Liechtensteinische
Landesbank 1861

Tradition meets Innovation.

Profitability

158th Annual Report 2019

ar2019.llb.li

The LLB Group in profile

The LLB Group successfully positions itself as a universal bank with a strong private banking and institutional business.

First bank in Liechtenstein,
founded in 1861

Moody's Rating
Aa2

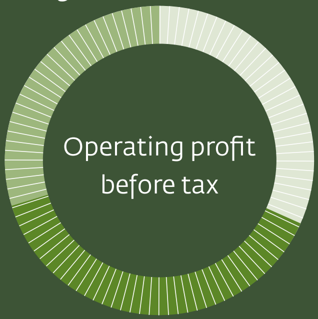
Three banks:
Liechtenstein, Switzerland and Austria

Two competence centres:
Asset Management and Fund Services

Three high-earning market divisions

29.7 %
Retail & Corporate Banking

31.8 %
Private Banking



38.6 %
Institutional Clients

Diversified income structure

48.8 %
Investment business

15.8 %
Trading business

35.3 %
Interest business

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

European champion in investment business:

Winner at the Refinitiv Lipper Fund Awards in the top discipline "across all major asset classes"

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

	31.12.2019	31.12.2018	+ / – %
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	30'435'705	30'675'159	–0.8
Weighted average shares outstanding	30'560'789	29'752'960	2.7

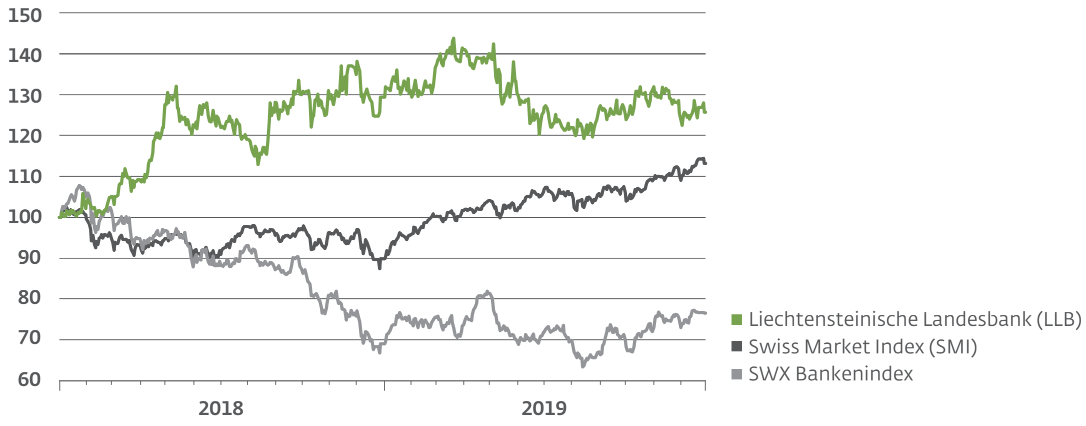
Information per LLB share

	31.12.2019	31.12.2018	+ / – %
Nominal value (in CHF)	5.00	5.00	0.0
Share price (in CHF)	62.40	64.20	–2.8
Basic earnings per share (in CHF)	3.77	2.62	43.9
Price / earnings ratio	16.54	24.49	
Dividend (in CHF)	[*] 2.20	2.10	

[*] Proposal of the Board of Directors to the General Meeting of Shareholders on 8 May 2020.

Comparison of LLB share

Indexed from 1 January 2018



Key figures

Consolidated income statement

in CHF millions	2019	2018	+/−%
Income statement			
Operating income	452.7	399.7	13.3
Operating expenses	−311.3	−305.9	1.8
Net profit	123.4	85.1	44.9
Performance figures			
Cost-Income-Ratio (in per cent) * / **	70.0	77.7	
Return on equity attributable to the shareholders of LLB (in per cent)	6.0	4.3	

* Operating expenses (excluding provisions for legal and litigation risks) in relation to operating income (excluding expected credit losses).

** Adjusted to consider market effects (interest rate swaps and price gains) the Cost-Income-Ratio stood at 72.1 per cent for 2019 and at 75.5 per cent for 2018.

Consolidated balance sheet and capital management

in CHF millions	31.12.2019	31.12.2018	+/−%
Balance sheet			
Total equity	2'060	2'010	2.5
Total assets	22'662	22'892	−1.0
Capital ratio			
Tier 1 ratio (in per cent) *	19.6	19.0	
Risk-weighted assets	8'351	8'225	1.5

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

Additional information

in CHF millions	2019	2018	+/−%
Net new money	4'142	1'278	224.2

in CHF millions	31.12.2019	31.12.2018	+/−%
Business volume (in CHF millions)	89'283	80'143	11.4
Assets under management (in CHF millions)	76'322	67'290	13.4
Loans (in CHF millions)	12'961	12'853	0.8
Employees (full-time equivalents, in positions)	1'077	1'086	−0.8

Purely for ease of reading, the masculine form used in this document is understood as gender-neutral.
Liechtensteinische Landesbank Aktiengesellschaft is referred to variously in the following as Liechtensteinische Landesbank AG, Liechtensteinische Landesbank, LLB AG, LLB as well as LLB parent bank.
Liechtensteinische Landesbank (Österreich) AG is also referred to as LLB (Österreich) AG and LLB Österreich.
Bank Linth LLB AG is also referred to in this report as Bank Linth.

This Annual Report is published in German and English. The German version is authoritative.
We also offer the Annual Report 2019 in an interactive online version.

German: http://gb2019.llb.li
English: http://ar2019.llb.li

Due to rounding, the numbers presented in this report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Alpha, Eta, Sigma, My

α η σ μ

Profitability shows the way

The LLB Group has set a profitable course – as a bank for people and business, as an investment fund powerhouse and as an asset management specialist in Liechtenstein, Switzerland and Austria. Four letters from the Greek alphabet inspired us to link the 2019 Annual Report with four principles, which we want to utilise to show the way:

α stands for returns, η for effect, σ for efficiency, μ for expectation.

By providing an insight into four areas of our bank, we want to show how we achieve sustainable, profitable growth in a targeted, dynamic manner. Therefore, for instance, as an investment bank we utilise a positive alpha to attain higher returns for our clients. In private banking, our services are personal and efficient; we take the time to provide our clients with the highest quality. At the same time, our modern bank branches are designed to make every banking discussion an experience beyond our clients' expectations. And in future to ensure that our innovative power continues to have the effect of making all the difference, we unleash the great creative potential that slumbers in our employees. The text and pictures in this report show how versatile profitability contributes to long-term success.

Video statements at:
ar2019.llb.li/profitability

To the online annual report with
Roland Matt in a video statement

http://ar2019.llb.li

Contents

Roland Matt
Group CEO

Georg Wohlwend
Chairman of the Board of Directors

Letter to shareholders

Profitable growth

Dear shareholders

In 2015, we set ourselves ambitious goals for the next five years with the StepUp2020 strategy. Now we are in the final straight. Today, the Group has grown and stands on a broader foundation. We have grown profitably and significantly strengthened our earning power through targeted acquisitions.

Record volume thanks to profitable growth

Persistently low interest rates, geopolitical risks, great volatility on the financial markets and additional regulatory requirements are continuing to create enormous challenges for banks. We have performed very well in this challenging environment. The 2019 business year was very pleasing for us. At CHF 123.4 million (2018: CHF 85.1 million), Group net profit was 44.9 per cent up on the previous year's result (see "Consolidated management report", page 114) and was therefore higher than for the last ten years. Operative progress, as well as market and one-off effects contributed to this positive business result. We succeeded in making substantial gains in income from fee and commission business. This has improved the quality of our earning power. We attained a stable performance in interest and trading income.

Net new money inflows posted an outstanding result: at CHF 4.1 billion (2018: CHF 1.3 billion) we achieved a record value. The business volume also attained a new record with CHF 89.3 billion (2018: CHF 80.1 billion). Client assets under management grew to CHF 76.3 billion (2018: CHF 67.3 billion). Loans to clients rose to CHF 13.0 billion (2018: CHF 12.9 billion), of which CHF 11.3 billion was attributable to mortgage lending business, which increased by 1.8 per cent.

With equity totalling CHF 2.1 billion, the LLB Group has a very strong capital basis. At the end of 2019, the tier 1 ratio stood at 19.6 per cent. Accordingly, we belong in the top range of banks in Liechtenstein and Switzerland, well above the average of European financial institutes. On the basis of its excellent Aa2 deposits rating, which was reconfirmed by Moody's in December 2019, Liechtensteinische Landesbank is ranked among the highest rated banks in the world. This comfortable capital situation offers us broad scope for further acquisitions.

European champions in investment business

Over the years we have received many awards for our successful asset management. In 2019, we were the recipients of a particular honour: at the Refinitiv Lipper Fund Awards 2019, the LLB Group range of funds was named European Champions in the three main categories of bonds, equities and investment objective funds in Europe. This underlines the fact that our highly experienced Asset Management team ranks among Europe's elite (see chapter "Institutional Clients", page 28).

Excellent client advisory services

The quality of our advisory services is also excellent. For example, at the independent comparison test held by the Fuchsbriefe publishing house in the German-speaking region, Liechtensteinische Landesbank was awarded the rating "extremely good". We achieved the best result of the institutes tested in Liechtenstein and Germany.

This excellent result underlines the competence of our client advisers. A decisive success factor for us, in which we continually invest. For example, with the certification of our client advisers we ensure the long-term outstanding advisory competence of the LLB Group according to standardised quality criteria. By the end of 2020, all our staff having client contact will have completed the training programme according to the standards of the Swiss Association for Quality (SAQ).

New IT era at LLB Österreich

It was a project involving a very high degree of complexity. Over 200 employees worked intensively in 2019 on the migration of LLB Österreich to the Avaloq core banking system. Our clients in Austria are now also able to benefit from our groundbreaking Online and Mobile Banking applications, as well as from the "LLB Invest" investment advisory and asset management system and the LLB portfolio analysis tool. The system migration in Austria means that the LLB Group has successfully inaugurated a new IT era. All three banks now operate the same IT platform. This enhances the efficiency of our internal processes and also helps us to further increase growth and profitability (see chapter "Corporate Center", page 34).

LLB fund powerhouse – concentrated power

With four investment fund management companies in our three domestic markets, we have positioned ourselves as a competent investment fund powerhouse providing access to the European and Swiss economic areas. In 2019, we were able to substantially expand our investment fund volume. In the meantime, our 80 staff administer around 650 funds (2018: 612) having assets of CHF 36.6 billion (2018: CHF 30.5 billion). With their extensive experience and multifaceted range of services, the fund managers that we took over in 2018 in Austria and Switzerland are making a significant contribution to our fund powerhouse (see chapter "Institutional Clients", page 28).

Exploiting new growth perspectives in the Middle East

In summer 2019, we moved into new offices in the Dubai International Financial Centre (DIFC). This relocation to the Financial Free Zone enables LLB to further expand its activities and services, thus exploiting new growth possibilities. LLB has operated in the United Arab Emirates since 2005 and by taking this step continues the story of its business success in this region.

Two successful bond issues

In May, LLB carried out a very successful fixed interest bond issue amounting to CHF 150 million. The issue was very popular with investors and was substantially oversubscribed after only a few minutes. In September, LLB followed up with a second bond issue totalling over CHF 100 million, which was also very well received. These successful bond offerings confirmed that LLB enjoys an excellent reputation on the market. This was the first bond issue LLB has made since 2006.

We completed the share repurchase programme initiated in the previous year ahead of schedule in November 2019. A total of 400'000 listed registered shares, corresponding to 1.30 per cent of the share capital, were repurchased. The registered shares held by LLB are to be employed for future acquisitions or treasury management purposes.

US tax dispute resolved

At the beginning of August, we were able to announce that LLB Verwaltung (Switzerland) AG had reached a settlement with the US authorities for a total of USD 10.7 million, therefore bringing to a close the case of the former LLB (Switzerland) AG. The payment to the US authorities was fully covered by provisions.

Analogue and digital client contact points

We are continually investing in the further development and latest technology of our digital channels. In autumn 2019, we added new important functions to our Mobile Banking application while also simplifying its design and user navigation. Our Online Banking programme has also been upgraded for our institutional clients by providing them with improved user interfaces and many personalisation options (see chapter "Corporate Center", page 33). In 2020, we want to implement specific measures to achieve a more direct configuration of our digital processes to minimise the time requirement for our intermediary clients.

At the same time, we are adapting the physical contact points to suit our clients' requirements. Following the successful reopening of the redesigned Balzers branch, we are now remodelling the branch in Eschen. The redesign of the client zone in Vaduz will follow in 2021. By that time, Bank Linth will also have remodelled all its twenty branches in line with the new branch concept. Currently, renovation work is being carried out in the Ausserschwyz and Lake Zurich regions.

Innovation management: laboratory for new ideas

Driven by technological advances, our world is subject to rapid and fundamental change. We are challenged to constantly question and analyse our business model, as well as our processes and client offers. Our Innovation Management Department continually monitors market trends and developments, and ensures that innovative ideas are expedited internally. If a suggestion convinces the jury, a budget for its further development as a project is allocated. Since the introduction of the scheme in 2018, employees have submitted more than 70 ideas, five of these are currently being developed or are already in a pilot testing phase.

Best practice in the Board of Directors

At the General Meeting of Shareholders on 3 May 2019, shareholders elected Dr. Karl Sevelda, a highly experienced banker and profound expert on the European financial market and the Austrian financial centre, to the Board of Directors. Dr. Patrizia Holenstein was re-elected for a third term of office of three years. At the forthcoming General Meeting on 8 May 2020, Board Chairman Georg Wohlwend, Vice Chairwoman Dr. Gabriela Nagel-Jungo and Urs Leinhäuser are up for re-election to safeguard continuity on the Board of Directors. The LLB Group's Board of Directors holds the "Best Board Practice" label of the Swiss Association for Quality and Management Systems (SQS) as well as the Liechtenstein Association for Quality Assurance Certificates (LQS).

Higher dividend once again

We pursue a long-term dividend policy with a very attractive dividend yield for investors. In recent years, we have continually increased the dividend. The Board of Directors will propose to the General Meeting of Shareholders on 8 May 2020 another increase of 4.8 per cent in the dividend to CHF 2.20. This represents a dividend yield of 3.5 per cent.

StepUp2020 in the final straight

We started this new decade and also the last year of our StepUp2020 strategy period full of élan and confidence. Our three banks have all reached a competitive size. Thanks to our uniform core banking software, we operate efficiently and can take full advantage of the synergies within our three banking institutes. We have increased our weight in investment fund business thanks to our position as a fund powerhouse, as well as expanding our range of products and services and our expertise. All our business areas are supported by our outstanding Asset Management team.

Thanks to our stable foundation, broadly diversified earnings structure and focused business model, we have put in place a good basis for the further development of our corporate group. We expect to make further operative progress and achieve a solid business result in 2020.

Thank you for your confidence

To enable us to continue our almost 160 years of business success, we rely on the confidence of our clients, the commitment and competence of our employees and, of course, esteemed shareholders, your trust. Thank you for your great dedication to our company.

Yours sincerely

Roland Matt
Group CEO

Georg Wohlwend
Chairman of the Board of Directors

Strategy and organisation

The LLB Group is a universal bank with a strong private banking and institutional business. A clear vision, a transparent strategy and a value-oriented corporate culture make us a trusted partner for clients, investors and our employees.

Structure and organisation of the LLB Group

Business model

The Group structure of LLB follows a clear strategic pattern:

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

The three market divisions

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

- Retail & Corporate Banking comprises the universal banking business in the home markets of Liechtenstein and Switzerland (see chapter "Retail & Corporate Banking", page 20). It provides the full range of universal bank services to private and corporate clients. As the market leader in Liechtenstein, LLB has a strong competitive position. Bank Linth is the largest regional bank in eastern Switzerland.
- Private Banking comprises investment advice, asset management, asset structuring as well as financial and pension planning (see chapter "Private Banking", page 24). Its focus is on the onshore markets of Liechtenstein, Switzerland and Austria, on the traditional cross-border markets in Germany and the rest of Western Europe, and on the growth markets of Central and Eastern Europe as well as the Middle East.
- Institutional Clients comprises the intermediary and fund business as well as the Asset Management Business Area of the LLB Group (see chapter "Institutional Clients", page 28). Clients include fiduciaries, lawyers, asset managers, fund promoters, insurance companies, pension funds and public institutions. With our Asset Management, the largest investment team in Liechtenstein, we have multiple award-winning investment expertise. Under the umbrella of our fund powerhouse, we bring together four fund management companies in three jurisdictions, making us a leading fund provider in the market regions of Liechtenstein, Austria and Switzerland.

Management structure

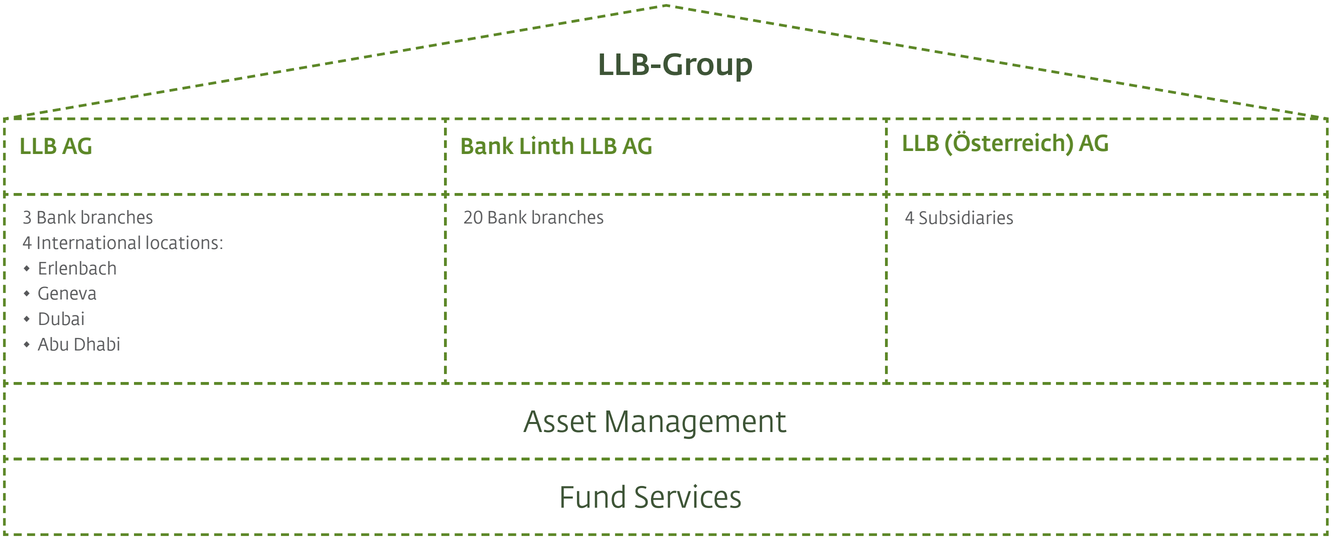
The management structure of the LLB Group is divided into divisions.

- The Board of Directors is responsible for overall management, supervision and control; it sets the basis for the Group's strategy, organisation and finances (see chapter "Corporate governance", page 68).
- The Group Executive Board comprises the heads of the six divisions – three market divisions and Group CEO, Group CFO and Group COO – (see organisational structure, page 64).

Group structure

The LLB Group has a presence through its three banks in the market regions of Liechtenstein (Liechtensteinische Landesbank AG), Switzerland (Bank Linth LLB AG) and Austria (Liechtensteinische Landesbank (Österreich) AG). With LLB Asset Management AG and LLB Fund Services AG, our Group has two competence centres in the areas of asset management and fund services respectively.

Group structure



LLB-Group

LLB AG

3 Bank branches
4 International locations:
- Erlenbach
- Geneva
- Dubai
- Abu Dhabi

Bank Linth LLB AG

20 Bank branches

LLB (Österreich) AG

4 Subsidiaries

Asset Management

Fund Services

	Retail & Corporate Banking	Private Banking	Institutional Clients
Targets	• Market leader in Liechtenstein and largest provider in eastern Switzerland	• Leading provider in Liechtenstein and Austria, growth and expansion in Switzerland • Stable position in the traditional offshore markets of Germany and the rest of Western Europe • Expansion and recognised market position in the growth markets of Central and Eastern Europe (CEE) as well as the Middle East (ME)	• Preferential partner for fiduciaries and lawyers, asset managers, fund promoters, insurance companies, pension funds and public institutions in Liechtenstein, Switzerland and Austria • Fund powerhouse in the FL-A-CH region
Focus markets	• Private and corporate clients in Liechtenstein and in eastern Switzerland	• Onshore: Liechtenstein, Switzerland, Austria • Cross-border: Switzerland, Germany, rest of Western Europe • Growth markets: CEE and ME	• Financial intermediaries • Public institutions • Fund Services • Asset Management
Core elements of the StepUp2020 strategy	• Efficient market penetration • Leading bank branch concept • Refinement of SME and retail offerings • Innovative digital solutions	• Increased product penetration • Development of central product management and pricing • Expansion in growth markets of CEE and ME • Innovative digital solutions	• Intensification of dialogue using “LLB Xpert Views” • New pricing and offering structure • Expansion of fund services • Innovative digital solutions

StepUp2020 strategy

With the StepUp2020 strategy, we signalled in 2016 a phase of sustainable, profitable growth. Prior to that, the LLB Group had successfully repositioned itself with the Focus2015 strategy. The StepUp2020 strategy extends over five years (2016 to 2020).

Strategic success factors

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

- a clear strategy with high-quality implementation
- a client-oriented business model
- a strong competitive position
- innovative, client-oriented products and services
- security and stability
- a stable management structure
- highly effective employees
- efficient processes
- interplay of digitalisation and personal contact
- a unique corporate culture

The four core elements

Always with an eye to the clients, we will concentrate on our strengths. Up to 2020, we will focus on four core elements:

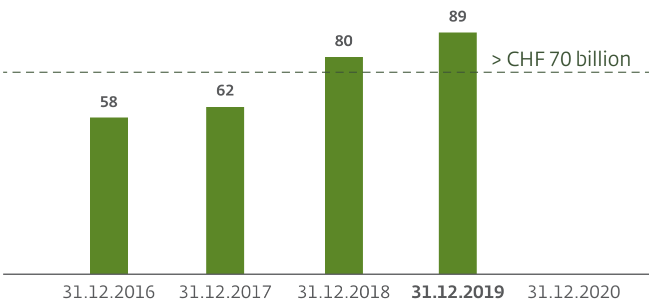
- **Growth:** We want to achieve this in two ways. Firstly, we want to grow organically by building on our own strengths. To this end, we will increase resources available for client advisory services. Secondly, we will target acquisitions in our home markets of Liechtenstein, Switzerland and Austria.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

Our structure and focus markets as well as the initiatives under our StepUp2020 strategy are summarised in the table (page 10 below).

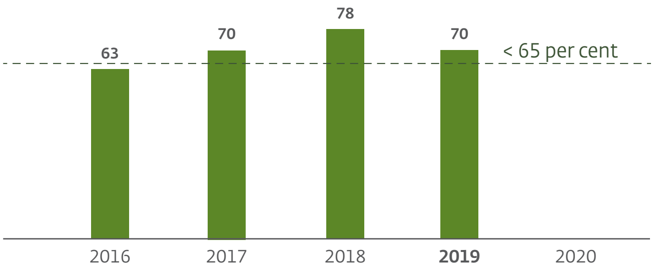
Growth and financial targets

Under the StepUp2020 strategy, the LLB Group set itself four clear and measurable targets. These are: a business volume of more than CHF 70 billion, a Tier 1 ratio of over 14 per cent, a Cost-Income-Ratio of under 65 per cent and a cumulative Group net profit of more than CHF 500 million. While we have already exceeded the targets for business volume and the Tier 1 ratio, we are on track to achieve the target for cumulative Group net profit. There is still room to improve the Cost-Income-Ratio and therefore our focus in the last year of the strategy period will be on the core element of profitability. We will be concentrating on maintaining cost discipline and achieving income targets.

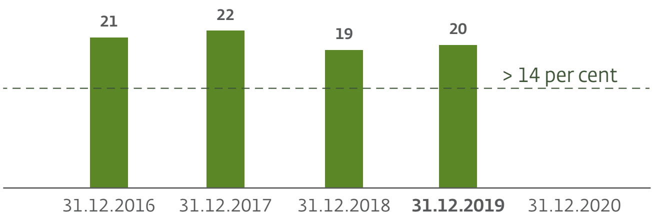
1. Business volume



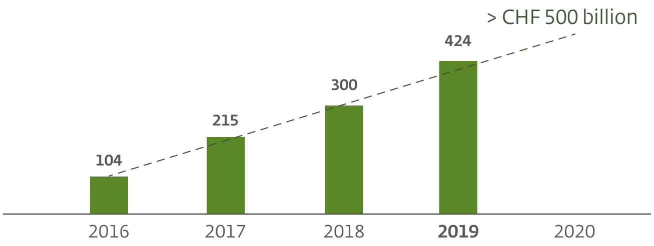
2. Cost-Income-Ratio



3. Tier 1 ratio



4. Cumulative Group net profit



Corporate culture

Vision and guiding principles

Besides strategy and structure, the culture of a company is a critical factor in its success. The LLB Group is committed to a concept of banking with a binding system of values.

Our **vision** is 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 resulting **guiding principles** refer to a binding system of values, which mean the following to us:

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

Vision, guiding principles, strategy and targets drive our thinking and our actions within the LLB Group in a sustainable way. We take various measures to ensure that our vision and guiding principles are firmly established in the minds of the employees and managers. To this end, we launched, among other things, the hashtag #wertvollhandeln to encourage employees to live the corporate values. And also the cultural journey started in 2018 is intended to make employees question their actions, exchange views and rethink processes. In 2020, as part of the cultural journey, the topic of ownership and delegation will be an element in the target agreements for all employees. Recorded will be, for example, what issues the employees champion and which overarching topics they take ownership of and promote (see chapter "Employees", page 57).

Code of Conduct

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

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

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.

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

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.

Integrated approach

Sustainable finance management and anticipatory risk management: we attach very great importance to these at all levels of the organisation. To avoid conflicts of interest, we have established effective and organisationally independent controlling bodies and processes. 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 at the LLB Group are bundled in the Group CFO Division.

Financial management

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

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

Risk management

It is essential for the protection of the reputation, the maintenance of the excellent financial strength and the securing of the sustainable profitability of the LLB Group that risks are dealt with prudently. 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”, page 178). The Groupwide treasury manages the risks in the banking book that arise from banking activities, specifically liquidity, interest rate and foreign currency risks.

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 regulations and guidelines and is reviewed and revised 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. Compliance with the LCR is intended to ensure 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 157 per cent (2018: 148 %), its ratio was substantially higher than that required under the regulations.

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 for the LLB Group. The ICAAP is documented in the internal regulations and guidelines and is reviewed and revised annually on the basis of overall bank stress tests.

Solid equity base

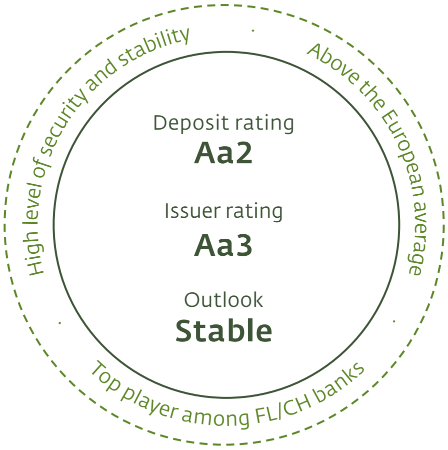
A good equity base not only protects its reputation, but is also part of the financial management and credibility of a bank. Having a sufficiently high-quality equity base at its disposal is part of the LLB Group's identity. The LLB Group's financial strength shall remain, as far as possible, unaffected 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 13 per cent. We are targeting a Tier 1 ratio of over 14 per cent as a strategic objective. As at the end of 2019, the LLB Group had CHF 2.1 billion in equity capital (31.12.2018: CHF 2.0 billion). At 19.6 per cent (31.12.2018: 19.0 %), LLB's Tier 1 ratio is well above the regulatory requirement.

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

In December 2019, rating agency Moody's again confirmed a deposit rating of Aa2 for Liechtensteinische Landesbank. This makes it, according to Moody's, one of the highest-rated banks in the world. The rating underlines LLB's stability and financial strength and is proof of our prudent finance and risk management. LLB is among the top range of Liechtenstein and Swiss banks and ranks well above the average of European financial institutions.



Credit management

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

At CHF 11.3 billion, most loans, namely 87 per cent (2018: 86 %), comprised credits secured by mortgages. We have managed to continually grow our market share of loans to customers. At the end of 2019, the volume had increased to CHF 13.0 billion (2018: CHF 12.9 billion). The LLB Group extends mortgages primarily within the market regions of Liechtenstein, north-eastern Switzerland and the region of Zurich.

High standards of lending

The LLB Group pursues a conservative credit risk policy. It includes the individual and differentiated evaluation of loan applications, the conservative assessment of collateral values, the individual calculation of affordability as well as compliance with standard equity requirements. The differentiated control processes help us to reliably fulfil our performance mandate (see chapter "Responsibilities for society and the environment", page 50) 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 financing in Switzerland, we observe the minimum requirements for mortgage financing drawn up by the Swiss Bankers Association (SBA) and approved by the Swiss Financial Market Supervisory Authority (FINMA).

We have developed a Group-wide uniform methodology for determining the collateral value of our Lombard loans. Credits against non-diversified securities or single asset lending may only be granted as an insignificant portion of a Lombard loan portfolio.

Independent credit decisions

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

Compliance risks

Besides handling legal risks, the LLB Group's compliance organisation also deals with three other areas:

- the fulfilling of legal obligations in connection with combating money laundering and terrorist financing;
- the implementing of the tax compliance strategy, AEOI, FATCA and QI as well as the withholding tax agreement with Austria;
- the complying with regulatory requirements, among other things, in the areas of MiFID and cross-border as well as the monitoring of employee transactions.

Combating money laundering and terrorist financing

Risks in relation to 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. These include 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 on 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.

Dealing with cyber risks

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

Protection of data

The EU GDPR harmonises the rules on the recording and processing of personal data by companies and public authorities across the EU. Content-wise, the regulation provides, among other things, for the "right to be forgotten", under which a person can have the data controller erase their data. With the one-stop-shop mechanism, a person can notify the data protection authorities in their member state directly of any data breaches, regardless of where the breach occurred. The regulation also provides individuals with the right to be informed about the processing of their data and sets out the requirements for contractual arrangements in relation to the processing of data by third parties and the transmitting of personal data to third countries. LLB has established corresponding rules which are applicable throughout the Group and implemented the necessary organisational and technical adjustments in a timely manner.

The completely revised Data Protection Act entered into force in Liechtenstein on 1 January 2019. The complete revision of the Swiss Data Protection Act is still in progress. It is to be largely, but not fully, harmonised with EU rules. It is expected to come into force in 2021 **(www.llb.li/en/legal-notes/privacy)**.

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.

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.

Business continuity management (BCM)

A crisis or catastrophe requires decisions to be made, but cannot be done with the resources ordinarily available to management. Business continuity management (BCM) comes into play when 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. The BCM framework includes ongoing business impact analysis, which identifies business-critical processes within the whole LLB Group. BCM also establishes crisis management teams, draws up emergency plans, carries out tests and keeps senior management up to date with regular reports. As part of BCM, a large-scale crisis management exercise involving a simulated ransomware cyber attack was held in 2019, for example. The exercise conducted by a third party and its main findings were: our IT security stands up very well to scrutiny and we have a broad expertise in the field.

RETURNS

α

Alpha, the first letter of the Greek alphabet, in financial mathematics stands for the alpha factor, a measure of excess return. A positive alpha measures the outperformance of the LLB Group's strategy funds relative to its peers.

Investment bank that outperforms

René Hensel

Equity & Multi Manager Management,
Asset Management

Outperformance can be achieved by having the right strategy – well thought-out and based on a wealth of knowledge and experience. For years, the LLB Group's Asset Management has been generating excess returns with its actively managed strategy funds and receiving the highest international awards in recognition of this. In 2019 – for the best fund range in Europe. A strong team employs modern technology and IT infrastructure and proprietary investment models. The investment approach is unique, the level of expertise excellent. Investment competence is one of the key strengths of the LLB Group in Liechtenstein, Austria and Switzerland.

Read more at
ar2019.llb.li/returns

Economic environment

The global economy has been losing impetus since the middle of 2018. Global trading activity is restrained and accompanied by low growth rates and increased political uncertainty. The central banks have reacted to faltering growth by cutting interest rates. This environment is particularly challenging for a small economy such as Liechtenstein.

International perspectives

In 2019, the global economy posted its lowest growth since the financial crisis of 2008 / 2009. In general, a slight improvement is expected in 2020. Solid domestic demand is supporting economic activity in the developed countries, compensating for the weakness in world trade, as well as in the global industrial sector. In spite of the many political and economic uncertainties the stock markets remained remarkably robust in 2019, largely thanks to the interest rate cuts made by the central banks.

USA

The coming year will be dominated by the presidential election. The current administration will have to ensure that the economic situation keeps voters in a good mood. Accordingly, the financial markets take a very optimistic view of the prospects for the US economy. Robust demand by private households continues to provide the main support for the US economy. An end to the loose monetary policy cannot be expected – if at all – before the middle of 2020.

Euro zone

The euro zone is heavily dependent on the global market. It has therefore been adversely affected by the trade dispute between the USA and China, the decline in world trade and global industrial production, as well as slackening investment activity in Asia. Economic growth in 2019 was at its lowest level since the euro crisis. Because of its especially large industrial sector, Germany was particularly hard hit. Private consumers, the robust employment market and rising wages are currently providing the biggest boost for the economy. The International Monetary Fund expects economic growth in the euro zone to improve only marginally in 2020.

Switzerland / Liechtenstein

US protectionism has significantly tarnished growth prospects in Switzerland. Following the 0.9 per cent achieved in 2019, the group of experts at the KOF Swiss Economic Institute expect a GDP growth rate of 1.3 per cent for Switzerland in 2020, and of 1.5 per cent in five year's time. In Switzerland too, the drivers of economic growth continue to be private consumers and the favourable employment market. According to analysts, the biggest boosts to growth in 2020 will be provided by the pharmaceutical industry, trade and the financial services sector. Mega events such as the Summer Olympics in Japan will also have a positive impact on economic activity because the international sport federations domiciled in Switzerland book their licensing revenues in the country. On account of the persistent political and economic uncertainties, no end to the strong Swiss franc is currently envisaged.

Liechtenstein financial centre

The Liechtenstein financial service providers are internationally oriented and are therefore exposed to the slowdown in business activity and the decline in global trade. Nevertheless, the Liechtenstein Bankers Association remains confident (according to an assessment published in the "Government Financial Planning 2020 to 2023"). The positive trend, evident since the 2016 business year, continued in 2019. The banks now manage more client assets and employ more staff than before the financial crisis. According to the Bankers Association, the core challenges facing the banks remain digitalisation, negative interest rates, geopolitical conflicts combined with volatile financial markets, a shortage of specialist staff, as well as the scope and complexity of regulatory requirements.

Interest rates

Provided there are no extraordinary political or economic upsets, interest rates will probably remain at very low levels. The central banks in the Asian emerging markets already began to ease their monetary policy in the first quarter of 2019. The Fed reduced its benchmark rate in July, September and October. In doing so, it partly reversed the rate hikes made since the end of 2015. A further easing of rates in the USA is not to be expected in the short term. The ongoing bond purchases and its record low key interest rates show that the European Central Bank (ECB) is continuing with its very expansive monetary policy. Here too, in the view of the experts, no change is to be expected. The Swiss National Bank (SNB) is also showing no sign of raising its key interest rate from the record low level of minus 0.75 per cent. Instead the SNB will continue to intervene on the foreign exchange market to relieve the upward pressure on the value of the Swiss franc.

Currencies

2019 was characterised by a relatively low amount of volatility among the key currency exchange rates. Up to the end of August, the US dollar rose in value somewhat against the Swiss franc, only to lose ground again towards the end of the year. Upward pressure on the Swiss franc in relation to the euro persisted. Since the end of November, the franc / euro exchange rate has again fallen to under CHF 1.09. The exchange rate development of the pound sterling was largely influenced by the Brexit debate. No end to the Swiss franc's strength is yet in sight. The ECB's continuing expansionary monetary policy is weighing on the euro. As a result of the incipient economic upturn in the emerging markets, the US dollar will probably lose its status as a safe haven. Furthermore, a strong dollar does not serve the interests of the US government.

Equity markets

2019 will be remembered as an outstanding year for equities. The equity markets successfully overcame the various negative events. Higher stock prices and falling corporate profits led however to significantly higher valuation ratios. The MSCI World Index rose in USD value by 27 per cent up to the end of December (in CHF value by 25 per cent) and, at the same time, attained a new record level. Accordingly, measured against expectations for 2019, it posted a price / earnings ratio of almost 20. Neither the trade dispute between the USA and China, nor other events, were able to restrain the rise of equity prices in the key markets for very long. Nevertheless, the various conflicts are having an increasingly adverse effect on global trade. Even if the USA and China are able to reach a temporary agreement, confidence in cross-border trade has been badly shaken and is leading to losses in prosperity. The power struggle between the USA and China could become the dominating issue in future, and not just in a purely economic context. Moreover, the coming year will be overshadowed by the election campaign for the US presidency. If the conflict with Iran should escalate, this would most probably impact the price of oil with correspondingly negative consequences for the global economy. Therefore the starting situation, with an expected price gain of 10 per cent for the overall market in 2020, appears to us to be too ambitious and we expect profit forecasts to be revised subsequently. On the other hand, investors can count on the central banks being very friendly towards the markets by being willing and able to step in and support the markets at any time with bond purchasing programmes.

Retail & Corporate Banking

The Retail & Corporate Banking of LLB and Bank Linth forms the backbone of private and corporate client business in Liechtenstein and eastern Switzerland. Power of innovation and ground-breaking ideas ensure a closeness to clients, premium advisory quality and efficient digital channels.

Regionally anchored

Founded in 1861, Liechtensteinische Landesbank is the longest established financial institute in Liechtenstein. Its very large market share of retail and corporate banking business confirms its close ties to private and corporate clients. The Landesbank therefore provides a major contribution to the economy of the Principality. It is the only bank in Liechtenstein having several branches and an extensive network of cash machines. Many clients are also shareholders of the bank: 20.1 per cent of LLB registered shares are in the possession of private individuals and companies domiciled in Liechtenstein (see chapter "The LLB share", page 38). Bank Linth, founded in 1848, also has a long tradition and is well known for its proximity to clients and the market. Around 10'400 shareholders are the foundation of the bank and actively participate in its development.

Retail and corporate banking is a local and regional business. Our client advisers are at home in their market regions and can assess the needs of private clients and companies (see chapter "Employees", page 57).

Markets and services

The Retail & Corporate Banking of Liechtensteinische Landesbank and its subsidiary Bank Linth encompasses the deposits and financing business in the domestic markets of Liechtenstein and Switzerland. In addition, it has very diverse relationships with cross-border clients from the Austrian province of Vorarlberg. In this market region we offer the complete spectrum of banking and financial services for private and corporate clients. Under the designation "Compass", we offer a 360-degree spectrum of advisory services, which provides solutions for every phase of life and stage of the business cycle – from birth to estate planning, and from the setting up of a company to succession planning.

Payments, savings and deposits

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

Lending and mortgage business

Lending business is an important area of operations for the LLB Group. We pursue a prudent credit policy, which focuses on the lender's creditworthiness and ability to repay the loan (see chapter "Finance and risk management", page 14). In its home market Liechtenstein, LLB is the market leader in mortgage lending business with a market share of 50 per cent. As the largest regional bank in eastern Switzerland, Bank Linth is also one of the largest credit providers in this business area.

Partner bank for SMEs

In recent years, LLB and Bank Linth have increasingly positioned themselves as partner banks for small and medium sized enterprises (SMEs) in Liechtenstein and eastern Switzerland. With a market share of more than 60 per cent, LLB is the market leader in Liechtenstein. Bank Linth

Bank branch and ATM network
LLB is the only bank in Liechtenstein to offer

3 bank branches and
23 ATM locations

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

20 bank branches / advisory points and
28 ATM locations

is one of the largest service providers in eastern Switzerland. In addition to attractive basic product packages, corporate clients are offered a broad and comprehensive range of services from the setting up of a business to the transfer of the company to the next generation.

Individual pension provisioning solutions

We are the only bank in Liechtenstein offering clients individual pension fund solutions through the LLB Pension Fund Foundation for Liechtenstein (see chapter "Responsibilities for society and the environment", page 53). Measured in terms of the number of persons insured and the assets managed, the Pension Fund Foundation is the largest collective foundation in Liechtenstein and the only one in the country whose members can choose between two investment strategies. At the end of 2019, it administered 5'490 actively insured persons in 514 affiliated companies.

And it is continuing to grow: Zurich Life Insurance Company is withdrawing from the Liechtenstein pension fund market by the end of 2022 and has recommended its clients in the Malbun Collective Pension Fund to move to the LLB Pension Fund Foundation. In return, the LLB Pension Fund Foundation has declared its willingness to take over both the active pension fund contracts and the pension obligations of this fund. As per 1 January 2020, various clients have already taken advantage of this offer.

