.2021	31.12.2020	+ / – %
Assets				
Cash and balances with central banks		3'895'515	3'535'790	10.2
Due from banks		2'141'100	1'787'999	19.7
due on a daily basis		528'234	652'467	– 19.0
other claims		1'612'866	1'135'532	42.0
Loans	1a	7'051'322	6'812'923	3.5
of which mortgages	1a	5'828'290	5'546'370	5.1
of which subordinated claims (gross)		0	0	
Bonds and other fixed-interest securities	2b	1'646'266	1'576'280	4.4
Money market instruments		53'283	47'042	13.3
Bonds		1'592'983	1'529'237	4.2
from public authority issuers		357'728	341'417	4.8
from other issuers		1'235'256	1'187'820	4.0
of which subordinated bonds		0	0	
Shares and other non-fixed-interest securities	2	220'997	62'392	254.2
Participations	3 / 4	25	26	– 0.3
Shares in associated companies	3 / 4	500'864	437'482	14.5
Intangible assets	4	46'526	43'851	6.1
Fixed assets	4	76'515	77'732	– 1.6
Own shares	6	12'252	15'142	– 19.1
Other assets	7	293'419	280'400	4.6
Accrued income and prepayments		71'253	54'770	30.1
Total assets		**15'956'054**	**14'684'786**	**8.7**

in CHF thousands	Note	31.12.2021	31.12.2020	+ / – %
Liabilities				
Due to banks		2'397'715	1'158'182	107.0
due on a daily basis		450'715	239'629	88.1
with agreed maturities or periods of notice		1'947'000	918'552	112.0
Due to customers		10'882'395	10'877'471	0.0
savings deposits		2'058'609	2'036'936	1.1
other liabilities		8'823'786	8'840'536	– 0.2
due on a daily basis		8'307'087	8'436'779	– 1.5
with agreed maturities or periods of notice		516'699	403'757	28.0
Certified liabilities		482'716	500'200	– 3.5
medium-term notes		82'716	100'200	– 17.4
Bonds issued	9	400'000	400'000	0.0
Other liabilities	7	323'600	307'737	5.2
Accrued expenses and deferred income		52'650	43'115	22.1
Provisions		14'250	6'522	118.5
tax provisions	10	8'143	2'853	185.4
other provisions	10	6'107	3'669	66.5
Provisions for general banking risks	10	310'000	310'000	0.0
Share capital	11	154'000	154'000	0.0
Share premium		47'750	47'750	0.0
Retained earnings		1'207'080	1'198'080	0.8
legal reserves		390'550	390'550	0.0
reserves for own shares		12'252	15'142	– 19.1
other reserves		804'277	792'388	1.5
Balance brought forward		5'491	4'346	26.3
Profit for the year		78'408	77'382	1.3
Total liabilities		**15'956'054**	**14'684'786**	**8.7**

Off-balance sheet transactions

in CHF thousands	Note	31.12.2021	31.12.2020	+ / – %
Contingent liabilities	1 / 19	35'507	37'787	– 6.0
Credit risks		306'153	325'652	– 6.0
irrevocable commitments	1	302'625	320'726	– 5.6
call liabilities	1	3'529	4'926	– 28.4
Derivative financial instruments	20	30'512'441	24'319'919	25.5
Fiduciary transactions	21	61'600	204'418	– 69.9

Income statement

in CHF thousands	Note	2021	2020	+ / – %
Interest income		73'612	90'197	– 18.4
of which from fixed-interest securities		16'134	18'779	– 14.1
of which from trading transactions		– 0	2	
Interest expenses		19'123	2'342	716.7
Net interest income		**92'736**	**92'538**	**0.2**
Shares and other non-fixed-interest securities		2'710	1'544	75.5
of which from trading transactions		2'710	1'544	75.5
Participations and associated companies		15'000	30'000	– 50.0
Income from securities		**17'710**	**31'544**	**– 43.9**
Credit-related commissions and fees		353	349	1.3
Commissions from securities and investment business		126'762	108'749	16.6
Other commission and fee income		17'966	17'493	2.7
Commission and fee expenses		– 49'667	– 47'200	5.2
Net commission and fee income		**95'414**	**79'390**	**20.2**
Income from financial transactions		**33'697**	**35'576**	**– 5.3**
of which from trading business	22	44'907	43'825	2.5
Income from real estate holdings		859	860	– 0.1
Sundry ordinary income		30'607	34'442	– 11.1
Other ordinary income		**31'466**	**35'302**	**– 10.9**
Total operating income		**271'023**	**274'351**	**– 1.2**
Personnel expenses	23	– 111'966	– 104'926	6.7
Administrative expenses	24	– 48'412	– 53'864	– 10.1
Total operating expenses		**– 160'377**	**– 158'790**	**1.0**
Gross operating profit		**110'646**	**115'561**	**– 4.3**
Depreciation on intangible assets and fixed assets		– 17'339	– 22'931	– 24.4
Sundry ordinary expenses	25	– 1'399	– 2'301	– 39.2
Allowances on claims and allocations to provisions for contingent liabilities and lending risks	10	– 4'205	– 12'400	– 66.1
Earnings from the release of allowances on claims and of provisions for contingent liabilities and lending risks	10	1'464	3'199	– 54.2
Write-downs to participations, shares in associated companies and securities treated as long-term investments		– 0	– 3	– 97.2
Result from normal business operations		**89'166**	**81'126**	**9.9**
Income taxes		– 10'525	– 3'500	200.7
Other taxes		– 234	– 243	– 3.7
Profit for the year[1]		**78'408**	**77'382**	**1.3**

