



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 2026. Our previous rate of growth is to be accelerated (ACcelerate). At the same time – using the latest technologies – we intend to become even more client focused, effective and sustainable (Transform). 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



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



myclimate.org/01-21-419455

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).

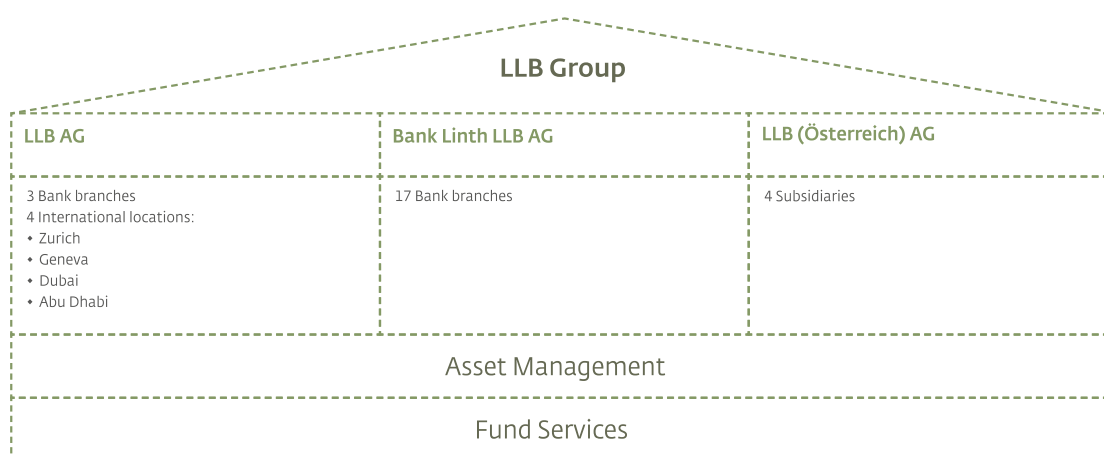
We have a presence in the market regions of Liechtenstein, Switzerland and Austria, with one bank each: Liechtensteinische Landesbank AG, Bank Linth LLB AG and Liechtensteinische Landesbank (Österreich) AG. The LLB Group also has two competence centres in the areas of asset management and fund services.

The three market divisions

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

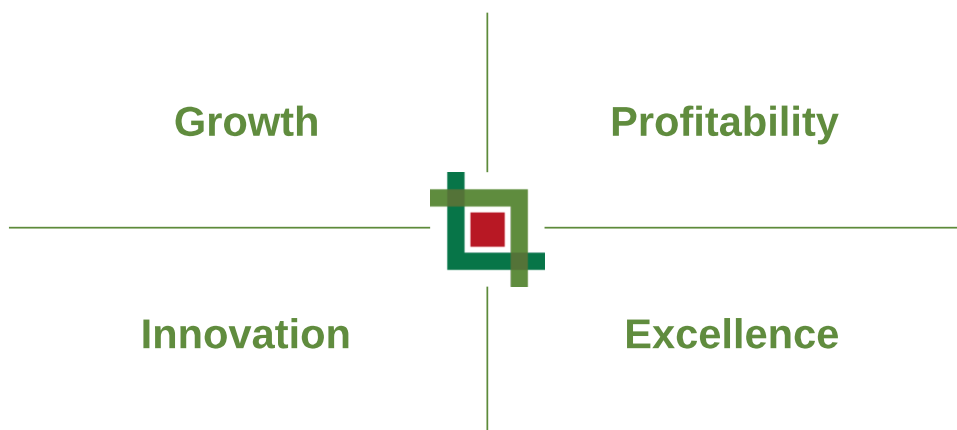
- Personal and Corporate Clients comprises the universal banking business in the home markets of Liechtenstein and Switzerland (see chapter "Personal and Corporate Clients").
- Private Banking comprises investment advice, asset management and asset structuring as well as financial and pension planning 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

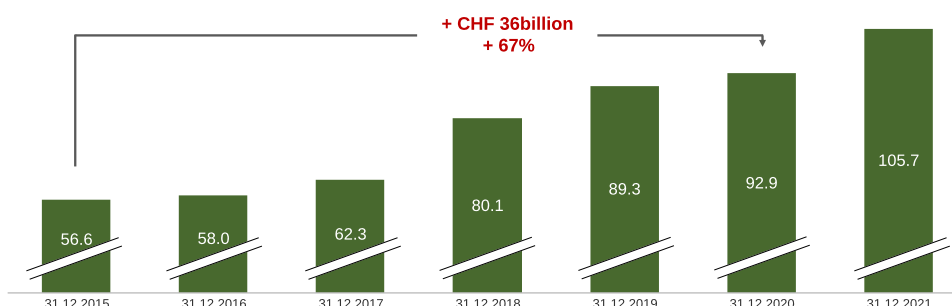
In 2016, we initiated a phase of sustainable, profitable growth under the StepUp2020 strategy. The evaluation of the financial targets shows that this was achieved:

	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

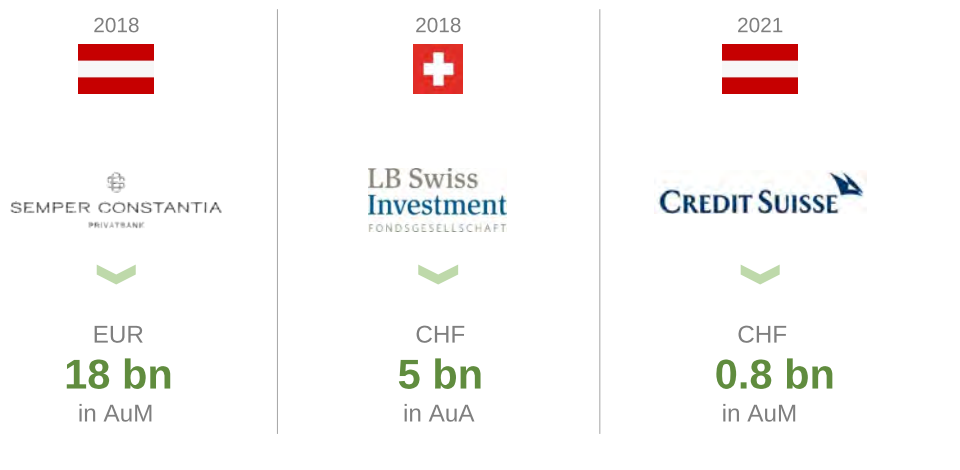
After years of refocusing and client outflows, returning to profitable and risk-conscious growth was the number one priority for us. At the end of the strategy period of StepUp2020¹, the **business volume** of the LLB Group was 64 per cent or around CHF 36 billion higher than it had been at the beginning. 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.

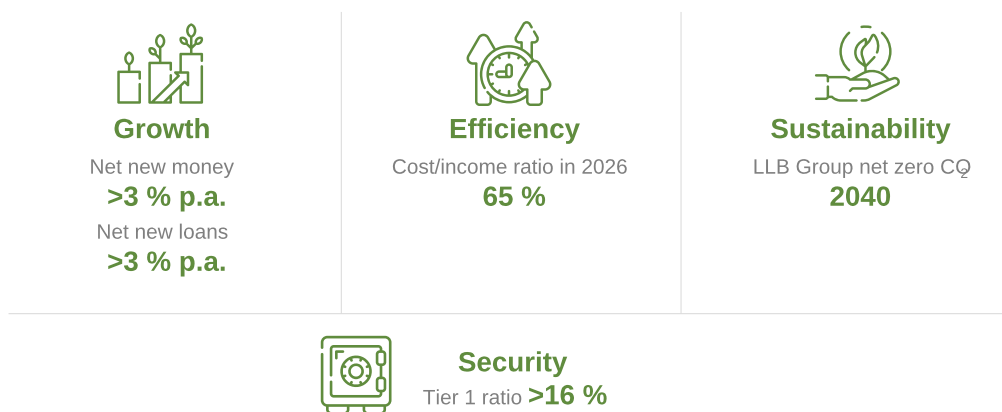
Ambitious growth and financial objectives

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



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

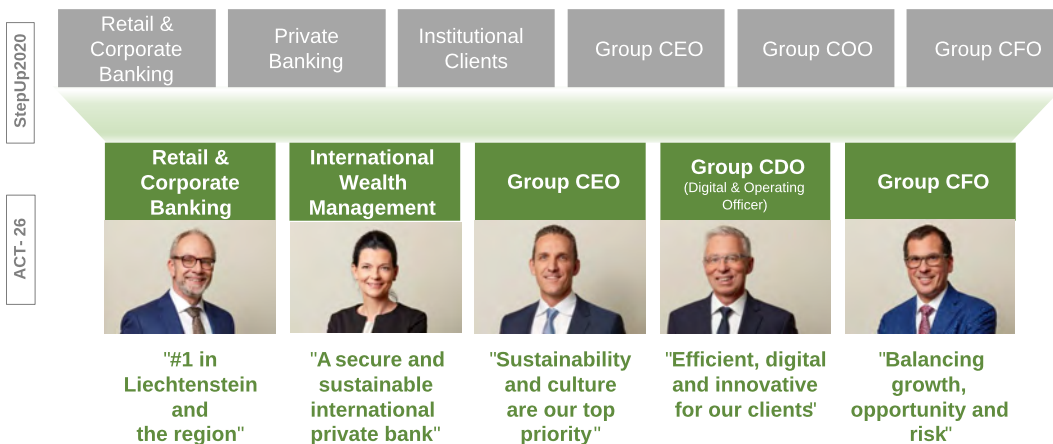
The LLB Group intends to achieve its ambitious growth and financial objectives through clear dual positioning in the market: a universal bank with strong local roots on the one hand and a secure and sustainable international private bank on the other.



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 CFO Division** 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

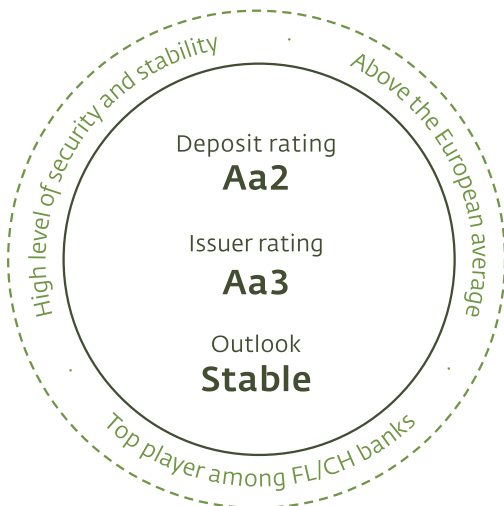
A good equity base not only protects its reputation, but is also part of the financial management and credibility of a bank. Having a sufficiently high-quality equity base at its disposal is part of the LLB Group's identity. Its financial strength shall remain, as far as possible, unaffected by fluctuations 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 88.7 per cent (31.12.2020: 89.8.7%), 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.



Christoph Reich, CFO LLB Group

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

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.