Omni-channel concept: digital and personal

The rapid technological transitions are particularly evident in retail and corporate banking business. Whereas over-the-counter business is declining, more and more of our clients are utilising e-channels. In 2019, more than 2.5 million transactions (2018: 2.3 million) were carried out via our online and mobile banking channels. Card transactions using LLB cards also increased from 2.7 million in the previous year to 3.3 million (see graph, at right).

The intensity and scope of advice provided is also increasing, which is why we are not only investing in technology but also in the training of our bank branch teams. Counter staff are becoming client advisers, who are certified according to the standards of the Swiss Association for Quality (see chapter "Employees", page 61). By the end of 2019, 103 client advisers of the Retail & Corporate Banking Division had successfully completed the certification programme. By the end of 2020, all staff members should have completed this training.

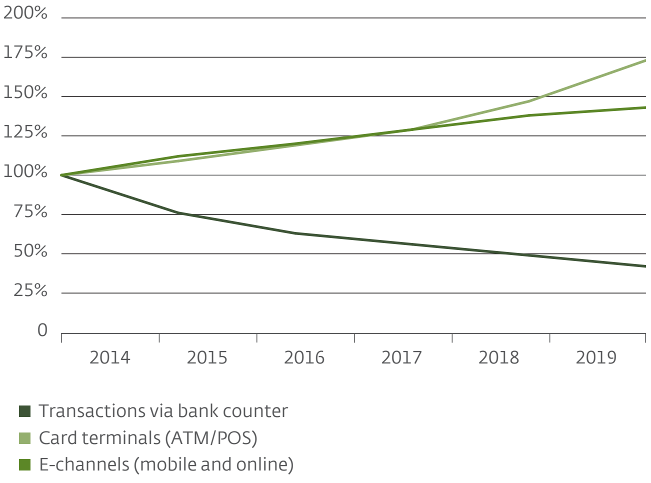
Bank branches focused on advising clients

The trend in the bank branches is away from transaction business and towards personal advice provided on the spot. Increasingly, clients are carrying out standard transactions, such as in and out payments, themselves at ATMs or using our e-channels. Consequently, fewer people are visiting our bank branches. In 2019, around 21'600 clients visited the three LLB branches in Liechtenstein. Conversely, our branch staff have more time for personal meetings and discussions with clients. These should take place in an environment that offers an inspiring experience and enables clients to feel comfortable and at ease.

To ensure this, we are successively redesigning our bank branches. In spring 2019, LLB unveiled its first newly designed bank branch in Balzers in Liechtenstein, at which it presented its unique "Bankorama" experience. This enables clients to interactively experience the world of banking. In this manner, LLB wants to make banking products simple to understand and to create an experience with them. In 2020, the Eschen branch is to be remodelled in line with the new concept, and one year later the Vaduz branch will follow suit.

On its way to becoming the "bank of the future", Bank Linth opened its first redesigned branches in 2015. In the meantime, seventeen branches from twenty have been modernised according to the new standard. This strategy is taking effect, the number of individual client advisory meetings rose by 11 per cent in 2019 in comparison with the previous year.

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



E-Channels

Designed in accordance with the latest security and technological standards, in 2017 we renewed our digital offering. In 2019, we adapted our mobile banking app to focus even more on the requirements of our clients. This app is continually growing in importance. We have again significantly improved the user-friendliness by simplifying the login process, adding a completely new dashboard and revising the quick access to the most important functions. With our online banking programme too, we have added an exciting new function in the form

This page contains, inter alia, the following GRI disclousures 102 – 43. A list of all disclosures shown in the report can be found in the GRI Content Index on page 103.

of a table view that can be optionally activated. Within the scope of our "Novus" digitalisation programme, we are investing CHF 30 million during the StepUp2020 strategy period in the continual development of our digital channels (see chapter "Corporate Center", page 33).

Digitalisation steps in payment systems

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

- **eBill:** Our eBill application has been well received on the market. 2257 clients are using this service, which makes it easier and faster to receive, check and release invoices for payment via LLB Online Banking. eBill facilitates the administration and control of accounts receivable for companies. Electronic dispatch also brings cost savings.
- **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 is an interface solution that enables companies to submit payments, 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 continued to develop the Electronic Banking Internet Communication Standard (EBICS) in 2019. EBICS has become established in various Single Euro Payments Area (SEPA) countries as a multi-bank client / bank communications standard that enables payment transfers to be executed in an encrypted and secure form via the internet. Multi-national companies, in particular, are the target users of the system.
- **QR billing:** Another new feature will be introduced to the payment systems in the coming year. From 30 June 2020, QR-billing will be launched in Switzerland. This represents a further step in the automation of payment processes. The LLB Group is well prepared for this new digitalisation measure.

Customer Service Center

As the interface between online and offline services, our Customer Service Center is the central hub for around 62'000 clients. It offers them a comprehensive service for all banking transactions. In 2019, this dedicated team answered 106'000 telephone calls, responded to around 27'000 e-mails and 4'300 bank messages. It also dealt with 70'000 enquiries and questions. The team is also responsible for providing first-level support for questions regarding our digital channels.

Client requirements at the forefront

As part of the StepUp2020 strategy, the LLB Group set itself the goal of investing more time in the individual care of its clients and enhancing the quality of advice it gives them. The Lean Management Group Programme makes a significant contribution to standardising processes as far as possible and to aligning our company even more closely with clients' requirements (see chapter "Corporate Center", page 35).

Following the in-depth client surveys carried out in 2018, we did our homework and implemented substantial improvements to our Online Banking while, at the same time, cutting the throughput time for applications and enquiries. During the first half of 2020, we shall launch a new, even more extensive client survey, whose results should again help us to improve the quality of our services (see chapter "Marketing and communication", page 45).

Knowledge generates trust

44 per cent of Swiss voters believe that retirement provisioning is the greatest problem facing Switzerland. This result was revealed in the "CS Worry Barometer" published in December 2019. In Liechtenstein too, retirement planning is an important issue. Consequently, we have decided to become a partner for the "Retirement Trade Fair" to be held for the first time in Vaduz in March 2020. The "Retirement" and "Investing" client events, which we launched at our bank branches in 2019, were completely booked out. Following a presentation on the subject, participants were able to obtain advice on specific questions and get information from their client advisers on individual financial planning. At another event aimed at parents with young children, possibilities for saving capital for their children's' education were presented. In addition, events held for senior citizens aged 60+ were very popular. At these events held in our bank branches, the participants had the opportunity of trying out our mobile and online banking applications and getting answers to their questions.

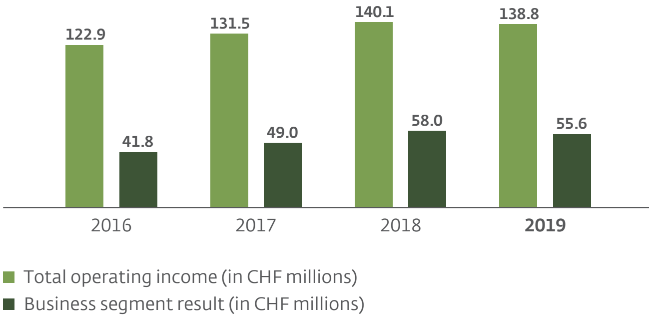
Premium partner of the Chamber of Commerce and SME Award

LLB is well networked with the local business community. We are premium partners of the Liechtenstein Chamber of Commerce. In 2019, we extended and further intensified this collaboration. In addition to our tried and tested services for members of the Chamber of Commerce, in future we shall intensify our support for events and training activities in relation to digitalisation. Our goal here is to help companies and their employees to identify and take advantage of the opportunities offered by digitalisation and technological advances.

Furthermore, we shall again operate a stand at the LIHGA 2020 (Liechtenstein's regional trade fair) together with the Chamber of Commerce, and choose a recipient for the second time for the LLB SME Award, which we set up in 2018 in collaboration with the Chamber (see chapter "Responsibilities for society and the environment", page 53).

Business segment result

Interest differential business, which comprises the largest part of earnings in private and corporate banking, again developed positively, rising by 3.1 per cent in comparison with the previous year. In the reporting period fewer expected allowances for credit loss expenses were released than in 2018; this is reflected in the slightly lower segment profit before tax. Operating expenses increased only marginally in spite of the investments made in the branch and distribution network. The business volume expanded by 4.0 per cent to CHF 19.9 billion. Client assets under management climbed by 9.8 per cent to CHF 9.3 billion. The segment posted new money inflows in the home markets of Switzerland and Liechtenstein.



Segment reporting

in CHF thousands	2019	2018	+ / − %
Net interest income	93'151	90'317	3.1
Expected credit losses	731	6'931	−89.4
Net interest income after expected credit losses	93'882	97'248	−3.5
Net fee and commission income	31'806	29'729	7.0
Net trading income	10'921	11'383	−4.1
Other income	2'208	1'783	23.8
Total operating income	**138'817**	**140'143**	**−0.9**
Personnel expenses	−28'698	−30'458	−5.8
General and administrative expenses	−1'924	−1'607	19.7
Depreciation and amortisation	0	0	
Services (from) / to segments	−52'575	−50'127	4.9
Total operating expenses	**−83'197**	**−82'192**	**1.2**
Segment profit before tax	**55'620**	**57'951**	**−4.0**

Performance figures

	2019	2018
Gross margin (in basis points) *	69.6	70.0
Cost-Income-Ratio (in per cent) **	60.3	61.7
Net new money (in CHF millions)	240	407
Growth of net new money (in per cent)	2.8	4.8

* Operating income (excluding expected credit losses) relative to average monthly business volumes.
** Operating expenses (excluding provisions for legal and litigation risks) in relation to operating income (excluding expected credit losses).

Additional information

	31.12.2019	31.12.2018	+ / − %
Business volume (in CHF millions)	19'915	19'142	4.0
Assets under management (in CHF millions)	9'280	8'449	9.8
Loans (in CHF millions)	10'635	10'693	−0.5
Employees (full-time equivalents, in positions)	182	197	−7.6

Private Banking

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

Stability and security

For many years, the LLB Group has been one of the most secure and best capitalised universal banks in the world and, with its Aa2 deposits rating from Moody's, it belongs to the absolute top rank of financial institutes in Liechtenstein and in Switzerland (see chapter "Finance and risk management", page 14). With its 158-year history, LLB is the longest established bank in Liechtenstein. Furthermore, with the Principality of Liechtenstein as its majority shareholder, it can rely on a solid ownership structure. Liechtenstein is one of the very few countries in the world to possess an AAA rating with a stable outlook from Standard & Poor's. The outstanding country rating for the entire Liechtenstein financial centre is an indicator of stability and reliability.

International presence – local ties

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

The LLB Group's business model aims at its clients meeting tax compliance requirements. It is of central importance for our cross-border banking that strict compliance with prevailing regulations is maintained. By providing intensive training courses, we ensure that our employees fulfil the regulations of the target countries and observe tax compliance rules during their cross-border activities.

Our home markets: Liechtenstein, Switzerland and Austria

Liechtenstein, Switzerland and Austria, as financial centres, possess a high potential to attract investors who are seeking security and stability for their investments. We posted very pleasing inflows of client assets in 2019 both in private banking in Liechtenstein and from clients in the Swiss and Austrian market regions. At a local level, we are represented by three LLB bank branches in Liechtenstein, twenty Bank Linth business locations in eastern Switzerland and one bank in Vienna.

Traditional cross-border markets

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

Central and Eastern Europe

The LLB Group focuses on the Central and Eastern European EU states, Russia and selected CIS states. These markets are covered specifically from our business locations in Zurich-Erlenbach, Geneva, Vaduz and Vienna. In line with our strategy, we have put in place client advisory teams in Zurich-Erlenbach and Geneva. This has enabled us in recent years to increase client assets under management from these strategic target markets.

Middle East

The LLB Group has maintained a representative office in Abu Dhabi since 2005. In 2008, this was followed by our business base in Dubai. In recent years we have strengthened and significantly expanded our business presence in the Middle East. In order to better exploit the opportunities offered by this attractive market, we moved to the Dubai International Financial Centre (DIFC) in summer 2019. This now provides us not only with much larger offices, but also with much more scope for our business operations.

High level of product and service quality

At the beginning of 2020, LLB Österreich migrated to the Avaloq banking software, so that all the banks in the LLB Group now operate a common core banking application. This has enabled us to make further progress in the automation of our processes and, at the same time thanks to the bundling of administrative procedures, to take advantage of synergies. In addition to the clients of LLB and Bank Linth, in future those of LLB

Österreich can also take advantage of the whole range of LLB Group products and services, including Online and Mobile Banking, the innovative "LLB Invest" investment advisory and asset management solution, as well as "LLB Portfolio Analysis", the pioneering technological portfolio information system. Moreover, we are continuing to develop our digital advisory tools. The goal here is to enhance the scope and quality of our investment advice. The first applications are to be utilised in advisory discussions starting in 2020.

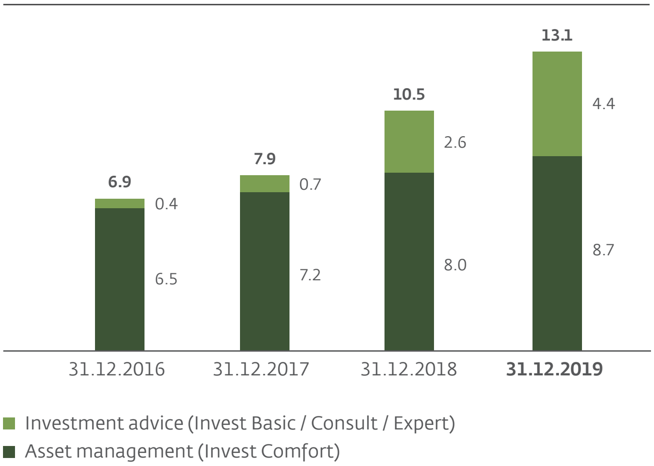
Asset management and investment advisory

Irrespective of whether clients prefer to delegate the management of their assets or actively make investment decisions themselves, with "LLB Invest" and "Bank Linth Invest" private and institutional clients can find a product offering tailored to suit their requirements at LLB. In 2018, to supplement the existing "Consult" and "Expert" advisory models and the "Comfort" asset management application, we added the leaner "Basic" model. In 2019, this was also introduced at Bank Linth. Therefore, LLB is not only complying with the EU's MiFID II directive, valid since 2018, but also with the Swiss FIDLEG regulation, which comes into force in 2020.

When using "LLB Invest", our clients decide what scope of service they wish to receive from us. They can choose their investment strategy from the categories "Fixed Interest", "Conservative", "Yield", "Balanced", "Growth" or "Equities". Using computer-supported continual monitoring of the portfolios, our private banking client advisers ensure the security of the investments and deliver performance in line with the selected strategy. This service has been very well received by our clients. Since the introduction of "LLB Invest" in 2016, the volume of asset management and investment advisory mandates has risen steadily (see chart below).

In addition, the LLB Group offers passive asset management mandates with various investment strategies as well as passively managed equity funds.

LLB Invest (in CHF billions)



Products for every phase of life

With our "LLB Compass" and "Bank Linth Compass" services, we support private clients and entrepreneurs at all stages of life or the business cycle to help them achieve their future financial goals. LLB and Bank Linth therefore cover all the important themes such as wealth planning, financing facilities, retirement provisioning, real estate, taxation, estate planning and succession (see chapter "Responsibilities for society and the environment", page 52).

Fair and transparent pricing

The LLB Group foregoes retrocessions both in the provision of investment advisory and asset management services, i. e. LLB does not accept commissions from external fund vendors for the distribution of their products to the bank. We transfer 100 per cent of these payments to our clients. We employ performance-related fees with various funds, as well as with asset and discretionary management mandates, which are only payable if a positive return is achieved. Our interest-related fees are another innovative feature, which take into account the prevailing low level of interest rates. LLB's tariff structures are simple and clear, costs are visible at a glance (see chapter "Responsibilities for society and the environment", page 52).

Tested advisory quality

We regularly receive awards for the high level of our advisory competence. In the independent comparison test carried out for the "Fuchsbriefe" publishing house, our client advisers attained the best results of all tested banks in Germany and Liechtenstein. The top rating "Very good" is a testimony to the affinity our employees possess for the provision of excellent investment advice. We were praised in particular for the quality of our innovation and our ground-breaking digital solutions.

To ensure the quality of our advisory services, we continually invest in our products and employees. Our client advisers must complete the certification programme according to the standards of the Swiss Association for Quality (SAQ). In Austria, we have decided to introduce the European Investment Practitioner (EIP) certificate programme recognised throughout the EU. We are adding our own oral examination to this programme, thus upgrading it to comply with the LLB certificate and therefore the level of the SAQ certification.

Highly sophisticated digital services

In continually analysing and monitoring client portfolios, our client advisers and analysts are supported by the latest technology. Highly efficient programmes use sophisticated algorithms to calculate the return and assess the risk of individual financial instruments in order to enhance portfolio performance. Individual targets 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. Thanks to LLB's advanced mobile and online banking applications, clients have an overview of their assets at all times.

Outstanding investment performance

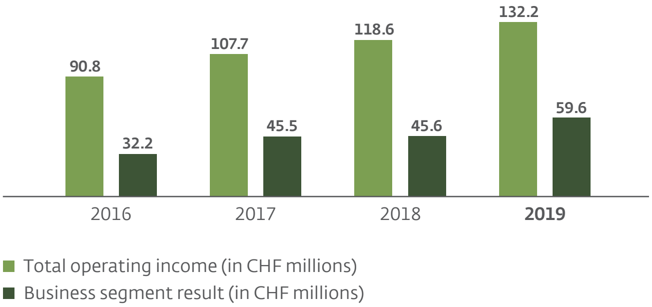
The Private Banking Division is supported by the specialists of LLB Asset Management, whose investment performance in competitive comparison is outstanding. This is confirmed by the international awards, which LLB received in 2019 and in previous years (see chapter "Institutional Clients", page 28). The investment selection process for the portfolios follows the proprietary, multi-award-winning LLB Multi-Factor Model, which we refined and optimised in 2019 (see chapter "Institutional Clients", page 30). As active managers, our Asset Management specialists are guided by benchmarks – with the goal of exceeding them in our own numerous funds and mandates. This applies both in asset management and for investment funds. As a further means of assuring quality, we continually invest in technology and the training of our investment experts.

Focus on clients

In order to find out how satisfied our clients are with our offering and advisory services, we shall carry out a broadly based client survey in early 2020 (see chapter "Marketing and communication", page 45).

Business segment result

The Private Banking segment increased operating income by 11.5 per cent. Thanks to operative improvements, growth was achieved both in fee and commission business and interest differential business. Moreover, a write-back of provisions had a positive impact on operating expenses, which were kept at the same level as in the previous year. The segment profit before tax improved therefore by 30.7 per cent or CHF 14.0 million. Thanks to the improved earning power, the gross margin rose to 72.4 basis points. Both client assets under management and loans to clients increased. The business volume expanded by 2.9 per cent to CHF 18.7 billion.



Segment reporting

in CHF thousands	2019	2018	+ / – %
Net interest income	40'299	36'317	11.0
Expected credit losses	486	0	
Net interest income after expected credit losses	40'785	36'317	12.3
Net fee and commission income	82'973	73'640	12.7
Net trading income	8'460	8'639	– 2.1
Other income	2	3	– 35.8
Total operating income	**132'220**	**118'597**	**11.5**
Personnel expenses	– 37'238	– 38'195	– 2.5
General and administrative expenses	1'837	– 3'431	
Depreciation and amortisation	– 134	– 5	
Services (from) / to segments	– 37'072	– 31'368	18.2
Total operating expenses	**– 72'608**	**– 73'000**	**– 0.5**
Segment profit before tax	**59'612**	**45'597**	**30.7**

Performance figures

	2019	2018
Gross margin (in basis points) *	72.4	68.8
Cost-Income-Ratio (in per cent) **	58.7	61.6
Net new money (in CHF millions)	89	780
Growth of net new money (in per cent)	0.5	5.4

* Operating income (excluding expected credit losses) relative to average monthly business volumes.
** Operating expenses (excluding provisions for legal and litigation risks) in relation to operating income (excluding expected credit losses).

Additional information

	31.12.2019	31.12.2018	+ / – %
Business volume (in CHF millions)	18'743	18'216	2.9
Assets under management (in CHF millions)	16'859	16'350	3.1
Loans (in CHF millions)	1'884	1'866	0.9
Employees (full-time equivalents, in positions)	185	189	– 2.2

Institutional Clients

Thanks to our specialised and innovative B2B services and our position as a broadly based investment fund powerhouse, we are a reliable partner for financial intermediaries and institutional clients. Our award-winning, highly experienced Asset Management serves as an investment competence centre for the entire corporate group.

Specialised in serving professional clients

Institutional Clients encompasses the intermediary and fund business, as well as the asset management operations of the LLB Group. We concentrate on fiduciaries, asset managers, fund promoters, family offices and insurance companies, as well as pension funds, banks and public institutions. Our core markets are Liechtenstein, Switzerland and Austria. In order to provide our clients with the best advice in this demanding segment, our client advisers complete a certification programme according to the standards of the Swiss Association for Quality (SAQ) (see chapter "Employees", page 61). By the end of 2020, all our client advisers will have graduated from this extensive training programme.

Awards

Our investment and advisory competence is truly outstanding. This is confirmed by the awards we received in 2019:

- **Refinitiv Lipper Fund Awards 2019:** In 2019, we were delighted to be ranked first. The gold award as European Champions "over all main categories" (Overall Small Company) testifies that, in our company category, we have the best range of bond, equity and strategy funds in Europe. In total, the LLB Group won twelve Lipper awards at the European level and in Switzerland, Austria and Germany. Our Asset Management has therefore won the highest cross-border awards in the investment fund industry several times.
- **Alternative Investments Awards 2019:** LLB Semper Real Estate, the open public real estate fund of LLB Österreich ranked first at the Alternative Investments Awards 2019 of "GELD" magazine in the category over three years.
- **Best Fund Administrator / Switzerland 2020:** In autumn 2019, LLB Swiss Investment was named best fund administrator for 2020 in Switzerland by International Investor Magazine.

Fund powerhouse

Investment fund business is an important earnings pillar of the LLB Group having significant growth potential. In the year under report, our investment fund business grew by CHF 6.0 billion. The fund assets it manages reached a volume of CHF 36.6 billion.

Our four investment fund companies in three countries offer our clients access both to the European and the Swiss economic areas. This makes us one of the most versatile fund vendors in Europe. Our fund management companies focus on providing private label fund solutions (known in Austria as special funds or Master-KAG solutions). They are very individual solutions, highly suitable for efficiently managing and structuring large volumes of assets. 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 all our clients' wishes. We plan and set up made-to-measure funds, both in-house and for independent asset managers, family offices and other promoters. We structure and manage these vehicles and ensure modern, state-of-the-art risk management. At our business locations in Vaduz and Zurich, we complement our services by assuming a representative function for foreign funds. In Liechtenstein and Austria, we take over the function of a custodian bank / depositary.

In 2020, we intend to intensify the marketing of our funds powerhouse and promote the distribution of our fund products through specific marketing and communication measures. The aim here is to establish our range of services even more firmly in our home markets.

Fund business in Liechtenstein and Switzerland

Through **LLB Fund Services AG** we operate a fund management company in Vaduz which – based on its holistic and needs-oriented advisory approach – covers the entire spectrum of private label fund services ranging from the setting up of a fund, to the initial issuance of units, all the way to the provision of services throughout the life cycle of the fund. Thanks to its membership of the EEA and its customs agreement with Switzerland, Liechtenstein offers unrestricted access to two economic areas – to Switzerland and the European Union – and thus complete flexibility (see chapter "Regulatory framework and developments", page 41).

By acquiring **LLB Swiss Investment AG** in Zurich in 2018, the LLB Group gained access to the Swiss growth market. LLB Swiss

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		Externe Verwahrstellen

More than 650 funds with a volume of 36.6 billion Swiss Franks

Bundled know-how in three jurisdictions

Specific location advantages enable individual structuring solutions

Investment offers its clients tailor-made, efficient fund management, as well as compliance and risk management services according to Swiss law. By focusing on private label funds, it ideally complements the LLB Group's investment fund business. In addition, it takes over the representative function for foreign funds in Switzerland – which is also a business sector offering great growth potential. In 2019, LLB Swiss Investment acted as representative for 212 foreign funds; an increase of around 18 per cent compared with the previous year.

The fund services business posted a volume increase in Liechtenstein and Switzerland of CHF 2.2 billion. In comparison with the previous year, we expanded the volume by 14 per cent to CHF 18.0 billion. At the end of 2019, we managed or held in safekeeping a total of 300 investment funds.

Fund business in Austria

LLB Österreich is one of the leading vendors of investment and real estate funds in the Austrian market.

The portfolio of its subsidiary, **LLB Invest KAG,** comprises customised complete solutions for public funds, funds for large-scale investors and special funds. It also offers special expertise with multi-manager funds and master-KAG solutions. The spectrum of products ranges from money market tracking funds, to bond and equity funds, to asset allocation funds, and extends to real estate and alternative investment funds. A suitable fund solution can be found for almost every requirement.

LLB Immo KAG, another subsidiary company, offers public funds, funds for large-scale investors and two special funds. It has been active successfully for more than fifteen years in real estate funds, and is the growth and innovation leader in this business in the Austrian market. LLB Immo KAG invests directly in high-yield real estate in the stable Austrian and German markets. It pays special attention to the profitable management of properties and the continual, qualitative growth of its portfolios. At the end of 2019, one of LLB Immo KAG's funds was awarded the Austrian eco-label, the highest sustainability certificate for real estate funds. Real estate funds are regarded as a first-class diversification possibility for portfolios and, especially in the persisting low interest rate environment, as a stable earnings provider.

In comparison with the previous year, LLB increased its fund volume in Austria by 26 per cent and managed 348 funds having a volume of CHF 18.6 billion at the end of 2019. It posted a growth in volume of CHF 3.8 billion.

LLB as custodian bank for funds

LLB is the leading custodian bank in Liechtenstein. As a pioneer in this business and the first bank to offer this service in Liechtenstein, it has acknowledged expertise in the management and administration of complex fund mandates having various strategies and asset classes. LLB Österreich also offers its clients all custodian services from one source.

Financial intermediaries

We are passionate about looking after our professional clients. In addition to our partner-like collaboration with independent asset managers and fiduciaries, in 2019, we concentrated on further expanding our institutional client segment. We are a reliable partner for pension funds and public institutions, offering them a specialised range of services. In close cooperation with our outstanding Asset Management team and our investment fund specialists, we can offer our clients made-to-measure, ideal investment solutions. The direct contact with our clients is of cardinal importance to us. To facilitate the work of our clients, we are continually investing in digital user interfaces and functions for them.

Expansion of digital services for our clients

Our intermediary clients depend on efficient, end-to-end solutions, standard processes have to be fast and unbureaucratic. This saves them more time for their end clients. LLB supports intermediaries with personal advice and user-friendly digital tools, which we are continually refining and upgrading. Our digital form centre, which we will introduce during the first half of 2020, will represent a quantum leap. Thanks to intuitive user navigation and a clear structure, we will simplify the client onboarding process and significantly reduce the time and effort required by intermediaries. The provision of an electronic signature means that the process can be completed digitally in future, making it even faster.

In the year under report, we also optimised our Online Banking and, with the addition of the new “pro-modus”, aligned it even more on the needs of professional clients. This enables spread sheets to be filtered, sorted and comprehensively analysed with the “pivot functions”. An export function makes the configured contents available for downloading.

Through the “LLB Connect” interface companies can execute payment, stock market and foreign exchange orders in their usual software environment and submit them quickly, securely and efficiently to LLB. The accounting system can be automatically reconciled with accounts payable and accounts receivable. In addition, thanks to “LLB DataFeed”, clients can retrieve the latest information and import it into their programme.

In January 2020, we introduced our innovative “LLB Portfolio Analysis” tool at LLB Österreich. This tool is already available to clients of the parent bank and Bank Linth. Among other functions, it enables intermediaries to analyse portfolios, compare them with selected benchmarks and place stock market orders directly.

Business compliance function

In response to a client need, we established a business compliance function for financial intermediaries in 2017. In the case of complex business issues, our compliance specialists can be called in to advise clients about regulatory requirements and to support them through the compliance process. In addition, the business compliance function carries out preliminary clarifications for various business cases and therefore helps to quickly identify and address regulatory obstacles. Financial intermediaries greatly appreciate this service and use it regularly.

Asset Management

The Asset Management Business Area supports all three market divisions in their target regions by providing them with its investment competence and value-oriented investment approach (see chapter “Strategy and organisation”, page 9). It therefore plays a central role within the LLB Group. Our specialists have extensive experience in meeting the investment needs of private and institutional clients.

For the most part, the over fifty LLB investment funds are actively managed by experienced fund managers and are licensed for distribution in Liechtenstein, Switzerland, Austria and Germany. Thanks to its broadly diversified strategy funds, LLB has been one of the leading vendors in long-term competition comparison for many years (see “Awards”, page 28). In concrete terms, for us diversification means that with our strategy funds we invest in over fifty asset classes and in over 4’000 individual securities.

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

Multi-factor investing

Quantitative methods enable equity universes to be efficiently and systematically screened according to a diversified selection of scientifically recognised factors in order to localise the most attractive securities. In order to employ this methodology to best effect, we have developed our own multi-factor approach: the “LLB Multi-Factor Model”. This provides our researchers and fund managers with a broadly based quantitative analysis and therefore a sound basis for the selection of the most attractive equities. Supplemented with the careful fundamental analysis of our experienced experts, we then achieve an ideal mix of securities to ensure good investment success over the medium to long term. The use of the LLB Multi-Factor Model in our range of equity funds enables us to generate clear added value for our clients.

Focus on sustainable investment products

Starting in 2016, LLB has supplied sustainable solutions in its investment advisory and asset management services (“LLB Invest”). In 2019, we launched a large-scale project to develop such products and investment processes even further. Our objective is to substantially expand our own range of high-quality, sustainable investment solutions for private and institutional clients over the next few years. We shall strive to find appropriate solutions both for the asset management core business and for investment funds.

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, LLB offers six different investment strategies; these range from "Fixed Interest" to "Equities" in the reference currencies CHF, EUR and USD. The volume of assets under management at the end of 2019 stood at CHF 8.7 billion. We have also extended our offering with passive asset mandates having various investment strategies, as well as passively managed equity funds. Furthermore, LLB Österreich offers a total return approach in the form of a mandate focused on value preservation.

Partner-like dialogue and transfer of knowledge

The transfer of knowledge and the strong networking with external partners is particularly important for intermediaries. By transferring knowledge, we create added value for our clients and promote the exchange of ideas and views. For this purpose, we utilise two channels: our exclusive round-table events and an online platform designed to fulfil the requirements of intermediaries. In addition, we have extensive and close links with various associations and financial centre players, so that we can learn right in the front line which subjects are, or are going to be, important in the future. This enables us to actively shape and configure the basic business conditions which determine our business model.

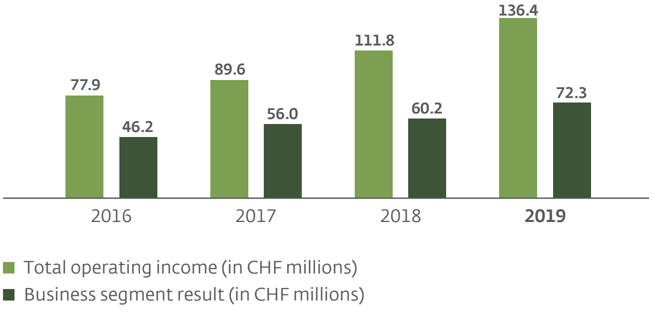
"LLB Xpert Views"
Our "LLB Xpert Views" online platform is a central point of contact for fiduciaries, independent asset managers, investment fund managers and fund promoters. We can make available our know-how in the areas of asset management, as well as law and taxation to our clients via the online platform. Moreover, "LLB Xpert Views" supports our professional clients in complying with the latest regulatory provisions. They receive a compact and transparent overview of the latest regulatory developments relevant to them.

To nurture the exchange of views and experience with intermediaries, we organise exclusive "LLB Xpert Views" round-table discussions several times a year. Within the context of these discussions, LLB internal experts and investment specialists regularly inform clients about current practical issues. The focus in 2019, for example, was on the reimbursement of withholding tax, the strategic investment location, a pragmatic approach to monetary policy and national risk assessment and its significance. In total, we held fourteen such round-tables during the year under report.

Partnerships with financial centre players
LLB participates actively in various networks and thus secures an audience in the financial services sector for its views. The Group company, LLB Asset Management AG, is a member of the Liechtenstein Association of Independent Asset Managers and a committed partner in the development of the financial centre. At the same time, the Group company, LLB Fund Services AG, is a member of the executive board of the Liechtenstein Investment Fund Association, which actively shapes the basic framework of the Liechtenstein fund centre. LLB Österreich is a member of the executive board of the Association of Austrian Investment Companies – the umbrella association of all Austrian administration companies and all Austrian real estate capital investment companies. In Zurich, LLB Swiss Investment AG is a member of the Swiss Funds & Asset Management Association, the representative trade association of the Swiss investment fund and asset management industry.

Business segment result

The segment profit before tax of the Institutional Clients segment rose by 20.0 per cent to CHF 72.3 million. Operating income improved largely on account of the good performance in fees and commissions business. Thanks to active sales and marketing efforts, as well as the positive contributions made by the two acquisitions, growth in this business area was up 29.9 per cent to CHF 105.2 million. Operating expenses increased on account of higher personnel expenses. The inflows in all business areas made a pleasing contribution to the positive net new money inflow of 9.0 per cent or CHF 3.8 billion. Investment fund business in Austria provided particularly gratifying inflows. The business volume expanded by 17.9 per cent to CHF 50.7 billion. The LLB Group invests on average around CHF 35 million in IT and infrastructure projects.



Segment reporting

in CHF thousands	2019	2018	+/−%
Net interest income	21'310	19'817	7.5
Expected credit losses	−215	0	
Net interest income after expected credit losses	21'095	19'817	6.5
Net fee and commission income	105'195	80'952	29.9
Net trading income	10'149	11'007	−7.8
Other income	−3	2	
Total operating income	**136'436**	**111'778**	**22.1**
Personnel expenses	−32'650	−26'220	24.5
General and administrative expenses	−1'127	−4'647	−75.7
Depreciation and amortisation	−377	−116	224.1
Services (from) / to segments	−29'979	−20'550	45.9
Total operating expenses	**−64'133**	**−51'534**	**24.4**
Segment profit before tax	**72'303**	**60'244**	**20.0**

Performance figures

	2019	2018
Gross margin (in basis points) *	28.8	31.1
Cost-Income-Ratio (in per cent) **	50.4	46.1
Net new money (in CHF millions)	3'813	89
Growth of net new money (in per cent)	9.0	0.3

* Operating income (excluding expected credit losses) relative to average monthly business volumes.
** Operating expenses (excluding provisions for legal and litigation risks) in relation to operating income (excluding expected credit losses).

Additional information

	31.12.2019	31.12.2018	+/−%
Business volume (in CHF millions)	50'694	43'007	17.9
Assets under management (in CHF millions)	50'182	42'489	18.1
Loans (in CHF millions)	512	518	−1.2
Employees (full-time equivalents, in positions)	172	171	0.5

Corporate Center

The Corporate Center steers, controls and bundles the central functions within the LLB Group. It safeguards corporate development, including information technology, while pursuing the goal of improving the efficiency of processes, as well as expanding and improving the quality of our services.

Service provider within the Group

The Corporate Center encompasses the Group CEO, Group CFO and Group COO Divisions. All the departments which coordinate and monitor Group-wide business activities, processes and risks are concentrated in this business segment. The Corporate Center therefore contains eleven business areas.

The Corporate Center focuses fully on the requirements of the market divisions and thereby makes a direct contribution to the value added by the LLB Group. It plays a key role in the realisation of the StepUp2020 strategy. In 2019, the priorities were placed on the migration of the Austrian subsidiary to the central core banking system, the digitalisation of banking business, the further development of innovation management, as well as the optimisation of the organisation according to the principles of lean management.

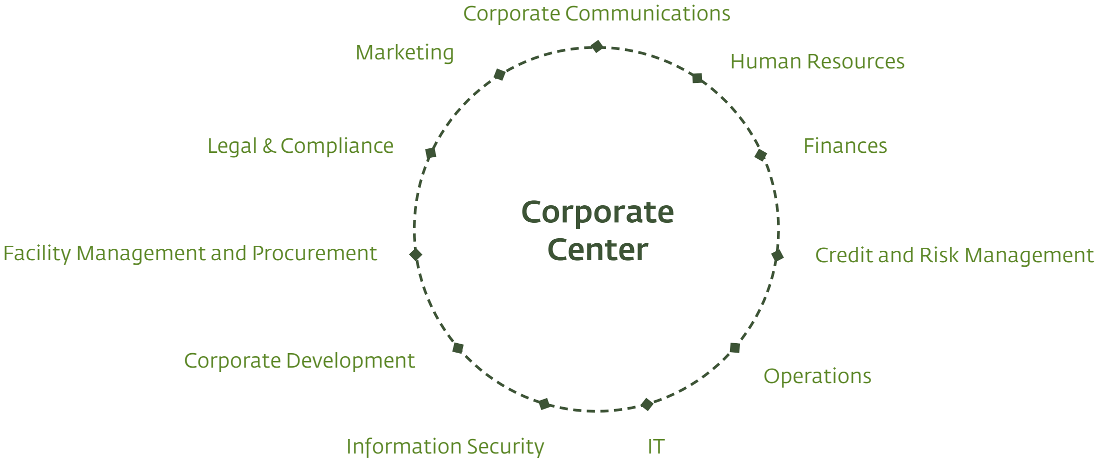
Shared Service Centers

Shared services are provided centrally from one source within the LLB Group in order, inter alia, to ensure efficient processing of payment transfers, as well as stock market and securities transactions. Besides the parent bank and subsidiaries, from January 2020 LLB Österreich, which now contributes 30 per cent of the transaction volume in stock market trading, will also benefit from this service. This substantial expansion in capacity is being carried out without any increase in personnel resources or costs, which testifies to the great scalability of the Shared Service team. We bundle a vast amount of professional knowledge in this team.

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

Digitalisation of banking business

In the period from 2016 to 2020, we invested around CHF 30 million for Group-wide projects relating to the expansion of digital channels and services. Accordingly, we are complying with changed client requirements and positioning LLB as a modern, innovative financial institute.



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

Investments in Online and Mobile Banking

In 2017, we completely remodelled our LLB Online and Mobile Banking programmes. In terms of security, functionality, user-friendliness and design we were guided by the latest technical standards. These digital client interfaces are being continually further developed. In 2019, important new functions were added to the user interface of our Mobile Banking app. Our clients can now decide themselves whether they wish to log in and use basic functions by means of a finger print or facial recognition, and with the new dashboard they have important information available immediately at a glance. LLB Online Banking can now be further personalised by means of a new table tab enabling our private and corporate clients, as well as institutional clients, to set up their digital banking according to their requirements. In the year under report, we also developed additional functions for our institutional clients. They can now use a digital signature for their transactions with LLB and in future put together the sets of forms they want using a digital assistant in the form centre. We can therefore offer complete digital processing and support our clients in their internal digitalisation efforts.

In 2020, we shall continue to push ahead with developments in the area of digital client interfaces comprising, among other features, the introduction of QR billing and a new portfolio analysis possibility for Online Banking.

LLB Online and Mobile Banking are increasingly popular as confirmed by the significant growth rates we have achieved. Over the last five years the number of users of our Online Banking has risen from 21'297 (2015) to 30'932 (2019); an increase of more than 45 per cent. The number of Mobile Banking users climbed from 4'793 (2015) to 12'236 (2019); an increase of 155 per cent.

More progress with internal digitalisation

Within the scope of the "team@work" Group project, we are working on the comprehensive renewal of our digital infrastructure, the optimisation of work processes and the implementation of modern digital tools. In early 2019, we replaced IBM notes with Microsoft Outlook, which is now used by all staff for e-mail and calendar functions, as well as for personal tasks and contacts administration. "Sametime Chat" in IBM notes was replaced by the "Skype for Business" chat function. In another step to facilitate working from any location, since summer 2019 we have provided the possibility of using the e-mail, calendar and contacts functions from private smartphones. Furthermore, in September we launched the external mobile client (eMC) function, which enables company laptops to be used outside LLB's offices. These measures enhance the attractiveness of the LLB Group as a top employer. In 2020, we are planning to introduce Skype telephony with video conferencing as well as a digital workplace with a collaboration platform to replace the existing intranet.

Another wave of digitalisation was initiated in the area of human resources at the end of 2018 beginning of 2019 (see chapter "Employees", page 58).

In the service centers we are implementing self-learning IT systems to increase processing quality and productivity. Our ongoing automation and standardisation are supported by the Avaloq Banking Suite software package, which has been in use at our premises in Liechtenstein and Switzerland since 2011, and which we introduced in Austria at the beginning of 2020.

Broad based IT migration at LLB Österreich

Thanks to the change over to the previously mentioned Avaloq Banking Suite software, our bank in Austria will be able to benefit in future from important synergies. On the one hand, internal processes will be simplified, and on the other, LLB Österreich's clients will be able to benefit from the complete spectrum of products and services offered by the LLB Group, such as the "LLB Invest" investment advisory and asset management applications, or our online and mobile banking possibilities, as well as the ground-breaking "LLB Portfolio Analysis" system.