1 The return on capital (annual profit in relation to balance sheet total) amounted to 0.49 per cent as at 31 December 2021 and to 0.53 per cent as at 31 December 2020 (pursuant to the Banking Ordinance, Art. 24e, Para. 1, Point 6).

Distribution of balance sheet profit

The Board of Directors proposes to the General Meeting of Shareholders on 6 May 2022 that the balance sheet profit as at 31 December 2021 be distributed as follows:

in CHF thousands	2021	2020
Profit for the year	78'408	77'382
Balance brought forward	5'491	4'346
Balance sheet profit	83'899	81'729
Distribution of balance sheet profit		
Allocation to other reserves	8'000	9'000
Allocation to corporate capital (common stock) [1]	70'304	67'237
Balance carried forward *	5'595	5'491

1 Shares eligible for dividends are all shares outstanding except for own shares as of record date. The amounts presented are based on the numbers of shares eligible for dividends as at 31 December 2021.

If this proposal is accepted, a dividend of CHF 2.30 per registered share will be paid out on 12 May 2022.

Notes on business operations

Liechtensteinische Landesbank Aktiengesellschaft with its registered office in Vaduz and two domestic branch offices is active as a full-service (universal) bank. LLB AG is one of the three largest banks in Liechtenstein and has subsidiaries in Liechtenstein, Austria and Switzerland, as well as a branch in Dubai and representative offices in Zurich, Geneva and Abu Dhabi. Adjusted for full-time equivalents, 618 people were employed as of 31 December 2021 (previous year: 589). The average headcount in 2021 amounted to 607 persons (previous year: 591) on a full-time equivalent basis.

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

Commissions and fees business

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

Credit and lending business

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

Money market and interbank business

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

Securities trading business

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

Accounting policies and valuation principles

Basic principles

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

Recording of business

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

Foreign currency translations

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

Reporting date rate	31.12.2021	31.12.2020
1 USD	0.9121	0.8803
1 EUR	1.0331	1.0802

Average rate	2021	2020
1 USD	0.9115	0.9373
1 EUR	1.0799	1.0720

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

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

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

The impairment is measured on the basis of the difference between the book value of the claim and the probable recoverable amount taking into consideration counterparty risk and the net proceeds from the realisation of any collateral. If it is expected that the realisation process will take longer than one year, the estimated realisation proceeds are discounted on the balance sheet date. The specific allowances are deducted directly from the corresponding asset positions. A claim is reclassified as no longer endangered if the outstanding principal and interest are again repaid on time in accordance with the original contractual terms. To cover the risks in retail business, which are composed of numerous small claims, lump-sum individual allowances, calculated on the basis of empirical values, are made for the unsecured loans and overdrawn limits for which individual allowances have not already been considered.

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

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

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

Participations

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

Shares in associated companies

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

Intangible assets

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

Low-cost acquisitions are charged directly to administrative expenses.

Tangible fixed assets

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

Low-cost acquisitions are charged directly to administrative expenses.

Treasury shares

Own shares (treasury shares) held by the Liechtensteinische Landesbank AG are recognised at market values up to the acquisition costs and are reported as treasury shares. The difference between the market value of treasury shares and the acquisition costs is reported in the income statement under income from financial transactions.

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

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

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

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

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

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

Notes to the balance sheet

1 Type of collateral
a Types of cover

in CHF thousands		Type of collateral: Secured by mortgage	Other collateral	Unsecured	Total
Loans					
Loans (excluding mortgage loans)		14'241	779'720	429'071	1'223'032
Mortgage loans					
residential property		4'458'890	14'797	26'588	4'500'274
office and business property		879'558	685	2'776	883'019
commercial and industrial property		207'106	0	0	207'106
other		237'814	50	27	237'891
Total loans	**31.12.2021**	**5'797'609**	**795'252**	**458'461**	**7'051'322**
	31.12.2020	5'533'621	795'208	484'094	6'812'923
Off-balance sheet transactions					
Contingent liabilities		1'344	30'435	3'728	35'507
Irrevocable commitments		135'196	17'014	150'414	302'625
Call liabilities		0	0	3'529	3'529
Total off-balance sheet transactions	**31.12.2021**	**136'540**	**47'449**	**157'670**	**341'660**
	31.12.2020	147'047	69'973	146'418	363'438

b Claims at risk

in CHF thousands	Gross outstanding amount	Estimated proceeds from realisation of collateral	Net outstanding amount	Specific allowances
31.12.2021	**67'059**	**30'190**	**30'190**	**36'869**
31.12.2020	64'923	32'137	32'137	32'786

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

	Book value		Cost		Market value	
in CHF thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Equities	3	12	60	69	3	12
Total	**3**	**12**	**60**	**69**	**3**	**12**
of which eligible securities	0	0	0	0	0	0

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

	Book value		Cost		Market value	
in CHF thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Debt securities	1'646'266	1'576'280	1'661'049	1'584'887	1'667'666	1'617'614
of which own bonds and medium-term notes	0	0	0	0	0	0
Equities	12'295	15'163	15'146	18'720	12'323	15'192
of which qualified participations	0	0	0	0	0	0
Total	**1'658'562**	**1'591'443**	**1'676'195**	**1'603'606**	**1'679'989**	**1'632'806**
of which eligible securities	683'045	653'672	699'675	661'411	696'347	664'555

c Securities and precious metals as fixed assets

	Book value		Cost		Market value	
in CHF thousands	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Equities	220'951	62'358	228'631	69'135	258'555	70'297
of which qualified participations	22'731	8'771	27'359	13'337	27'969	12'064
Precious metals	13'972	15'014	13'972	15'014	13'972	15'014
Total	**234'923**	**77'373**	**242'603**	**84'150**	**272'527**	**85'312**
of which eligible securities	0	0	0	0	0	0

3 Participations and shares in associated companies

in CHF thousands	31.12.2021	31.12.2020
Participations		
Without market value	25	26
Total participations	**25**	**26**
Shares in associated companies		
Without market value	500'864	437'482
Total shares in associated companies	**500'864**	**437'482**

4 Statement of fixed assets

in CHF thousands	Cost	Accumulated depreciation	Book value 31.12.2020	Investments	Disinvestments	Reclassifications	Additions	Depreciation	Book value 31.12.2021
Total participations (non-controlling interests)	**37**	**– 11**	**26**	**0**	**0**	**0**	**0**	**– 0**	**25**
Total shares in associated companies	**473'851**	**– 36'369**	**437'482**	**63'382**	**0**	**0**	**0**	**0**	**500'864**
Total securities and precious metals as fixed assets	**187'917**	**– 110'544**	**77'373**	**359'329**	**– 201'780**	**0**	**0**	**0**	**234'923**
Total intangible assets[1]	**126'834**	**– 82'983**	**43'851**	**11'373**	**0**	**0**	**0**	**– 8'698**	**46'526**
Real estate									
bank premises	151'946	– 105'486	46'460	1'931	0	0	0	– 2'968	45'423
other properties	17'128	– 2'128	15'000	0	0	0	0	0	15'000
Other fixed assets	56'265	– 39'993	16'272	5'493	– 1	0	0	– 5'672	16'092
Total fixed assets	**225'339**	**– 147'606**	**77'732**	**7'424**	**– 1**	**0**	**0**	**– 8'641**	**76'515**
Fire insurance value of real estate			172'646						172'646
Fire insurance value of other fixed assets			27'031						36'235
Liabilities: future leasing installments from operational leasing			33						21
Intended for resale									
Properties			1'750						1'750
Participations			0						0
(not included in the statement of fixed assets)									

1 Solely licences and software

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

5 Substantial participations and shares in associated companies

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

6 Own shares included in current assets (excluding trading positions)

	Quantity		Book value	
Quantity / in CHF thousands	**2021**	**2020**	**2021**	**2020**
As at 1 January	288'410	364'295	15'142	22'647
Bought	0	0	0	0
Sold	– 55'475	– 75'885	– 2'853	– 4'914
Additions / (Impairments)	0	0	– 36	– 2'592
As at 31 December	**232'935**	**288'410**	**12'252**	**15'142**

For information according to PGR Art. 1096 Para. 4 No. 4, please refer to note 29 "Treasury shares" in the LLB Group's consolidated financial statement.