Innovation management

The market conditions in the financial services sector are changing rapidly, driven by new technologies and innovative companies. Our aim is not just to keep pace with developments, but rather to bring groundbreaking digital solutions on to the market. In a bid to exploit the potential of our staff and to channel ideas, we set up an internal Innovation Management Department in 2018, which has since launched a new Group-wide suggestion process. This envisages that submitted ideas must first pass through pre-defined "gates" in order to qualify for the next development step. This ensures that the available resources are deployed as efficiently as possible and that the ideas having the greatest potential will come to fruition. LLB employees submitted more than 70 ideas and 55 pitches. Five ideas are currently being developed or are already in the pilot phase.

Time savings through lean management

52 %
of employees utilize
lean methods.

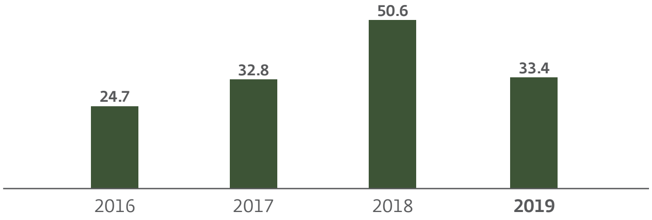
60 %
of 2'150 defined measures
have been implemented.

Our employees
take responsibility.

In the three market divisions lean transformations have been carried out so far in eleven departments. To this can be added ten departments of the COO and CFO Divisions, which support the market units with their services and therefore contribute to client satisfaction. These measures have enabled us to make improvements involving clients, productivity, employees and quality. As a result, we have strengthened the LLB Group's competitive position.

Business segment result

The LLB Group reports the structural contribution from interest business, the valuation of interest rate hedging instruments and income from financial investments under the Corporate Center. Operating income rose by CHF 16.1 million to CHF 45.3 million. The increase was attributable to accounting gains made with financial investments measured at fair value on the reporting date. Furthermore, the valuation of interest rate hedging instruments measured on the reporting date resulted in higher trading income. General and administrative expenses were lower than in the previous year, which led to lower operating expenses. The LLB Group invests on average around CHF 35 million in IT and infrastructure projects.



■ Investments and project costs (in CHF millions)

Segment reporting

in CHF thousands	2019	2018	+/–%
Net interest income	–3'496	11'543	
Expected credit losses	0	175	–100.0
Net interest income after expected credit losses	–3'496	11'718	
Net fee and commission income	–10'818	–9'040	19.7
Net trading income	49'376	42'767	15.5
Net income from financial investments	4'049	–19'396	
Share of net income of associates and joint venture	–3	–3	0.9
Other income	6'167	3'100	99.0
Total operating income	**45'275**	**29'146**	**55.3**
Personnel expenses	–94'274	–87'554	7.7
General and administrative expenses	–75'332	–81'097	–7.1
Depreciation and amortisation	–41'413	–32'575	27.1
Services (from) / to segments	119'626	102'045	17.2
Total operating expenses	**–91'394**	**–99'181**	**–7.9**
Segment profit before tax	**–46'119**	**–70'035**	**–34.1**

Additional information

	31.12.2019	31.12.2018	+/–%
Employees (full-time equivalents, in positions)	539	529	1.8

η

Eta, the seventh letter of the Greek alphabet, stands for the degree of effectiveness, the ratio of expended to usable energy. Where innovation culture promotes change, employees are a highly effective force.

Effective innovative power

Wolfgang Mair

Head of Group Innovation Management

Innovations can come from anywhere. Every business has the potential to innovate. We see modern technology as the source of new things that can make a difference. There are many ideas lying dormant in the minds of the roughly 1'100 employees at the LLB Group. When the innovation climate is right and brings about a desire for change, this power can have a big impact. From the many business ideas put forward by our employees, we have selected five and are now turning them into concrete solutions, products, services and business ideas. This shows our employees have great creative potential.

Read more at
ar2019.llb.li/effectiveness

IMPACT

The LLB share

The LLB share is a worthwhile investment. Investors profit once again from an increased dividend and an attractive dividend yield. The share buy-back programme, launched in August 2018, was completed ahead of schedule in November 2019.

Market capitalisation

The LLB share has been listed on the SIX Swiss Exchange since 1993 under the symbol LLBN (security number: 35514757) and assigned to the "International Reporting Standard" segment. In 2019, a total of 2'224'197 LLB shares (2018: 3'798'819) were traded on the SIX Swiss Exchange, corresponding to 7.2 per cent (2018: 12.3 %) of total shares issued. With 30.8 million registered shares issued, the market capitalisation of Liechtensteinische Landesbank AG stood at CHF 1'921.9 million (2018: CHF 1'977.4 million) as at 31 December 2019. The LLB share has been listed in the MSCI World Small Cap Index since 2018.

Shareholder structure

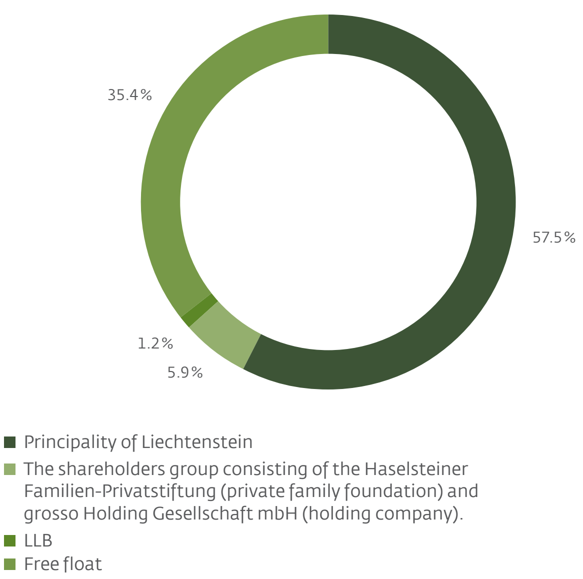
The Principality of Liechtenstein's holding of 17.7 million LLB shares (57.5 % of the share capital) remained unchanged in 2019. In 2011, the Liechtenstein Government, as the representative of the majority shareholder, adopted the ownership strategy it has been pursuing in regards to the Principality's 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 2019 (see chapter "Corporate Center", page 69).

LLB held 1.2 per cent (2018: 0.4 %) of its own shares (treasury shares) as at the end of the reporting year – this figure included the 400'000 registered shares that it acquired as part of the public share buy-back programme which it launched on 24 August 2018 and completed on 27 November 2019. 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 89.5 per cent of the 30.8 million total registered shares were entered in the share register as at the end of the reporting year. 10.5 per cent, or 3'228'863 shares, were not registered.

Shareholder structure in per cent

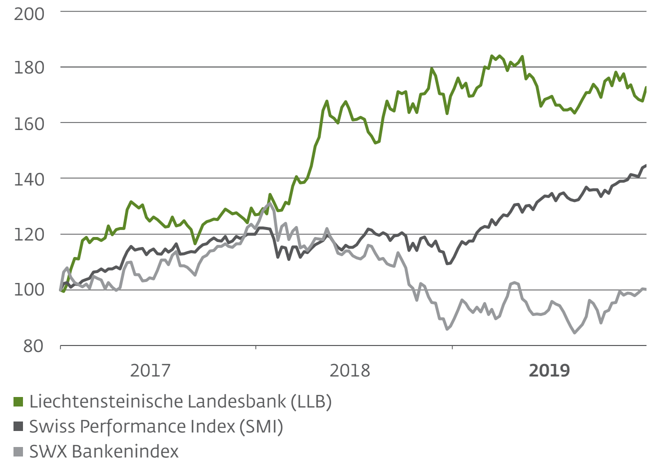


Share price performance

In 2017 and 2018, the LLB share performed well, gaining 59.1 per cent. Over this period the Swiss SWX Banks Index lost 18.7 per cent, while the Swiss Performance Index made a slight gain of 3.1 per cent. The price of the LLB share stood at CHF 62.40 as at 31 December 2019. The total return in 2019 amounted to 0.2 per cent. In comparison, the Swiss SWX Banks Index rose by 15.1 per cent in the year under report. The Swiss Performance Index, which includes almost all listed Swiss stock corporations, climbed by 30.6 per cent in 2019 in comparison with the previous year.

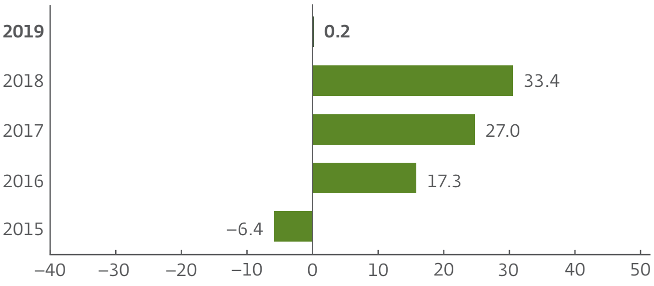
Comparison of LLB share

Indexed from 1 January 2017



Total return on the LLB share

2015 – 2019, in per cent



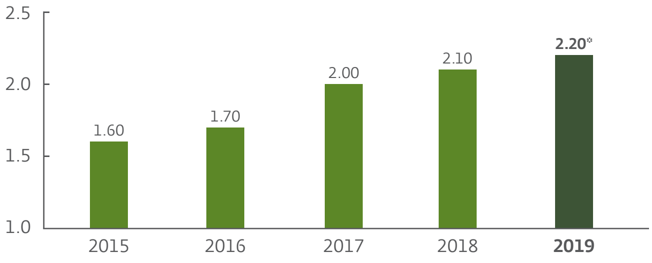
Dividend policy

Liechtensteinische Landesbank pursues an attractive, long-term-oriented dividend policy for the benefit of its shareholders. Furthermore, under the StepUp2020 strategy, the LLB Group is committed to safeguarding its financial security and stability. It intends 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 should be 40 to 60 per cent of Group net profit.

The Board of Directors will propose a dividend that is 4.8 per cent higher than the previous year of CHF 2.20 per share (2018: CHF 2.10) at the 28th Ordinary General Meeting of Shareholders on 8 May 2020. Based on the share price as at the end of 2019, this corresponds to a dividend yield of 3.5 per cent. Total dividends to be paid out amount to CHF 67.0 million (2018: CHF 64.4 million). This represents a payout ratio of 54.3 per cent for 2019 (2018: 75.7 %).

Dividend per share

2015 – 2019, in CHF



* Proposal of the Board of Directors to the General Meeting of Shareholders on 8 May 2020

Analysts' recommendations

"We recommend buying the LLB share as, on the one hand, the bank has an outstanding balance sheet with surplus capital and, on the other, the share price is very attractive," wrote Javier Lodeiro, the Zürcher Kantonalbank analyst responsible for monitoring the LLB share, in November 2019. He rated the LLB share "overweight". He sees the IT migration of LLB Österreich as a short-term earnings driver.

Research Partners AG has been analysing the LLB share since mid-2016. In a report that came out in September 2019, Rainer Skierka commented on the company's development as follows: "Our positive assessment that LLB would have a good first half was confirmed when the figures were published. The Group continued on its growth path thanks, among other things, to the acquisitions it had made in the previous year. Both Semper Constantia Privatbank in Austria and LLB Swiss Investment AG in Switzerland generated positive income contributions." He remained cautiously optimistic for the second half of 2019, and reaffirmed the twelve-month price target of CHF 85.00 and the buy recommendation.

Communication with the capital market

The LLB Group publishes annual and interim financial results (see chapter “Marketing and communication”, page 46). Annual financial reporting includes the media and analyst conference in Zurich; interim financial reporting, the conference call for analysts, investors and the media. The LLB Group's annual and interim reports, which we produce to a very high standard, form the basis. In autumn 2019, the LLB Group's annual report finished in first place in the overall rating out of around 230 companies in the Swiss Annual Report Rating.

Also at the General Meetings of Shareholders, the Board of Directors and the Board of Management report transparently on the course of business. In addition, we hold regular discussions with investors, provide information at roadshows and participate in specialist conferences for financial analysts and investors, such as the Investora Zurich.

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 facts electronically.

Additionally, we publish our information via our social media channels (Facebook, Twitter). We publish the annual and interim financial reports in a comprehensive online version with numerous additional functions. The Annual Report 2019 in German can be accessed online at **gb2019.llb.li** and in English at **ar2019.llb.li.**

The LLB share: facts and figures

in CHF thousands	31.12.2019	31.12.2018
Total of registered shares issued (fully paid up)	30'800'000	30'800'000
Number of shares eligible for dividend	30'435'705	30'675'159
Free float (number of shares)	10'930'705	11'170'159
Free float (in per cent)	35.5	36.3
Year’s high (21 March 2019 / 3 December 2018)	71.40	68.60
Year’s low (15 August 2019 / 5 January 2018)	59.20	49.70
Year-end price	62.40	64.20
Total return LLB share (in per cent)	0.2	33.4
Performance SPI (in per cent)	30.6	−8.6
Performance SWX Banking Index (in per cent)	15.1	−28.8
Average trading volume (number of shares)	8'933	15'256
Market capitalization (in CHF billions)	1.92	1.98
Earnings per share attributable to the shareholders of LLB (in CHF)	3.77	2.62
Dividend per LLB share (in CHF)	* 2.20	2.10
Payout ratio (in per cent)	54.3	75.7
Dividend yield at year-end price (in per cent)	3.5	3.3
Return on equity attributable to the shareholders of LLB (in per cent)	6.0	4.3
Eligible capital per LLB share (in CHF)	53.2	50.8

* Proposal of the Board of Directors to the General Meeting of Shareholders on 8 May 2020.

Regulatory framework and developments

With the presentation of a comprehensive financial centre strategy, the Government of Liechtenstein reaffirmed in 2019 that it would continue to pursue the path of tax compliance. The focus of the strategy is on unrestricted and equal access to markets and improving the framework conditions for innovative enterprises.

Implementation of regulatory frameworks 2009 – 2020

	2009	3rd EU Anti-Money Laundering Directive Liechtenstein Declaration
	2010	
	2011	Cross-border framework UCITS IV
	2012	
	2013	AIFM Act Complete revision of DDA
Signing of MCAA on AEOI IMF / Moneyval evaluation	2014	
	2015	4th EU Anti-Money Laundering Directive Refinement of cross-border framework AEOI: Agreement signed by Liechtenstein / EU
UCITS V Complete revision of IUA Implementation of AEOI	2016	
	2017	Revision of DDA
MiFID II EU GDPR	2018	
	2019	Deposit Guarantee Schemes Directive (DGSD) EU Payment Services Directive (PSD2)
FinSA / FinIA (Switzerland)	2020	

Financial centre strategy

In February 2019, the Government published a comprehensive financial centre strategy designed to further enhance the competitiveness of the Liechtenstein financial centre. The attractiveness of Liechtenstein as an international and innovative financial centre and its positive perception as a stable and reliable financial centre at home and abroad are to be further strengthened. The strategy includes, among other things, the continuing resolute pursuit of the path of compliance with international and European rules and standards. The Government intends to intensify its dialogue with key partner countries. It is evaluating membership in international bodies such as the International Monetary Fund (IMF) in order to better represent the interests of the country. It 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. The act provides clear guidance for service providers.

Another topic in the Government's financial centre strategy is sustainability – a factor which is also being strongly driven by the Liechtenstein Bankers Association and supported by the LLB Group.

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 on 25 June 2018, has introduced a disclosure requirement for cross-border tax arrangements directed at EU intermediaries (especially fiduciaries, lawyers, tax advisers and banks).

Plans for a digital tax

In October 2019, the OECD presented plans for taxing large industrial corporations not only where they are headquartered, but also where their customers or users are resident and the corporations generate profits. However, it is as yet unclear to what extent these plans will become more concrete and be implemented.

International cooperation on tax topics

Since the beginning of 2016, Liechtenstein has implemented the automatic exchange of information with 28 countries. The FATCA agreement with the USA was concluded as early as 2014. Liechtenstein has signed bilateral tax agreements with 55 jurisdictions and has a nationally and internationally attractive tax system that complies with the requirements of European law and takes account of international developments.

Access to the EU market

Thanks to its membership of the EEA, Liechtenstein has unrestricted access to the internal European market. The internationally oriented fund location benefits in particular from this. It has a legal basis that is focused on clients and investor protection. The investment fund law comprises three pillars: the Act on Certain Undertakings for Collective Investment in Transferable Securities (UCITS Act, 2011), the Law on Alternative Investment Fund Managers (AIFM Act, 2013) and the Investment Undertakings Act (IUA), which was revised in 2016.

UCITS V

With the transposition on 18 March 2016 of the EU's Directive on Undertakings for Collective Investment in Transferable Securities (UCITS V) into the Act on Certain Undertakings for Collective Investment in Transferable Securities (UCITS Act), traditional funds will be subject to uniform regulation Europe-wide. It places new requirements on custodian banks with regard to liability, control function, custody, independence and sanctions level.

AIFM

Access to the EU market is central to the competitiveness of both the Liechtenstein financial and investment fund centre. Since the adoption of EU law in the EEA Agreement, Liechtenstein investment companies have been legally entitled not only to administer and sell UCITS funds across national borders, but also to use the EU passport for alternative investment fund managers (AIFMs). The AIFM Directive serves to increase the transparency of the activities of the alternative investment fund managers and the alternative investment funds (AIFs) they manage vis-à-vis investors and the supervisory authorities.

IUA

The Investment Undertakings Act (IUA) was completely revised in 2016 and applies to four clearly defined domestic fund categories. The new fund law regulates most notably the fund business model for single investors that was specially set up in Liechtenstein.

Data protection

The ever more stringent legal requirements set clear guidelines for data protection. Data protection is central for the LLB Group. We are bound by the laws and the regulatory guidelines in Liechtenstein, Switzerland and Austria, as well as the specific requirements and circumstances in our target markets.

In the reporting year, LLB registered no substantiated complaints regarding breaches of client privacy or losses of client data.

EU General Data Protection Regulation

The General Data Protection Regulation (GDPR) has been binding throughout the EU and the EEA since 25 May 2019. It harmonises the rules on the recording and processing of personal data by companies and public authorities across the EU. Content-wise, the regulation provides, among other things, for the "right to be forgotten", under which a person can have the data controller erase their data from the web. With the one-stop-shop mechanism, a person can notify the data protection authorities in their member state directly of any data breaches, regardless of where the breach occurred. The regulation provides individuals with the right to be informed about the processing of their data and sets out the requirements for contractual arrangements in relation to the processing of data by third parties and the transmitting of personal data to third countries. LLB has issued corresponding regulations for the whole Group and implemented the necessary organisational and technical adjustments in a timely manner.

Furthermore, in future it is intended that privacy on the internet and in electronic communications be governed by a separate e-privacy regulation. The relevant regulation is available in draft; the date of entry into force remains open.

Data Protection Act Liechtenstein / Switzerland

The completely revised Data Protection Act entered into force in Liechtenstein on 1 January 2019. The adaptation of the Swiss Data Protection Act to the new EU regulation is still in progress. Entry into force is not expected before 2020.

Anti-money laundering and combating the financing of terrorism

The fight against money laundering and terrorist financing has been a top priority for years for Liechtenstein, which has a zero-tolerance policy towards such matters. As a member of the EEA, Liechtenstein implemented in 2017 the 4th EU Anti-Money Laundering Directive, which was partly revised by the 5th EU Anti-Money Laundering Directive in June 2018. The implementing provisions are found especially in the Law on Professional Due Diligence to Combat Money Laundering, Organised Crime, and Terrorist Financing (Due Diligence Act; DDA) of 1 September 2017 and in the corresponding Ordinance (Due Diligence Ordinance; DDO). In summer 2019, the Criminal Code was tightened up: saved tax expense is now listed in the catalogue of predicate offences for money laundering in accordance with Article 165 of the Criminal Code.

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 EU's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism. The current version of the FIU Law of 1 September 2017 and the adaptations made to the Due Diligence Act ensure Liechtenstein is fully legally compliant with the international standard.

In 2002, 2007 and 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). In their last report, the IMF and Moneyval attested positively to Liechtenstein's standards in combating money laundering and financing of terrorism. Liechtenstein is currently updating the National Risk Assessments (NRA) carried out in 2016 and 2017. It is anticipated that Moneyval will conduct its country assessment in early 2021 and evaluate the effectiveness of measures in preventing money laundering.

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) into national law. On 1 January 2017, the Liechtenstein Financial Market Authority (FMA) created a separate organisational unit within its organisational structure which functions 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 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 the competent national authorities; in Liechtenstein, this function is assumed by the FMA. The new Deposit Guarantee and Investor Compensation Act (DGICA) entered into force on 1 June 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 implemented the Markets in Financial Instruments Directive (MiFID) on 1 November 2007. MiFID simplifies cross-border financial services and allows investment firms, banks and stock markets to also 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) also came into force on 3 January 2018. It provides for more extensive regulation of the financial markets and investment services. MiFIR also regulates trading transparency. Besides the refinement of regulations since MiFID, the aim of MiFID II is to create greater transparency in the markets and to increase investor protection. High-frequency trading is transparent and subject to supervisory controls. Position limits on commodity 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.

In Liechtenstein, the legislative process for implementation at national level has been completed. The amendments came into force on 3 January 2018. LLB has implemented MiFID II within the specified time.

FinSA / Switzerland

Switzerland intends to conceptually reshape the guiding principles of its financial centre in order to transpose investor protection issues arising from MiFID II, in particular, into national law. The two corresponding bills, the Financial Services Act (FinSA) and the Financial Institutions Act (FinIA), were adopted on 15 June 2018. FinSA and FinIA create a level playing field for financial intermediaries and 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. The two acts together with the implementing ordinances enter into force on 1 January 2020.

New 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 20 March 2014. It creates a single legal framework for the granting of mortgage credit to consumers in the internal European market. As a member of the EEA, Liechtenstein is obliged to transpose this directive into national law. The corresponding legislative process is underway; it is expected to come into force in January 2021. The directive serves to protect consumers taking out loans to buy residential property. Under the directive, the banks are subject to various requirements 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 is in the process of implementing the directive. The specialist departments and marketing and distribution units analysed the new provisions in 2019 and will incorporate them into the relevant processes in 2020. The advisory process, in particular, will be adjusted due to legal requirements.

Capital adequacy requirements

Revision of EU banking regulation

With the newly adopted Capital Requirements Regulation (CRR) and an amendment to the Capital Requirements Directive (CRD IV), a first part of the Basel III standard was transposed into Liechtenstein law in 2014. The banking package 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 EU banking package also changes and supplements the new resolution regime introduced in Liechtenstein in 2017. In the event of resolution, the minimum requirements for own funds and eligible liabilities (MREL) are adjusted. The new, stricter regulations increase the liabilities that could be bailed in the event of resolution (bail-in capital) and thus increase the resolution capacity of banks. This reduces the risk of having to recourse to public funds in bank resolutions, leading to a better balance between control and liability.

Marketing and communication

The LLB Group attaches great importance to integrity and transparency in all communication. We are in constant dialogue with our various stakeholder groups through different channels. By connecting to our clients on the emotional level, we create familiarity and thus trust.

Banking as an experience for clients

“Integrity” and “respectfulness” are values that are also paramount in the communication with our clients. “Innovative” and “pioneering” is our approach to how we make banking an experience for our clients. After all, many emotions are associated with financial transactions. 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. It is therefore important to us to make banking simple and an experience. 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. Clients are appealed to through all of their senses: be it through our image campaigns, through our digital communication channels or in our newly designed bank branches.

Client proximity through systematic surveys

Knowing the needs of clients is the basis for the further development of our channels and offerings. In spring 2020, we therefore intend to conduct an extensive survey of our clients in all divisions and market regions. At the same time, a customer experience concept is being developed to implement the results from the client survey even more systematically in our processes. Furthermore, in the future we want to discover our net promoter score, which is based on the question “How likely are you to recommend Liechtensteinische Landesbank to a friend or colleague?” and reveals how satisfied clients are with our services.

Value-oriented brand management

A brand is successful when it conveys emotions. This creates preferences and thus improves competitiveness. The “Liechtensteinische Landesbank” and “Bank Linth” brands stand for reliability and trust. They also signal agility and innovative power. With an identical value system, the two brands demonstrate they have the same origin. This can be seen graphically. The uniform figurative mark of the LLB Group is classical and modern. The clear geometry of the brand logo stands for security and stability. The angles projecting beyond the basic shape symbolise our openness. The colour green signals our origin, and the red square core stands for our focus on what is essential and on our partners. The harmony and equality with which the elements form a unity represent partnership. The figurative mark is used by all the divisions in our Group.

Liechtensteinische
Landesbank 1861

Tradition meets Innovation.

Our figurative mark is reflected in the vision and guiding principles of the Group as well as in the strategic positioning of the two brands. The vision is encapsulated in the motto: “We set standards for banking with values.” The values of “integrity”, “respectfulness”, “excellence” and “pioneering” that shape our corporate culture are anchored in our guiding principles (see chapter “Employees”, page 57). At the same time, the LLB and Bank Linth brands are clearly positioned with their own promise. For LLB, this is “Tradition meets innovation” and for Bank Linth, “Simply. More. Value.”.

Image campaigns

We convey our value system through well-orchestrated image campaigns. With the claim “Tradition meets innovation”, the LLB Group launched a new image campaign in Austria in autumn 2018 and then rolled it out in the markets of Liechtenstein, Switzerland and the Middle East in the first half of 2019. It is designed as the basis for positioning the entire LLB Group and the first campaign to be shown uniformly in all our market regions. The four subjects reflect the key messages: “security and stability”, “innovation and flexibility”, “competence and vision” as well as “education and values”. The messages are visualised by combining historical objects with modern achievements.

The brand image measures that Bank Linth also initiated in autumn 2018 translate the claim “Simply. More. Value.” in a way that is memorable and appropriate to the target group. The subjects interpret in image and text the proximity to clients and show how added value is created through authentic and personal relationships.

Employer branding

As a universal bank, we provide a variety of jobs covering a range of topics. Our human and value-oriented corporate culture distinguishes us. We endeavour to offer attractive terms of employment and continually invest in the development of our modern work environment. We convey this externally through the targeted use of employer branding measures (see chapter "Employees", page 58).

"youli": Brand for the young generation

LLB and Bank Linth address 15 to 30 year olds directly with the "youli" label. We engage them with an internet site and an own social media presence tailored to the target group. We have attractive products and services, create experiences with join-in activities and also offer tips and advice. With the "youli" youth range and the corresponding member card, young people benefit from various special conditions.

Digital communication channels

The LLB Group 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 through mobile and online banking with selected information. We are also in direct contact with clients over social media. We are active on Facebook, Twitter, LinkedIn and XING with various brands and through these channels address different target groups. Our apprentices also run their own Instagram account. With our location management tool, we are able to manage information at 87 locations. And using media and social media monitoring, we follow what is being written about us in the media and on the internet every day.

Corporate communications

For the LLB Group, communication is a central management function that contributes significantly to the implementation of the corporate strategy and the attainment of corporate objectives. It is integrated in the strategic processes and operational management as well as in the decision-making processes. The LLB Group can use communicative means to systematically manage the reputation of the company, services / products and also the management as well as to meet the expectations of the various stakeholder groups. The 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. We address them directly through our client advisers as well as more broadly through our marketing communication, our websites and our social media channels.
- **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 section "Investor relations" and chapter "Corporate governance", page 68).
- **Shareholders:** In addition to the annual General Meeting of Shareholders, our shareholders are invited to attend investor presentations. We are obliged to regularly inform the Head of the Government, as the representative of the majority shareholder, about our business performance (see section "Public affairs", page 47, and chapter "Corporate governance", page 68).
- **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", page 31, and "Responsibilities for society and the environment", page 53 and 55).
- **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", page 58).

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, 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 "The LLB share", page 39).

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. Once a year, we invite regional media representatives to lunch in Liechtenstein where we provide information about ongoing projects and new developments. In 2019, exponents of LLB gave numerous interviews and answered various enquiries. LLB was the subject of around 1'100 media articles.

This page includes, inter alia, the following GRI standard disclosures: 102 – 43 and 102 – 44. A complete list of all disclosures shown in the report can be found in the GRI Content Index on page 103.

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", page 31). 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, the Chairman of the Board of Directors of the LLB Group and the Group CEO meet the Liechtenstein Head of Government twice a year to exchange views and experience. Once a year, the Board of Directors and the Group Executive Board invite the entire Government to a round-table discussion (see chapter "Corporate governance", page 68).

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. As the organiser or sponsor of various events, we strengthen our relationship with the local population.

We also reach a wider section of the population through our social media channels (see section "Digital communication channels", page 46).

σ

Sigma, the eighteenth letter of the Greek alphabet, stands for efficiency and the measurement of the quality of processes. Lean management focuses on the orientation towards clients, employees and processes.

EFFICIENCY

Private Banking personal and efficient

Andrea Heutschi-Rhomberg

Head of Private Banking Switzerland, Team Liechtenstein

Nothing is more valuable than the time we spend with our clients. So to gain even more time, the LLB Group's private banking teams have made workflows and structures simpler, faster and more efficient. Through the use of the instruments of lean management, we have developed a culture where our advisers always keep an eye on the bigger picture. We ask ourselves every day how we can become even better and even more efficient. Our goal is not only to offer the right service at the right time and of the highest quality, but also to cultivate personal, trusting partnerships with our clients.

Read more at
ar2019.llb.li/efficiency

Responsibilities for society and the environment

The values of “integrity” and “respectfulness”, which are anchored in the LLB Group’s guiding principles, underpin our actions. We realise that we have a social responsibility towards our employees, our clients and society. We make every effort to keep our ecological footprint as small as possible.

Performance mandate and sustainability

Sustainable business management is part of the performance mandate and the principles governing the corporate strategy of Liechtensteinische Landesbank. We are legally bound thereby to our majority shareholder, the Principality of Liechtenstein: according to Article 3 of the Law on the Liechtensteinische Landesbank (LLBG) of 21 October 1992 and under the investment strategy of the Government of the Principality of Liechtenstein of 22 November 2011, LLB is mandated with the social responsibility of promoting Liechtenstein's economic development while at the same time still taking ethical and ecological factors into account. We fulfil our mandate by offering a diverse portfolio of products and services, applying environmental standards to infrastructure and procurement, and engaging broadly in society.

In dialogue with stakeholder groups

For the LLB Group, sustainability as a corporate responsibility 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, roadshows or conferences – with the different stakeholders who affect the course of our business and over whom we have influence (see chapter “Marketing and communication”, page 46).

The stakeholder groups are in particular:

- Clients
- Principality of Liechtenstein
- Shareholders
- The public
- Partners and non-governmental organisations (NGOs)
- Employees

Non-financial reporting

The annual report of the LLB Group has contained an integrated stakeholders report since 2015. By doing this, we are highlighting our proactive focus on sustainability and social responsibility.

Since 2017, capital market-oriented corporations as well as large credit institutions and insurance companies that have more than 500 employees have been required by an EU directive to disclose information about their Corporate Social Responsibility (CSR) performance in their annual report. With the resulting amendment of the Persons and Companies Act (PGR), Liechtenstein, as an EEA country, has introduced regulations on reporting about certain sustainability topics for the very first time. These include, among other things, environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. LLB met these EEA requirements a year before the law actually came into force in Liechtenstein.

Material topics

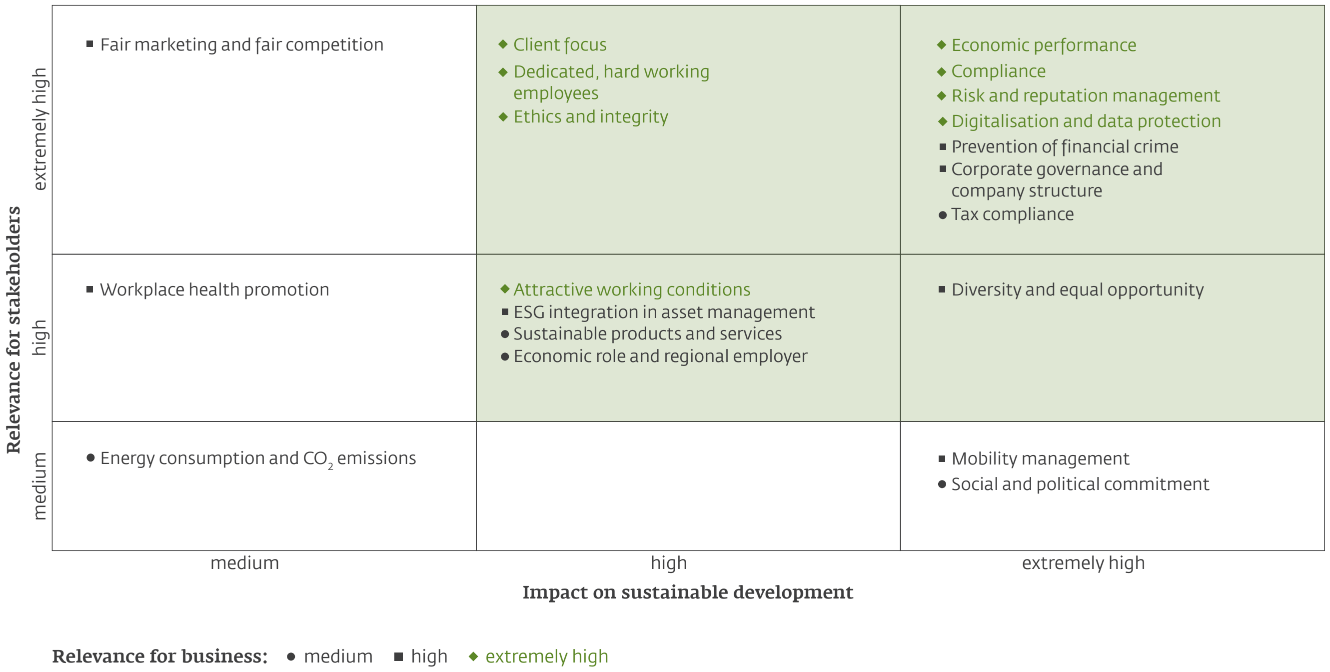
Up to now, the thematic focus of our reporting has been based on a materiality matrix that was created in 2015 and slightly revised in 2018. In recent years, however, LLB's business, the stakeholders' expectations and the regulatory environment have evolved significantly. We decided to fundamentally revise the materiality matrix so as to ensure our reporting still meets the needs of our key stakeholder groups and also reflects the business reality of LLB today. The inclusion of various stakeholder groups should also make it possible to use the results from the materiality matrix as input for developing our new corporate strategy.

The material topics were determined on the basis of the requirements of Liechtenstein's Persons and Companies Act (PGR) and the GRI standards using three different assessment dimensions:

- Business relevance
- Stakeholder relevance
- Impact on sustainable development

This page includes, inter alia, the following GRI standard disclosures: 102 – 40, 102 – 42 and 102 – 43. A complete list of all disclosures presented in the report can be found in the GRI Content Index on page 103.

Materiality matrix for sustainability topics



Relevance for stakeholders	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

Impact on sustainable development

Relevance for business: ● medium ■ high ◆ extremely high

Business relevance indicates how important LLB's activities in relation to a specific topic are for the company's business success in the short, medium and long term. It was determined at a workshop of LLB managers.

Stakeholder relevance expresses how strongly a specific topic influences the stakeholders (e. g. clients, employees, investors, analysts, authorities, society) in terms of their assessment of LLB and their decisions in regard to LLB. It was determined through interviews with representatives from the key stakeholder groups.

The dimension of “Impact on sustainable development” shows how strongly LLB's activities in relation to a specific topic have a lasting influence on macrosocial progress (economic, social and ecological). It was assessed as part of an internal analysis and validated by external experts.

Value-based action

The values of “integrity”, “respectfulness”, “excellence” and “pioneering” (see chapter “Strategy and organisation”, page 12) form the basis for the corporate management of the LLB Group.. Our internal Code of Conduct provides a reliable guiding framework for the value-based and responsible actions of all employees (see chapter “Employees”, page 57). We are client-oriented and, as such, are investing in the further development of the physical and electronic contact points (see chapters “Retail & Corporate Banking”, page 21, and “Corporate Center”, page 34). Here we pay particular attention to meeting our clients' security needs and our data protection standards for the use of the various distribution channels at all times (see chapter “Finance and risk management”, page 15).

Risk management

Effective risk management, that means permanent and systematic monitoring to minimise risk, contributes decisively to responsible and transparent corporate governance (see chapter “Finance and risk management”, page 13). By specifying a future-oriented risk strategy, the Board of Directors establishes the guidelines for dealing with risks. In addition, it continues to develop corporate governance on an ongoing basis (see chapter “Corporate governance”, page 68).

The applicable laws, directives, guidelines and market standards as well as supervisory and internal regulations form an essential base. Group Legal & Compliance advises the business areas, identifies and analyses compliance risks, and ensures that all staff comply with the Code of Conduct (see chapter “Strategy and organisation”, page 12).

This page includes, inter alia, the following GRI standard disclosures: 102 – 47. A complete list of all disclosures presented in the report can be found in the GRI Content Index on page 103.

Contribution to the sustainable development of Liechtenstein

The LLB Group is involved in different cultural, environmental and social areas (see section "Sponsoring", page 53). According to our legally defined performance mandate, our core task is to promote Liechtenstein as a workplace. In doing so, we contribute to the prosperity of people (see chapter "Retail & Corporate Banking", page 20).

Economic performance

Financial stability

Liechtenstein is among eleven countries worldwide with an AAA rating. On 3 June 2019, Standard & Poor's (S&P) reconfirmed its best rating for the country's creditworthiness. Liechtenstein has no national debt, instead it has large reserves thanks to strict budgetary discipline. The stable financial and banking centre with strong international connections contributes substantially to the financial results of the state. Almost a quarter of Liechtenstein's gross domestic product is generated by the financial sector. For the LLB Group, having a very good capital base is also part of its identity. We meet the core capital ratio of 13 per cent required under Basel III regulations since 2019 and have done so for many years (see chapter "Finance and risk management", page 14).

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, direct taxes and the compensation payment for the state guarantee – amounted to CHF 49.3 million in 2019 (2018: CHF 45.5 million). LLB receives no financial support for its banks or Group companies in Liechtenstein, Switzerland and Austria from any government.

As a bank of systemic importance, LLB 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 "Regulatory framework and developments", page 43). The state guarantee was revoked by mutual agreement of the Landtag (Parliament) and the Government on 1 July 2019.

Sustainable products and services

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 retrocessions received on third-party fund holdings on 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. Over the coming year, we will make our tariff structure simpler and through the bundling of services even clearer.

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

Financial planning for private individuals and businesses

The volatile environment and low interest rates make it increasingly difficult to find attractive investments. The need for professional and holistic private financial planning therefore continues to grow. Our answer to this is the "LLB Compass", which provides solutions for all stages of life and business. Our 360-degree financial planning covers all the important topics such as assets, financing, pension planning, real estate, taxes and estates. LLB offers three separate advisory packages for corporate clients. This allows us to take account of the fact that for owners of small and medium-sized enterprises (SMEs) private and business assets are often closely interlinked.

Sustainable investments

Our wide range of investment solutions includes "Sustainable asset management mandates", developed by the Asset Management Business Area of the LLB Group. With these, only securities in the MSCI universe with a favourable ESG rating are considered when constructing a portfolio. Certain sectors such as tobacco, alcohol, nuclear energy and armaments can be excluded from the portfolio if a client so wishes. As demand grows, the investment process is being refined ever further. The inclusion of sustainability aspects is also possible for "LLB Invest" investment advisory packages.

Risk-conscious growth in the mortgage lending business

The development of the real estate and mortgage market 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. LLB and Bank Linth also extend mortgages in eastern Switzerland and thus act as important partners to private individuals and businesses. For the LLB Group, the quality of the mortgage portfolio is key: growth must be sustainable and risk-conscious and in line with the type of property and the development of the market in the region. In 2019, mortgages accounted for 87.3 per cent (2018: 86.5 %) of loans granted by the LLB Group, corresponding to CHF 11.3 billion (2018: CHF 11.1 billion) (see chapter "Finance and risk management", page 14).

Sustainable building

We promote passive houses, new builds and renovations with the Minergie or other comparable energy standard through specially tailored eco and renovation mortgages. Our clients benefit from flexible contract components and preferential conditions. The term of the fixed-rate mortgage is, for example, five years, and then it is continued as a variable-rate mortgage.

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 2019, Liechtenstein's youngest collective foundation managed the largest amount of pension fund assets in the country at CHF 869 million (2018: CHF 756 million), making it an essential pillar of the domestic pension fund market. At year's end, it provided services to 514 affiliated companies (2018: 450) with 5'490 active insured persons (2018: 5'300) and had a coverage ratio of 107 per cent (2018: 101 %). The LLB Pension Fund Foundation has a very good structural ratio: for each pensioner there are 14 active insured contributors (2018: 15 active insured contributors).

The LLB Pension Fund Foundation is set to grow significantly from 2020: the Zurich Life Insurance Company will withdrawn from the Liechtenstein pension market by the end of 2022. It has recommended that the customers of its Malbun Collective Foundation, which has around 230 affiliated companies with 1'800 active insured persons, switch to the LLB Pension Fund Foundation.

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.

Sponsoring

When it comes to the positioning and visibility of the LLB Group, the area of sponsoring and events plays an important 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 coordinate partnerships and our own events Group-wide using a new management tool.
- We explain what the LLB Group stands for simply, using topic pyramids.

LLB's commitments

The focus of our sponsoring commitments is on the thematic areas of sports, culture and competence. In all these areas, we support various projects and organisations. Among other things, we will be continuing our long-standing partnership with FC Vaduz in the future, but from June 2020 we will be focusing more on the junior players than the first team. There will also be a new partnership with the Liechtenstein Olympic Committee (LOC). From 2020, we will be the main partner of the “Nacht des Sports” (Night of Sports), which will host the “LLB Sport Awards” in future. In addition to this, we will be a presenting partner at the “Olympic Day”, a large-scale sporting event held annually for all fourth- and fifth-grade school classes in the Principality. To emphasise our strong links to the local economy, we will be presenting the “LLB SME Award” in cooperation with the Liechtenstein Chamber of Commerce again in 2020. Received very well when it was launched in 2018, the award honours small and medium-sized enterprises. It will be presented every two years at the LIHGA, Liechtenstein's regional trade fair. On top of this, every year in June on the Business Day for Women we present the “LLB Business Day Award” in honour of successful women founders.

Bank Linth also supports a range of organisations, with a similar focus on the three thematic areas of sports, culture and competence. Among other things, it supports the Walensee stage in Walenstadt and Knie's Kinderzoo in Rapperswil, and is a financial partner of the WIN4 Campus in Winterthur.

LLB Österreich makes donations to numerous organisations engaged in the areas of 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.

Expenses for sponsoring and donations

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 2019, Liechtensteinische Landesbank invested CHF 391'350 (2018: CHF 545'000) in projects in Liechtenstein, and Bank Linth invested CHF 349'760 (2018: CHF 398'000) in projects in Switzerland. LLB Österreich spent around EUR 150'000 on donations and membership fees in Austria.

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. Besides this, we 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 and the economy of Liechtenstein and the other home markets of the LLB Group. In addition to project-specific contributions amounting to CHF 64'500, the Future

Foundation contributed to society by donating a total of CHF 85'500 to social organisations in 2019. 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 2019

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 eight years, the Future Foundation has made over 160 donations and contributions to over 50 projects, in all totalling over CHF 1.1 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 2019, the Future Foundation supported the following projects:

- **CIPRA:** Specifically, the CIPRA project LOCAL (Low Carbon Alpine Lifestyle), which concentrates on youth participation in social life and is committed to citizen participation in climate protection.
- **FöranandLand:** As part of the 300-year anniversary of the Principality of Liechtenstein, the citizens' action group "Z" encouraged the population to exercise more mutual give and take between the generations.
- **Rafi and friends:** The children's book "Rafi the Refugee Rabbit" encourages empathy for refugee children in school children throughout Europe. The Future Foundation supported the publication of the German edition.
- **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 six 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 was established in 2019. Its 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.

Corporate environmental and climate protection

Thanks to our exemplary mobility management and the improved energy efficiency of our IT infrastructure and buildings, we have made progress in reducing our CO_2 footprint over the past few years. Although absolute emissions have risen slightly because of various acquisitions, emissions have not actually increased in line with corporate growth due, in particular, to a reduction in heating and motor fuels at our own company.

Mobility management

The volume of traffic has increased massively in Liechtenstein over the past few years: more than 32'000 commuters travel to, from, or within the country to work every day. 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. And, 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 45 company bicycles at our business locations. We also contribute CHF 50.00 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 LLB employees in Liechtenstein, 293 (2018: 277) now come to work by bus, bike or on foot; this corresponds to 41 per cent.

In the first quarter of 2018, we installed nine electric charging points at six locations in Liechtenstein in an effort to promote electromobility. The charging points are primarily available for use by our employees who drive to work in an electric car, but they can also be used by our clients.

Energy-efficient buildings

The organisational unit Facility Management identifies potential energy savings and evaluates the effect of efficiency measures. We continue to improve the energy efficiency of our properties through renovating and refurbishing. An example of this is our "Green Datacenter", which not only corresponds to the highest security standards, but also has an excellent energy balance. A key measure of our datacentre is the power usage effectiveness (PUE). We aim to achieve a PUE value of below 1.5, which would be half the original energy usage. In 2019, we achieved a PUE of 1.4 (2018: 1.5). Since two of our business premises in Vaduz (our headquarters and Haus Wuhr Ost) are equipped with photovoltaic systems, we generate a small part of our electric power in an environmentally friendly manner. In 2019, the PV systems produced 8'560 kilowatt-hours (2018: 9'380 kWh).

Drink tap water – donate drinking water

In 2017, LLB joined "Drink & Donate" – a drinking water project. Hydration stations that use fresh tap water have since been provided in all buildings in Liechtenstein. LLB donates CHF 60.00 per employee per year to

"Drink & Donate", a Zurich-based non-profit organisation. We again donated a total of CHF 39'000 in 2019. By consuming tap water instead of transporting branded bottled water from afar, we also contribute to reducing our CO_2 footprint.

Partner to 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 27 partner firms that pool their resources to support small and medium-sized enterprises (SMEs) in Switzerland and Liechtenstein. The companies do this in an uncomplicated and efficient manner and, through their activities, help to protect the climate. LLB refunds of CO_2 contributions from Liechtenstein made to the Climate Foundation are used to promote new products and technological developments that contribute to climate protection as well as energy-saving projects. SMEs that contribute to climate protection also benefit from this.

Energy consumption and greenhouse gas emissions [1, 2]

	2019	2018
Energy consumption (in MWh)	**7'280**	**7'530**
Electricity	5'427	5'474
District heating	577	558
Total heating fuels	797	926
Heating oil [3]	114	189
Natural gas	683	736
Total motor fuels	479	572
Diesel (vehicles and emergency power generator testing) [4]	332	415
Petrol (vehicles)	147	157
CO_2 emissions (in tCO_2e) [5]	**1'095**	**1'162**
Scope 1 total [6]	298	354
Heating fuels	170	202
Motor fuels	126	151
Volatile gases (refrigerants)	2	2
Scope 2 total [7]	797	807
Electricity [8]	669	683
District heating	128	124

1) Includes LBB's business locations in Liechtenstein and Vienna as well as Bank Linth. At our business location in Vienna, a former Semper Constantia Privatbank building has been taken into account since 2018. In 2019, it was included in the calculation, similar to financial reporting, for the first time for the entire year. For the sake of greater comparability, the values for 2018 were also included for the entire year. Another former Semper Constantia Privatbank building was disposed of during the reporting year and therefore, unlike in the Annual Report 2018, was no longer included in the calculation. It must be said, however, that the energy consumption and related CO_2 emissions of this building were so low as to exert a negligible effect on the overall result. Certain consumption data at our business location in Vienna was estimated on the basis of consumption in the previous year. Some key figures for 2018 were corrected compared with the Annual Report 2018 because the exact consumption data could only be collected during the course of the reporting year.

2) The recording of data on heat consumption is partly incomplete and is being optimised.

3) The significant reduction in heating oil consumption in 2019 is primarily due to Bank Linth having disposed of two older buildings and with their branches occupying more efficient new buildings.

4) The significant reduction in diesel consumption is due to the cutback in the use of company cars by LLB Österreich.

5) Greenhouse gas emissions calculated using Greenhouse Gas Protocol Guidelines.

6) Greenhouse gas emissions from own heating boilers, motor fuels and air-conditioning systems.

7) Greenhouse gas emissions produced from production of purchased electricity and district heating.

8) Reported using location-based approach following Greenhouse Gas Protocol Scope 2 Guidance.

Employees

In order to retain excellent, committed employees and recruit new ones, we have to be an appealing employer. We attach great importance to offering attractive conditions and see the further development of our staff as a key part of our HR activities.

LLB as employer

As at the end of December 2019, the LLB Group employed 1'234 employees filling 1'077 full-time positions (2018: 1'086). With 711 employees in Liechtenstein, LLB ranks among the largest employers in the Principality.

Performance pledge and employee development

As a modern employer, we position ourselves as having the following strengths: We offer a corporate culture based on partnership, interesting work content and plenty of scope for growth. High-achieving employees have excellent development opportunities and prospects. Standardised processes allow both managers and employees to receive regular feedback on their performance and their development potential.

The performance pledge formulated by Group Human Resources was set out in a strategic HR vision (see illustration below). This is an important instrument to raise awareness of the supportive yet demanding work environment.

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 should act in line with our values: integrity, respectfulness, excellence and pioneering. By living these values, our managers spread the culture throughout the organisation. We also motivate our employees to embody our values while going about their day-to-day business through various live-the-brand measures.

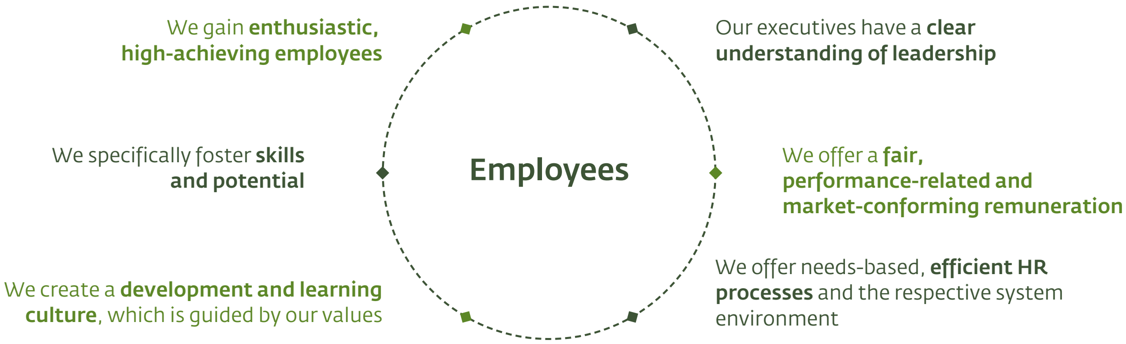
To keep up with changing markets and client needs, we rely on employees who are willing to engage and have the courage to initiate improvement processes. In an effort to promote and exploit this potential to a greater extent, we launched the cultural journey in 2018. Through it we encourage employees to bring in ideas, to question their actions and to exchange views. Last year too, various teams and managers across the Group dealt extensively with the cultural journey. Specifically, they looked at the question of how the changing work environment was affecting their business model and how it could be optimised. More teams will work intensively on the cultural journey in 2020.

Value-oriented compensation

The LLB Group offers attractive employment conditions. It spent CHF 192.9 million (2018: CHF 182.4 million) on salaries and social contributions in 2019 (see notes to the consolidated income statement, page 116).

The LLB Group takes aspects of value orientation into consideration in all areas of the company. We have a modern compensation system that is considered exemplary in the banking sector. For the majority

Strategic vision



We gain **enthusiastic, high-achieving employees**

Our executives have a **clear understanding of leadership**

We specifically foster **skills and potential**

We offer a **fair, performance-related and market-conforming remuneration**

We create a **development and learning culture**, which is guided by our values

We offer needs-based, **efficient HR processes** and the respective system environment of employees, it includes a variable remuneration component. 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", page 93). 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. In Switzerland, LLB's compensation system is regarded as being a model for others to emulate. After it was introduced, it received an award from the Swiss Institute of Directors.

Freedom from discrimination

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. This is valid for all our business locations. 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 objective corporate considerations.

Internal communication channels

Addressing employees in a clear and consistent manner increases acceptance and trust in the employer. "Integrity – we create clarity and stand by our word" is a value our company embodies and also the basis for internal communication. Through the StepUp2020 strategy and the associated corporate targets, the employees understand where we stand and where we are going.

The intranet is the most important channel for us for communicating internally. The Group CEO also uses this channel to report about ongoing projects and new developments in a quarterly newsletter. At least once a year, the Group CEO invites all the employees to a Group Forum, which is broadcast by livestream to our representative offices and subsidiaries abroad. Other channels include the annual Group Night event and the "InSight" staff magazine, which is published four times a year.

Major employer in the region

It is important to us that our managers understand the mindset and concerns of our 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. And they also take a long-term view, which is very much appreciated by the clients.

To meet the demand for skilled employees, we rely on commuters who travel every day from eastern Switzerland (2019: 264; 2018: 243) and the Austrian state of Vorarlberg (2019: 85; 2018: 83) 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.

Digitalisation of personnel management

Launched at the end of 2018, the employee portal (eMap) was very much a success in 2019. It offers employees and managers a uniform platform for a variety of different HR applications, ranging from tools for learning management and onboarding new employees to exchanging views on HR issues in communities. 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 (see section "Measuring the success of staff development", page 61). We have replaced the working hours and absence management system with a state-of-the-art solution. The learning management system was replaced with a new "learning" module, which allows the integration of virtual forms of learning and gives employees and their supervisors a complete overview of completed and planned training courses.

The new HR portal also enables employees to network better internally over a collaboration platform. It allows them to exchange views with others about new topics they are learning about, to search for information and to hold discussions. Creating your own profile is another state-of-the-art function of the new portal. Through it, employees can give their supervisors and selected HR managers access to details about, for example, emergency contacts, language skills, training, management experience as well as their own expectations with regard to their professional development within the LLB Group, and update this information on an ongoing basis.

Use of digital tools in recruitment

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.

Attractive work environment

We want to position ourselves actively in the competition for the best talent. We therefore continually implement measures to improve the work environment of our employees. Here we focus in particular on health promotion in the workplace, improvement in job quality and flexibility of working hours and location.

Flexible work environment

The possibility of remote and mobile working came out as a key issue in internal surveys. We have fulfilled this wish. After introducing e-mail and the Outlook calendar on private smartphones, LLB started in autumn 2019 with the roll-out of the external Mobile Client (eMC), which makes it possible to connect to the LLB Group network outside of our business premises.

Compatibility of work and life situation

A high degree of compatibility of work and private life in different life situations 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 from full-time to 80 or 90 per cent is, in consultation with their manager, possible as well – also in management positions.

Under the "FreiZeit-Kauf" (purchase leisure time) project, employees can increase their holiday entitlement by five or ten days and forego a corresponding amount of pay in return. This option is highly appreciated and finding ever greater resonance: in the reporting year, 137 employees (2018: 128) purchased a total of 995 additional leave days (2018: 910). 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. 34 employees (2018: 42) with long-service anniversaries of ten to forty years went on a sabbatical for up to four weeks in 2019.

Initiative for employees over 50

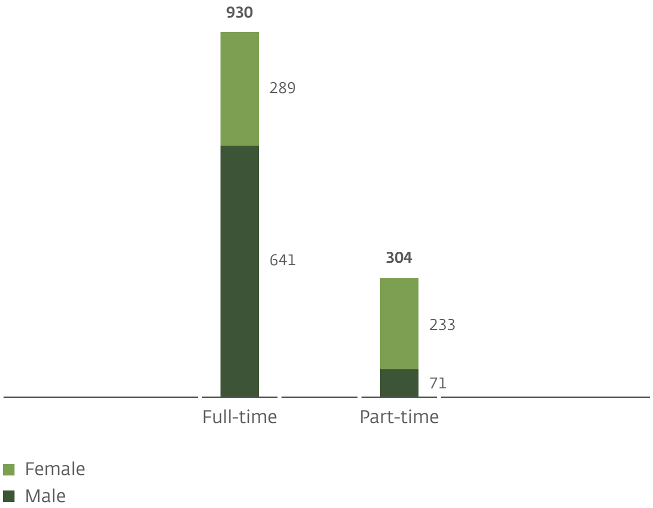
Rapid digital developments and growing complexity are affecting the workplace, making job profiles more demanding. Staying motivated and up-to-date is a challenge – especially for employees who have been in professional life for a long time. At our Liechtenstein location, 27 per cent of employees are over the age of 50. To ensure they remain fit for the working world of the future, we developed a programme in 2019 that will be rolled out in 2020. It includes workshops to strengthen professional and methodological competence as well as the provision of expert support around individual life and financial planning.

Health and safety

The "Working Atmosphere and Health Steering Committee" initiates campaigns and events aimed at boosting job satisfaction and staff motivation. Measures that have already been implemented include: The provision of fruit, water stations and ergonomic office furniture as well as changing facilities with showers for employees who cycle to work or like to work out. Fitness and sports courses as well as workshops on dealing with stress and building physical and mental resilience are also offered for free or at a reduced rate.

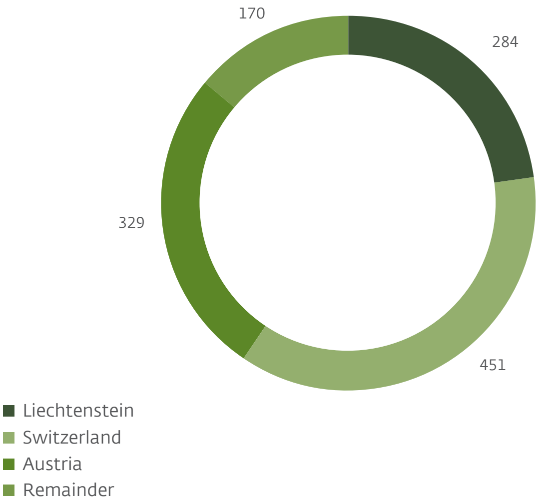
We want to reduce the absenteeism rate, which indicates the incidence of accidents and long-term illnesses, through these and other targeted measures. Here, we managed to keep within our target rate of between 2 and 2.5 per cent. In 2019, we registered 149 absences (2018: 138), corresponding to a rate of 2.0 per cent (2018: 2.2 %). 80 per cent of the costs incurred were due to illness.

Permanent employees by employment type *



* Including permanent and temporary employees

Employees by nationality *



* 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. Surveys conducted by the European Agency for Safety and Health at Work (www.osha.europa.eu) show that stress accounts for around half of all working days lost. Our employees are therefore able to gain free and anonymous access to psychological counselling should they find themselves in difficult work 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.

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. After the last survey in 2017, we were honoured with the Swiss Employer Award. The responses inspired us to make a number of changes. We fulfilled the wish for greater flexibility of working hours and location and, based on the feedback, implemented various infrastructure measures: These included opening a new staff restaurant at our headquarters in Vaduz, renovation work, additional video conference facilities, increasing the facilities management budget, and equipping all workstations with height-adjustable desks and ergonomic office chairs. Our next in-depth employee survey is planned for May 2020.

Diversity of employees and managers

As various studies have shown, teams that are diverse are more productive and more innovative. Even without any specific programme to promote diversity, people of different nationalities working together has been commonplace at our Group for many years. In 2019, 23 per cent of our employees were Liechtenstein nationals, 37 per cent Swiss nationals and 27 per cent were Austrian nationals. All in all, people from 38 nations work at the LLB Group. We are committed to ensuring that our client base is reflected in our employee mix (see section "Major employer in the region", page 58). 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.

The proportion of women working for the LLB Group is relatively high at 42 per cent, though they are still under-represented in leadership positions. In July 2016, the first woman was appointed to the Group Executive Board (see chapter "Corporate governance", page 68).

Women in management positions:

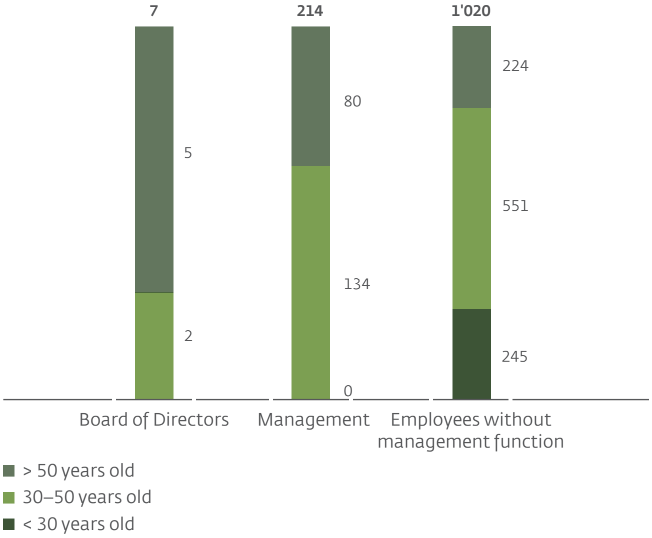
- Executive management: 5 men, 1 woman
- Senior management: 27 men, 1 woman

The Board of Directors of LLB, which is publicly listed, has been characterised by a relatively high proportion of women since 2014. With two out of the seven members women, they represent almost 30 per cent of the board members. 89 employees were assigned to the "Potential Pools", from which, among other things, future managers are recruited internally; of these, 28 (around 31 %) were female.

Number of employees by gender *

* Including permanent and temporary employees

Number of employees by age group *



* Including permanent and temporary employees

Training and professional education

For the LLB Group, training and professional education is an important instrument for increasing its competitiveness. In 2019, we invested CHF 1.7 million (2018: CHF 1.8 million) in the targeted development of managers, talent and competences. By doing so, we were able to fill 59 per cent (2018: 50 %) of management positions that became vacant internally in the reporting year. To give existing employees an overview of their individual development paths, we rolled out the “Career Planning” project, which through the newly created job profiles shows the different levels of professionalism. It enables us to explain to our employees what the prospects are in their current job and beyond that also in related or higher jobs. Constructive feedback and the identification of areas for development are encouraged as well.

The level of qualifications of new entrant employees and managers has increased significantly in recent years: 65 per cent of newly recruited employees have graduated from a university or a university of applied sciences or have completed higher professional training.

Measuring the success of staff development

The LLB Group has established two uniform appraisal processes – the “Performance Management Process” (PMP) and the “People Development Process” (PDP) – to support the systematic further development of its staff as skilled employees, managers and individuals.

- The PMP is used to link Group targets with individual staff objectives. The process has been institutionalised across the company and it works for employees and managers alike, irrespective of their position. The PMP is the systematic management and assessment of the performance and the conduct of an employee.
- The PDP is the development tool used by the LLB Group. More specifically, it is a process that allows an employee to discuss their own development with their manager. The first part of the PDP takes place at management level and comprises an annual assessment of the LLB Group's entire people portfolio. Based on this and future requirements, strategic personnel planning for the business areas and teams can then be carried out. The second part of the PDP describes the individual employee's path from formulating development intentions to devising a concrete action plan.
- Employees who are highly motivated to develop their skills and have potential are assigned to so-called “Potential Pools”. There are five categories, representing different levels of management or specialist careers. The aim is to systematically develop identified talent who exhibit good performance and impeccable conduct. Using careful evaluation processes, 89 individuals, or 7.2 per cent of employees, were assigned to appropriate “Potential Pools” in 2019.

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 2019, we invested CHF 318'000 (2018: CHF 410'000) in training programmes in accordance with the standards of the Swiss Association for Quality (SAQ). By the end of 2020, all employees who have contact with clients will have completed such training programmes. 163 employees, or 58 per cent, were certified by the end of 2019.

The 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).

Professional training

When it comes to the training of the junior employees, Liechtensteinische Landesbank lives up to its responsibility as one of the largest providers of training in Liechtenstein. In 2019, 34 apprentices (2018: 33) at the LLB Group benefited from high-quality dual professional training, which combines theory and practice. The classic basic training 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

Since 2014, the LLB Group has had a greater focus on university graduates. There are three different programmes available for candidates: practical-based direct entry for graduates (2019: 4 participants); a work and study programme for postgraduates in the final phase of their studies (2019: 5 participants); and a trainee programme for postgraduates (2019: 4 participants). Talented young people get to know our company in-depth from the inside as part of an eighteen-month on-the-job trainee programme covering three areas of work.

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

In order to enhance its profile as an attractive employer, the LLB Group strengthened its presence at the Universities of Liechtenstein and St. Gallen, FHS St. Gallen University of Applied Sciences and Zurich University of Applied Sciences (ZHAW) in Winterthur. We were also represented at the graduate job fair held in Zurich.

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 Group CEO, the Head of Group Human Resources and representatives from the Representation of Employees meet every quarter. Issues discussed in 2019 included the growing administrative burden, resource bottlenecks in IT, the relationship between parent bank and subsidiaries, trust-based working time, cost-savings programmes, the promotion of further training and changes to the staff mortgage.

The Representation of Employees has a say in issues relating to staff pension plans, rationalisation projects, staff retrenchment and employee surveys. It also represents the viewpoint of the employees in various working groups such as the Mobility Commission, the Working Atmosphere and Health Commission and the Workspace 2.0 Working Group. The Group Executive Board is obliged to inform the Representation of Employees of all matters that are relevant to employees.

Personnel Pension Fund Foundation

In 2019, 686 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. As at the end of December 2019, the liquidity ratio of the LLB pension fund stood at 108.1 per cent (as at the end of December 2018: 106.4 %) and had thus increased by 1.7 percentage points on the previous year. Without the reduction of the technical interest rate from 2 per cent to 1.5 per cent, the liquidity ratio would have been 2.6 percentage points higher. The return on investment was 8.19 per cent (2018: – 4.16 %). The retirement assets of the active insured persons bore interest of 5 per cent as at 31 December 2019. The fluctuation reserve amounted to CHF 25.4 million (2018: CHF 18.3 million). The pension fund capital totalled CHF 316.0 million (2018: CHF 287.9 million).

From 1 January 2018 onwards, the pension conversion rate at the retirement age of 64 is being gradually reduced by 0.1 per cent per year to 5.1 per cent. The pension conversion rate was 5.40 per cent in 2019. From 1 January 2023, the normal retirement age for drawing the Liechtenstein AHV (state pension) will be raised to 65 and the conversion rate to 5.22 per cent.

LLB Group headcount statistics

	2019	2018	2017	2016	2015
Employees					
Number of employees (full-time equivalents)	1'077	1'086	867	858	816
Full-time employees	930	953	769	767	674
Part-time employees	304	280	218	207	202
Apprentices	34	33	36	38	42
Young talents *	9	13	4	11	7
Employee retention					
Staff turnover rate (in per cent)	12	11	11	10	13
Average length of service (in years)	9	9	10	10	11
Average age (in years)	41	41	40	40	40
Diversity and equal opportunities					
Number of nations	38	38	36	39	31
Share of women (in per cent)	42	43	43	42	44
Training and professional education					
Training costs (in CHF thousands)	1'655	1'802	1'384	1'570	1'195
of which SAQ certification costs (in CHF thousands)	318	410	244	239	130

* 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.

Highlights in 2019

January

7 LLB wins first place at the Swiss Refinitiv Lipper Fund Awards 2019 in the “Equity Global Income” category

February

20 Bank Linth presents an excellent business result for 2018

March

11 Bank Linth opens the newly designed bank branch in Bad Ragaz

14 The LLB Group presents its 2018 business result, posting a new record-high business volume

15 LLB also wins several Refinitiv Lipper Fund Awards in Germany and Austria

26 Robert Löw becomes the new CEO of LLB Österreich

30 LLB introduces the new concept bank branch in Balzers

April

3 55 client advisers receive their SAQ certificate

15 LLB wins the European champion title at the 2019 Refinitiv Lipper Fund Awards for the best fund range in Europe in the “across all major asset classes” category

17 General Meeting of Shareholders, Bank Linth

26 Bank Linth opens an advisory office in Meilen

26 Bank Linth receives a “distinguished” rating in the Bilanz's private banking rating

29 Bank Linth opens the redesigned bank branch in Flums

May

3 General Meeting of Shareholders, LLB Group

7 LLB successfully issues a bond in the amount of CHF 150 million

June

“LLB Summer in the Courtyard” performances by various artists in the inner courtyard of LLB's headquarters building delight audiences

July

17 LLB's representative office in Dubai moves to the Dubai International Financial Centre (DIFC)

August

5 LLB Verwaltung (Schweiz) AG reaches a settlement with the US tax authorities

13 Bank Linth presents gratifying 2019 interim financial results

27 The LLB Group presents its 2019 interim financial results with new record highs

September

4 LLB successfully issues a bond in the amount of CHF 100 million

9 LLB enhances its mobile banking app with various functions

18 LLB is the first bank in Liechtenstein to offer Apple Pay

19 LLB wins the Swiss Annual Report Rating

October

9 The LLB Pension Fund Foundation steps in to support customers of the Malbun Collective Foundation following Zurich Life Insurance's decision to withdraw from the Liechtenstein pension market

November

19 LLB is rated “very good” in an independent comparison test conducted by the Fuchsbriefe publishing house

28 LBB successfully completes its share buy-back programme

December

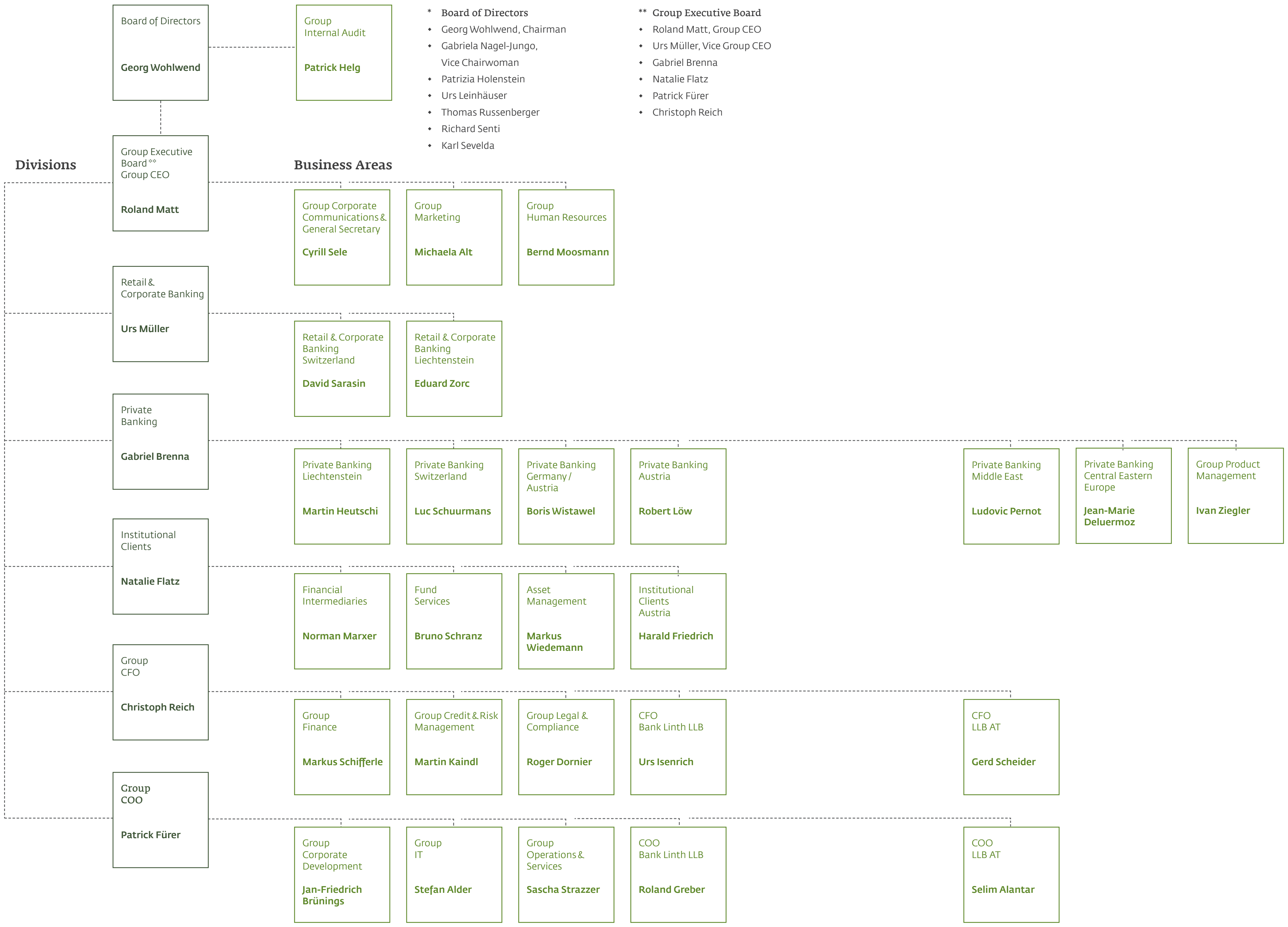
5 Moody's confirms LLB's Aa2 rating

10 The LLB Future Foundation makes donations to 24 non-profit institutions

15 LLB enters into co-operation with the Liechtenstein Olympic Committee and becomes the main partner of the Night of Sports

Organisational structure of the LLB Group

on 1 January 2020



Board of Directors
Georg Wohlwend

Group Internal Audit
Patrick Helg

Divisions

Business Areas

Group Executive Board**
Group CEO
Roland Matt

- Group Corporate Communications & General Secretary – **Cyrill Sele**
- Group Marketing – **Michaela Alt**
- Group Human Resources – **Bernd Moosmann**

Retail & Corporate Banking
Urs Müller

- Retail & Corporate Banking Switzerland – **David Sarasin**
- Retail & Corporate Banking Liechtenstein – **Eduard Zorc**

Private Banking
Gabriel Brenna

- Private Banking Liechtenstein – **Martin Heutschi**
- Private Banking Switzerland – **Luc Schuurmans**
- Private Banking Germany / Austria – **Boris Wistawel**
- Private Banking Austria – **Robert Löw**
- Private Banking Middle East – **Ludovic Pernot**
- 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 LLB – **Urs Isenrich**
- 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 Bank Linth LLB – **Roland Greber**
- COO LLB AT – **Selim Alantar**

* Board of Directors
- Georg Wohlwend, Chairman
- Gabriela Nagel-Jungo, Vice Chairwoman
- Patrizia Holenstein
- Urs Leinhäuser
- Thomas Russenberger
- Richard Senti
- Karl Sevelda

** Group Executive Board
- Roland Matt, Group CEO
- Urs Müller, Vice Group CEO
- Gabriel Brenna
- Natalie Flatz
- Patrick Fürer
- Christoph Reich

Group companies

on 1 January 2020

Liechtensteinische Landesbank (Österreich) AG (100 %)

Board of Directors
- Gabriel Brenna, Chairman
- Christoph Reich, Vice Chairman
- Natalie Flatz
- Roland Matt
- Patrick Fürer
- Bernd Moosmann
- Franz-Erwein Nostitz-Rieneck
- Bernhard Ramsauer
- Ewald Nageler
- Karin Leeb
- Georg Tuschek
- Willibald Katzenschlager

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

LLB Asset Management AG (100 %)

Board of Directors
- Natalie Flatz, Chairwoman
- 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
- Ralph Peter Siegl, Chairman
- Urs Müller, Vice Chairman
- Gabriel Brenna
- Beatrix Frey-Eigenmann
- Karin Lenzlinger Diedenhofen
- Christoph Reich
- Patrick Fürer

Board of Management
- David Sarasin, Chairman
- Urs Isenrich, Vice Chairman
- Roland Greber
- Luc Schuurmans

LLB Fund Services AG (100 %)

Board of Directors
- Natalie Flatz, Chairwoman
- Stefan Rein, Vice Chairman
- Peter Meier

Board of Management
- Bruno Schranz, Managing Director
- Silvio Keller
- Thomas Mähr

LLB Swiss Investment AG (100 %)

Board of Directors
- Natalie Flatz, Chairwoman
- Bruno Schranz, Vice Chairman
- Hans Stamm

Board of Management
- Dominik Rutishauser, CEO
- Ferdinand Buholzer

EXPECTATION

μ

Mu, the twelfth letter of the Greek alphabet, stands for the expected value in experiments. In our new bank branches, clients experience banking through all of their senses. In this way, we exceed expectations and create personal proximity.

Banking that exceeds expectations

Armin Heidegger

Head Business & Distribution Management Private and Corporate Clients

Carrying out your banking business anytime, anywhere is normal in the digital world. But when it comes to dealing with complex financial issues, people expect answers from people. In a personal conversation in a pleasant atmosphere. The LLB Group's newly designed bank branches are both: self-service centres and coaching lounges . We facilitate access to the financial world and make our clients feel that they are in good hands with us. We listen to them so as to find new possibilities together time and again. Technology, knowledge and trust are thus key allies for our long-term success.

Read more at
ar2019.llb.li/expectation

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 percent. 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. 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.

The following corporate governance report complies with the requirements of the Corporate Governance Directive (RLCG) of the SIX Swiss Exchange Regulation, status 1 May 2018, 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.

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.

The organisational structure of the LLB Group as at 1 January 2020 can be found on pages 64 – 65. The detailed segment reports are shown on pages 20 – 35.

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 2019, its market capitalisation stood at CHF 1'921.9 million (30'800'000 registered shares at a nominal value of CHF 5.00 at a year-end price of CHF 62.40).

Bank Linth LLB AG, with its headquarters in Uznach, in which the Liechtensteinische Landesbank holds a majority equity stake of 74.9 percent, is also listed on the SIX Swiss Exchange. As at 31 December 2019, its market capitalisation stood at CHF 391.4 million (805'403 registered shares with a nominal value of CHF 20.00 at a year-end price of CHF 486.00).

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" on page 177.

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 2019, the Principality's equity stake in the shares of the Liechtensteinische Landesbank remained unchanged at 57.5 percent. Detailed information about the development of this equity stake can be found at **www.llb.li/capital+structure**.

At 31 December 2019, 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.

On 24 August 2018, Liechtensteinische Landesbank launched a public share repurchase programme. This was completed on 27 November 2019. Within the framework of the authorisation issued by the General Meeting of Shareholders of 12 May 2017, LLB repurchased a total of 400'000 listed registered shares, corresponding to 1.30 per cent of the share capital. After the planned allocation of LLB shares for variable compensation, LLB held, directly or indirectly, a total of 364'295 of its own registered shares (1.2 % of the share capital) at 31 December 2019. 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	1'921'920		International Reporting Standard	35514757	LI0355147575
Bank Linth LLB AG	Uznach	SIX Swiss Exchange	391'426	74.9	Swiss Reporting Standard	130775	CH0001307757

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 1'883 million on 31 December 2017, CHF 2'010 million on 31 December 2018 and CHF 2'060 million on 31 December 2019 (see table "Consolidated statement of changes in equity", page 119 for the composition and changes to capital during the last two report years.

2.4 Shares and participation certificates

As at 31 December 2019, 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 (364'295 shares), all the shares are eligible for dividend. As at 31 December 2019, share capital eligible for dividend therefore amounted to CHF 152.2 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 certificatese

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 2019, 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.

3 Board of Directors

3.1 Members

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

* Chairman
** Vice Chairwoman

The General Meeting of Shareholders held on 3 May 2019 elected Karl Sevelda to the Board of Directors. Accordingly, the Board now again consists of the statutory maximum of seven members. Patrizia Holenstein was re-elected for a third term of office of three years.

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 2019, 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.

3.2 Other activities and commitments

- **Georg Wohlwend** is a member of the Board of Directors of Neutrik AG, Schaan, and of Seed X Liechtenstein AG, Schaan, as well as 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.
- **Thomas Russenberger** is Chairman of the Foundation Board the "Presta Stiftung" pension fund, Eschen.
- **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, Chairman of EcoAustria Economic Research Institute, Vienna, and Chairman of the Austrian Financial Reporting Enforcement Panel.

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.

Georg Wohlwend

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

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

Richard Senti

Education:
Degree 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 of the Hoval Group, Vaduz since 2003

Patrizia Holenstein

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 Rechtsanwälte AG, Zurich, Founder and Managing Partner, since 1990

Thomas Russenberger

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

Urs Leinhäuser

Education:
Dipl. Betriebsökonom 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, Winterthur, since 2016

Karl Sevelda

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

3.3 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

3.4.1 Principles governing the election procedure

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 has been Chairman of the Board of Directors since 2017. Gabriela Nagel-Jungo Vice Chairwoman since 2018. Cyrill Sele has been Secretary (recorder of the minutes) since April 2013.

3.4.2 First-time election and remaining term of office

Name	First-time appointment	Elected until
Georg Wohlwend	2017	2020
Gabriela Nagel-Jungo	2014	2020
Patrizia Holenstein	2013	2022
Urs Leinhäuser	2014	2020
Thomas Russenberger	2018	2021
Richard Senti	2018	2021
Karl Sevelda	2019	2022

3.5 Internal organisation

3.5.1 Separation of tasks of the Board of Directors

Name	Function	Committee memberships
Georg Wohlwend	Chairman	Group Nomination & Compensation Committee * Strategy Committee *
Gabriela Nagel-Jungo	Vice Chairwoman	Group Audit Comittee * 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
Richard Senti	Member	Group Risk Committee * Group Nomination & Compensation Committee
Karl Sevelda	Member	Group Strategy Committee

* 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 issued separate regulations for the three standing committees, which stipulate their duties and individual competencies.

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:

- Petitioning the Board of Directors about whether the LLB Group's Consolidated Annual Report and the financial statement of the parent bank can be presented to the General Meeting of Shareholders and published. And as regards the Consolidated Interim Financial Report only as to whether it can be published;
- the monitoring and assessing the suitability and effectiveness of the internal control system in the area of financial reporting. Assessing the documentation regarding forthcoming amendments of the accounting principles;
- 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

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 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
Georg Wohlwend	Chairman
Thomas Russenberger	Member
Richard Senti	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);
- a smooth transfer of office and functions thanks to a systematic introduction to the specific operations of the Bank;
- the annual evaluation of the structure, size, composition and performance of the Board of Directors and the Group Executive Board and, if necessary, the recommendation of changes;
- 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 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;
- the review of the compensation of members of the Group Executive Board and senior executives in the risk management and compliance areas;
- 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 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;
- 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 Executive Board;
- 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	Funktion
Georg Wohlwend	Chairman
Urs Leinhäuser	Member
Gabriela Nagel-Jungo	Member
Karl Sevelda	Member

Representation in foundations

Georg Wohlwend is a Member of the Board of the "Future Foundation of Liechtensteinische Landesbank AG".