7 Other assets and liabilities

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Precious metals holdings	13'972	15'014	– 6.9
Tax prepayments / Withholding tax	1'581	1'205	31.2
Positive replacement values [1]	245'180	217'466	12.7
Settlement account	24'519	39'265	– 37.6
Clearing accounts	2'796	1'846	51.4
Taken-over real estate	1'750	1'750	0.0
Deferred tax claim	3'620	3'854	– 6.1
Total other assets	**293'419**	**280'400**	**4.6**
Charge accounts	6'671	5'015	33.0
Negative replacement values [1]	263'564	252'046	4.6
Accounts payable	9'537	16'948	– 43.7
Settlement account	22'252	13'634	63.2
Clearing accounts	21'576	20'096	7.4
Total other liabilities	**323'600**	**307'737**	**5.2**

1 Replacement values are shown gross.

8 Due from and due to associated companies and related parties

a Due from and due to participations and associated companies

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Due from participations	0	0	
Due to participations	0	0	
Due from associated companies	1'560'585	1'448'243	7.8
Due to associated companies	1'201'242	927'292	29.5

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

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Due from the Principality of Liechtenstein	1'598	1'824	– 12.4
Due to the Principality of Liechtenstein	208'515	474'802	– 56.1
Due from companies associated with the Principality of Liechtenstein [1]	50'466	54'023	– 6.6
Due to companies associated with the Principality of Liechtenstein [1]	185'886	206'285	– 9.9

1 Associated companies: Liechtensteinische Kraftwerke, Liechtensteinische Gasversorgung, Telecom Liechtenstein AG, Liechtensteinische Post AG, Verkehrsbetrieb LIECHTENSTEINmobil and AHV-IV-FAK-Anstalt.

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

c Loans to corporate bodies

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Members of the Board of Directors	669	668	0.1
Members of the Board of Management	1'561	4'560	– 65.8

d Related party transactions

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

9 Bonds issued

Year issued	Name	Currency	Maturity	Nominal interest rate in %	in CHF thousands Nominal value	2021	2020
2019	Liechtensteinische Landesbank AG 0.000 % Senior Preferred Anleihe 2019 – 2029	CHF	27.09.2029	0.000 %	100'000	100'000	100'000
2019	Liechtensteinische Landesbank AG 0.125 % Senior Preferred Anleihe 2019 – 2026	CHF	28.05.2026	0.125 %	150'000	150'000	150'000
2020	Liechtensteinische Landesbank AG 0.300 % Senior Preferred Anleihe 2020 – 2030	CHF	24.09.2030	0.300 %	150'000	150'000	150'000

10 Allowances and provisions / provisions for general banking risks

in CHF thousands	Total 31.12.2020	Specific allowances	Recoveries, overdue interest, currency differences	New provisions charged to income statement	Provisions released to income statement	Total 31.12.2021
Allowances for loan default risks						
Specific allowances	32'786	– 45	1'058	3'544	– 473	36'869
Lump-sum individual allowances (incl. those for country risks)	0	0	0	0	0	0
Provisions for contingent liabilities and credit risks	547	0	0	661	– 990	217
Provisions for other business risks	972	– 440	0	2'567	– 10	3'090
Provisions for taxes and deferred taxes	2'853	– 5'235	0	12'167	– 1'642	8'143
Other provisions	2'150	0	0	650	0	2'800
Total allowances and provisions	**39'307**	**– 5'719**	**1'058**	**19'589**	**– 3'116**	**51'119**
Minus allowances	– 32'786					– 36'869
Total provisions according to balance sheet	**6'522**					**14'250**
Provisions for general banking risks	**310'000**					**310'000**

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

	31.12.2021			31.12.2020		
in CHF thousands	Total nominal value	Quantity	Capital ranking for dividend	Total nominal value	Quantity	Capital ranking for dividend
Share capital	154'000	30'800'000	152'835	154'000	30'800'000	152'558
Total common stock	**154'000**	**30'800'000**	**152'835**	**154'000**	**30'800'000**	**152'558**

No conditional or authorised capital exists.

	31.12.2021		31.12.2020	
in CHF thousands	Nominal	Holding in %	Nominal	Holding in %
With voting right: Principality of Liechtenstein	88'500	57.5	88'500	57.5
With voting right: shareholder group Haselsteiner Familien-Privatstiftung and grosso Holding Gesellschaft mbH	9'025	5.9	9'025	5.9

12 Statement of shareholders’ equity

in CHF thousands	2021
Share capital	154'000
Share premium	47'750
Legal reserves	390'550
Reserve for own shares	15'142
Other reserves	792'388
Provisions for general banking risks	310'000
Balance sheet profit	81'729
Total shareholders' equity as at 1 January (before profit distribution)	**1'791'558**
Dividend and other distributions from previous year's profit	– 67'237
Net profit for the year	78'408
Allocation to provisions for general banking risks	0
Total shareholders' equity as at 31 December (before profit distribution)	**1'802'729**

Of which:	
Share capital	154'000
Share premium	47'750
Legal reserves	390'550
Reserve for own shares	12'252
Other reserves	804'277
Provisions for general banking risks	310'000
Balance sheet profit	83'899

13 Liabilities due to own pension funds

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Current account, call money and time deposits	20'588	10'934	88.3
Savings deposits	42	42	0.0
Total	**20'631**	**10'976**	**88.0**

14 Breakdown of assets and liabilities by location

	31.12.2021		31.12.2020	
in CHF thousands	FL/CH	Abroad	FL/CH	Abroad
Assets				
Cash and balances with central banks	3'895'515	0	3'535'790	0
Due from banks	1'988'882	152'218	1'556'714	231'285
Loans (excluding mortgages)	762'942	460'089	858'960	407'594
Mortgage loans	5'828'290	0	5'546'370	0
Bonds and other fixed-interest securities	288'901	1'357'365	273'557	1'302'723
Shares and other non-fixed-interest securities	215'071	5'926	61'995	397
Participations	25	0	26	0
Shares in associated companies	131'405	369'459	131'405	306'077
Intangible assets	46'526	0	43'851	0
Fixed assets	76'515	0	77'732	0
Own shares	12'252	0	15'142	0
Other assets	166'453	126'966	123'608	156'792
Accrued income and prepayments	40'978	30'275	27'972	26'797
Total assets	**13'453'756**	**2'502'298**	**12'253'122**	**2'431'664**
Liabilities				
Due to banks	953'361	1'444'353	298'573	859'609
Due to customers (excluding savings deposits)	6'073'441	2'750'345	6'160'176	2'680'359
Savings deposits	1'714'702	343'907	1'703'895	333'041
Certified liabilities	482'716	0	500'200	0
Other liabilities	188'783	134'817	192'151	115'586
Accrued expenses and deferred income	25'065	27'585	14'527	28'589
Provisions	14'250	0	6'522	0
Provisions for general banking risks	310'000	0	310'000	0
Share capital	154'000	0	154'000	0
Share premium	47'750	0	47'750	0
Legal reserves	390'550	0	390'550	0
Reserves for own shares	12'252	0	15'142	0
Other reserves	804'277	0	792'388	0
Profit carried forward	5'491	0	4'346	0
Profit for the year	78'408	0	77'382	0
Total liabilities	**11'255'047**	**4'701'007**	**10'667'602**	**4'017'184**

15 Geographical breakdown of assets by location

	31.12.2021		31.12.2020	
	Absolute value	% of total	Absolute value	% of total
Liechtenstein/Switzerland	13'453'756	84.3	12'253'122	83.4
Europe (excluding Liechtenstein/Switzerland)	1'537'730	9.6	1'460'430	9.9
North America	412'561	2.6	449'793	3.1
South America	15'668	0.1	14'600	0.1
Africa	13'409	0.1	10'361	0.1
Asia	304'695	1.9	287'688	2.0
Others	218'234	1.4	208'792	1.4
Total assets	**15'956'054**	**100.0**	**14'684'786**	**100.0**