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.

Date	Meeting	Attendance	Duration in h
22 February 2019	ordinary	all	6.25
20 March 2019	extraordinary	present: Gabriela Nagel-Jungo, Thomas Russenberger, Richard Senti absent: Georg Wohlwend, Patrizia Holenstein, Urs Leinhäuser	0.50
29 March 2019	ordinary	all	4.00
11 April 2019	extraordinary	all, excepting Patrizia Holenstein and Urs Leinhäuser	0.50
25 April 2019	ordinary	all	2.75
28 April 2019	extraordinary	all	0.75
29 April 2019	extraordinary	all, excepting Patrizia Holenstein	0.50
24 May 2019	ordinary	all	4.00
24 June 2019	ordinary	all	3.75
24 / 25 June 2019	closed meeting	all	12.00
24 July 2019	extraordinary	all, excepting Gabriela Nagel-Jungo and Richard Senti	0.75
20 August 2019	ordinary	all	6.50
26. September 2019	ordinary	all	2.50
24 October 2019	ordinary	all	7.50
21 November 2019	ordinary	all	5.00
17 December 2019	ordinary	all	6.75

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. Unanimity is required for resolutions to be dealt with by circular. Resolutions shall be passed by a simple majority of votes. In the case of a tie, the Chairman shall have the casting vote.

The members of the Board of Directors are 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 Board of Directors shall decide whether there are grounds for a recusal of the member. In such a case, that member may neither participate in the discussion of the matter in question nor vote on it. He has the right to express his opinion before leaving the Committee.

During the 2019 business year, the Board of Directors of Liechtensteinische Landesbank AG held a total of ten ordinary and five extraordinary meetings. The meetings lasted between 0.50 and 7.50 hours. A closed meeting lasting one and a half days was conducted by the Board of Directors in collaboration with the Group Executive Board following the ordinary meeting in June 2019. The closed meeting focused on the annual strategy review of StepUp2020. The subjects of the extraordinary board meetings were the appointment of the Executive Board of LLB Österreich, the legal case involving LLB Verwaltung (Switzerland) AG in London, the adjustment of the consolidated statement of cash flows, as well as the settlement reached with the US authorities in connection with the US business of the former Liechtensteinische Landesbank (Switzerland) AG.

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 2019 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
16 January 2019	all	1.00
21 February 2019	all	3.00
18 June 2019	all	5.50
12 July 2019	all	0.50
19 August 2019	all	4.00
16 December 2019	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 and the Chairman of the Group Audit Committee can request the Head of Group Credit & Risk 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 2019 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
21 February 2019	all	2.25
24 May 2019	all	3.50
19 August 2019	all	2.25
21 November 2019	all	2.00
16 December 2019	all	2.00

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. In 2019, five meetings were held.

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.

Date	Attendance	Duration in h
29 Janaury 2019	all	2.50
28 May 2019	all	2.00
27 August 2019	all	2.25
4 November 2019	all	1.50
26 November 2019	all	2.75

The Strategy Committee

The Strategy Committee held four meetings in 2019 at which preparations were made for the closed meeting on 24 and 25 June 2019. At these meetings, the full Board of Directors together with Group Executive Management discussed of the status of the implementation of the StepUp2020 strategy (see chapter "Strategy and organisation", page 9 – 12), the results of the strategy review 2019, as well as the scope and timetable for the development of the successor strategy to StepUp 2020.

Date	Attendance	Duration in h
21 February 2019	all	2.00
25 April 2019	all	2.50
3 June 2019	all	2.00
2 December 2019	all	1.50

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.

At the beginning of 2019, the Board of Directors carried out a self-evaluation on the basis of a questionnaire. The consolidated responses were discussed at the meeting in February. The overall evaluation was very positive. The Board was assessed as being very competent. The collaboration between the board members is good. Good governance is a major concern of the Board of Directors. Accordingly, it held a half-day training course on this topic with Prof. Dr. Karl Hofstetter at the October meeting. The committees carried out no self-evaluation reviews in 2019.

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. It makes decisions in consultation with the Group CEO concerning the LLB Group's corporate strategy and assumes final responsibility for monitoring the conduct of business. Furthermore, the Board of Directors monitors compliance with applicable legal provisions and regulations. At the request of the Group CEO, the Board of Directors determines the financial and human resources required to implement the corporate strategy.

Within the scope of the duties and responsibilities defined in the Statutes, the Board of Directors has the following tasks:

- the definition of management policies;
- the definition of the LLB Group's management strategy, including its periodic monitoring;
- the passing of resolutions regarding all proposals to the General Meeting of Shareholders;
- the issuing of a regulation concerning Group Internal Audit, the discussion of the reports submitted by Group Internal Audit and the external auditors and the approval of the reports concerning measures implemented on the basis of audit reports and their monitoring;
- decisions regarding the LLB Group's expansion into important new business operations as well as its withdrawal from existing important business operations;
- decisions regarding 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;
- decisions regarding the setting-up and closure of bank offices, branches and representative offices;
- decisions regarding 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 approval of all business matters and decisions that exceed the authority of the powers delegated by the Board of Directors;
- decisions regarding the exercise of external mandates and activities by members of the Group Executive Board and Group Internal Audit staff.

Concerning the organization of business activities 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 for the parent bank as well those that are binding Group-wide, subject to respective applicable local law;
- the regularization and monitoring of internal control systems and the issuing of regulations regarding this function;
- the appointment and dismissal of the Group CEO, the Vice Group CEO, all the other members of the Group Executive Board and the Head of Group Internal Audit as well as the provisions for deputies and the review of their performance, including succession planning;
- the supervision of the Group CEO, the Vice Group CEO and the other members of the Group Executive Board regarding compliance with legal provisions, statutes and rulings and directives as well as the LLB Group's economic development;
- the appointment of the committee members from among its members;
- the regularization of the compensation principles within the LLB Group.

Concerning the ultimate liability for the organization of accounting, financial control and financial planning, 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 preparation of the Annual Report and the Consolidated Annual Report;
- the approval of the Consolidated Interim Report;
- the ensuring of regular reporting on the course of business and extraordinary occurrences; this includes annotated reporting, on a quarterly basis, as regards the development of business, the earnings situation, balance sheet development, liquidity and equity requirements;
- the stipulation of the competence to authorize expenditure.

Concerning the ultimate responsibility as regards risk management, the Board of Directors is, in particular, responsible for:

- the definition in Group regulations of the strategies and principles of the LLB Group's risk policy and their monitoring;
- the issuing of 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, credit, liquidity and market price risks and operational risks as well as legal and reputational risks, in particular, are to be identified, controlled, reduced and monitored, as well as the annual review of them;
- 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 stipulation of overall and individual limits at least once a year;
- the approval of quarterly reports, including comments on the risk situation;
- the ensuring of prompt information in the event of imminent risk threats and losses of considerable importance.
- the issuing of a code of conduct for employees and corporate bodies of the LLB Group in relation to dealing with conflicts of interest and the issuing of instructions for preventing the misuse of confidential information.

The Group Executive Board, under the leadership of 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:

- implementing the resolutions made by the Board of Directors and its committees;
- submitting suggestions concerning the organisation of business activities in general and proposals for specific business matters 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;
  - annual expenditure and income budget;
  - financial reporting and the annual report;
- implementing an efficient structure and organisation and an effective internal control system for the prevention and limitation of risks of all types;
- implementing the risk policy approved by the Board of Directors and reviewing compliance with it;
- active participation in the distribution of all significant risks, participation in the valuation of assets as well as in the use of external creditworthiness assessments and internal models regarding key risks;
- composition of the Risk Committee;
- comprehensive reporting to the Board of Directors regarding the risk situation in accordance with the provisions of risk policy;
- naming of persons (with the exception of the staff of Group Internal Audit), who can sign on behalf of the parent bank;
- regular reporting to the Board of Directors and its committees, in particular to the Chairman about the conduct of business and special occurrences;
- issuing of regulations for the conduct of business at the LLB Group;

- coordination of 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;
- deciding on the conclusion of cooperation and partnership agreements as well as the membership of professional associations;
- authorising investments for personnel expenses and general and administrative expenses of up to CHF 1 million in specific cases and investments of 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 monitoring the developments within the Divisions and business operations as well as initiating problem-solving measures;
- continuously monitoring financial reporting;
- setting 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;
- ensuring that their objectives comply with general business targets and with the LLB Group's course of business.

The Group CEO is the highest authority within the LLB Group management and is liable to account. He is, in particular, entirely responsible for the development of the corporate strategy of the LLB Group and the divisions as approved by the Board of Directors and – in coordination with the Group Executive Board – for the implementation of this strategy. 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 on important topics and form their opinions.

Principally, 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 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.

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 report 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 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. 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.

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.

Risk 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. We utilise 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 risk management specialists strive to create and maintain a Group-wide uniform risk culture and risk approach. This establishes the fundamentals for an appropriate risk / return profile and an optimum allocation of capital. The Group Risk Committee invites the Chairmen of the Group Risk Committees to a quarterly discussion of the risk status. Their reports are summarized quarterly in an overall risk report of the LLB Group, which is discussed by the Board of Directors. Further details concerning risk management can be found in the chapter "Financial and risk management" (pages 13 – 15) as well as in the notes to the consolidated financial statement of the LLB Group on pages 122 – 209.

Compliance

All 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 compliance functions within the LLB Group annually report in writing to the Board of Directors about their activities, findings and the measures taken (see the chapter "Finance and risk management", page 14).

4 Group Executive Board

4.1 Members

Name	Year of birth	Nationality	Function / Area of responsibility	Member of the Group Executive Board since
Roland Matt	1970	FL	Group Chief Executive Officer	2009
Urs Müller	1962	FL / CH	Head of Retail & Corporate Banking Division Vice Group Chief Executive Officer	2011
Gabriel Brenna	1973	CH / I	Head of Private Banking Division	2012
Natalie Flatz	1977	AT	Head of Institutional Clients Division	2016
Patrick Fürer	1965	CH	Group Chief Operating Officer	2019
Christoph Reich	1974	CH	Group Chief Financial Officer	2012

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.

4.2 Other activities and commitments

Apart from the mandates specified on pages 86 – 88, 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 (pages 93 – 101).

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 (364'295 shares as at 31 December 2019) 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.

Roland Matt

Education:
Business economist FH, 1995; Federally qualified financial analyst and asset manager, 1999; Federally qualified finance and investment expert, 2002

Professional career:
Head of Research, VP Bank AG, Vaduz, 1999; Head of Asset Management Division, VP Bank AG, Vaduz, 2000 – 2001; Family Office Project Head, VP Bank AG, Vaduz, 2002

Liechtensteinische Landesbank:
Head of Investment Services, 2002 – 2006; Head of Domestic Clients Division, 2007 – 2008; Member of the Group Executive Board and the Board of Management, since 2009; Head of Domestic Market and Institutional Market Divisions, 2009 until March 2011; Head of International Market Division, April 2011 until 15 January 2012; Vice Chairman of the Group Executive Board and the Board of Management, April 2011 until 15 January 2012; Group Chief Executive Officer, since 16 January 2012

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

Other functions:
Vice Chairman 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

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

Professional career:
Auditor, Unterrheintal District Court; 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, since July 2012

Board of Directors mandates in Liechtensteinische Landesbank Group companies:
Bank Linth LLB AG (Vice Chairman); LLB Asset Management AG (Member); LLB Berufliche Vorsorge AG, Lachen (Chairman)

Weitere Funktion:
Member of the Board of Trustees of the “Future Foundation of Liechtensteinische Landesbank AG”

Gabriel Brenna

Education:
M.Sc., Electrical Engineering, École polytechnique fédérale de Lausanne (EPFL), 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, since October 2012

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 Board of Trustees of the "Future Foundation of Liechtensteinische Landesbank AG"

Natalie Flatz

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 the Institutional Clients Business Unit, 2011 until June 2012; Head of Fund Services Business Area, July 2012 until June 2016; Member of the Group Executive Board and the Board of Management, since July 2016; Head of the Institutional Clients Divisions, since July 2016

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

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, since January 2019

Board of Directors mandates in Liechtensteinische Landesbank Group companies:
Liechtensteinische Landesbank (Österreich) AG (member); Bank Linth LLB AG (member)

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

Christoph Reich

Education:
Federally qualified licentiate in economics, FHS St. Gallen, 1999; Executive MBA, University of St. Gallen (HSG), 2009

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

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" and Member of the Liechtenstein Deposit Protection and Investor Compensation Foundation EAS)

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.

Shareholders, who together represent at least 5 per cent of the share capital, have the right, prior to the General Meeting, to make proposals regarding items on the agenda, or to have them placed on the agenda. Moreover, during the General Meeting, every shareholder may submit proposals regarding items on the agenda.

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, 8 May 2020 was fixed at 5 p. m. on Monday, 4 May 2020. From 5 May to 8 May 2020 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 of the auditor in charge

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.

PricewaterhouseCoopers AG, St. Gallen, has served as the independent auditors of the Liechtensteinische Landesbank according to company and banking law since 1998. The auditing mandate was taken over from Revisuisse Price Waterhouse AG, St. Gallen, and its predecessor Revisa Treuhand AG, St. Gallen. Pursuant to person and company law and banking law, the independent auditors were elected by the General Meeting of Shareholders on 3 May 2019 at the proposal of the Board of Directors for a period of one year.

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

Claudio Tettamanti has been the responsible auditor in charge since 2014. The auditor in charge changes every seven years.

8.2 Audit fees

In the 2019 business year, PricewaterhouseCoopers AG invoiced the companies of the LLB Group for CHF thousands CHF 1'129 (2018: CHF thousands 1'388) in respect of audit fees. These fees include the work carried out as required by the respective regulatory authorities. In addition, in the 2019 business year, PricewaterhouseCoopers AG received CHF thousands 263 (2018: CHF thousands 283) for services in connection with our own investment funds.

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

8.3 Additional fees

For other services, PricewaterhouseCoopers AG invoiced the LLB Group companies CHF thousands 342 (2018: CHF thousands 734) in 2019. The increase in the corporate finance area is attributable to due diligence services in connection with the acquisitional growth of the LLB Group.

Audit fees and additional fees

in CHF thousands	2019	2018
Audit fees	1'129	1'388
Additional fees	342	734
Corporate finance	0	381
Taxation advice	333	317
Legal and other advice	9	36

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 f the external and Group Internal Audit;
- the discussion of the annual activity report and the annual audit plan including risk analysis of Group Internal Audit, with the evaluation of whether this function has adequate resources and competences, as well as the approval of proposals 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 submitted to 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 five 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 PricewaterhouseCoopers 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. The primary point of contact for the external auditors is the Group Audit Committee. 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**.

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

Dr. Cyrill Sele
Head Group Corporate Communications & General Secretary
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9490 Vaduz
Phone + 423 236 82 09
E-mail cyrill.sele@llb.li

Agenda

Date	Time	Event
12 March 2020	7.00 a. m.	Publishing of 2019 business result at www.llb.li; release of online Annual Report 2019 at ar2019.llb.li
	10.30 a. m.	Financial reporting and analyst conference
13 March 2020		2019 business result advertisement in the “Liechtensteiner Vaterland” and the “Liechtensteiner Volksblatt”
10 April 2020		Printed edition of short report 2019
8 May 2020	6.00 p. m.	General Meeting of Shareholders
12 May 2020		Ex-dividend date
13 May 2020		Dividend record date
14 May 2020		Dividend payment date
25 August 2020	7.00 a. m.	Publishing of interim financial statement 2020; publication of printed interim financial statement 2020 and release of online interim financial statement 2020 at www.llb.li
	10.30 a. m.	Conference Call
26 August 2020		2020 interim financial result advertisement in the “Liechtensteiner Vaterland” and the “Liechtensteiner Volksblatt”

10 Important changes since the balance sheet date

The Board of Directors proposes to the 28th General Meeting of Shareholders on 8 May 2020, that Georg Wohlwend be re-elected as Chairman of the Board of Directors for a term of office of three years, and that Gabriela Nagel-Jungo and Urs Leinhäuser be re-elected as a members of the Board of Directors for a term of office of three years.

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 2019 business 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 2019). 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. 604 / 2014 of 4 March 2014; 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 January 2019).

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 continuous increases in the company's value and 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.
- **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 coordination 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:

1. **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.
2. **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.

3. **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.
4. **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.
5. **Fairness and freedom to act:**
   The variable 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.
6. **Integrity and 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 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 100 per cent to 67 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. 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 decides on 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 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 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).

Group Executive Board

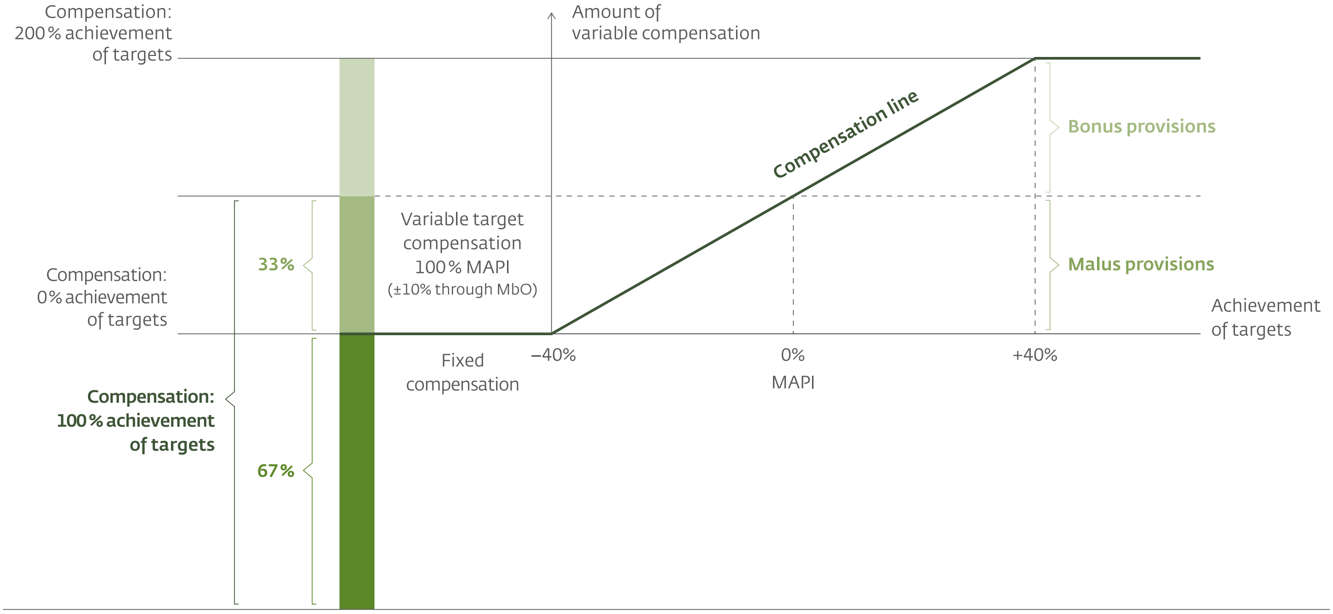
A target compensation is defined for each member of the Group Executive Board. It consists of a fixed compensation (67 %) and a variable target compensation (33 %). The target compensation corresponds to the compensation attributable to the member of the Group Executive Board if the objectives are 100 per cent attained.

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 for the members of the Group Executive Board in 2019 was determined on the basis of a compensation comparison carried out by the Kienbaum company in 2018. This comparison comprised between 20 and 24 comparable banks and between 24 and 31 comparable positions per function represented on the Group Executive Board.

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 24 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 home markets of Liechtenstein, Switzerland and Austria. Its composition is

Compensation model: Group Executive Board



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.

Geographic distribution of the 24 banks in the peer group*

Liechtenstein	1
Switzerland	20
Austria	3

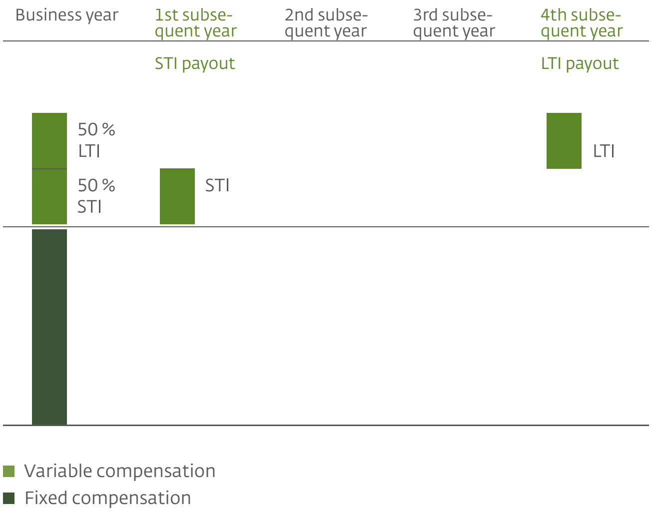
* For the 2018 business year, the peer group comprised 25 banks. One bank was delisted in 2019 and therefore fell out of the comparable group. It was not replaced and its weighting was aliquoted to the other comparable companies.

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.

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 a 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 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 point 3.5.2 “Composition of all Board of Directors’ committees, their tasks and terms of reference”, pages 77 – 78) 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 the Group regulation "Compensation standards", the LLB AG regulation of the same name as well as the Group regulation "Fit & Proper – Assessment of the suitability of members of the Board of Management, the Board of Directors and key function holders" 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 risk management and compliance pursuant to the Group regulation "Compensation standards" and the LLB AG regulation of the same name, the Group regulation "Fit&Proper – Assessment of the suitability of members of the Board of Management, the Board of Directors and key function holders";
- the annual review of the compensation of all other staff who are covered by the Group regulation "Compensation standards" and the LLB AG regulation of the same name.

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 2019

For the 2019 business year, the members of the Board of Directors received a fixed compensation of CHF thousands 914. Contributions to benefit plans and other social contributions amounted to CHF thousands 111. The fixed compensation was paid in cash (CHF thousands 751) as well as in the form of an entitlement to acquire LLB shares (CHF thousands 163). 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 increased by CHF thousands 23 or 2.3 per cent. The higher compensation expense in 2019 was attributable mainly to the fact that from the General Meeting 2019 the Board of Directors was composed of one member more (seven members instead of the former six).

For the 2019 business year, the members of the Group Executive Board received a fixed compensation of CHF thousands 3'384 and a variable compensation of CHF thousands 1'614. Contributions to benefit plans and other social contributions amounted to CHF thousands 1'135. 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 2019 (CHF 63.53). The variable compensation for the members of the Group Executive Board was, on average, approximately 47.7 per cent of the fixed compensation or 26.3 per cent of total compensation.

The total compensation of the members of the Group Executive Board in 2019 decreased by CHF thousands 860 or 12.3 per cent. This decrease was primarily the result of the lower variable compensation. The MAPI was minus 2.5 per cent (previous year: plus 31.9 %). This results from the total shareholder return of LLB (1.6 %) in comparison with the total shareholder return of the peer group (4.1 %) which corresponds to an attainment of objectives of 93.7 per cent (previous year: 179.7 %).

The total compensation of the members of the Board of Directors and the members of the Group Executive Board for the 2019 business year is reported on an accrual basis. The variable compensation was charged to the 2019 income statement. Payment of the STI to the members of the Group Executive Board will be made in the first quarter of 2020. 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		Contribution to benefit plans and other social contributions		Share-based payments		Entitlements		Total	
in CHF thousands	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Members of the Board of Directors												
Georg Wohlwend, Chairman	300	300	0	0	80	80	0	0	40	40	420	420
Gabriela Nagel-Jungo, Vice Chairwoman	123	105	0	0	12	9	0	0	30	26	165	140
Markus Foser, Vice Chairman until 09. 05. 2018	0	42	0	0	0	7	0	0	0	11	0	60
Markus Büchel, Member until 09. 05. 2018	0	23	0	0	0	0	0	0	0	7	0	30
Patrizia Holenstein, Member	70	70	0	0	8	7	0	0	20	20	98	97
Urs Leinhäuser, Member *	82	79	0	0	0	0	0	0	20	20	102	99
Roland Oehri, Member until 09. 05. 2018	0	22	0	0	0	4	0	0	0	7	0	33
Thomas Russenberger, Member since 10. 05. 2018	64	41	0	0	5	3	0	0	20	13	89	57
Richard Senti, Member since 10. 05. 2018	76	49	0	0	6	4	0	0	20	13	102	66
Karl Sevelda, Member since 04. 05. 2019	36	0	0	0	0	0	0	0	13	0	49	0
Total	**751**	**731**	**0**	**0**	**111**	**114**	**0**	**0**	**163**	**157**	**1'025**	**1'002**
Members of the Board of Management **												
Roland Matt, Group CEO	737	737	186	218	220	206	0	0	186	218	1'329	1'379
Other members of the Board of Management ***	2'647	2'499	621	1'115	915	885	0	0	621	1'115	4'804	5'614
Total	**3'384**	**3'236**	**807**	**1'333**	**1'135**	**1'091**	**0**	**0**	**807**	**1'333**	**6'133**	**6'993**

* The compensation was paid to Adulco GmbH .

** The Board of Management comprises six members.

*** In early May 2018, Group COO Kurt Mäder decided to leave the LLB Group to seek a new professional challenge. His remuneration is contained in the 2018 total. On 1 January 2019, Patrick Fürer joined the LLB Group as Chief Operating Officer. His remuneration is contained in the 2019 total.

Share holdings of related parties

	Bearer shares	
	31.12.2019	31.12.2018
Members of the Board of Directors		
Georg Wohlwend, Chairman	640	640
Gabriela Nagel-Jungo, Vice Chairwoman	1'137	566
Patrizia Holenstein, Member	1'438	867
Urs Leinhäuser, Member	1'152	581
Thomas Russenberger, Member	0	0
Richard Senti, Member	300	0
Karl Sevelda, Member since 04. 05. 2019	0	
Total	**4'667**	**2'654**
Members of the Board of Management		
Roland Matt, Group CEO	16'392	16'392
Urs Müller, Vice Group CEO	21'381	19'074
Gabriel Brenna	20'951	19'921
Natalie Flatz	2'546	1'193
Christoph Reich	11'735	9'851
Patrick Fürer, Member since 01. 01. 2019	8'000	
Total	**81'005**	**66'431**
Other related companies and parties		
Related parties	4'550	4'550
Total	**4'550**	**4'550**

No member of the Board of Directors or the Board of Management owns more than 0.1 per cent of the voting rights.

Loans to key management personnel

	Fixed mortgages		Variable mortgages		Total	
in CHF thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Members of the Board of Directors						
Georg Wohlwend, Chairman	0	0	0	0	0	0
Gabriela Nagel-Jungo, Vice Chairwoman	400	400	0	0	400	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	575	576	93	0	668	576
Karl Sevelda, Member since 04.05.2019	0		0			
and related parties	0	0	0	0	0	0
Total	**975**	**976**	**93**	**0**	**1'068**	**976**
Members of the Board of Management						
Roland Matt, Group CEO	1'000	1'000	0	0	1'000	1'000
Other members of the Board of Management *	1'560	2'810	0	0	1'560	2'810
and related parties **	0	0	0	0	0	0
Total	**2'560**	**3'810**	**0**	**0**	**2'560**	**3'810**

* In addition there is a surety limit of CHF thousands 84 for a member of the Board of Management.
** There is a surety limit of CHF thousands 84.

At 31 December 2019, the maturities of the fixed mortgages for the members of the Board of Directors and related parties ranged between 15 and 63 months (previous year: between 3 and 51 months) at standard market client interest rates of 0.95 to 1.65 per cent per annum (previous year: 0.95 to 1.65 %). One variable mortgage with standard market conditions was issued. The remaining term is 1 month with an interest rate of 0.95 per cent (previous year: no mortgage with variable interest rates was issued).

At 31 December 2019, the maturities of the fixed mortgages for the members of the Board of Management ranged between 0 and 73 months (previous year: between 1 and 78 months) at interest rates of 0.6 to 1.80 per cent per annum (previous year: 0.4 to 1.88 %).
In 2019, two expiring loans were extended at new terms and conditions. One new loan was granted; the fair value of cover amounted to CHF thousands 1'005.

Of the total amount for mortgages for the members of the Board of Management, CHF thousands 1'000 (previous year: CHF thousands 1'000) was granted at the preferential interest rate for staff, the remainder was subject to the standard market client interest rate. Other loans to the Board of Management amounted to CHF thousands 0 (previous year: CHF thousands 200).

No allowances for loans and other credits to management were necessary. LLB issued guarantees to third parties on behalf of management or related parties totalling CHF thousands 168 (previous year: CHF thousands 168).

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.

Disclosures on sustainability reporting

Sustainability to the LLB Group means that it creates long-term added value for its clients, shareholders, employees and other stakeholder groups. As a consequence, we are committed to responsible corporate governance, which takes the economic, ecological and social aspects into account. Sustainability topics occupy an important place in our annual report.

To provide the best possible transparency for our stakeholder groups, we prepared our sustainability reporting in accordance with the standards of the Global Reporting Initiative (GRI Standards). They provide companies with a systematic framework for communicating corporate responsibility in a transparent and comparable manner. Reporting in accordance with GRI Standards is the most widely used comprehensive sustainability reporting standard in the world.

The report has undergone and successfully completed the GRI Materiality Disclosures Service. LLB thus meets the current legal requirements: following the amendment of Liechtenstein's Persons and Companies Act (PGR), capital market-oriented corporations as well as large credit institutions and insurance companies that have more than 500 employees have been required since 2017 to disclose information about their Corporate Social Responsibility (CSR) performance in their annual report.

The Annual Report 2019 includes all companies with a 100 per cent equity interest (see “Scope of consolidation”, page 177) as well as Bank Linth LLB AG, unless explicitly noted otherwise.

The systematic identification of key sustainability topics for the LLB Group and its stakeholder groups can be found on page 50. They are structured according to the following topics: “market performance and compliance”, “responsibilities for society and the environment” and “employees”. As far as the data situation allows, this report covers all material topics. Subsequent corrections to previous-year figures are explained at the appropriate place in the report.

Material topics are relevant to the whole LLB Group as well as to stakeholder groups particularly interested in the success of the company – such as shareholders and employees. They influence business risks and opportunities and consequently the success of LLB's business. The materiality of the topics for our stakeholder groups depends on their position in the value chain. Topics related to market performance and compliance are particularly important to our clients. For the supervisory authorities, topics related to regulatory requirements are of primary importance. Topics related to corporate responsibility towards society and the environment are important to our neighbours, the Principality of Liechtenstein as well as environmental and social organisations. Topics in the area of employees are pertinent in particular to them and our clients since the competence and motivation of the people in the LLB Group substantially determine the quality of the services. Further information on the material topics can be found in the management approaches: ar2019.llb.li/gri-content-index.

This page includes, inter alia, the following GRI standard disclosures: 102 – 45, 102 – 46, 102 – 48, 102 – 49, 102 – 54. A complete list of all disclosures presented in the report can be found in the GRI Content Index on page 103.

GRI Content Index

GRI
Materiality Disclosures
Liechtensteinische Landesbank AG
Mar 2020
Service

Universal standards

GRI Standard	Page / Information
GRI 101: 2016 – Foundation	
GRI 102: 2016 – General Disclosures	
Organizational Profile	
102-2	9
102-3	Vaduz, Liechtenstein
102-4	24
102-5	38
102-6	24
102-7	57
102-8	62
102-9	50
102-10	none
102-11	MA p. 3
102-12	41
102-13	46
Strategy	
102-14	5
Ethics and Integrity	
102-16	12
Governance	
102-18	64, 65
Stakeholder Engagement	
102-40	50
102-41	none
102-42	50
102-43	21, 46, 50
102-44	46
Reporting Practice	
102-45	102
102-46	102
102-47	51
102-48	102
102-49	50
102-50	Calendar year 2019
102-51	March 2019
102-52	annually
102-53	doris.quaderer@llb.li
102-54	102
102-55	103
102-56	none

Topic-specific standards

GRI Standard	Page / Information	Omission
GRI 200 – Economic Topics		
GRI 201: 2016 – Economic Performance		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 4	
201-1	52	
201-3	62	
201-4	52	
GRI 202: 2016 – Market Presence		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 12	
202-2	58	
GRI 203: 2016 – Indirect Economic Impacts		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 12	
203-2	57	
GRI 205: 2016 – Anti-corruption		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 9	
205-1	MA p. 9	
205-2	MA p. 9	
205-3	no incidents	
GRI 206: 2016 – Anti-competitive Behavior		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 14	
206-1	no violations/ legal actions	
Risk and Reputation Management		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 8	
Tax Compliance		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 10	
Customer Orientation		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 4	
Sustainable Products and Services		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 5	
FS7	20, 52	
FS8	52	
ESG-Integration in Asset Management		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 6	
Corporate Governance and Corporate Culture		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 11	
Ethics and Integrity		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 7	
GRI 300 – Environmental Topics		
GRI 302: 2016 – Energy		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 15	
302-1	56	
302-4	54	
GRI 305: 2016 – Emissions		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 15	
305-1	56	
305-2	56	
305-5	54	
Mobility management		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 16	
GRI 400 – Social Topics		
GRI 401: 2016 – Employment		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 17	
401-1	62	
GRI 402: 2016 – Labor/Management Relations		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 18	
402-1		not available
GRI 403: 2016 - Occupational Health and Safety		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 17	
403-1	62	
403-2	59	
GRI 404: 2016 – Training and Education		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 18	
404-2	61	
404-3	61	
GRI 405: 2016 - Diversity and Equal Opportunity		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 19	
405-1	60	
GRI 406: 2016 – Non-Discrimination		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 19	
406-1	no incidents	
GRI 413: 2016 – Local Communities		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 13	
413-1	53, 54	
FS13	20	
GRI 415: 2016 – Public Policy		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 13	
415-1	MA p. 13	
GRI 417: 2016 – Marketing and Labeling		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 14	
417-1	43	
417-3	no violations	
GRI 418: 2016 – Customer Privacy		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 7	
418-1	42	
GRI 419: 2016 – Socioeconomic Compliance		
GRI 103: 2016	Management Approach	
103-1 / 103-2 / 103-3	MA p. 10	
419-1	no penalties	

Unless otherwise stated, the page numbers in the index are based on this report. In some cases, disclosures are given in our online document on management approaches to sustainability, which is published in our online Annual Report at ar2018.llb.li/gri-content-index. In this case, the relevant page numbers are marked with MA.

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.

Consolidated financial statement in
the online annual report with Excel files
for your own statistics

http://ar2019.llb.li/consolidated-financial-statement

Consolidated financial statement of the LLB Group

Report of the statutory auditor

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 and its subsidiaries ("LLB Group") which comprise the consolidated income statement and the consolidated statement of comprehensive income for the year ended 31 December 2019, the consolidated balance sheet as at 31 December 2019, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 116 to 209) give a true and fair view of the consolidated financial position of LLB Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Liechtenstein law.

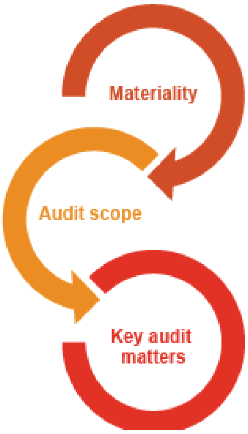
Basis for opinion

We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISA). 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 LLB Group in accordance with the provisions of Liechtenstein law and the requirements of the Liechtenstein audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality for the consolidated financial statements: CHF 7.0 million

We concluded full scope audit work at four Group companies in three countries. Our audit scope addressed 86% of earnings before income tax and 100% of total assets.

As key audit matters, the following areas of focus were identified:

- Valuation of loans
- Impairment of goodwill

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

Overall Group materiality	CHF 7.0 million
How we determined it	5% of operating profit before tax
Rationale for the materiality benchmark applied	We chose operating profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the LLB Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Group Audit Committee that we would report to them misstatements above CHF 0.35 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Valuation of loans

Key audit matter	How our audit addressed the key audit matter
LLB Group grants loans to private individuals, corporates and public entities located mainly in Liechtenstein and Switzerland. Loans as at 31 December 2019 amount to CHF 13.0 billion (2018: CHF 12.9 billion) and thus represent the largest asset category of LLB Group. Mortgage-based loans form the majority of the loan portfolio (87% of total loans by value). In addition, LLB Group grants corporate loans and Lombard loans. Loans are measured by applying the effective interest rate method and by calculating an expected credit loss (ECL). The expected credit loss is calculated as the product of the probability of default, the loan amount at default and the loss given default. The expected credit loss is calculated over the remaining term of the loan. Any impairments are recognised by means of individual loss allowances. Calculating the expected credit loss and the amount of individual loss allowances requires judgement. We focussed on the following two audit matters: • The method used by LLB Group to identify loans in the loan portfolio that may need a valuation adjustment, including loans that according to the LLB Group's definition show indications of impairment. • The appropriateness and consistent application of the policies and instructions issued by Group management relating to the calculation of the expected credit loss and the amount of individual loss allowances. The accounting principles applied to loans and the method used to identify the default risk, to determine the need for impairment and to evaluate collateral are described in the annual report. Please refer to page 126 (Accounting principles: Financial assets measured at amortised cost), page 128 (Accounting policies: Impairments), page 141 (Notes to the consolidated balance sheet: 13 Loans) and pages 190 to 205 (Risk management: Credit risk).	We tested the adequacy and effectiveness of the following key controls relating to the valuation of loans in the loan portfolio: • Credit processing and authorisation: Sample testing of the requirements and processes set out in the Group's internal policies and working instructions in relation to credit processing. We also tested that approvals were granted at the appropriate level of authority. • Credit monitoring (periodic reviews): Sample testing of identified loans at risk and of the calculation of the potential amount of impairment. • Credit evaluation (ECL): Sample testing of the performance of key controls in the ECL calculation and accounting process. Where significant judgement was required, we also challenged the decisions of those authorised to approve loans with our own critical opinion as part of our substantive tests of detail. Our tests of detail covered the following: • Sample-based testing of new business and loans at risk in the loan portfolio (including loans with individual loss allowances or indications of impairment) to evaluate whether additional loss allowances were needed. • Sample-based testing of the method used to calculate loss allowances on the loan portfolio in terms of its appropriateness and compliance with the policies and working instructions issued by the Group. • Sample testing of the calculated ECL value with regard to the correctness of the model input data, the plausibility check of the assumptions and the consistency with the Bank's methods and process, the calculation of the ECL value and its correct entry in the system. The audit of key controls and the tests of detail gives us sufficient assurance to assess the valuation of loans as adequate. The valuation estimates made by LLB Group are in line with our expectations.

Impairment of goodwill

Key audit matter	How our audit addressed the key audit matter
LLB Group disclosed goodwill as at 31 December 2019 in the amount of CHF 163.8 million (2018: CHF 169.3 million). The goodwill stems from acquisitions of subsidiaries and it has been allocated to the four cash-generating units (CGUs) Liechtensteinische Landesbank AG, Bank Linth LLB AG, Liechtensteinische Landesbank (Österreich) AG and LLB Swiss Investment AG. LLB Group tests this goodwill for impairment at least once every year. For the test, the value in use must be higher than the carrying amount, otherwise there is a need for impairment. LLB Group uses a discounted cash flow (DCF) valuation method. The DCF method calculates the value in use based on the expected future cash flows. The method involves the following key assumptions and scope for judgement: • Assumptions regarding expected cash flows. • Assumptions regarding discount rates and long-term growth rates. Please refer to page 131 (Accounting principles: Goodwill and other intangible assets) and pages 150 to 152 (Notes to the consolidated balance sheet: 19 Goodwill and other intangible assets).	We based our audit on the analyses and calculations performed by Group management. With the involvement of a valuation expert, we performed the following audit procedures: • Plausibility check of the analyses performed by LLB Group relating to impairment indicators. • Assessment of the appropriateness of the DCF method and its implementation. • Examination of management’s medium-term planning processes. • Plausibility check of the medium-term planning of the subsidiaries (CGUs) and an assessment of the expected cash flows by means of budget vs. actual comparisons. • Plausibility check of the assumed growth rates and discount rates based on external market information. • Tests of the sensitivity analysis of the parameters and assumptions used. The valuation estimates made by LLB Group are in line with our expectations.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the financial statements of Liechtensteinische Landesbank Aktiengesellschaft and our auditor’s reports thereon.

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

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

Responsibilities of the Board of Directors for the 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 the provisions of Swiss 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 LLB 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 LLB 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, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LLB Group’s internal control system.
- 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 LLB 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 LLB 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 LLB Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. 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 to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

The consolidated management report (pages 114 to 115) as at 31 December 2019 comply with Liechtenstein law and the articles of incorporation. Further, the consolidated management report accords with the consolidated financial statements and, in our opinion, does not contain any material inaccurate information.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Philippe Bingert	Claudio Tettamanti
Certified Public Accountant (CH)	Certified Public Accountant
	(Auditor in charge)

St. Gallen, 9 March 2020

Consolidated management report

Income statement

In the 2019 business year, the LLB Group earned a net profit after taxes of CHF 123.4 million (2018: CHF 85.1 million), 44.9 per cent or CHF 38.3 million higher than in the previous year. The increase was attributable to operative progress, as well as market and one-off effects. Whereas the persisting low level of interest rates had an adverse effect, fee and commission business, the stock market development and the writing back of provisions contributed positively to the Group business result. In 2019, the two companies acquired in 2018, LB (Swiss) Investment AG and Semper Constantia Privatbank AG, were included for the first time in a complete annual financial statement.