16 Breakdown of assets and liabilities by currency

in CHF thousands	CHF	EUR	USD	Others	Total
Assets					
Cash and balances with central banks	3'886'126	8'999	333	56	3'895'515
Due from banks	1'775'844	133'073	39'590	192'593	2'141'100
Loans (excluding mortgages)	592'109	255'414	295'328	80'180	1'223'032
Mortgage loans	5'826'035	1'343	912	0	5'828'290
Bonds and other fixed-interest securities	415'251	583'630	647'386	0	1'646'266
Shares and other non-fixed-interest securities	209'576	4'212	7'209	0	220'997
Participations	25	0	0	0	25
Shares in associated companies	500'864	0	0	0	500'864
Intangible assets	46'526	0	0	0	46'526
Fixed assets	76'515	0	0	0	76'515
Own shares	12'252	0	0	0	12'252
Other assets	282'628	2'999	5'177	2'614	293'419
Accrued income and prepayments	34'900	13'893	21'484	975	71'253
Total on-balance sheet assets	**13'658'652**	**1'003'564**	**1'017'419**	**276'419**	**15'956'054**
Delivery claims from forex spot, forex futures and forex options transactions	5'748'206	8'444'468	8'762'814	2'639'650	25'595'138
Total assets	**19'406'858**	**9'448'032**	**9'780'233**	**2'916'069**	**41'551'192**
Liabilities					
Due to banks	2'197'564	88'566	56'330	55'254	2'397'715
Due to customers (excluding savings deposits)	4'577'684	1'767'692	1'913'903	564'507	8'823'786
Savings deposits	2'055'270	3'339	0	– 0	2'058'609
Certified liabilities	482'716	0	0	0	482'716
Other liabilities	309'465	6'407	5'096	2'631	323'600
Accrued expenses and deferred income	21'022	12'390	17'711	1'527	52'650
Provisions	14'250	0	0	0	14'250
Provisions for general banking risks	310'000	0	0	0	310'000
Share capital	154'000	0	0	0	154'000
Share premium	47'750	0	0	0	47'750
Legal reserves	390'550	0	0	0	390'550
Reserves for own shares	12'252	0	0	0	12'252
Other reserves	804'277	0	0	0	804'277
Profit carried forward	5'491	0	0	0	5'491
Profit for the year	78'408	0	0	0	78'408
Total on-balance sheet liabilities	**11'460'700**	**1'878'394**	**1'993'041**	**623'920**	**15'956'054**
Delivery liabilities from forex spot, forex futures and forex options transactions	7'960'155	7'564'342	7'777'732	2'306'459	25'608'688
Total liabilities	**19'420'855**	**9'442'736**	**9'770'773**	**2'930'379**	**41'564'742**
Net position per currency	**– 13'997**	**5'296**	**9'460**	**– 14'310**	**– 13'550**

17 Pledged or assigned assets and assets subject to reservation of ownership

in CHF thousands	31.12.2021	31.12.2020
Excluding lending transactions and pension transactions with securities		
Book value of pledged and assigned (as collateral) assets	219'911	246'385
Actual commitments	0	0
Lending transactions and pension transactions with securities		
Self-owned securities lent or delivered as collateral within the scope of securities lending or borrowing transactions, or self-owned securities transferred in connection with repurchase agreements	600'623	228'242
of which capable of being resold or further pledged without restrictions	600'623	228'242
Securities received as collateral within the scope of securities lending or securities received in connection with reverse repurchase agreements, which are capable of being resold or further pledged without restrictions	0	0
of which resold or further pledged securities	0	0

18 Maturity structure of assets, liabilities and provisions

in CHF thousands		Sight deposits	Callable	Due within 3 months	Due between 3 months to 12 months	Due between 12 months to 5 years	Due after 5 years	Immobilised	Total
Assets									
Cash and balances with central banks		3'895'515	0	0	0	0	0	0	3'895'515
Due from banks		378'234	0	1'255'052	83'612	152'621	271'581	0	2'141'100
Loans		10'619	353'268	3'208'516	585'633	1'870'789	1'022'497	0	7'051'322
of which mortgage loans		6'722	45'021	2'520'050	514'264	1'734'136	1'008'096	0	5'828'290
Securities and precious metals held for trading		3	0	0	0	0	0	0	3
Securities and precious metals holdings as currents assets (excluding trading positions)		1'658'562	0	0	0	0	0	0	1'658'562
Securities and precious metals holdings as fixed assets		13'972	220'951	0	0	0	0	0	234'923
Other assets		616'712	0	167'467	73'774	18'277	20'134	78'265	974'629
Total assets	**31.12.2021**	**6'573'617**	**574'219**	**4'631'035**	**743'019**	**2'041'687**	**1'314'212**	**78'265**	**15'956'054**
	31.12.2020	6'115'200	591'825	3'385'027	1'074'634	1'989'586	1'449'032	79'482	14'684'786
Liabilities and provisions									
Due to banks		450'715	0	1'947'000	0	0	0	0	2'397'715
Due to customers		8'186'804	2'139'782	432'882	120'928	2'000	0	0	10'882'395
of which savings deposits		0	2'020'214	36'675	1'720	0	0	0	2'058'609
of which other liabilities		8'186'804	119'569	396'206	119'207	2'000	0	0	8'823'786
Certified liabilities		0	0	4'865	13'506	198'923	265'422	0	482'716
of which medium-term notes		0	0	4'865	13'506	48'923	15'422	0	82'716
of which bonds issued		0	0	0	0	150'000	250'000	0	400'000
Provisions (excluding provisions for general banking risks)		0	0	0	0	14'250	0	0	14'250
Other liabilities		88'443	0	175'452	71'676	19'107	21'571	0	376'250
Total liabilities and provisions	**31.12.2021**	**8'725'961**	**2'139'782**	**2'560'198**	**206'110**	**234'280**	**286'993**	**0**	**14'153'325**
	31.12.2020	8'649'267	2'290'763	1'133'422	279'108	102'893	437'774	0	12'893'228