The net profit attributable to the shareholders of Liechtensteinische Landesbank AG amounted to CHF 115.3 million (2018: CHF 78.0 million). Earnings per share stood at CHF 3.77 (2018: CHF 2.62). Operating income improved in 2019 by 13.3 per cent to CHF 452.7 million (2018: CHF 399.7 million).

Interest income before expected credit losses was down in comparison with the previous year by 4.3 per cent, or CHF 6.7 million to CHF 151.3 million (2018: CHF 158.0 million). Income from interest business with clients decreased. Selective, risk-conscious growth in mortgage lending business and lower refinancing costs were unable to compensate completely for the expected decline in earnings due to the extension of fixed interest loans at lower conditions and higher interest paid on foreign currency funds. Other income from interest business, at CHF 2.5 million, was at the same level as in the previous year (2018: CHF 2.8 million).

In the 2019 business year, the LLB Group was able to credit the income statement with a net amount of CHF 1.0 million (2018: CHF 7.1 million) for the release of allowances for expected credit loss.

Net fee and commission income rose by 19.3 per cent, or CHF 33.9 million, to CHF 209.2 million (2018: CHF 175.3 million). The increase was attributable to intensive market cultivation, for example, with our new “LLB Invest” products, as well as the contribution to earnings made by LB(Swiss)Investment AG and Semper Constantia Privatbank AG, the companies acquired in 2018. Net fee and commission income was also boosted by higher volume-related fees on assets under management. Moreover, the LLB Group benefited from substantially higher performance-related earnings thanks to the good stock market year. At CHF 34.8 million, net brokerage remained at the same level as in the previous year.

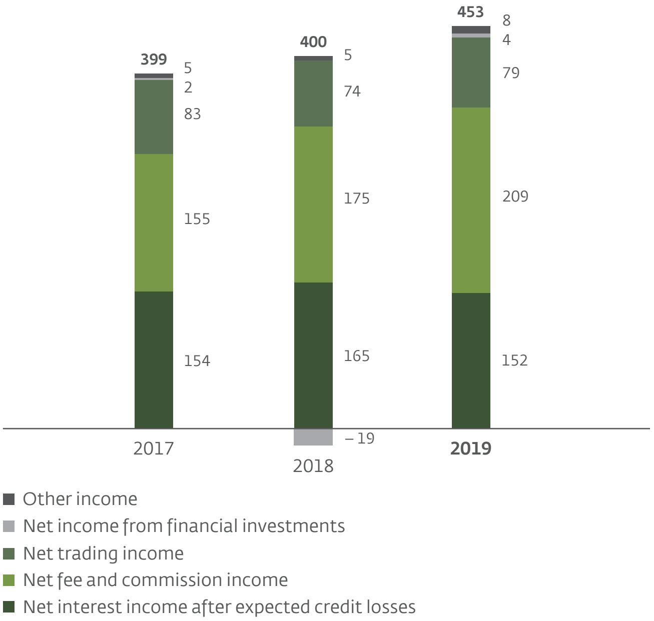
Net trading income in the 2019 business year stood at CHF 78.9 million (2018: CHF 73.8 million). Trading in foreign exchange, foreign notes and precious metals rose substantially in comparison with the previous year by 5.4 per cent to CHF 67.8 million. This was attributable mainly to the contributions to earnings made by the acquisitions. The valuation gains on the reporting date made on interest rate hedging instruments amounted to CHF 11.1 million (2018: CHF 9.4 million).

Income from financial investments of CHF 4.0 million (2018: minus CHF 19.4 million) made a positive contribution to the business result. The stock market development as well as lower USD and EUR interest rates led to valuation gains of CHF 2.6 million on the reporting date with financial investments measured at fair value. In the previous year, the same effects caused a loss of CHF 20.3 million. Income from dividends also developed positively.

In comparison with the previous year other income grew by CHF 3.5 million to CHF 8.4 million. This was largely attributable to changes in the value of purchase price obligations from the acquisitions.

Operating expenses climbed in 2019 in line with strategy by 1.8 per cent to CHF 311.3 million (2018: CHF 305.9 million).

Operating income (in CHF millions)



Personnel expenses of CHF 192.9 million were up compared with the previous year by 5.7 per cent or CHF 10.4 million (2018: CHF 182.4 million). The increase was largely due to the two company acquisitions made in 2018.

General and administrative expenses fell by 15.7 per cent or CHF 14.2 million to CHF 76.5 million (2018: CHF 90.8 million). The previous year’s figures included integration costs totalling CHF 14.8 million. Furthermore, in 2019 provisions for legal and litigations risks amounting to net CHF 4.7 million were released.

Depreciation and amortisation increased to CHF 41.9 million (2018: CHF 32.7 million). The increase was largely due to the two acquisitions and to the introduction of IFRS 16 “Leases”.

The Cost-Income-Ratio improved to 70.0 per cent (2018: 77.7%). Without market effects, i. e. without income from interest rate swaps and price gains from financial investments, the Cost-Income-Ratio would have been 72.1 per cent (2018: 75.5%).

Balance sheet

The consolidated balance sheet total decreased by 1.0 per cent in comparison with 31 December 2018 and stood at CHF 22.7 billion on 31 December 2019 (31.12.2018: CHF 22.9 billion).

Loans to clients rose by 0.8 per cent to CHF 13.0 billion in comparison with 31 December 2018. Mortgage loans expanded by 1.8 per cent to CHF 11.3 billion.

Equity attributable to the shareholders of LLB amounted to CHF 1.9 billion on 31 December 2019. The tier 1 ratio stood at 19.6 per cent (31.12.2018: 19.0 %). The return on equity attributable to the shareholders of LLB amounted to 6.0 per cent (2018: 4.3 %).

Assets under management / Business volume

Thanks to gratifying net new money inflows and the positive performance of the financial markets, assets under management increased by 13.4 per cent to CHF 76.3 billion (31.12.2018: CHF 67.3 billion).

The LLB Group continued its robust growth and, in 2019, attained a net new money inflow of CHF 4'142 million (2018: CHF 1'278 million). A large portion of the inflows was attributable to the investment fund business in Austria. Thanks to intensive sales and amrket cultivation, it achieved positive net new money inflows in all three market segments and all booking centres.

In comparison with 31 December 2018, the business volume expanded by 11.4 per cent or CHF 9.1 billion to CHF 89.3 billion.

Assets under Management (in CHF billion)

Outlook

Persistently low interest rates, geopolitical risks, great volatility on the financial markets and additional regulatory requirements are continuing to create enormous challenges for banks.

Thanks to its stable foundation, broadly diversified earnings structure and focused business model, the LLB Group has put in place a sound footing for the further development of its corporate group. On the basis of its excellent Aa2 deposits rating, which was reconfirmed by Moody's in December 2019, the LLB is ranked among the highest rated banks in the world. The LLB Group expects to make further operative progress and achieve a solid Group business result in 2020.

Consolidated income statement

in CHF thousands	Note	2019	2018	+/−%
Interest income from financial instruments measured at amortised cost and recognised at fair value through other comprehensive income	1	221'898	210'893	5.2
Interest income from financial instruments at fair value through profit and loss	1	12'442	16'534	−24.8
Interest expenses from financial instruments measured at amortised cost and recognised at fair value through other comprehensive income	1	−62'465	−49'357	26.6
Interest expenses at fair value through profit and loss	1	−20'611	−20'078	2.7
Net interest income	**1**	**151'264**	**157'993**	**−4.3**
Expected credit losses		1'002	7'106	−85.9
Net interest income after expected credit losses		**152'266**	**165'098**	**−7.8**
Fee and commission income	2	339'672	261'267	30.0
Fee and commission expenses	2	−130'516	−85'987	51.8
Net fee and commission income	**2**	**209'156**	**175'280**	**19.3**
Net trading income	3	78'906	73'796	6.9
Net income from financial investments	4	4'049	−19'396	
Share of net income of associates and joint venture	16	−3	−3	0.9
Other income	5	8'374	4'888	71.3
Total operating income		**452'748**	**399'664**	**13.3**
Personnel expenses	6	−192'860	−182'427	5.7
General and administrative expenses	7	−76'547	−90'783	−15.7
Depreciation and amortisation	8	−41'925	−32'697	28.2
Total operating expenses		**−311'332**	**−305'906**	**1.8**
Operating profit before tax		**141'416**	**93'758**	**50.8**
Tax expenses	9	−18'038	−8'631	109.0
Net profit		**123'378**	**85'127**	**44.9**
Of which attributable to:				
Shareholders of LLB		115'274	77'991	47.8
Non-controlling interests	35	8'104	7'136	13.6
Earnings per share attributable to the shareholders of LLB				
Basic earnings per share (in CHF)	10	3.77	2.62	43.9
Diluted earnings per share (in CHF)	10	3.77	2.62	43.9

Consolidated statement of comprehensive income

in CHF thousands	Note	2019	2018	+ / – %
Net profit		123'378	85'127	44.9
Other comprehensive income (net of tax), which can be reclassified to the income statement				
Foreign currency translation	34	– 13'426	– 5'001	168.5
Changes in value of debt instruments, recognised at fair value through other comprehensive income		19'509	1'296	
Reclassified (profit) / loss with debt instruments, recognised at fair value through other comprehensive income	4	– 1'343	– 337	
Tax effects		– 621	3'193	
Total		**4'119**	**– 849**	
Other comprehensive income (net of tax), which cannot be reclassified to the income statement				
Actuarial gains / (losses) of pension plans		1'089	1'744	– 37.6
Changes in value of equity instruments, recognised at fair value through other comprehensive income		6'086	845	
Tax effects	27	– 688	– 858	– 19.8
Total		**6'487**	**1'731**	**274.8**
Total other comprehensive income (after tax)		**10'606**	**882**	
Comprehensive income for the period		**133'984**	**86'009**	**55.8**
Of which attributable to:				
Shareholders of LLB		123'859	77'731	59.3
Non-controlling interests		10'125	8'278	22.3

Consolidated balance sheet

in CHF thousands	Note	31.12.2019	31.12.2018	+ / − %
Assets				
Cash and balances with central banks	11	5'447'642	5'708'324	−4.6
Due from banks	12	1'352'338	1'611'454	−16.1
Loans	13	12'960'524	12'852'541	0.8
Derivative financial instruments	14	112'798	197'886	−43.0
Financial investments	15	2'168'375	1'937'057	11.9
Non-current assets held for sale	38	19'000	21'214	−10.4
Investment in associates and joint venture	16	31	30	4.7
Property and equipment	17	119'432	119'943	−0.4
Right of use assets from leases	18	39'492		
Investment property	17	15'000	15'000	0.0
Goodwill and other intangible assets	19	290'102	305'314	−5.0
Current tax assets		819	1'670	−50.9
Deferred tax assets	27	15'538	20'770	−25.2
Accrued income and prepaid expenses		61'800	56'868	8.7
Other assets	20	58'999	44'003	34.1
Total assets		**22'661'890**	**22'892'072**	**−1.0**
Liabilities				
Due to banks	22	1'526'308	1'509'412	1.1
Due to customers	23	16'964'118	17'475'706	−2.9
Lease liabilities		39'677		
Derivative financial instruments	14	180'065	255'564	−29.5
Debt issued	24	1'331'391	1'236'362	7.7
Bonds issued	25	251'600	0	
Non-current liabilities held for sale	38	2'261	2'386	−5.2
Current tax liabilities		13'752	14'373	−4.3
Deferred tax liabilities	27	30'946	34'257	−9.7
Accrued expenses and deferred income		61'754	51'625	19.6
Provisions	28	14'697	30'451	−51.7
Other liabilities	29	185'225	272'232	−32.0
Total liabilities		**20'601'793**	**20'882'368**	**−1.3**
Equity				
Share capital	30	154'000	154'000	0.0
Share premium	31	−22'432	−21'157	6.0
Treasury shares	32	−23'574	−8'195	187.7
Retained earnings	33	1'866'121	1'815'053	2.8
Other reserves	34	−44'803	−53'388	−16.1
Total equity attributable to shareholders of LLB		**1'929'312**	**1'886'313**	**2.3**
Non-controlling interests	35	130'785	123'391	6.0
Total equity		**2'060'097**	**2'009'705**	**2.5**
Total liabilities and equity		**22'661'890**	**22'892'072**	**−1.0**

Consolidated statement of changes in equity

		Attributable to shareholders of LLB							
in CHF thousands	Note	Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
As at 1 January 2018		154'000	23'509	−163'886	1'795'561	−53'129	1'756'055	115'224	1'871'279
Net profit					77'991		77'991	7'136	85'127
Other comprehensive income						−259	−259	1'142	883
Net movements in treasury shares	31 / 32		−44'666	155'691			111'025		111'025
Dividend 2017, paid 2018	33 / 35				−57'883		−57'883	−1'826	−59'709
Increase / (Reduction) in non-controlling interests	33 / 34 / 35				−616		−616	1'715	1'099
As at 31 December 2018		**154'000**	**−21'157**	**−8'195**	**1'815'053**	**−53'388**	**1'886'313**	**123'391**	**2'009'705**
As at 1 January 2019		154'000	−21'157	−8'195	1'815'053	−53'388	1'886'313	123'391	2'009'705
Net profit					115'274		115'274	8'104	123'378
Other comprehensive income						8'585	8'585	2'021	10'606
Net movements in treasury shares	31 / 32		−1'275	−15'379			−16'654		−16'654
Dividend 2018, paid 2019	33 / 35				−64'309		−64'309	−2'167	−66'475
Increase / (Reduction) in non-controlling interests	33 / 34 / 35				102		102	−564	−462
As at 31 December 2019		**154'000**	**−22'432**	**−23'574**	**1'866'121**	**−44'803**	**1'929'312**	**130'785**	**2'060'097**

Consolidated statement of cash flows

in CHF thousands	Note	2019	2018
Cash flow from / (used in) operating activities			
Interest received		242'580	227'852
Dividends received from financial investments	4	1'505	876
Interest paid		−83'128	−70'112
Fees and commission received		337'237	249'480
Fees and commission paid		−134'513	−70'674
Trading income		64'536	60'739
Other income		3'541	3'980
Payments for personnel, general and administrative expenses		−272'506	−262'634
Income tax paid		−18'095	−16'268
Rent paid for short-term and low-value leases		−521	
Cash flow from operating activities, before changes in operating assets and liabilities		140'634	123'239
Net due from / to banks		122'722	934'864
Trading portfolio assets including net replacement values		0	9'718
Loans / due to customers		−563'070	−62'843
Other assets		−6'295	−9'780
Other liabilities		−18'453	5'023
Changes in operating assets and liabilities		−465'096	876'981
Net cash flow from / (used in) operating activities		**−324'462**	**1'000'220**

Cash flow from / (used in) investing activities			
Purchase of property and equipment	17	−11'993	−15'781
Disposal of property and equipment	17	0	2'127
Purchase of other intangible assets	19	−16'083	−12'874
Disposal of other intangible assets	19	0	29
Purchase of financial investments		−495'544	−846'654
Disposal of financial investments		289'362	524'415
Acquisition of fully consolidated companies minus cash and cash equivalents		0	993'205
Payment of conditional or deferred purchase price in connection with the purchase of fully consolidated companies	29	−57'917	
Purchase of non-current assets held for sale		−1'498	0
Sale of non-current assets held for sale	38	3'678	4'771
Net cash flow from / (used in) investing activities		**−289'995**	**649'238**

in CHF thousands	Note	2019	2018
Cash flow from / (used in) financing activities			
Purchase of treasury shares	32	−18'079	−7'485
Disposal of treasury shares	32	0	51'251
Dividends paid	33	−64'309	−57'883
Dividends paid to non-controlling interests	35	−2'167	−1'826
Increase in non-controlling interests	33 / 34 / 35	0	1'099
Reduction in non-controlling interests		−462	0
Repayment of lease liabilities	26	−5'118	
Issuance of debt	26	286'534	246'401
Repayment of debt	26	−191'083	−178'971
Issuance of bonds	25 / 26	251'489	0
Net cash flow from / (used in) financing activities		**256'805**	**52'586**
Effects of foreign currency translation on cash and cash equivalents		−56'313	−54'522
Net increase / (decrease) in cash and cash equivalents		**−413'965**	**1'647'522**
Cash and cash equivalents at beginning of the period		6'467'055	4'819'533
Cash and cash equivalents at end of the period		**6'053'089**	**6'467'055**
Cash and cash equivalents comprise:			
Cash and balances with central banks	11	5'447'642	5'708'324
Due from banks (due daily)	12	605'448	758'731
Total cash and cash equivalents		**6'053'089**	**6'467'055**

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 9 March 2020 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). With the exception of the revaluation of certain financial assets and liabilities, the consolidated financial statement was prepared on the basis of the historical acquisition or production cost.

On account of clarification in its presentation, the consolidated financial statement of the comparison period can contain reclassifications. These have no, or no substantial, effect on the business result. No further details of reclassifications are provided because the only adjustments concern the type of presentation.

The purchase price allocation for the acquisition of Semper Constantia Privatbank AG was finally completed in 2019. This led to adjustments in current deferred tax obligations and, accordingly, in the newly acquired net assets. The adjustment of the purchase price led to an increase in goodwill of CHF 0.7 million. LLB categorised the adjustment of the values from the provisional purchase price allocation as being immaterial. Consequently, the goodwill was only adjusted in the 2019 initial book value in the statement of fixed assets.

The purchase price allocation for the acquisition of LB(Swiss)Investment AG was already finally completed in 2018. There were therefore no changes in 2019.

In Switzerland, voters approved the Federal Law on Tax Reform and AHV Financing (TRAF) on 19 May 2019. Previous tax privileges applying predominantly to internationally operating companies (status companies) were abolished. From 1 January 2020, therefore the same taxation rules apply for all companies within a Swiss canton. As a consequence, the income tax rate of the individual cantons will change thus resulting in a new income tax rate for the Swiss companies. At Bank Linth, the income tax rate will decrease from 1 January 2020 from currently 20.0 per cent to 16.0 per cent. On account of the reduction in the tax rate, the deferred tax rates for Bank Linth for the 2019 business year already have to be adjusted because they affect future tax outflows and inflows. The adjustment of deferred tax rates resulted in tax income affecting the income statement of CHF 1.6 million, as well as a tax income affecting the the other comprehensive income CHF 0.9 million. In future Swiss companies are expected to benefit from lower income taxes as a result of the reduction of the income tax rate.

2.1.2 New IFRS, amendments and interpretations

New IFRS, as well as revisions and interpretations of existing IFRS, which must be applied for financial years beginning on 1 January 2019 or later, were published or came into effect.

The new standard IFRS 16 “Leases” and the interpretation IFRIC 23 “Uncertainty over Income Tax Treatments” have both been judged to be relevant for the LLB Group in the 2019 business year. However, neither of the two new rulings has a material impact on the Group financial statement.

IFRS 16 replaces IAS 17 “Leases” and the corresponding interpretation and regulates the recognition and disclosure of leasing contracts. The application of the new guidelines led to a balance sheet extension of CHF 33.0 million or 0.1 per cent. Within the LLB Group, leases exist for business premises, real estate and vehicles. The introduction of IFRS 16 has no material impact for the LLB Group as lessor; all existing leases continue to qualify as operating leases. The standard came into effect on 1 January 2019 and was then applied for the first time by the LLB Group. The simplified approach (modified retrospective method) served as a transition method; the amount of the right of use corresponded to the amount of the lease liability. The transition of the outstanding lease liabilities to the initial balance sheet value is shown in note 18. No comparison information was restated. As part of the initial application, practical expedients were employed for the transition. The new IFRS 16 regulations were applied to all lease contracts, which already existed under IAS 17 “Leases”. They were not applied to contracts that were not classified as leases under IAS 17. On account of their similarity, the underlying lease contracts can be combined so that in the case of the same duration, the same discount rate can be applied. Depending on the duration, the interest rates for the calculation of the lease liability ranged between 0.1 and 1.7 per cent. The incremental borrowing rate of interest served as the basis for the calculation, this is specified by IFRS 16 in the case of selection of the modified retrospective transitional application. Since the underlying lease contracts are not onerous contracts, an impairment test as part of the transition process was not considered necessary. Where possible, the contracts were classified as short-term lease relationships or low-value lease contracts. The revaluation of the duration was premised on the existence of extension and / or termination options. The effects of the introduction of the new standard on the impairment figures are regarded as not being material.

IFRIC 23 “Uncertainty over Income Tax Treatments” – The interpretation came into effect on 1 January 2019 and has been applied since then by the LLB Group. The interpretation is applied fully retrospectively. The application of the amendments has no major influence on the LLB Group’s financial statement. There are no transitional effects.

The amendments brought by IAS 19 “Employee Benefits” and IFRS 9 “Financial Instruments” are already being fully applied. Reference is made to the explanations provided in chapter 2.1.2 “New IFRS standards, amendments and interpretations” in the 2018 Annual Report.

The following new or amended IFRS standards or interpretations are of importance for the LLB Group from 1 January 2020 or later:

- IFRS 9, IAS 39 and IFRS 7 “IBOR Reform Phase 1” – The aim of the IBOR reform is to replace certain interbank rates (Interbank Offered Rates, IBORs) with newly created benchmark interest rates. The IASB standards setting programme has divided the project into two phases: 1. Questions relating to financial reporting in the period prior to the replacement of an existing reference interest rate by an alternative rate, and 2. Questions relating to financial reporting in the period of the replacement of an existing reference interest rate by an alternative interest rate. Phase 1 was completed on 26 September 2019 with the publication of the amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”. The amendments, applicable retrospectively from 1 January 2020, should mitigate the effects of the IBOR reform on financial reporting. They aim to ensure that, in spite of the expected replacement of various benchmark interest rates, hedge accounting relationships, for example LIBOR, continue to exist and can continue to be designated. The LLB Group employs only portfolio fair value hedge accounting. There is no uncertainty regarding fair value hedge accounting for this reporting date, therefore it was decided not to introduce the amendments at an early date. The implementation of these amendments will have no material effect on the financial statement of the LLB Group. They will lead merely to further disclosures in the 2020 business year.
- IFRS 3 “Business Combinations”: Amendments in respect of the definition of a business – The amendments clarify that to be considered a business, an acquired set of activities and assets must include an input and a substantive process that together significantly contribute to the ability to create an output. IFRS 3 now contains guidelines for a simplified test to ascertain whether a business or merely a group of assets has been acquired. Various examples are provided with the amendments, which come into effect from 1 January 2020. The LLB Group decided against an early adoption of the amendments. The adoption of the amendments will have no material effect on the consolidated financial statement of the LLB Group.
- IAS 1 “Presentation of Financial Statements”: Amendments regarding the definition of materiality – The amendments aim to simplify and standardise the definitions of “material” in the various IFRS. They are provided with examples and come into effect from 1 January 2020. The amendments will be applied prospectively. The LLB Group decided against an early adoption of the amendments. The implementation of the changes will have no material effect on the LLB Group’s financial statement.
- IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”: Changes regarding the definition of materiality – In future the definition as in IAS 1 will be valid. Reference is made to the explanations under IAS 1 regarding the date of adoption and possible effects.
- Conceptual Framework – A new Conceptual Framework was published in March 2018. This aims to support the IASB both in developing new standards on the basis of uniform concepts and to help the persons preparing financial statements to formulate new accounting policies. In addition, it should assist all users to understand and interpret IFRS. The Framework is not a standard and does not override any specific regulation in the standards. The Framework is to be applied for financial years beginning on or after 1 January 2020. The LLB Group decided against an early adoption of the amendments. The implementation of the changes will have no material effect on the LLB Group’s financial statement.

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. These include statements regarding future developments, for the correctness of which no guarantee can be provided. They contain risks and uncertainties including, but not restricted to, future global economic conditions, exchange rates, regulatory provisions, market conditions, competitors’ activities as well as other factors, which are beyond the control of the company. These assumptions affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of information available on the balance sheet date and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates, and the differences could be substantial to the financial statements. LLB is under no obligation to update the statements regarding future developments made in this annual report.

The IFRS contains guidelines which require the LLB Group to make estimates and assumptions when preparing the consolidated financial statement. Expected credit losses, goodwill, intangible assets, provisions for legal and litigation risks, fair value conditions for financial instruments and value liabilities for pension plans are all areas which leave large scope for estimate judgments. Assumptions and estimates made in these areas could be substantial to the financial statement. Explanations regarding this point are shown under notes 13, 19, 28, 36 and in the chapter “Pension plans and other long-term benefits”.

2.2 Consolidation policies

The consolidated financial statement adopts a business perspective and follows a financial format. The consolidation period corresponds to the calendar year.

2.2.1 Subsidiaries

The consolidated financial statement incorporates the financial accounts of Liechtensteinische Landesbank AG and its 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 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

In the 2019 business year a stake of 30 per cent was acquired in Gain Capital Management S.A.R.L. with registered office in Luxembourg. The company has the status of an associated company. For further details reference is made to note 16 and the "Scope of consolidation".

2.3 General principles

2.3.1 Recording of business

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.

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	31.12.2019	31.12.2018
1 USD	0.9662	0.9866
1 EUR	1.0854	1.1282

Average rate	2019	2018
1 USD	0.9928	0.9775
1 EUR	1.1117	1.1524

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. This corresponds to a valuation at effective cost.

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	Conditions	Assets
Amortised cost	"Hold" business model SPPI ability	Cash and balances with central banks Due from banks Loans
At fair value through other comprehensive income (FVOCI)	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	Financial investments Debt instruments (Asset & Liability Portfolio) Equity instruments (long-term)
At fair value through profit and loss (FVTPL)	Conditions of other valuation methods not fulfilled "Others" business model	Derivative financial instruments Financial investments Debt instruments (Asset & Liability Portfolio) Equity instruments

Employment within the LLB Group

With respect to the classification of financial assets at the LLB Group, there is scope for discretion only in the case of financial investments, and assumptions are made only in relation 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 an 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 (OCI). 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. Since neither premiums nor discounts play a role, 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), since financial instruments measured at amortised cost are subject to a credit risk which has to be considered. 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 measurement of debt instruments (corporate bonds) is carried out at amortised cost using the effective interest method. Unlike a measurement at amortised cost, the value is subsequently adjusted to fair value. Note 36 contains more information about the calculation of fair value.
  Debt instruments are subject to a credit risk. An expected credit loss is calculated in order to take this risk into consideration. In contrast to assets measured at amortised cost, no value adjustment of the asset is made. The expected credit loss is recognised in the income statement in the position "Expected credit losses", the counter entry is made in other comprehensive income. Detailed information on 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 carrying amount is the value obtained using the effective interest method before adjustment to the fair value.
  When the debt instrument reaches final maturity, or is sold prior to final maturity, the unrealised gains accrued in other comprehensive income are reclassified in income from financial assets.
- Equity instruments
  Equity instruments are measured at fair value. Value changes and the corresponding gains / losses are recognised in other comprehensive income. Note 36 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

- 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 36 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 subportfolio of hedging transactions, which is compared with a subportfolio of underlying transactions. The interest rate risk profile of the subportfolios 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 36 contains information about the calculation of fair value. Non-realised gains or losses are reported in income from financial investments.
  Interest and negative interest is recognised on an accrual basis and reported in interest income. The nominal value of the debt instrument forms the basis for the calculation.
  Dividend earnings are recognised in the income statement under 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. The only exception is derivative financial instruments, 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	Liabilities
Amortised cost	Due to banks Due to customers Commitments for leases “Medium-term notes and shares in bank bonds issued” Bonds issued
Fair Value through Profit and Loss, FVTPL	Derivate financial instruments

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

Only derivative financial instruments are measured at fair value through profit and loss within the LLB Group. Note 36 contains information about the calculation of fair value.

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 Group Credit Risk Committee is responsible for the regular review, stipulation and approval of input factors, assumptions and estimation procedures, which must be carried out 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 Moodys, 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 amostised 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 Group Credit Committee, 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 significant 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 LLB AG and the Risk Management Department of the LLB Group, whereby the macro-factors are also regularly submitted to the Group Credit Risk Committee for its approval.

Definition of default, determination of creditworthiness and write-off policy

Under IFRS 9, the LLB Group bases its definition of default 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 debtor is unlikely to pay its credit obligations can also lead to a loan being classified as in default.

The LLB Group regards 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 cautious write-off policy is pursued with impaired assets because if a debt is waived it can no longer be recovered. A debt is written off only when there is no reasonable expectation of recovery in the future, 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, and where agreement has been reached with the debtor that LLB or a subsidiary within the LLB Group irrevocably waives a part of the debt.

Reporting of impairments

The LLB Group reports all impairments in the position "Expected credit losses". This is part of operating income.

2.6.2 Balance sheet positions outside IFRS 9

2.6.2.1 Non-current assets and liabilities held for sale

Within the scope of recovery measures, LLB classifies the auctioned properties of its debtors as held for sale as soon as the corresponding criteria are fulfilled.

Properties or companies owned by a Group company are classified as held for sale if these are to be disposed of in line with the location or business strategy.

2.6.2.2 Property, investment property and other equipment

Property is reported in the balance sheet at acquisition cost less any depreciation necessary for operational reasons. Bank buildings are buildings held by the LLB Group for use in the delivery of services or for administrative purposes.

At the LLB Group, investment property is held for the purpose of capital appreciation. 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. The value of investment property is periodically assessed by external experts. Changes in the fair value, based on the report made by the experts, are recognised in the income statement as an allowance on property in the current period. Details are provided in footnotes if the change in fair value is substantial and therefore could have a significant effect on income. The LLB Group possesses only a few properties, which it does not use itself entirely. 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.

Other equipment encompasses fixtures, furnishings, machinery and IT equipment. These items are recognised in the accounts and depreciated over their estimated useful life.

Depreciation is carried out on a straight-line basis over the estimated useful life:

Property	33 years
Building supplementary costs	10 years
Fixtures, furnishings, machinery	5 years
IT equipment	3 – 6 years
Investment property	No depreciation
Undeveloped land	No depreciation

Small value purchases are charged directly to general and administrative expense. In general, maintenance and renovation expenditures are booked to general and administrative expense. If the related cost is substantial and results in a significant increase in value, such expenditures are capitalised and depreciated over their useful life. Profits from the sale of fixed assets are reported as other income. Losses are recognised in depreciation and amortisation.

Property and equipment is regularly reviewed for impairment, but always when, on account of occurrences or changed circumstances, an overvaluation of the carrying value appears to be possible. If, as a result of the review, a reduction in value or modified useful life is determined, the residual carrying value is depreciated over the adjusted useful life, or an unplanned write-down is made.

2.6.2.3 Leasing

2.6.2.3.1 Group companies as lessees

In accordance with IAS 17, up to 31 December 2018, all leasing contracts of LLB and its subsidiaries were recognised in the income statement on a straight line basis over the term of the lease as general and administrative expenses.

The regulations of IFRS 16 now apply since 1 January 2019. 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 financial assets are subject to the provisions described in point 2.6.2.2

2.6.2.4 Goodwill and other intangible assets

Goodwill and other intangible assets are recognised in the balance sheet at acquisition cost on the date of acquisition and reviewed for impairment on an annual basis in the third quarter, or if indications of an impairment exist.

Intangible assets comprise client relationships and brand values, software and other intangible assets. 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. See note 19.

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 and deferred tax liabilities 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

Regulations exist governing the payment of variable salary components. The valuation procedure with the variable salary component is based on the degree of individual target achievement. Executives receive a portion of their profit-related bonus in the form of entitlements to LLB shares. After the blocking period, the shares are automatically transferred to them.

The LLB Group enters a provision as a liability in those cases where a contractual obligation exists or a de facto obligation arises as a result of past business practice. The expense is recognised under personnel expenses. Obligations to be paid in cash are entered under other liabilities. The portion to be compensated with LLB shares is entered in equity. The number of shares for the share-based compensation corresponds to the average share price of the last quarter of the year under report.

2.6.2.7 Provisions and contingent liabilities

Within the scope of ordinary banking business, the LLB Group is involved in various legal, regulatory and administrative proceedings. The current business environment involves legal and regulatory risks, whose influence on the financial strength and profitability of the Group – depending on the stage of the proceedings – is difficult to assess.

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

The LLB Group earns revenues from the provision of various services. These 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 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 credit 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) .

Costs incurred in providing a service are generally recognised at the time the service is provided.

2.7.1.3 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. The recognition period basically amounts to a maximum of one year and the revenues are only to be recognised on the effective date.

Clients have the possibility of paying an all-in fee for a range of different services. This all-in fee is disclosed 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, on account of its business model, the all-in fee is assigned to the line item asset management and investment business. This additional table provides greater transparency on how these revenues are broken down in their entirety. These revenues are recognised in the period concerned and are paid by the client at the end of a quarter.

If discounts have been granted within the scope of combinations of several products, these can be assigned to the individual service obligations.

3 Events after the balance sheet date

At its meeting on 9 March 2020 the Foundation Board of LLB Pension Foundation decided to continuously lower the conversion rate over the next few years. Accordingly, LLB expects this to have a positive effect on the income statement in 2020 of around CHF 5 million.

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 & 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 2018

in CHF thousands	Retail & Corporate Banking	Private Banking	Institutional Clients	Corporate Center	Total Group
Net interest income	90'317	36'317	19'817	11'543	157'993
Expected credit losses	6'931	0	0	175	7'106
Net interest income after expected credit losses	97'248	36'317	19'817	11'718	165'098
Net fee and commission income	29'729	73'640	80'952	−9'040	175'280
Net trading income	11'383	8'639	11'007	42'767	73'796
Net income from financial investments	0	0	0	−19'396	−19'396
Share of net income of joint venture	0	0	0	−3	−3
Other income	1'783	3	2	3'100	4'888
Total operating income *	**140'143**	**118'597**	**111'778**	**29'146**	**399'664**
Personnel expenses	−30'458	−38'195	−26'220	−87'554	−182'427
General and administrative expenses	−1'607	−3'431	−4'647	−81'097	−90'783
Depreciation and amortisation	0	−5	−116	−32'575	−32'697
Services (from) / to segments	−50'127	−31'368	−20'550	102'045	0
Total operating expenses	**−82'192**	**−73'000**	**−51'534**	**−99'181**	**−305'906**
Operating profit before tax	**57'951**	**45'597**	**60'244**	**−70'035**	**93'758**
Tax expenses					−8'631
Net profit					**85'127**

* There were no substantial earnings generated between the segments so that income between the segments is not material.

Financial year 2019

in CHF thousands	Retail & Corporate Banking	Private Banking	Institutional Clients	Corporate Center	Total Group
Net interest income	93'151	40'299	21'310	−3'496	151'264
Expected credit losses	731	486	−215	0	1'002
Net interest income after expected credit losses	93'882	40'785	21'095	−3'496	152'266
Net fee and commission income	31'806	82'973	105'195	−10'818	209'156
Net trading income	10'921	8'460	10'149	49'376	78'906
Net income from financial investments	0	0	0	4'049	4'049
Share of net income of associates and joint venture	0	0	0	−3	−3
Other income	2'208	2	−3	6'167	8'374
Total operating income *	**138'817**	**132'220**	**136'436**	**45'275**	**452'748**
Personnel expenses	−28'698	−37'238	−32'650	−94'274	−192'860
General and administrative expenses	−1'924	1'837	−1'127	−75'332	−76'547
Depreciation and amortisation	0	−134	−377	−41'413	−41'925
Services (from) / to segments	−52'575	−37'072	−29'979	119'626	0
Total operating expenses	**−83'197**	**−72'608**	**−64'133**	**−91'394**	**−311'332**
Operating profit before tax	**55'620**	**59'612**	**72'303**	**−46'119**	**141'416**
Tax expenses					−18'038
Net profit					**123'378**

* 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 2018

	Liechtenstein		Switzerland		Austria		Total Group	
		in %		in %		in %		in %
Operating income (in CHF thousands)	245'585	61.4	116'435	29.1	37'643	9.4	399'664	100.0
Total assets (in CHF millions)	13'140	57.4	7'444	32.5	2'308	10.1	22'892	100.0

Financial year 2019

	Liechtenstein		Switzerland		Austria		Total Group	
		in %		in %		in %		in %
Operating income (in CHF thousands)	260'042	57.4	118'647	26.2	74'059	16.4	452'748	100.0
Total assets (in CHF millions)	12'539	55.3	7'974	35.2	2'149	9.5	22'662	100.0

Notes to the consolidated income statement

1 Net interest income

in CHF thousands	2019	2018	+ / − %
Interest income from financial instruments measured at amortised cost			
Interest income from banks	18'811	23'013	−18.3
Interest income from loans	168'404	169'948	−0.9
Loan commissions with the character of interest	4'439	3'462	28.2
Interest income from financial liabilities	17'287	11'055	56.4
Total interest income from financial instruments measured at amortised cost	**208'941**	**207'478**	**0.7**
Interest income from financial instruments, recognised at fair value through other comprehensive income			
Interest income from debt instruments	12'957	3'415	279.4
Total interest income from financial instruments, recognised at fair value through other comprehensive income	**12'957**	**3'415**	**279.4**
Interest income from financial instruments at fair value through profit and loss			
Interest income from debt instruments	8'680	13'746	−36.9
Interest rate derivatives	3'762	2'789	34.9
Total interest income from financial instruments at fair value through profit and loss	**12'442**	**16'534**	**−24.8**
Total interest income	**234'340**	**227'427**	**3.0**
Interest expenses from financial instruments measured at amortised cost			
Interest expenses on amounts due to banks	−696	−2'667	−73.9
Interest expenses on amounts due to customers	−31'900	−20'611	54.8
Interest income from financial assets	−20'214	−14'703	37.5
Interest expenses on lease liabilities	−348	0	
Interest expenses on debt issued	−9'247	−11'377	−18.7
Interest expenses on bonds issued	−60	0	
Total interest expenses from financial instruments measured at amortised cost	**−62'465**	**−49'357**	**26.6**
Interest expenses from financial instruments measured at fair value			
Interest rate derivatives	−20'611	−20'078	2.7
Total interest expenses from financial instruments measured at fair value	**−20'611**	**−20'078**	**2.7**
Total interest expenses	**−83'076**	**−69'435**	**19.6**
Total net interest income	**151'264**	**157'993**	**−4.3**

2 Net fee and commission income

in CHF thousands	2019	2018	+/−%
Brokerage fees	47'032	46'496	1.2
Custody fees	45'577	37'429	21.8
Advisory and management fees	59'694	49'805	19.9
Investment fund fees	152'366	95'940	58.8
Credit-related fees and commissions	589	714	−17.5
Commission income from other services	34'414	30'882	11.4
Total fee and commission income	**339'672**	**261'267**	**30.0**
Brokerage fees paid	−12'202	−11'348	7.5
Other fee and commission expenses	−118'314	−74'639	58.5
Total fee and commission expenses	**−130'516**	**−85'987**	**51.8**
Total net fee and commission income	**209'156**	**175'280**	**19.3**

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	2019	2018	+/−%
Total all-in fees	**32'964**	**28'498**	**15.7**
of which brokerage	10'702	10'537	1.6
of which securities administration	5'189	4'898	6.0
of which asset management	17'073	13'063	30.7

3 Net trading income

in CHF thousands	2019	2018	+/−%
Foreign exchange trading	67'061	64'527	3.9
Foreign note trading	−482	−550	−12.5
Precious metals trading	1'258	407	208.9
Interest rate instruments *	11'069	9'412	17.6
Total net trading income	**78'906**	**73'796**	**6.9**

* 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	2019	2018	+/–%
Financial investments at fair value through profit and loss			
Dividend income	290	406	–28.4
Price gains *	1'257	–19'914	
Total net income from financial investments at fair value through profit and loss	**1'547**	**–19'508**	
Financial investments, recognised at fair value through other comprehensive income			
Dividend income	1'214	470	158.3
of which from financial investments held on the balance sheet date	1'214	470	158.3
Realised gain	1'343	–337	
Expected credit loss on financial investments	–55	–21	163.5
Total financial investments, recognised at fair value through other comprehensive income	**2'502**	**112**	
Total net income from financial investments at fair value	**4'049**	**–19'396**	

* The realised price gains for 2019 amounted to CHF thousands minus 3'943 (previous year: CHF thousands minus 9'998).

5 Other income

in CHF thousands	2019	2018	+/–%
Net income from properties	1'649	1'397	18.1
Adjustments on purchase price obligations from acquisitions *	3'296	0	
Realised profits from sales of tangible assets **	1'487	903	64.8
Income from various services	1'480	1'803	–17.9
Additional other income	461	785	–41.3
Total other income	**8'374**	**4'888**	**71.3**

* The final payment for the acquisition of LB(Swiss)Investment AG meant that the purchase price liability could be fully released in 2019. This resulted in income of CHF +3.3 million.
** Contains income from sales of properties held for sale.

6 Personnel expenses

in CHF thousands	2019	2018	+/–%
Salaries *	–148'969	–142'072	4.9
Pension and other post-employment benefit plans **	–18'917	–19'271	–1.8
Other social contributions	–17'831	–14'775	20.7
Training costs	–1'655	–1'802	–8.2
Other personnel expenses	–5'487	–4'506	21.8
Total personnel expenses	**–192'860**	**–182'427**	**5.7**

* Contains the variable compensation of the management, which is disclosed in detail in the compensation report as well as aggregated in note "Related party transactions".
** See note "Pension plans and other long-term benefits" for details.

The average headcount of the LLB Group amounted to 1'086 full-time equivalent positions in the 2019 business year (previous year: 980 full-time equivalent positions).

7 General and administrative expenses

in CHF thousands	2019	2018	+ / – %
Occupancy *	– 7'449	– 10'252	– 27.3
Expenses for IT, machinery and other equipment *	– 27'052	– 31'875	– 15.1
Information and communication expenses	– 19'355	– 16'636	16.3
Marketing and public relations	– 9'320	– 10'871	– 14.3
Consulting and audit fees	– 5'725	– 8'260	– 30.7
Capital tax and other tax	– 364	– 455	– 20.0
Provisions for legal and litigation risks **	4'724	– 973	
Material costs	– 1'201	– 1'409	– 14.8
Legal and representation costs	– 1'681	– 2'362	– 28.8
Litigation costs	– 474	– 220	115.0
Supervision fees	– 1'258	– 1'227	2.5
Contributions to Deposit Protection Fund	– 1'908	– 1'024	86.3
Other general and administrative expenses	– 5'484	– 5'218	5.1
Total general and administrative expenses	**– 76'547**	**– 90'783**	**– 15.7**

* As a result of the introduction of IFRS 16 "Leasing" from 1 January 2019, only the expenses from short-term or low value leases are recognised as general and administrative expenses. The provisions according to IAS 17 "Leasing" apply for 2018. On account of the decision to adopt the modified retrospective approach, the comparison year was not restated. Consequently, general and administrative expenses in the previous year contain all expenses classified as expenses from operating leases.

** See note 28 for details.

8 Depreciation and amortisation

in CHF thousands	2019	2018	+ / – %
Depreciation of property	– 4'919	– 6'251	– 21.3
Depreciation of equipment	– 8'934	– 6'960	28.4
Amortisation of intangible assets	– 23'334	– 19'485	19.8
Depreciation of right of use assets	– 4'737		
Total depreciation and amortisation	**– 41'925**	**– 32'697**	**28.2**

9 Tax expenses

in CHF thousands	2019	2018	+ / – %
Current taxes	– 17'425	– 11'805	47.6
Deferred taxes *	– 613	3'174	
Total tax expenses	**– 18'038**	**– 8'631**	**109.0**

* For further details, see note 27.

The actual net payments made by the LLB Group for domestic and foreign corporate profit taxes amounted to CHF 18.1 million for the 2019 financial year (previous year: CHF 16.3 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	2019	2018	+ / – %
Operating profit before tax	141'416	93'758	50.8
Assumed average income tax rate of 13.1 % (previous year: 12.5 %)	**– 18'526**	**– 11'720**	**58.1**
Increase / (Decrease) resulting from			
Use of losses carried forward	570	1'676	– 66.0
Tax savings / (charges) from previous years *	– 754	451	
Non-tax deductible (expenses) / tax-exempt income **	672	962	– 30.2
Total tax expenses	**– 18'038**	**– 8'631**	**109.0**

* On account of the Swiss Federal Law on Tax Reform and AHV Financing (TRAF), deferred tax rates were reduced. In 2019 this resulted in a recognised tax income of CHF 1.6 million

** These resulted from, inter alia, the notional interest deduction, the valuation of the LLB shares and from investment fund business.

The assumed average tax burden is based on the weighted average tax rates of the individual companies.

10 Earnings per share

	2019	2018	+ / – %
Net profit attributable to the shareholders of LLB (in CHF thousands)	115'274	77'991	47.8
Weighted average shares outstanding	30'560'789	29'752'960	2.7
Basic earnings per share (in CHF)	**3.77**	**2.62**	**43.9**
Net profit for diluted earnings per share attributable to the shareholders of LLB (in CHF thousands)	115'274	77'991	47.8
Weighted average shares outstanding for diluted earnings per share	30'560'789	29'752'960	2.7
Diluted earnings per share (in CHF)	**3.77**	**2.62**	**43.9**
Dividend (in CHF)	* 2.20	2.10	

* Proposal of the Board of Directors to the General Meeting of Shareholders on 8 May 2020.

Notes to the consolidated balance sheet

11 Cash and balances with central banks

in CHF thousands	31.12.2019	31.12.2018	+/−%
Cash	66'804	60'191	11.0
Demand deposits with central banks	5'380'837	5'648'133	−4.7
Total cash and balances with central banks	**5'447'642**	**5'708'324**	**−4.6**

12 Due from banks

in CHF thousands	31.12.2019	31.12.2018	+/−%
On demand	605'448	758'731	−20.2
At maturity or callable	746'891	852'723	−12.4
Total due from banks	**1'352'338**	**1'611'454**	**−16.1**

13 Loans

in CHF thousands	31.12.2019	31.12.2018	+/−%
Mortgage loans	11'325'159	11'119'861	1.8
Public institutions	76'406	73'552	3.9
Fixed advances and loans	1'135'209	1'220'508	−7.0
Other loans and advances	502'661	520'411	−3.4
Expected credit losses	−78'911	−81'791	−3.5
Total loans	**12'960'524**	**12'852'541**	**0.8**

Further information, especially regarding the expected credit loss, is provided in chapter 3 "Credit risk" in Risk management.

14 Derivative financial instruments

Within the scope of balance sheet management, interest rate swaps are concluded to hedge interest rate fluctuation risks. Financial instruments are employed primarily within the scope of client business. Here both standardised and OTC derivatives are traded. International banks having a high creditworthiness act as counterparties. LLB does not assume a market-maker function on the interbank market.

	Total		
in CHF thousands	Positive Replacement Values	Negative Replacement Values	Total contract volume
31.12.2018			
Derivative financial instruments in the trading portfolio			
Interest rate contracts			
Interest rate swaps	34	44'914	910'000
Forward contracts	580	55	77'360
Foreign exchange contracts			
Forward contracts	189'883	197'590	15'825'229
Options (OTC)	4'898	4'898	198'720
Precious metals contracts			
Options (OTC)	70	70	82'426
Equity / index contracts			
Options (OTC)	350	350	81'926
Total derivative financial instruments in the trading portfolio	**195'815**	**247'877**	**17'175'661**
Derivative financial instruments for hedging purposes			
Interest rate contracts			
Interest rate swaps (fair value hedge)	2'071	7'687	747'565
Total derivative financial instruments for hedging purposes	**2'071**	**7'687**	**747'565**
Total derivative financial instruments	**197'886**	**255'564**	**17'923'225**

in CHF thousands	Total Positive Replacement Values	Total Negative Replacement Values	Total contract volume
31.12.2019			
Derivative financial instruments in the trading portfolio			
Interest rate contracts			
Interest rate swaps	33	33'120	870'000
Forward contracts	140	947	78'345
Foreign exchange contracts			
Forward contracts	103'250	122'303	14'910'353
Options (OTC)	4'978	4'983	228'581
Precious metals contracts			
Options (OTC)	17	17	1'898
Equity / index contracts			
Options (OTC)	345	345	15'385
Total derivative financial instruments in the trading portfolio	**108'764**	**161'714**	**16'104'562**
Derivative financial instruments for hedging purposes			
Interest rate contracts			
Interest rate swaps (fair value hedge)	4'034	18'350	1'011'708
Total derivative financial instruments for hedging purposes	**4'034**	**18'350**	**1'011'708**
Total derivative financial instruments	**112'798**	**180'065**	**17'116'270**

The LLB Group employs fair value hedge accounting for interest rate risks on fixed-rate instruments. For this purpose, it uses interest rate swaps. The following tables show information on the nominal value (contract volumes), the replacement values and the ineffectiveness of the positions in hedge accounting.

		Carrying value of hedging instrument			
in CHF thousands	**Nominal value of hedging instrument**	**Assets**	**Liabilities**	**Balance sheet position of hedging instrument**	**Fair value change to measurement of ineffective hedge**
31.12.2018					
Fair value hedge					
Interest rate swaps	286'282	2'071		197'886	633
Interest rate swaps	461'282		7'687	255'564	5'892

		Carrying value of hedging instrument			
in CHF thousands	**Nominal value of hedging instrument**	**Assets**	**Liabilities**	**Balance sheet position of hedging instrument**	**Fair value change to measurement of ineffective hedge**
31.12.2019					
Fair value hedge					
Interest rate swaps	495'854	4'034		112'798	1'963
Interest rate swaps	515'854		18'350	180'065	10'663

	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**		
31.12.2018						
Fair value hedge						
Mortgage loans	11'119'861		565		12'852'541	5'452
Medium-term notes		1'236'362		67	1'236'362	347

	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**		
31.12.2019						
Fair value hedge						
Mortgage loans	11'325'159		205		12'960'524	6'825
Medium-term notes		1'331'391		95	1'331'391	50

in CHF thousands	**Ineffectiveness recognised in the income statement**	**Income statement position**
31.12.2018		
Fair value hedge		
Interest rate risk	−347	−49'357
31.12.2019		
Fair value hedge		
Interest rate risk	2'310	−62'465

15 Financial investments

in CHF thousands	31.12.2019	31.12.2018	+ / – %
Financial investments at fair value through profit and loss			
Debt instruments			
listed	455'063	635'336	– 28.4
unlisted	40'833	63'328	– 35.5
Total debt instruments	**495'896**	**698'664**	**– 29.0**
Equity instruments			
listed	80	340	– 76.5
unlisted	2'443	6'217	– 60.7
Total equity instruments	**2'523**	**6'558**	**– 61.5**
Total financial investments at fair value through profit and loss	**498'419**	**705'222**	**– 29.3**
Financial investments, recognised at fair value through other comprehensive income			
Debt instruments			
listed	1'595'413	1'207'796	32.1
Total debt instruments	**1'595'413**	**1'207'796**	**32.1**
Equity instruments			
listed	46'366	0	
unlisted	28'177	24'039	17.2
Total equity instruments	**74'543**	**24'039**	**210.1**
Total financial investments, recognised at fair value through other comprehensive income	**1'669'956**	**1'231'834**	**35.6**
Total financial investments at fair value	**2'168'375**	**1'937'057**	**11.9**

The equity instruments measured at fair value in other comprehensive income are strategic investments having an infrastructure character, which are not exchange listed, as well as various securities of the Swiss Market Index (SMI). Short-term realised gains are not the priority with these instruments, rather they represent a long-term commitment whose aim is the collection of dividends and long-term capital appreciation.

16 Investments in associated companies and joint ventures

in CHF thousands	2019	2018	+ / − %
As at 1 January	30	33	−7.8
Additions / (Disposals)	4	0	
Share in profit / (loss)	−3	−3	−1.0
As at 31 December	**31**	**30**	**4.7**

Details of investments in associated companies

			Ownership interest in %	
Name	**Registered office**	**Business activity**	**2019**	**2018**
Gain Capital Management S.A.R.L.	Luxembourg	Fund management company	30.0	

in CHF thousands	2019	2018
Assets	41	
Liabilities	30	
Operating profit	0	
Net profit	−2	

Details of investment in joint venture

			Ownership interest in %	
Name	**Registered office**	**Business activity**	**2019**	**2018**
Data Info Services AG	Vaduz	Service company	50.0	50.0

in CHF thousands	2019	2018
Assets	63	69
Liabilities	3	4
Operating profit	0	0
Net profit	−4	−5

The investments in associated companies and joint ventures are recognised in the balance sheet according to the equity method. Losses are fully recognised in the balance sheet.

17 Property and other equipment as well as investment property

in CHF thousands	Property	Other equipment	Total property and other equipment	Investment property
As at 1 January 2018				
Cost	223'918	80'210	304'128	17'350
Accumulated depreciation / revaluation	−125'651	−53'401	−179'052	−2'350
Net book amount	**98'267**	**26'809**	**125'076**	**15'000**
Year ended December 2018				
Opening net book amount	98'267	26'809	125'077	15'000
Additions	7'483	11'374	18'857	0
Additions from changes to scope of consolidation	411	930	1'341	0
Disposals	−32'563	−2'506	−35'069	0
Depreciation / Revaluation	−6'251	−6'960	−13'211	0
Disposals / (Additions) from accumulated depreciation / revaluation	20'198	2'776	22'974	0
Disposals / (Additions) from accumulated depreciation / revaluation from changes to scope of consolidation	0	−2	−2	0
Currency effects	0	−24	−24	0
Closing net book amount	**87'546**	**32'397**	**119'943**	**15'000**
As at 31 December 2018				
Cost	199'250	89'940	289'189	17'350
Accumulated depreciation / revaluation	−111'704	−57'543	−169'246	−2'350
Net book amount	**87'546**	**32'397**	**119'943**	**15'000**
Year ended December 2019				
Opening net book amount	87'546	32'397	119'943	15'000
Additions	4'455	12'283	16'738	0
Disposals	−546	−3'614	−4'159	0
Depreciation / Revaluation	−4'919	−8'934	−13'853	0
Disposals / (Additions) from accumulated depreciation / revaluation	−801	1'575	773	0
Currency effects	−22	11	−10	0
Closing net book amount	**85'714**	**33'718**	**119'432**	**15'000**
As at 31 December 2019				
Cost	203'138	98'475	301'613	17'350
Accumulated depreciation / revaluation	−117'424	−64'757	−182'181	−2'350
Net book amount	**85'714**	**33'718**	**119'432**	**15'000**

Additional information

There are no financing leases for property and equipment. Existing leases are reported in note 18.

The investment property is held solely for the purpose of capital appreciation.

18 Leasing

The LLB Group as lessee

The LLB Group applied IFRS 16 for the first time from 1 January 2019. The following table shows the transition of liabilities from leasing contracts in accordance with IAS 17 to IFRS 16 on the basis of certain options on the date of transition, and while applying IFRS 16. The recognised lease liability on 1 January 2019 corresponds to the acquisition cost of the rights of use.

Transition from IAS 17 to IFRS 16

in CHF thousands	2019
Future commitments for operating leases as per 31 December 2018	15'505
Minus short-term leasing liabilities	−291
Minus low-value leasing liabilities	−19
Plus changes due to the revaluation of termination and extension options during the transition period	19'756
Total undiscounted lease payments	**34'950**
Minus discount (discount rates between 0.1 and 1.7 per cent)	−1'942
Recognised leasing liability as per 1 January 2019	**33'008**

Rights of use from leases

in CHF thousands	Property	Motor vehicles	Total property and motor vehicles
As at 1 January 2019			
Cost	32'498	510	33'008
Accumulated depreciation / revaluation			
Net book amount	**32'498**	**510**	**33'008**
Year ended December 2019			
Opening net book amount	32'498	510	33'008
Additions	11'050	160	11'209
Disposals	−56	−3	−59
Depreciation / Revaluation	−4'479	−259	−4'737
Disposals / (Additions) from accumulated depreciation / revaluation	4	3	7
Currency effects	54	8	63
Closing net book amount	**39'072**	**420**	**39'492**
As at 31 December 2019			
Cost	43'492	667	44'159
Accumulated depreciation / revaluation	−4'420	−247	−4'667
Net book amount	**39'072**	**420**	**39'492**

Recognised leases

Details of leases are provided in further sections of this annual report. These relate to the repayment of lease liabilities (see Statement of cash flows and note 26) as well as maturities (see Risk management, chapter 2), interest expenses (see note 1) and depreciation (see note 8).

Leasing relationships not recognised in the balance sheet

in CHF thousands	2019
Short-term lease expenses	518
Low-value lease expenses	3
Total expenses for unrecognised lease obligations	**521**

Expenses from unrecognised leases are included in general and administrative expenses.

Further information

Within the scope of its strategy, the LLB Group evaluates which locations have relevance in its target markets and whether properties should be bought or leased at these locations. If it decides against the purchase of properties, leasing contracts are concluded. These often contain termination and extension options. The assessment of these options is taken into consideration at the time of initial recognition; they are reassessed annually.

The recognised liabilities from leasing contracts and the accompanying rights of use contain extension options. These reflect the current assumptions regarding durations.

The non-recognised leasing contracts largely encompass parking places, which contain reciprocal short-term termination options. These are classified as short-term leases provided substitutability exists for them.

The LLB Group as lessor

Future claims from operating leases

The LLB Group will apply the modified retrospective method from the introduction of IFRS 16. Accordingly, the comparison figures from the previous year have not been restated.

in CHF thousands	31.12.2018
Due within one year	1'594
Due within one to five years	4'705
Due in more than five years	4'557
Total future net receivables from operating leases	**10'856**

in CHF thousands	31.12.2019
Due within one year	1'653
Residual period to maturity between 1 and 2 years	1'579
Residual period to maturity between 2 and 3 years	1'364
Residual period to maturity between 3 and 4 years	1'297
Residual period to maturity between 4 and 5 years	1'204
Due in more than five years	4'715
Total future net receivables from operating leases	**11'812**

For the 2019 business year CHF thousands 1'819 and for the 2018 business year CHF thousands 1'581 from operating leases are reported in other income. Only properties are leased.

19 Goodwill and other intangible assets

in CHF thousands	Goodwill	Client relationships and brand values	Software	Other intangible assets	Total
As at 1 January 2018					
Cost	55'620	55'763	86'801	0	198'184
Accumulated amortisation / impairment	0	−40'278	−45'009	0	−85'287
Net book amount	**55'620**	**15'485**	**41'791**	**0**	**112'896**
Year ended December 2018					
Opening net book amount	55'620	15'485	41'791	0	112'896
Additions	113'720	82'923	12'874	1'115	210'632
Disposals			−115		−115
Additions from changes to scope of consolidation			1'414		1'414
Amortisation / Impairment		−7'060	−12'299	−126	−19'485
Disposals / (Additions) from accumulated amortisation / impairment			−29		−29
Closing net book amount	**169'340**	**91'348**	**43'636**	**989**	**305'314**
As at 31 December 2018					
Cost	169'340	138'686	100'974	1'115	410'115
Accumulated amortisation / impairment	0	−47'338	−57'337	−126	−104'802
Net book amount	**169'340**	**91'348**	**43'636**	**989**	**305'314**
Year ended December 2019					
Opening net book amount *	170'041	91'348	43'636	989	306'014
Currency effects	−6'274	−2'603	272	37	−8'568
Reclassifications		−1'170	1'170		0
Additions			16'083		16'083
Disposals			−351		−351
Amortisation / Impairment		−9'062	−14'054	−218	−23'334
Disposals / (Additions) from accumulated amortisation / impairment			258		258
Closing net book amount	**163'767**	**78'512**	**47'014**	**808**	**290'102**
As at 31 December 2019					
Cost	163'767	136'083	116'977	1'152	417'979
Accumulated amortisation / impairment	0	−57'571	−69'963	−344	−127'878
Net book amount	**163'767**	**78'512**	**47'014**	**808**	**290'102**

* In 2019, the final purchase price allocation of the purchase of Semper Constantia Privatbank AG was completed. This resulted in an increase of goodwill of CHF 0.7 million. On account of the immaterial amount, no retroactive adjustment was made, instead only the initial book value of the goodwill in the statement of fixed assets was adjusted.

Goodwill

The LLB Group carried goodwill for the following cash generating units:

in CHF thousands	31.12.2019	31.12.2018
Bank Linth LLB AG	55'620	55'620
Liechtensteinische Landesbank AG	61'506	64'850
Liechtensteinische Landesbank (Österreich) AG	38'749	40'978
LLB Swiss Investment AG	7'892	7'892

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 2019, the total goodwill of CHF 163.8 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 and are available to the cash generating unit for distribution. This amount 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, 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 is most sensitive to changes in the forecasted earnings, changes to the discount rate and changes in the long-term growth rate. 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 a 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 2019 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.

The discount rate is directly influenced by the movement of interest rates. On account of the unchanged, historically low interest rate levels on the market, the discount rate of the cash generating unit has not changed substantially in comparison with the previous year. In a longer-term comparison, the present interest rate environment is also reflected in substantially lower interest income as well as corresponding lower annual earnings and free cash flows distributable to shareholders. On account of the fact that the discount rate is linked to current interest rate levels, when the latter rise, the discount rate, and interest income, will also rise. The cash generating units are exposed to only a limited level of risk because they operate in a local market, and in retail and private banking as well as in the institutional business with a limited risk profile.

	Growth rate		Discount rate	
in per cent	2019	2018	2019	2018
Bank Linth LLB AG	1.0	1.0	5.8	6.0
Liechtensteinische Landesbank AG	1.0	1.0	6.5	6.5
Liechtensteinische Landesbank (Österreich) AG	1.5	1.5	9.0	7.5
LLB Swiss Investment AG	1.0	1.0	8.5	8.5

Sensitivities

During the periodic preparation and execution of impairment tests, all the parameters and assumptions, on which the testing of the individual cash generating units is based, are reviewed and – if necessary – adjusted. A change in the risk-free interest rate has an influence on the discount rate, whereby a change in the economic situation, especially in the financial services industry, also has an impact on the expected or estimated results. In order to check these effects on the value in use of the individual cash generating units, the parameters and assumptions employed with the valuation model are subjected to a 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 by 10 per cent. The parameters have remained very constant over the last 5 years. Only the discount rate of Liechtensteinische Landesbank (Österreich) AG has risen from 7.5 per cent in 2018 to 9.0 per cent in 2019. This was a one-off effect due to the acquisition of Semper Constantia Privatbank AG, whose purchase price allocation was finally completed in 2019. Since the parameters are expected to remain constant in the future, the sensitivities of 10 % for each of the three parameters are appropriate.

According to the results of the impairment tests carried out, and based on the described assumptions, an amount between CHF 34 million and CHF 310 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 interest rate of 10 per cent, or a reduction in the long-term growth rate of 10 per cent would not result in an impairment of the goodwill.

In view of the challenging situation in the financial services industry, which is expected to persist in the future, the management estimates that an impairment of the goodwill in the coming financial years is not improbable. However, thanks to the relative strength in comparison with competitors as well as the measures to increase earnings, improve efficiency and cut costs, 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 – such as 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 and brand values

Client relationships and brand values 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	
2020	9'117
2021	9'117
2022	6'012
2023	5'399
2024	5'399
2025 and thereafter	43'466
Total	**78'512**

20 Other assets

in CHF thousands	31.12.2019	31.12.2018	+/–%
Settlement accounts	3'080	5'528	–44.3
VAT and other tax receivables	10'055	1'354	642.4
Precious metals holdings	45'864	37'121	23.6
Total other assets	**58'999**	**44'003**	**34.1**

21 Assets pledged

	31.12.2019		31.12.2018	
in CHF thousands	Carrying value	Actual liability	Carrying value	Actual liability
Financial investments	350'794	280'511	337'650	262'109
Mortgage loans	1'401'918	1'109'700	1'242'735	991'700
Total assets pledged	**1'752'712**	**1'390'211**	**1'580'385**	**1'253'809**

The financial investments are pledged with national and central banks for Lombard limits, for stock exchange guarantees and to safeguard the business activity of foreign organisations pursuant to local legal provisions. Mortgage loans are pledged as collateral for shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions.

22 Due to banks

in CHF thousands	31.12.2019	31.12.2018	+/–%
On demand	298'628	222'530	34.2
At maturity or callable	1'227'679	1'286'882	–4.6
Total due to banks	**1'526'308**	**1'509'412**	**1.1**

23 Due to customers

in CHF thousands	31.12.2019	31.12.2018	+/–%
On demand	12'168'013	12'356'765	–1.5
At maturity or callable	1'419'153	1'575'014	–9.9
Savings accounts	3'376'952	3'543'927	–4.7
Total due to customers	**16'964'118**	**17'475'706**	**–2.9**

24 Debt issued

in CHF thousands	31.12.2019	31.12.2018	+/–%
Medium-term notes [*]	219'473	242'147	–9.4
Shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions [**]	1'111'918	994'215	11.8
Total debt issued	**1'331'391**	**1'236'362**	**7.7**

[*] The average interest rate was 0.5 per cent as at 31 December 2019 and 0.6 per cent as at 31 December 2018.

[**] The average interest rate was 0.7 per cent as at 31 December 2019 and 1.0 per cent as at 31 December 2018.

25 Bond issues

							in CHF thousands		
Year issued	Name	ISIN	Currency	Maturity	Effective annual interest rate in %	Nominal interest rate in %	Nominal value	31.12.2019	31.12.2018
2019	Liechtensteinische Landesbank AG 0.125 % Senior Preferred Anleihe 2019 – 2026	CH0419041204	CHF	28.05.2026	0.106 %	0.125 %	150'000	150'291	0
2019	Liechtensteinische Landesbank AG 0.000 % Senior Preferred Anleihe 2019 – 2029	CH0419041527	CHF	27.09.2029	–0.133 %	0.000 %	100'000	101'309	0

26 Changes to financial liabilities from financing activities

			Non-cash changes				
in CHF thousands	**01.01.2018**	**Cash changes**	**Changes in scope of consolidation**	**Changes in exchange rates**	**Changes in fair value**	**Other changes**	**31.12.2018**
Issuance / (Repayment) of medium-term notes	286'014	−43'870	0	−16	0	19	242'147
Issuance / (Repayment) of shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	883'014	111'300	0	0	0	−99	994'215
Total liabilities from financing activities	**1'169'027**	**67'430**	**0**	**−16**	**0**	**−79**	**1'236'362**

			Non-cash changes				
in CHF thousands	**01.01.2019**	**Cash changes**	**Changes in scope of consolidation**	**Changes in exchange rates**	**Changes in fair value**	**Other changes**	**31.12.2019**
Issuance / (Repayment) of medium-term notes	242'147	−22'549		16		−141	219'473
Issuance / (Repayment) of shares in bond issues of the Swiss Regional or Cantonal Banks' Central Bond Institutions	994'215	118'000				−297	1'111'918
Lease liabilities	33'008	−5'118		281		11'506	39'677
Issuance / (Repayment) of bonds issued	0	251'489				111	251'600
Total liabilities from financing activities	**1'269'371**	**341'822**	**0**	**297**	**0**	**11'179**	**1'622'669**

27 Deferred taxes

in CHF thousands	As at 1 January	Amount recognised in the income statement	Amount recognised in other comprehensive income *	Change from additions and disposals to the scope of consolidation	As at 31 December
Deferred tax assets					
2018					
Tax losses carried forward	1'359	1'601	−50	0	2'909
Property and equipment	3'625	183	0	370	4'178
Liability for pension plans	13'724	960	−689	337	14'332
Intangible assets	0	−5	0	128	123
Derivative financial instruments	4'891	−1'030	0	−252	3'609
Expected credit losses	2'202	456	−307	0	2'351
Total	**25'801**	**2'165**	**−1'046**	**582**	**27'502**
Offsetting					−6'732
Total after offsetting					**20'770**
2019					
Tax losses carried forward	2'909	−2'909	0		0
Recognised rights of use from leases	0	36	−1		36
Property and equipment	4'178	198	−42		4'334
Liability for pension plans	14'332	−937	279		13'675
Intangible assets	123	−107	−4		13
Derivative financial instruments	3'609	−941	17		2'685
Expected credit losses	2'351	−1'008	−85		1'258
Total deferred tax assets	**27'502**	**−5'666**	**164**		**21'999**
Offsetting					−6'461
Total after offsetting					**15'538**
Deferred tax liabilities					
2018					
Intangible assets	3'097	−1'532	0	20'457	22'021
Financial investments	10'091	−466	−3'382	−418	5'824
Provisions	12'240	987	0	−85	13'143
Total deferred tax liabilities	**25'428**	**−1'010**	**−3'382**	**19'953**	**40'988**
Offsetting					−6'732
Total after offsetting					**34'257**
2019					
Intangible assets	22'021	−2'481	−964		18'576
Financial investments	5'824	−761	2'562		7'626
Property and equipment	0	229	0		229
Provisions	13'143	−2'040	−125		10'977
Total deferred tax liabilities	**40'988**	**−5'054**	**1'473**		**37'407**
Offsetting					−6'461
Total after offsetting					**30'946**

* Including insignificant currency effects

As per 31 December 2019, 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). As per 31 December 2019, there were tax losses carried forward of around CHF 125 million, which were not recognised as deferred tax assets. They expire within the next six years. In general, tax losses in Switzerland can be carried forward for seven years; in the Principality of Liechtenstein and Austria they can be carried forward for an unlimited period.

28 Provisions

in CHF thousands	Provisions for legal and litigation risks	Provisions for other business risks and restructuring	Total 2019	Total 2018
As at 1 January	21'917	8'534	30'451	30'903
Additions from changes to scope of consolidation				154
Provisions applied	−11'937	−577	−12'514	−2'703
Increase in provisions recognised in the income statement	4'640	2'467	7'108	5'244
Decrease in provisions recognised in the income statement	−9'365	−886	−10'251	−3'146
Changes due to foreign exchange differences		−97	−97	0
As at 31 December	**5'255**	**9'441**	**14'697**	**30'451**

in CHF thousands	31.12.2019	31.12.2018	+ / − %
Short-term provisions	14'697	30'451	−51.7
Long-term provisions	0	0	
Total	**14'697**	**30'451**	**−51.7**

Provisions for legal and litigation risks

As at 31 December 2019, the LLB Group was involved in various litigation and proceedings, which could have an impact on its financial reporting. The LLB Group endeavours to disclose the claims for damages, the scope of legal proceedings and other relevant information in order for the reader to be able to estimate the possible risk for the LLB Group.

During the second half of 2019, LLB Verwaltung (Switzerland) AG reached a settlement with the US authorities concerning the US business of the former Liechtensteinische Landesbank (Switzerland) AG. It undertook to make a payment of USD 10.7 million. The payment was made in 2019 and was covered by provisions. As a result of the conclusion of the proceedings, the LLB Group was able to write back the remaining provisions amounting to CHF 9.4 million to the income statement.

Legal action was taken against LLB Verwaltung (Switzerland) AG, formerly Liechtensteinische Landesbank (Switzerland) AG, with respect to an issue that occurred in 2011. The High Court of Justice in London ruled at first instance that there had been misconduct on the part of a former employee and the former bank was jointly liable for his misconduct and the damage caused by him. The former bank was not liable for misconduct itself. The payments already made in connection with this case were recognised in general and administrative expenses in 2017. LLB Verwaltung (Switzerland) AG appealed against the first instance ruling. The Court of Appeal confirmed the main points of the ruling reached by the High Court of Justice. A provision totalling CHF 4.3 million was allocated as per 31 December 2019 for the additional costs incurred with the legal proceedings. LLB Verwaltung (Switzerland) AG has decided not to take any further legal steps. It will assert its claims against the insurance company.

Provisions for other business risks and restructuring measures

LLB (Österreich) AG will introduce the Avaloq banking software package from 1 January 2020. The service agreement for the use of the existing Tambas banking software with CPB Software (Austria) GmbH, Vienna, can only be terminated by either party from the end of 2021 at the earliest. A provision amounting to CHF 3.8 million exists for the potentially payable but not-to-be-used service fees for the years 2020 and 2021. Management continues to regard this provision as being sufficient.

The provisions for restructuring measures relate to the StepUp2020 strategy of the LLB Group announced in October 2015. For the costs of social plans for employees, provisions for restructuring measures amounting to CHF 2.1 million were allocated as per 31 December 2019.

29 Other liabilities

in CHF thousands	31.12.2019	31.12.2018	+ / − %
Outstanding medium-term notes	0	28	− 100.0
Charge accounts	5'821	4'543	28.1
Accounts payable	31'617	36'497	− 13.4
Settlement accounts *	23'492	108'763	− 78.4
Pension plans	114'881	112'430	2.2
Outstanding holidays / flexi-time	5'089	5'770	− 11.8
Other long-term benefits	4'324	4'201	2.9
Total other liabilities	**185'225**	**272'232**	**− 32.0**

* In the previous year the settlement accounts included the purchase price liabilities of the two acquisitions LB(Swiss)Investment AG and Semper Constantia Privatbank AG. The final payments were made in 2019.

30 Share capital

	31.12.2019	31.12.2018	+ / − %
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**

31 Share premium

in CHF thousands	2019	2018	+ / − %
As at 1 January	− 21'157	23'509	
Net movements in treasury shares	− 1'275	− 44'666	− 97.1
As at 31 December	**− 22'432**	**− 21'157**	**6.0**

32 Treasury shares

	Quantity	in CHF thousands
As at 1 January 2018	1'922'937	163'886
Purchases	116'500	7'485
Disposals *	− 1'914'596	− 163'176
As at 31 December 2018	**124'841**	**8'195**
Purchases	283'500	18'079
Disposals	− 44'046	− 2'700
As at 31 December 2019	**364'295**	**23'574**

* This contains the transfer of 1.85 million treasury shares to the owners for the purchase of Semper Constantia Privatbank AG.

33 Retained earnings

in CHF thousands	2019	2018	+ / − %
As at 1 January	1'815'053	1'795'561	1.1
Net profit attributable to the shareholders of LLB	115'274	77'991	47.8
Dividends paid	−64'309	−57'883	11.1
Increase / (Reduction) in non-controlling interests	102	−616	
As at 31 December	**1'866'121**	**1'815'053**	**2.8**

34 Other reserves

in CHF thousands	2019	2018	+ / − %
As at 1 January	−53'388	−53'129	0.5
Foreign currency translation	−13'426	−4'951	171.2
Actuarial gains / (losses) of pension plans	262	346	−24.4
Value changes from financial investments measured at fair value through other comprehensive income	21'749	4'346	400.5
Increase / (Reduction) in non-controlling interests	0	0	
As at 31 December	**−44'803**	**−53'388**	**−16.1**

35 Non-controlling interests

in CHF thousands	2019	2018	+ / − %
As at 1 January	123'391	115'224	7.1
Non-controlling interests in net profit	8'104	7'136	13.6
(Dividends paid) / Reduction of nominal value in non-controlling interests	−2'167	−1'826	18.7
Increase / (Reduction) in non-controlling interests	−564	1'715	
Actuarial gains / (losses) of pension plans	1'139	978	16.5
Value changes from financial investments measured at fair value through other comprehensive income	882	164	436.6
As at 31 December	**130'785**	**123'391**	**6.0**

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.

36 Fair value measurement

Measurement guidelines

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 at the measurement date on the principal market or the most advantageous market.

As far as possible, the fair value is determined on the basis of the quoted market prices in active markets accessible to the company on the measurement date. An active, accessible market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value is determined using significant and observable inputs. These are basically available in the case of quoted assets or liabilities. If a market for financial or non-financial assets or liabilities is inactive, or if no observable inputs, or insufficient observable inputs, are available, the LLB Group must employ techniques or processes (valuation methods or models) to determine the fair value. The valuation techniques contain assumptions, including estimates, to enable an exit price on the measurement date from the perspective of the market participant to be determined. However, 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. In the case of financial and non-financial assets and liabilities for which a valuation technique involving non-observable market data is used to determine the fair value, these are measured at the transaction price. This fair value can differ from the fair value calculated on the basis of valuation techniques.

All financial and non-financial assets and liabilities, which possess a fair value and qualify, are assigned to one of the following three levels of the fair values hierarchy:

Level 1

The fair value of listed debt instruments and equity instruments in the financial assets is determined on the basis of market price quotes on an active market.

Level 2

If no market price quotes are available, 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

For the remaining financial instruments, neither market price quotes nor valuation methods or models based on market prices are available. Valuation models or methods with non-observable input factors are employed for these instruments.

Valuation methods

Valuation methods and techniques are employed to determine the fair value of financial and non-financial assets and liabilities for which no observable market prices on an active market are available. These include, in particular, illiquid financial investments. If available, the LLB Group uses market-based assumptions and inputs as the basis for valuation techniques. If such information is not available, assumptions and inputs from comparable assets and liabilities are employed. In the case of complex and very illiquid financial and non-financial assets and liabilities, the fair value is calculated using a combination of observable transaction prices and market information.

The LLB Group employs standardised and accepted valuation techniques or takes over the fair values evaluated by third parties to determine the fair value of financial and non-financial assets and liabilities which are not actively traded or listed. It essentially uses the following valuation methods or techniques and input factors:

	Valuation model	Inputs	Significant, non-observable inputs
Level 2			
Derivative financial instruments	Option models	Underlying assets of future contracts	
Own investment funds	Market to model	Market prices of underlying assets	
Equities	Market to model	Market prices of underlying assets	
Due from banks	Present value calculation	Market price of congruent LIBOR interest rates	
Due to banks	Present value calculation	Market price of congruent LIBOR interest rates	
Loans	Present value calculation	Market price of congruent LIBOR interest rates	
Due to customers	Present value calculation	Market price of congruent LIBOR interest rates	
Debt issued	Present value calculation	Market price of congruent LIBOR interest rates	
Non-current liabilities held for sale	Amortised cost		
Accrued income and prepaid expenses / Accrued expenses and deferred income	Fair value corresponds to carrying value on account of the short-term maturity	Price conditions; deferred income corresponds to deferrals on commissions and fees	
Level 3			
Infrastructure title	Market to model	Audited financial statements	Illiquidity, special microeconomic conditions
Investment property	External expert opinions, relative values in market comparison	Prices of comparable properties	Assessment of special property factors, expected expenses and earnings for the property
Non-current assets held for sale	External expert opinions, relative values in market comparison	Prices of comparable properties	Assessment of special property factors, expected expenses and earnings for the property

Measurement of fair values by 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. All assets and liabilities are measured at fair value on a recurring basis in the balance sheet. As at 31 December 2019, 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 2019 financial year, there were no significant transfers between Level 1, Level 2 and Level 3 financial instruments.

in CHF thousands	31.12.2019	31.12.2018	+ / – %
Level 1			
Financial investments at fair value through profit and loss	455'143	635'676	– 28.4
Financial investments, recognised at fair value through other comprehensive income	1'641'780	1'207'796	35.9
Total financial instruments at fair value	**2'096'923**	**1'843'472**	**13.7**
Cash and balances with central banks	5'447'642	5'708'324	– 4.6
Total financial instruments not at fair value	**5'447'642**	**5'708'324**	**– 4.6**
Total Level 1	**7'544'564**	**7'551'796**	**– 0.1**
Level 2			
Derivative financial instruments	112'798	197'886	– 43.0
of which for hedging purpose	4'034	2'071	94.8
Financial investments at fair value through profit and loss	43'276	69'546	– 37.8
Total financial instruments at fair value	**156'074**	**267'431**	**– 41.6**
Due from banks	1'353'974	1'617'123	– 16.3
Loans	13'506'813	13'391'601	0.9
Accrued income and prepaid expenses	61'800	56'868	8.7
Total financial instruments not at fair value	**14'922'587**	**15'065'592**	**– 0.9**
Total Level 2	**15'078'662**	**15'333'023**	**– 1.7**
Level 3			
Financial investments, recognised at fair value through other comprehensive income	28'177	24'039	17.2
Total financial instruments at fair value	**28'177**	**24'039**	**17.2**
Investment property	15'000	15'000	0.0
Non-current assets held for sale	19'000	21'214	– 10.4
Total other assets at fair value	**34'000**	**36'214**	**– 6.1**
Total Level 3	**62'177**	**60'253**	**3.2**
Total assets	**22'685'403**	**22'945'072**	**– 1.1**

in CHF thousands	31.12.2019	31.12.2018	+/–%
Level 1			
Total financial instruments at fair value	**0**	**0**	
Bonds issued	248'785	0	
Total financial instruments not at fair value	**248'785**	**0**	
Total Level 1	**248'785**	**0**	
Level 2			
Derivative financial instruments	180'065	255'564	–29.5
of which for hedging purpose	18'350	7'687	138.7
Total financial instruments at fair value	**180'065**	**255'564**	**–29.5**
Due to banks	1'527'171	1'509'905	1.1
Due to customers	17'043'360	17'540'159	–2.8
Debt issued	1'386'495	1'280'606	8.3
Non-current liabilities held for sale	2'261	2'386	–5.2
Accrued expenses and deferred income	61'754	51'625	19.6
Total financial instruments not at fair value	**20'021'041**	**20'384'681**	**–1.8**
Total Level 2	**20'201'106**	**20'640'244**	**–2.1**
Level 3			
Total Level 3	**0**	**0**	
Total liabilities	**20'449'891**	**20'640'244**	**–0.9**

Measurement of assets and liabilities, classified as Level 3

The financial investments measured at fair value through other comprehensive income rose by CHF 4.1 million in the 2019 business year. The increase was attributable solely to the rise in fair value of the securities.

There were no changes in the value of investment property. Accordingly, there were no effects on the income statement.

The change in value of non-current assets held for sale was caused by the classification of properties as available for sale and their subsequent sale. The sale of two properties generated a profit of CHF 1.5 million and a decrease in the carrying value of the properties of CHF 2.2 million. The profit was recognised in the income statement as a component of other income. In addition, two properties, which were classified as available for sale were not sold. Since the criteria for a continued IFRS 5 classification were not fulfilled, these will again be recognised according to the guidelines of IAS 16 "Property, Plant and Equipment". In addition to reclassifications, several properties were added as a result of takeovers. Furthermore, the value was influenced to a slight degree by the exchange rate fluctuations of the euro to the Swiss franc.

The measurement process to determine the fair value of recurring and non-recurring Level 3 assets and liabilities, especially the significant non-observable inputs, as shown in the previous table, are explained in the following. No explanation of the interelationships between observable and non-observable inputs is provided because they have no material influence on the measurement of fair value. On account of their amounts, all level 3 positions are immaterial so that no full disclosure of them is deemed necessary.

Financial investments measured at fair value through other comprehensive income

These financial investments consist of non-listed shares in companies having an infrastructure character, which are necessary for the operation of a bank. They are periodically revalued on the basis of current company data, or with the aid of third-party valuation models.