Bonds and other fixed-interest securities that are due in the following financial year	280'081

Notes to off-balance sheet transactions

19 Contingent liabilities

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Credit guarantees and similar instruments	19'854	21'584	– 8.0
Performance guarantees and similar instruments	8'536	7'914	7.9
Other contingent liabilities	7'116	8'289	– 14.1
Total contingent liabilities	**35'507**	**37'787**	**– 6.0**

20 Open derivative contracts

		Trading instruments			Hedging instruments		
in CHF thousands		Positive replacement value	Negative replacement value	Contract volume	Positive replacement value	Negative replacement value	Contract volume
Interest rate instruments							
Swaps		0	0	0	22'252	27'123	4'655'331
Forward transactions		43	7	6'627	0	0	0
Foreign exchange contracts							
Forward contracts		218'065	231'615	25'515'243	0	0	0
Options (OTC)		2'377	2'377	74'362	0	0	0
Precious metals							
Options (OTC)		131	131	5'534	0	0	0
Equity / Index contracts							
Options (OTC)		2'312	2'312	255'345	0	0	0
Total excluding netting agreements	**31.12.2021**	**222'928**	**236'441**	**25'857'110**	**22'252**	**27'123**	**4'655'331**
	31.12.2020	203'833	209'395	22'013'315	13'634	42'651	2'306'604

Liechtensteinische Landesbank AG has concluded no netting agreements.

21 Fiduciary transactions

in CHF thousands	31.12.2021	31.12.2020	+ / – %
Fiduciary deposits with other banks	58'425	202'772	– 71.2
Fiduciary loans and other fiduciary financial transactions	3'176	1'646	92.9
Total fiduciary transactions	**61'600**	**204'418**	**– 69.9**

Notes to the income statement

22 Income from trading operations

in CHF thousands	2021	2020	+ / – %
Foreign exchange trading	43'607	41'437	5.2
Foreign note trading	– 454	– 86	430.3
Precious metals trading	1'743	2'464	– 29.3
Securities trading	10	9	14.3
Total net trading income	**44'907**	**43'825**	**2.5**

23 Personnel expenses

in CHF thousands	2021	2020	+ / – %
Salaries and compensations	– 88'567	– 84'145	5.3
Social benefits and retirement benefit plans	– 18'423	– 17'526	5.1
of which retirement benefit plans	– 12'453	– 12'016	3.6
Other personnel expenses	– 4'976	– 3'255	52.9
Total	**– 111'966**	**– 104'926**	**6.7**

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

24 Administrative expenses

in CHF thousands	2021	2020	+ / – %
Occupancy expenses	– 3'976	– 3'329	19.4
Expenses for IT, machinery, vehicles and other equipment	– 18'019	– 24'923	– 27.7
Other business expenses	– 26'416	– 25'613	3.1
Total	**– 48'412**	**– 53'864**	**– 10.1**

25 Other ordinary expenses

in CHF thousands	2021	2020	+ / – %
Losses on receivables	– 62	0	
Operational risk	– 650	– 1'757	– 63.0
Sundry other ordinary expenses	– 688	– 543	26.5
Total other ordinary expenses	**– 1'399**	**– 2'301**	**– 39.2**

Risk management

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

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

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

In order to ensure responsible lending and to take account of the increasing regulatory requirements, each property must be valued and the loan-to-value ratio determined. The internal directive “Real Estate Valuation” forms the basis for determining a market-conforming loan-to-value ratio for real estate in the Swiss and Liechtenstein markets of the LLB Group. The decisive factor for the valuation method and tool to be applied is always the predominant use or the predominant income measured by the rental value.
- Single-family houses and condominiums for own use are generally valued hedonically in Switzerland and by the tangible asset method in Liechtenstein.
- Rented single-family houses and condominiums that are held for yield purposes are generally valued at income value in Switzerland. In Liechtenstein, the valuation is carried out using the asset value method.
- Income-producing and investment properties in Switzerland, such as apartment buildings, residential and commercial buildings, commercial properties, etc., are valued using the capitalised earnings value method.
- In the case of commercially owner-occupied properties, the capitalised earnings value is decisive, which is determined and verified in advance on the basis of the space rent reported in the borrower’s income statement.
- Agricultural properties in Switzerland are valued according to the “farming land law” calculation. In Liechtenstein, these are valued using the tangible asset method.
- Valuations of building land are based on current market conditions.

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

Liquidity risks

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

Business policy concerning the use of derivative financial instruments

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

KPMG

Liechtensteinische Landesbank Aktiengesellschaft, Vaduz

Statutory Auditor's Report

on the Financial Statements

to the General Meeting

2021 Financial Statements

KPMG (Liechtenstein) AG
Vaduz, 24 February 2022

KPMG

Statutory Auditor's Report

To the General Meeting of Liechtensteinische Landesbank Aktiengesellschaft, Vaduz

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Liechtensteinische Landesbank Aktiengesellschaft (Company), which comprise the balance sheet as at 31 December 2021, the income statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 250 to 271) give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance for the year then ended in accordance with Liechtenstein law.

Basis for Opinion

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

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

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

Key Audit Matters

RECOVERABILITY OF LOANS

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

KPMG

RECOVERABILITY OF LOANS

Key Audit Matter

As at 31 December 2021, the Bank reports loans of CHF 7.1 billion, representing 44.2 % of total assets.

Loans are valued at amortized cost, taking into account any allowances. Allowances for credit risks are determined by applying judgement and assumptions. This applies particularly to the creation of individual allowances for loans at risk of default.

Due to the existence of considerable scope for judgement in the method of calculating and measuring any need for allowances and the high amount of the balance sheet position, we consider the recoverability of loans to be a key audit matter.

Our response

Our audit procedures included the verification of key controls relating to the approval, recording and monitoring of loans. In this regard, we performed effectiveness tests of key controls on a sample basis.

For a sample of loans with specific allowances, we assessed whether the allowances made by the bank were appropriate.

We also tested a sample of loans that were not identified by the bank as potentially impaired and assessed whether, taking into account respective collaterals, there was a need for allowance.

Finally, we verified the complete and correct disclosure of the information in the notes to the financial statements in connection with the loans.

For further information on loans, refer to the following pages in the notes to the financial statements:

- Pages 256 to 258: Accounting policies and valuation principles
- Page 259: Notes to the balance sheet

Other matters

The financial statements of the Company for the year ended on 31 December 2020 were audited by another auditor whose report, dated 9 March 2021, expressed an unmodified opinion on those statements.

Other Information

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

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

In connection with our audit, we have the responsibility to read the other information and to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, on the basis of our work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements or, whether due to fraud design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

KPMG

Report on Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of Regulation (EU) No 537/2014

We were elected as statutory auditor by the General Meeting on 7 May 2021. We have been the statutory auditor of the Company without interruption since the financial year ending on 31 December 2021.

We declare that the audit opinions contained in this statutory auditor's report are consistent with the additional report to the Group Audit Committee pursuant to Article 11 of Regulation (EU) No 537/2014.

We have provided the following services, which were not disclosed in the financial statements or in the management report, in addition to the statutory audit for the audited company or for the companies controlled by it:

- Regulatory audit according to the applicable requirements
- Tax services in accordance with Article 46 WPG as well as regulatory and other consulting services

Further, we declare that no prohibited non-audit services pursuant to Article 5 para. 1 Regulation (EU) No. 537/2014 were provided.

Further Confirmations pursuant to Article 196 PGR

The management report (page 249) has been prepared in accordance with the applicable legal requirements, is consistent with the financial statements and, in our opinion, based on the knowledge obtained in the audit of the financial statements and our understanding of the Company and its environment does not contain any material misstatements.

We further confirm that the financial statements and the proposed appropriation of retained earnings comply with Liechtenstein law and the articles of incorporation. We recommend that the accompanying financial statements submitted to you be approved.

KPMG (Liechtenstein) AG

Moreno Halter
Chartered Accountant
Auditor in Charge

Philipp Rickert
Chartered Accountant (CH)

Vaduz, 24 February 2022

KPMG (Liechtenstein) AG, Aeulestrasse 2, LI-9490 Vaduz

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Exclusively for the purpose of better readability, the different gender-specific spelling has mostly been dispensed with in this document. The chosen masculine form is to be understood as gender-neutral in this sense.

Liechtensteinische Landesbank Aktiengesellschaft: hereafter also referred to as Liechtensteinische Landesbank AG, Liechtensteinische Landesbank, LLB AG, LLB and LLB parent bank. Liechtensteinische Landesbank (Österreich) AG: hereafter also referred to as LLB (Österreich) AG and LLB Österreich. Bank Linth LLB AG: hereafter also referred to as Bank Linth.

This annual report is published in German and English. The German edition is binding.

Due to rounding, there may be minor discrepancies in the totals and percentage calculations in this report.

To measure our performance we employ alternative financial key figures, which are not defined in the International Financial Reporting Standards (IFRS). Details can be found at http://www.llb.li/investors-apm.