Investment property

These properties are periodically valued by external experts, or on the basis of relative values in a market comparison. If no corresponding values for comparable properties are available, on which to base a reliable calculation of the fair value, assumptions are made. These assumptions contain assessments and considerations of such circumstances as the location and condition of the property, as well as the expected costs and revenues with it. Properties are always revalued whenever on the basis of events or changed circumstances the fair value no longer reflects the market price, so that changes in the calculation of the fair value can be promptly determined and recognised in the accounts.

Investment properties do not diverge to highest and best use.

Non-current assets held for sale

Non-current assets held for sale comprise wholly owned properties, as well as a company that manages apartments (see also note 38 "Non-current assets and liabilities held for sale"). The basic valuation process is the same as with that for investment property, i. e. the fair value measurement is carried out solely by third parties. The reported value of these assets and liabilities corresponds to the fair value minus sales costs.

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 LIBOR 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.

	31.12.2019		31.12.2018	
in CHF thousands	Book amount	Fair value	Book amount	Fair value
Assets				
Cash and balances with central banks	5'447'642	5'447'642	5'708'324	5'708'324
Due from banks	1'352'338	1'353'974	1'611'454	1'617'123
Loans	12'960'524	13'506'813	12'852'541	13'391'601
Accrued income and prepaid expenses	61'800	61'800	56'868	56'868
Liabilities				
Due to banks	1'526'308	1'527'171	1'509'412	1'509'905
Due to customers	16'964'118	17'043'360	17'475'706	17'540'159
Debt issued	1'331'391	1'386'495	1'236'362	1'280'606
Bonds issued	251'600	248'785	0	0
Accrued expenses and deferred income	61'754	61'754	51'625	51'625

37 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	Financial collaterals	Amounts after potential netting
31.12.2018 *				
Financial assets subject to off-setting, enforceable netting agreements or similar arrangements				
Reverse repurchase agreements	101'164	0	100'415	749
Positive replacement values	197'886	32'534	165'352	0
Total assets	**299'050**	**32'534**	**265'767**	**749**
Financial liabilities subject to off-setting, enforceable netting agreements or similar arrangements				
Repurchase agreements	395'000	0	395'000	0
Negative replacement values	255'563	32'534	223'029	0
Total liabilities	**650'563**	**32'534**	**618'029**	**0**
31.12.2019				
Financial assets subject to off-setting, enforceable netting agreements or similar arrangements				
Reverse repurchase agreements	0	0	0	0
Positive replacement values	112'798	62'449	50'350	0
Total assets	**112'798**	**62'449**	**50'350**	**0**
Financial liabilities subject to off-setting, enforceable netting agreements or similar arrangements				
Repurchase agreements	500'000	500'000	0	0
Negative replacement values	180'065	62'449	88'262	29'354
Total liabilities	**680'065**	**562'449**	**88'262**	**29'354**

* The comparison period was adjusted.

38 Non-current assets and liabilities held for sale

Properties, which are wholly owned by individual Group companies and are available for immediate sale, encompass bank branches in use and rental apartments, as well as unused real estate. In the 2019 business year, two properties were sold at a profit of CHF 1.5 million; the carrying value amounted to CHF 2.2 million. For other properties offers have been received, or sales discussions have taken place. In addition, two properties, which were classified as available for sale, were not sold. Since the criteria for a continued IFRS 5 classification were not fulfilled, these will again be recognised according to the guidelines of IAS 16 "Property, Plant and Equipment".

Furthermore, a company, which manages rental apartments, which is not wholly owned is also designated for immediate sale.

The net balance sheet value amounts to CHF 16.7 million.

Notes to the consolidated off-balance sheet transactions

39 Contingent liabilities

in CHF thousands	31.12.2019	31.12.2018	+ / − %
Collateral guarantees and similar instruments	27'030	34'158	− 20.9
Performance guarantees and similar instruments	39'914	61'344	− 34.9
Total contingent liabilities	**66'944**	**95'503**	**− 29.9**

40 Credit risks

in CHF thousands	31.12.2019	31.12.2018	+ / − %
Irrevocable commitments	512'732	475'154	7.9
Deposit and call liabilities	14'183	9'138	55.2
Total credit risks	**526'914**	**484'292**	**8.8**

41 Fiduciary transactions

in CHF thousands	31.12.2019	31.12.2018	+ / − %
Fiduciary deposits with other banks	655'887	511'667	28.2
Other fiduciary financial transactions	1'639	1'696	− 3.4
Total fiduciary transactions	**657'526**	**513'363**	**28.1**

42 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.

	31.12.2019		31.12.2018	
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	575'349	575'349	533'456	533'456
of which capable of being resold or further pledged without restrictions	575'349	575'349	533'456	533'456
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	411'057	0	582'184
of which resold or further pledged securities	0	3'298	0	82'759

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. The mortality rates specified in the Professional Pensions Law 2015 (BVG 2015) were employed to calculate the mortality, life expectancy and invalidity rates for all pension plans. The last actuarial valuations were performed on 31 December 2019 and 31 December 2018. 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 reversional 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 have been congruently re-insured since. Currently, the individually accumulated pension capital is converted into a life-long pension at age 64 with a pension conversion rate of 5.40 per cent. This conversion rate is reduced annually and will amount to 5.10 per cent from 1 January 2022. Amendments to the contribution payments made by the bank, the associate companies or the employees – in accordance with the regulations – require the approval of the bank, the associate companies and a majority of of the foundation board. 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	2019	2018	2019	2018
Defined benefit costs				
Service cost				
Current service cost	−16'567	−17'128	−623	−412
Past service cost including effects of curtailment	0	−63	0	−277
Total service cost	**−16'567**	**−17'191**	**−623**	**−689**
Net interest				
Interest cost on defined benefit obligation	−4'806	−3'759	−42	−22
Interest income on plan assets	3'903	3'073	0	0
Total net interest	**−903**	**−686**	**−42**	**−22**
Administration expense	−617	−616		
Net actuarial (losses) / gains recognised	0	0	−17	−313
Total defined benefit cost	**−18'087**	**−18'493**	**−682**	**−1'024**
of which personnel expenses	−18'087	−18'493	−682	−1'024
of which financial expense	0	0	0	0
Contributions to defined contribution plans	**−830**	**−778**		**0**
Remeasurement of the defined benefit liability				
Actuarial (gains) / losses				
Arising from changes in demographic assumptions	16'576	6		
Arising from changes in economic assumptions	−36'997	16'086		
Arising from experience	−11'953	2'573		
Return on plan assets (excl. amounts in interest income)	33'463	−16'921		
Total defined benefit cost recognised in other comprehensive income	**1'089**	**1'744**		
Total benefit cost	**−17'828**	**−17'527**	**−682**	**−1'024**

Development of plan obligations

in CHF thousands	Pensions plans 2019	Pensions plans 2018	Other long-term benefits 2019	Other long-term benefits 2018
As at 1 January	543'422	534'045	4'201	3'811
Current service cost	16'567	17'128	623	412
Plan participation contributions	7'873	7'641	0	0
Interest costs	4'806	3'759	42	22
Benefits paid through pension assets	−16'353	−11'203	0	0
Benefits paid by employer	0	−1	−509	−605
Actuarial (gains) / losses	32'374	−18'665	17	313
Liabilities assumed in a business combination	0	10'667	0	0
Plan amendments	0	63	0	277
Exchange rate differences	−28	−12	−49	−29
As at 31 December	**588'661**	**543'422**	**4'325**	**4'201**
of which active employees	411'138	380'476		
of which pensioners	177'523	162'946		
Average term of obligation	15.9	17.2		

Development of plan assets

in CHF thousands	Pension plans 2019	Pension plans 2018
As at 1 January	430'992	426'376
Plan participation contributions	7'873	7'641
Company contributions	14'519	14'155
Interest income on plan assets	3'903	3'073
Administration expense	−617	−616
Assets assumed in a business combination	0	8'487
Benefits paid through pension assets	−16'353	−11'203
Return on plan assets (excl. amounts in interest income)	33'463	−16'921
As at 31 December	**473'780**	**430'992**

The pension fund assets as at 31 December 2019 include shares of LLB with a market value of CHF thousands 15 (31.12. 2018: CHF thousands 19). The expected Group contributions for the 2020 financial year amount to CHF thousands 16'679 for the pension plans and CHF thousands 626 for the other long-term benefits.

Overview of net debt recognised in the balance sheet

	Pension plans		Other long-term benefits	
in CHF thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Present value of funded obligations	587'034	541'968	0	0
Minus fair value of plan assets	473'780	430'992	0	0
Under- / (Over-)funded	**113'254**	**110'976**	**0**	**0**
Present value of unfunded obligations	1'627	1'454	4'324	4'201
Net debt recognised in the balance sheet	**114'881**	**112'430**	**4'324**	**4'201**

Asset classes and expected returns

	31.12.2019	31.12.2018
in CHF thousands	**Share of total assets**	**Share of total assets**
Equities		
listed market prices (Level 1)	111'869	82'533
other than listed market prices	0	0
Bonds		
listed market prices (Level 1)	196'649	163'452
other than listed market prices	0	0
Real estate		
listed market prices (Level 1)	3'600	1'457
other than listed market prices / direct investments	57'538	29'805
Alternative financial investments	49'362	23'530
Qualified insurance policies	32'652	109'171
Other financial investments	942	165
Cash and cash equivalents	21'168	20'879

The expected return on bonds and shares is based on the yield for long-term Federal notes and the corresponding market expectations. The remaining expected returns are based on empirical values.

Weighted average of principal actuarial assumptions

	Pension plans		Other long-term benefits	
in per cent	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Discount rate	0.30	0.90	0.43	1.11
Future salary increases	1.50	1.50	1.84	1.73
Future pension indexations	0.00	0.00	1.30	1.23
Interest credit rate	0.49	0.93		
Life expectancy at the age of 65				
Year of birth	1974	1973	1974	1973
men	24.4	24.3	24.4	24.3
women	26.4	26.4	26.4	26.4
Year of birth	1954	1953	1954	1953
men	22.6	22.5	22.6	22.5
women	24.7	24.5	24.7	24.5

In addition to the above-mentioned assumptions, further parameters were subjected to testing in 2019. Within the scope of this testing, the three parameters “Fluctuation”, “Invalidity” and “Capital withdrawal quota” were adjusted in line with the latest conditions at the LLB Group.

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			
	31.12.2019		**31.12.2018**	
in CHF thousands	**+0.25%**	**−0.25%**	**+0.25%**	**−0.25%**
Discount rate	−23'131	24'784	−23'004	24'705
Salary increase	2'043	−1'994	2'213	−2'148
Interest credit rate	5'396	−5'275	5'436	−5'299

in CHF thousands	**+1 year**	**−1 year**	**+1 year**	**−1 year**
Life expectancy	14'361	−14'512	13'404	−13'615

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 1.2 per cent of its own shares and 0.3 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 14 in the separate financial statement of LLB AG.

See "Scope of consolidation" on page 177 for a detailed list of the intercompany relationships of the LLB Group.

Compensation of key management personnel

	Fixed compensation		Variable compensation		Contribution to benefit plans and other social contributions		Share-based compensation		Entitlements		Total	
in CHF thousands	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Compensation												
Members of the Board of Directors *	751	731	0	0	111	114	0	0	163	157	1'025	1'002
Members of the Board of Management **	3'384	3'236	807	1'333	1'135	1'091	0	0	807	1'333	6'133	6'993

* The Board of Directors comprises seven members.
** The Board of Management comprises six members.

Further information can be found in the Compensation report from page 93.

Loans to key management personnel and related parties

	Fixed mortgages		Variable mortgages		Total	
in CHF thousands	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Members of the Board of Directors						
Georg Wohlwend, Chairman	0	0	0	0	0	0
Gabriela Nagel-Jungo, Vice Chairwoman	400	400	0	0	400	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	575	576	93	0	668	576
Karl Sevelda, Member since 04.05.2019	0		0		0	
and related parties	0	0	0	0	0	0
Total	**975**	**976**	**93**	**0**	**1'068**	**976**
Members of the Board of Management						
Roland Matt, CEO	1'000	1'000	0	0	1'000	1'000
Other members of the Board of Management	1'560	2'810	0	0	1'560	2'810
and related parties	0	0	0	0	0	0
Total	**2'560**	**3'810**	**0**	**0**	**2'560**	**3'810**

All mortgage loans to key management personnel and related parties are fully secured.

At 31 December 2019, the maturities of the fixed mortgages for the members of the Board of Directors and related parties ranged between 15 and 63 months (previous year: between 3 and 51 months) at standard market client interest rates of 0.95 to 1.65 per cent per annum (previous year: 0.95 to 1.65 %). A variable mortgage at standard market conditions was issued. The remaining term to maturity amounted to one month at an interest rate of 0.95 per cent (previous year: no mortgages with variable interest rates were issued).

At 31 December 2019, the maturities of the fixed mortgages for the members of the Board of Management ranged between 0 and 73 months (previous year: between 1 and 78 months) at interest rates of 0.60 to 1.80 per cent per annum (previous year: 0.40 to 1.88 %).

In 2019, two expiring loans were extended at new conditions. One new loan was issued; the fair value of the collateral amounted to CHF thousands 1'005.

Of the total amount for mortgages for the members of the Board of Management, CHF thousands 1'000 (previous year: CHF thousands 1'000) was granted at the preferential interest rate for staff, the remainder was subject to the standard market client interest rate. Other loans to the Board of Management amounted to CHF thousands 0 (previous year: CHF thousands 200).

No allowances for loans to management were necessary. LLB granted third parties guarantees amounting to CHF thousands 168 (previous year: CHF thousands 168) for management and related parties.

Transactions with key management personnel and related parties

in CHF thousands	2019	2018	+ / − %
Loans			
As at 1 January	4'786	7'403	−35.3
Loans issued / changes to management and related parties	93	576	−83.8
Loan repayments / changes to management and related parties	−1'251	−3'193	−60.8
As at 31 December	**3'628**	**4'786**	**−24.2**
Deposits			
As at 1 January	5'137	5'321	−3.5
Change	1'558	−184	
As at 31 December	**6'695**	**5'137**	**30.3**
Income and expenses			
Interest income	47	331	−85.9
Interest expenses	−2	−59	−95.9
Other income *	12	46	−73.8
Other expenses **	0	−4	−91.3
Total	**56**	**315**	**−82.2**

* Mainly net fee and commission income.
** Services in connection with consultation.

Transactions with associated companies

in CHF thousands	2019	2018	+ / − %
Loans			
As at 1 January	1	0	
Change	1'501	1	
As at 31 December	**1'502**	**1**	
Deposits			
As at 1 January	11'525	21'798	− 47.1
Change	1'538	− 10'273	
As at 31 December	**13'063**	**11'525**	**13.3**
Income and expenses			
Interest income	53	0	
Interest expenses	0	0	
Other income	18	0	
Other expenses	− 125	− 87	
Total	**− 54**	**− 87**	**− 37.5**

The LLB Group has not issued guarantees to third parties for related parties.

Related parties have concluded currency swaps to hedge against foreign currency risks. Claims exist from derivative financial instruments against related parties totalling CHF thousands 19.

Transactions with own pension funds

in CHF thousands	2019	2018	+/−%
Loans			
As at 1 January	642	367	75.0
Change	−642	275	
As at 31 December	**0**	**642**	**−100.0**
Deposits			
As at 1 January	20'371	27'435	−25.7
Change	−2'503	−7'065	−64.6
As at 31 December	**17'868**	**20'371**	**−12.3**
Income and expenses			
Interest income	0	1	−99.9
Interest expenses	0	−20	−99.7
Other income *	752	708	6.3
Other expenses	−1	−3	−70.9
Total	**751**	**685**	**9.7**

* Mainly net fee and commission income.

No guarantees have been granted by the LLB Group for third parties on behalf of own pension funds.

To hedge against interest rate and currency risks, an own pension fund has concluded swaps. Claims exist from derivative financial instruments against the own pension fund totalling CHF thousands 6 (previous year: CHF thousands 94) and liabilities amounting to CHF thousands 1'000 (previous year: CHF thousands 147).

Scope of consolidation

Company	Registered office	Business activity	Currency	Capital Stock	Equity interest (in %) IFRS	Equity interest (in %) 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	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	95.0	95.0
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	Erlenbach (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	Erlenbach (CH)	Management company	CHF	100'000'000	100.0	100.0
PREMIUM Spitalgasse 19A GmbH & Co KG	Vienna (AT)	Real estate company	EUR	413'598	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

In the year under report, there were no disposals or losses of control of ownership interests. As at 31 December 2019 and as at 31 December 2018, there were no major restrictions in respect of the possibility to access assets of the Group companies or to appropriate them. As at 31 December 2019 and as at 31 December 2018, 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

Group Board of Directors

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.

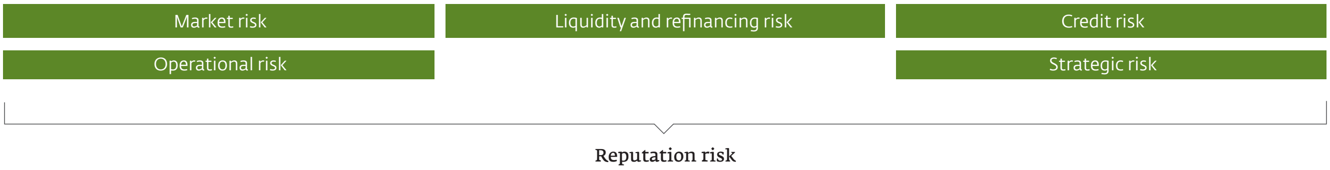
Strategic risk

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



Risk management process

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 risk management process diagram shows the control loop of the LLB Group's risk management process.

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 activities are closely associated with the needs of our clients for capital market products and are regarded as being supporting activities for our 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.

Value at Risk
The value-at-risk concept measures the potential loss under normal market conditions over a given time interval.

Scenario analysis
While the value-at-risk concept supplies an indication of possible losses under normal market conditions, it cannot provide information about potential losses under extreme conditions. 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

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. Risks are restricted by means of value-at–risk models and sensitivity limits.

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.

Investments in equities are limited by the imposition 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 Sensitivities by risk categories

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.

1.6 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".

At 31 December 2019, mortgage loans stood at CHF 11'325 million. The exchange rate risks applying to this portfolio are hedged at 16.6 per cent through interest rate swaps.

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.

Sensitivities

	31.12.2019	31.12.2018
in CHF thousands	Sensitivity	Sensitivity
Currency risk	**30'798**	**12'086**
of which affecting net income	958	687
of which not affecting net income	29'840	11'399
Interest rate risk	**83'843**	**90'697**
of which affecting net income	11'398	15'337
of which not affecting net income	72'445	75'360
Equity price risk	**7'706**	**3'060**
of which affecting net income	252	656
of which not affecting net income	7'454	2'404

Exchange rate risk by currency

	31.12.2019	31.12.2018
in CHF thousands	Sensitivity	Sensitivity
Currency risk	**30'798**	**12'086**
of which USD	934	435
of which EUR	29'840	11'399
of which others	23	252

1.7 Currency risks

Currency exposure as at 31 December 2018

in CHF thousands	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central banks	4'470'531	639	1'236'818	336	5'708'324
Due from banks	95'795	812'430	238'068	465'161	1'611'454
Loans	11'626'842	441'684	728'845	55'170	12'852'541
Derivative financial instruments	196'918	513	70	385	197'886
Financial investments	789'640	623'005	524'412	0	1'937'057
Non-current assets held for sale	12'566	0	8'648	0	21'214
Investment in joint venture	30	0	0	0	30
Property and equipment	116'355	0	3'588	0	119'943
Right of use assets from leases					
Investment property	15'000	0	0	0	15'000
Goodwill and other intangible assets	304'871	0	443	0	305'314
Current tax assets	0	0	1'670	0	1'670
Deferred tax assets	16'812	0	3'958	0	20'770
Accrued income and prepaid expenses	26'914	10'715	18'754	485	56'868
Other assets	3'333	59	3'531	37'080	44'003
Total assets reported in the balance sheet	**17'675'606**	**1'889'045**	**2'768'805**	**558'617**	**22'892'072**
Delivery claims from forex spot, forex futures and forex options transactions	3'404'114	5'311'035	5'598'104	1'638'805	15'952'058
Total assets	**21'079'720**	**7'200'080**	**8'366'909**	**2'197'422**	**38'844'131**
Liabilities and equity					
Due to banks	1'281'772	119'660	98'014	9'965	1'509'412
Due to customers	10'620'942	2'675'108	3'535'173	644'483	17'475'706
Lease liabilities					
Derivative financial instruments	253'652	513	202	1'196	255'564
Debt issued	1'235'956	0	406	0	1'236'362
Bonds issued	0	0	0	0	0
Non-current liabilities available for sale	2'386	0	0	0	2'386
Current tax liabilities	14'316	0	57	0	14'373
Deferred tax liabilities	17'203	0	17'054	0	34'257
Accrued expenses and deferred income	13'047	8'245	29'882	451	51'625
Provisions	30'451	0	0	0	30'451
Other liabilities	193'887	2'833	74'839	673	272'232
Share capital	154'000	0	0	0	154'000
Share premium	–21'157	0	0	0	–21'157
Treasury shares	–8'195	0	0	0	–8'195
Retained earnings	1'815'053	0	0	0	1'815'053
Other reserves	–53'388	0	0	0	–53'388
Non-controlling interests	123'391	0	0	0	123'391
Liabilities and equity reported in the balance sheet	**15'673'316**	**2'806'360**	**3'755'627**	**656'769**	**22'892'072**
Delivery liabilities from forex spot, forex futures and forex options transactions	5'533'919	4'389'374	4'497'289	1'538'132	15'958'715
Total liabilities and equity	**21'207'236**	**7'195'735**	**8'252'916**	**2'194'901**	**38'850'788**
Net position per currency	**–127'516**	**4'345**	**113'993**	**2'521**	**–6'657**

Currency exposure as at 31 December 2019

in CHF thousands	CHF	USD	EUR	Others	Total
Assets					
Cash and balances with central banks	4'287'978	279	1'159'125	259	5'447'642
Due from banks	250'686	454'862	365'002	281'788	1'352'338
Loans	11'840'858	354'199	693'028	72'440	12'960'524
Derivative financial instruments	110'339	1'936	168	356	112'798
Financial investments	822'071	723'191	623'113	0	2'168'375
Non-current assets held for sale	12'624	0	6'376	0	19'000
Investment in associates and joint venture	28	0	3	0	31
Property and equipment	116'542	0	2'890	0	119'432
Right of use assets from leases	21'356	0	18'136	0	39'492
Investment property	15'000	0	0	0	15'000
Goodwill and other intangible assets	133'571	0	156'531	0	290'102
Current tax assets	0	0	819	0	819
Deferred tax assets	14'943	0	595	0	15'538
Accrued income and prepaid expenses	42'114	7'295	11'585	806	61'800
Other assets	11'334	128	1'681	45'856	58'999
Total assets reported in the balance sheet	**17'679'443**	**1'541'889**	**3'039'052**	**401'505**	**22'661'890**
Delivery claims from forex spot, forex futures and forex options transactions	3'648'743	5'556'047	5'733'944	2'025'925	16'964'660
Total assets	**21'328'187**	**7'097'937**	**8'772'997**	**2'427'430**	**39'626'549**
Liabilities and equity					
Due to banks	1'371'134	10'137	140'091	4'946	1'526'308
Due to customers	10'778'176	2'253'521	3'296'012	636'408	16'964'118
Lease liabilities	21'451		18'226		39'677
Derivative financial instruments	175'024	3'814	871	356	180'065
Debt issued	1'331'391	0	0	0	1'331'391
Bonds issued	251'600	0	0	0	251'600
Non-current liabilities available for sale	2'261	0	0	0	2'261
Current tax liabilities	13'752	0	0	0	13'752
Deferred tax liabilities	16'245	0	14'701	0	30'946
Accrued expenses and deferred income	35'211	6'274	18'839	1'431	61'754
Provisions	9'801	133	4'760	3	14'697
Other liabilities	161'018	1'987	22'091	130	185'225
Share capital	154'000	0	0	0	154'000
Share premium	−22'432	0	0	0	−22'432
Treasury shares	−23'574	0	0	0	−23'574
Retained earnings	1'866'121	0	0	0	1'866'121
Other reserves	−44'803	0	0	0	−44'803
Non-controlling interests	130'785	0	0	0	130'785
Liabilities and equity reported in the balance sheet	**16'227'160**	**2'275'865**	**3'515'591**	**643'273**	**22'661'890**
Delivery liabilities from forex spot, forex futures and forex options transactions	5'421'386	4'812'729	4'959'004	1'783'923	16'977'042
Total liabilities and equity	**21'648'546**	**7'088'594**	**8'474'595**	**2'427'195**	**39'638'931**
Net position per currency	**−320'359**	**9'342**	**298'401**	**234**	**−12'382**

1.8 Interest rate repricing balance sheet

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
31.12.2018						
Financial assets						
Cash and balances with central banks	5'648'778	0	0	0	0	5'648'778
Due from banks	966'626	320'821	250'442	0	0	1'537'890
Loans	2'257'726	2'181'904	1'461'754	5'251'798	1'690'745	12'843'926
Financial investments	26'365	100'441	157'902	1'378'308	144'385	1'807'402
Total financial assets	**8'899'496**	**2'603'166**	**1'870'099**	**6'630'106**	**1'835'130**	**21'837'995**
Derivative financial instruments	111'282	475'000	795'000	276'282	0	1'657'565
Total	**9'010'778**	**3'078'166**	**2'665'099**	**6'906'388**	**1'835'130**	**23'495'560**
Financial liabilities						
Due to banks	749'406	285'000	385'000	90'006	0	1'509'412
Due to customers	8'359'241	1'333'474	3'175'158	4'468'164	24'750	17'360'787
Debt issued	1'684	5'068	141'154	594'972	493'485	1'236'362
Bonds issued	0	0	0	0	0	0
Total financial liabilities	**9'110'331**	**1'623'542**	**3'701'312**	**5'153'142**	**518'235**	**20'106'561**
Derivative financial instruments	51'282	55'000	255'000	750'000	546'282	1'657'565
Total	**9'161'613**	**1'678'542**	**3'956'312**	**5'903'142**	**1'064'517**	**21'764'125**
Interest rate repricing exposure	**–150'835**	**1'399'624**	**–1'291'213**	**1'003'247**	**770'612**	**1'731'435**
31.12.2019						
Financial assets						
Cash and balances with central banks	5'380'402	0	0	0	0	5'380'402
Due from banks	1'128'000	100'617	58'360	0	0	1'286'977
Loans	2'501'721	1'761'725	1'626'978	5'161'514	1'897'657	12'949'595
Financial investments	73'886	105'065	164'885	1'465'361	183'561	1'992'758
Total financial assets	**9'084'008**	**1'967'408**	**1'850'222**	**6'626'876**	**2'081'218**	**21'609'732**
Derivative financial instruments	90'854	495'000	970'000	325'854	0	1'881'708
Total	**9'174'862**	**2'462'408**	**2'820'222**	**6'952'730**	**2'081'218**	**23'491'440**
Financial liabilities						
Due to banks	920'091	247'376	294'959	65'006	0	1'527'433
Due to customers	7'840'987	1'452'380	2'787'565	4'723'896	25'050	16'829'878
Debt issued	3'505	53'235	87'466	533'390	650'703	1'328'299
Bonds issued	0	0	0	0	250'000	250'000
Total financial liabilities	**8'764'584**	**1'752'990**	**3'169'991**	**5'322'292**	**925'753**	**19'935'610**
Derivative financial instruments	30'854	40'000	530'000	755'000	525'854	1'881'708
Total	**8'795'438**	**1'792'990**	**3'699'991**	**6'077'292**	**1'451'607**	**21'817'318**
Interest rate repricing exposure	**379'425**	**669'417**	**–879'769**	**875'437**	**629'611**	**1'674'122**

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.

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 Liquidity risk management

Processes and organisational structures ensure that liquidity risks are identified, uniformly measured, controlled and monitored, as well as being included in risk reporting. The liquidity risk regulations, which include the LLB Group's risk tolerance criteria, are regularly reviewed by the Group Executive Board and approved by the Group Board of Directors. The liquidity risk limits to be observed by the LLB Group are stipulated in the regulations.

The objectives of the LLB Group's liquidity risk management include the following points:

- the ability to meet financial obligations at all times
- compliance with regulatory provisions
- optimisation of the refinancing structure
- optimisation of payment streams within the LLB Group.

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

	Term to maturity within 3 months		Term to maturity 4 to 12 months		Term to maturity 1 to 5 years		Term to maturity after 5 years		Total	
in CHF thousands	**PRV ***	**NRV ***	**PRV ***	**NRV ***	**PRV ***	**NRV ***	**PRV ***	**NRV ***	**PRV ***	**NRV ***
31.12.2018										
Derivative financial instruments in the trading portfolio										
Interest rate contracts										
Swaps	0	608	0	978	34	38'047	0	5'280	34	44'914
Forward contracts	485	43	95	12	0	0	0	0	580	55
Foreign exchange contracts										
Forward contracts	109'585	116'509	79'445	80'273	853	797	0	12	189'883	197'590
Options (OTC)	647	647	2'611	2'611	1'640	1'640	0	0	4'898	4'898
Precious metals contracts										
Options (OTC)	0	0	70	70	0	0	0	0	70	70
Equity instruments / Index contracts										
Options (OTC)	350	350	0	0	0	0	0	0	350	350
Total derivative financial instruments in the trading portfolio	**111'066**	**118'157**	**82'221**	**83'944**	**2'528**	**40'484**	**0**	**5'292**	**195'815**	**247'877**
Derivative financial instruments for hedging purposes										
Interest rate contracts										
Swaps (fair value hedge)	0	0	0	18	1'425	106	646	7'563	2'071	7'687
Total derivative financial instruments for hedging purposes	**0**	**0**	**0**	**18**	**1'425**	**106**	**646**	**7'563**	**2'071**	**7'687**
Total derivative financial instruments	**111'066**	**118'157**	**82'221**	**83'961**	**3'953**	**40'590**	**646**	**12'855**	**197'886**	**255'564**

* PRV: Positive replacement values; NRV: Negative replacement values

	Term to maturity within 3 months		Term to maturity 4 to 12 months		Term to maturity 1 to 5 years		Term to maturity after 5 years		Total	
in CHF thousands	PRV*	NRV*	PRV*	NRV*	PRV*	NRV*	PRV*	NRV*	PRV*	NRV*
31.12.2019										
Derivative financial instruments in the trading portfolio										
Interest rate contracts										
Swaps	0	0	0	4'502	0	28'618	33	0	33	33'120
Forward contracts	68	584	72	363	0	0	0	0	140	947
Foreign exchange contracts										
Forward contracts	67'717	88'728	34'606	32'676	927	851	0	47	103'250	122'303
Options (OTC)	57	61	2'266	2'266	2'656	2'656	0	0	4'978	4'983
Precious metals contracts										
Options (OTC)	17	17	0	0	0	0	0	0	17	17
Equity instruments / Index contracts										
Options (OTC)	345	345	0	0	0	0	0	0	345	345
Total derivative financial instruments in the trading portfolio	**68'204**	**89'735**	**36'944**	**39'807**	**3'582**	**32'125**	**33**	**47**	**108'764**	**161'714**
Derivative financial instruments for hedging purposes										
Interest rate contracts										
Swaps (fair value hedge)	0	0	43	0	2'462	2'278	1'529	16'073	4'034	18'350
Total derivative financial instruments for hedging purposes	**0**	**0**	**43**	**0**	**2'462**	**2'278**	**1'529**	**16'073**	**4'034**	**18'350**
Total derivative financial instruments	**68'204**	**89'735**	**36'988**	**39'807**	**6'044**	**34'402**	**1'562**	**16'120**	**112'798**	**180'065**

* 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
31.12.2018							
Financial assets							
Cash and balances with central banks	5'648'371	0	0	0	0	0	5'648'371
Due from banks	690'794	0	602'655	256'482	0	0	1'549'931
Loans	392'679	214'813	2'056'538	1'920'993	6'957'994	1'759'317	13'302'334
Financial investments	0	0	49'245	180'691	1'487'716	166'809	1'884'460
Accrued income and prepaid expenses	0	0	56'868	0	0	0	56'868
Total financial assets	**6'731'843**	**214'813**	**2'765'306**	**2'358'165**	**8'445'710**	**1'926'126**	**22'441'963**
Financial liabilities							
Due to banks	222'585	0	810'478	384'178	90'136	0	1'507'377
Due to customers	11'222'246	4'569'931	447'380	883'331	220'137	24'868	17'367'892
Lease liabilities	0	0	0	0	0	0	0
Debt issued	0	0	10'115	148'861	616'926	500'229	1'276'131
Bonds issued	0	0	0	0	0	0	0
Accrued expenses and deferred income	0	0	51'625	0	0	0	51'625
Total financial liabilities	**11'444'830**	**4'569'931**	**1'319'598**	**1'416'370**	**927'199**	**525'097**	**20'203'025**
Net liquidity exposure	**–4'712'987**	**–4'355'118**	**1'445'708**	**941'796**	**7'518'511**	**1'401'029**	**2'238'938**
Off-balance-sheet transactions	**579'795**	**0**	**0**	**0**	**0**	**0**	**579'795**
Contingent liabilities	95'503	0	0	0	0	0	95'503
Irrevocable commitments	475'154	0	0	0	0	0	475'154
Deposit and call liabilities	9'138	0	0	0	0	0	9'138

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
31.12.2019							
Financial assets							
Cash and balances with central banks	5'379'925	0	0	0	0	0	5'379'925
Due from banks	542'213	0	653'124	94'700	0	0	1'290'038
Loans	483'843	211'714	2'429'318	2'110'783	6'099'997	2'030'896	13'366'551
Financial investments	0	0	102'057	197'590	1'582'713	193'362	2'075'722
Accrued income and prepaid expenses	0	0	61'800	0	0	0	61'800
Total financial assets	**6'405'981**	**211'714**	**3'246'299**	**2'403'073**	**7'682'710**	**2'224'258**	**22'174'036**
Financial liabilities							
Due to banks	299'811	0	866'604	294'160	65'108	0	1'525'684
Due to customers	11'131'175	4'280'597	626'930	447'450	321'757	25'108	16'833'017
Lease liabilities	0	0	747	3'624	16'772	20'161	41'304
Debt issued	0	0	59'614	93'267	551'909	655'359	1'360'148
Bonds issued	0	0	0	0	0	251'600	251'600
Accrued expenses and deferred income	0	0	61'754	0	0	0	61'754
Total financial liabilities	**11'430'986**	**4'280'597**	**1'615'650**	**838'501**	**955'546**	**952'227**	**20'073'507**
Net liquidity exposure	**–5'025'005**	**–4'068'883**	**1'630'650**	**1'564'572**	**6'727'164**	**1'272'031**	**2'100'529**
Off-balance-sheet transactions	**1'251'384**	**0**	**0**	**0**	**0**	**0**	**1'251'384**
Contingent liabilities	66'944	0	0	0	0	0	66'944
Irrevocable commitments	526'914	0	0	0	0	0	526'914
Deposit and call liabilities	657'526	0	0	0	0	0	657'526

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.

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:

Rating classes (master scale)

LLB rating	Description	External rating **
1 to 4	Investment grade	AAA, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Baa2, Baa3
5 to 8, not rated *	Standard monitoring	Ba1, Ba2, Ba3, B1, B2
9 to 10	Special monitoring	B3, Caa, Ca, C
11 to 14	Sub-standard	Default

* Non-rated loans are covered and subject to limits.

** 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).

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".

Value-at-risk concept

The value-at-risk approach aims at computing the size of fluctuations in credit losses incurred by means of a statistical model and to show the change in the risk status of the credit portfolio.

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.

Specific valuation allowances are made for claims that are overdue by more than 90 days.

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	Liechtenstein / Switzerland	Europe excl. FL / CH	North America	Asia	Others *	Total
31.12.2018						
Credit risks from balance sheet transactions						
Due from banks	804'444	624'895	156'299	16'857	9'341	1'611'836
Loans						
Mortgage loans	11'053'486	42'410	319	1'980	0	11'098'195
Loans to public institutions	73'552	0	0	0	0	73'552
Miscellaneous loans	655'096	374'675	1'893	417'073	241'997	1'690'734
Derivative financial instruments	40'675	146'339	325	2'397	8'150	197'886
Financial investments						
Debt instruments	502'536	899'194	342'551	90'583	71'596	1'906'460
Total	**13'129'789**	**2'087'513**	**501'387**	**528'890**	**331'084**	**16'578'663**
Credit risks from off-balance sheet transactions						
Contingent liabilities	76'560	2'187	0	3'501	13'255	95'503
Irrevocable commitments	219'611	127'478	25	351	127'690	475'154
Deposit and call liabilities	9'101	0	37	0	0	9'138
Total	**305'271**	**129'665**	**62**	**3'852**	**140'945**	**579'794**
31.12.2019						
Credit risks from balance sheet transactions						
Due from banks	886'193	365'293	68'212	22'507	10'264	1'352'469
Loans						
Mortgage loans	11'204'421	73'422	1'882	13'043	6'092	11'298'860
Loans to public institutions	76'406	0	0	0	0	76'406
Miscellaneous loans	653'225	362'041	914	316'958	259'437	1'592'575
Derivative financial instruments	47'860	64'426	0	36	477	112'798
Financial investments						
Debt instruments	514'341	899'585	491'024	101'359	85'000	2'091'310
Total	**13'382'446**	**1'764'767**	**562'033**	**453'903**	**361'269**	**16'524'418**
Credit risks from off-balance sheet transactions						
Contingent liabilities	45'309	6'795	0	750	14'091	66'944
Irrevocable commitments	275'654	133'153	589	770	102'566	512'732
Deposit and call liabilities	14'183	0	0	0	0	14'183
Total	**335'145**	**139'947**	**589**	**1'520**	**116'657**	**593'859**

* None of the categories summarised in the position "Others" exceeds 10 per cent of the total volume.

Maximal credit risk by sector without considering collateral

in CHF thousands	Financial services	Real estate	Private households	Others *	Total
31.12.2018					
Credit risks from balance sheet transactions					
Due from banks	1'611'836	0	0	0	1'611'836
Loans					
Mortgage loans	148'291	2'285'220	7'454'795	1'209'889	11'098'195
Loans to public institutions	0	0	0	73'552	73'552
Miscellaneous loans	452'856	49'416	741'278	447'184	1'690'734
Derivative financial instruments	186'584	41	7'141	4'120	197'886
Financial investments					
Debt instruments	1'345'267	5'731	0	555'462	1'906'460
Total	**3'744'834**	**2'340'408**	**8'203'214**	**2'290'207**	**16'578'663**
Credit risks from off-balance sheet transactions					
Contingent liabilities	13'807	2'407	17'728	61'561	95'503
Irrevocable commitments	180'986	32'222	152'581	109'365	475'154
Deposit and call liabilities	9'138	0	0	0	9'138
Total	**203'931**	**34'629**	**170'309**	**170'926**	**579'794**
31.12.2019					
Credit risks from balance sheet transactions					
Due from banks	1'352'469	0	0	0	1'352'469
Loans					
Mortgage loans	190'714	2'680'966	7'515'077	912'102	11'298'860
Loans to public institutions	0	0	0	76'406	76'406
Miscellaneous loans	483'498	141'868	683'395	283'815	1'592'575
Derivative financial instruments	108'911	7	2'654	1'226	112'798
Financial investments					
Debt instruments	1'932'290	5'754	0	153'266	2'091'310
Total	**4'067'882**	**2'828'595**	**8'201'127**	**1'426'815**	**16'524'418**
Credit risks from off-balance sheet transactions					
Contingent liabilities	14'639	8'525	21'137	22'643	66'944
Irrevocable commitments	180'446	55'165	158'982	118'139	512'732
Deposit and call liabilities	14'183	0	0	0	14'183
Total	**209'267**	**63'690**	**180'119**	**140'782**	**593'859**

* None of the categories summarised in the position "Others" exceeds 10 per cent of the total volume.

3.8 Risk of default for financial instruments not measured at fair value 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
31.12.2018						
Due from banks	12	1'611'454	0	0	0	1'611'454
Loans	13	1'869'460	10'433'965	421'951	127'164	12'852'541
Financial investments measured at fair value through other comprehensive income						
Fixed-interest securities	15	1'207'796	0	0	0	1'207'796
Credit risks from balance sheet transactions		**4'688'709**	**10'433'965**	**421'951**	**127'164**	**15'671'790**
Financial guarantees		335'612	222'271	4'660	1'701	564'244
Credit cards		550	14'995	6	0	15'551
Credit risks from off-balance sheet transactions		**336'162**	**237'266**	**4'666**	**1'701**	**579'795**
31.12.2019						
Due from banks	12	1'352'338	0	0	0	1'352'338
Loans	13	2'167'925	10'282'030	345'906	164'663	12'960'524
Financial investments measured at fair value through other comprehensive income						
Fixed-interest securities	15	1'595'413	0	0	0	1'595'413
Credit risks from balance sheet transactions		**5'115'677**	**10'282'030**	**345'906**	**164'663**	**15'908'276**
Financial guarantees		351'758	217'224	5'577	808	575'367
Credit cards		707	17'756	29	0	18'491
Credit risks from off-balance sheet transactions		**352'465**	**234'980**	**5'606**	**808**	**593'859**

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
31.12.2018				
Due from banks				
Investment grade	1'611'836	0	0	1'611'836
Standard monitoring	0	0	0	0
Special monitoring	0	0	0	0
Sub-standard	0	0	0	0
Total gross carrying value	**1'611'836**	**0**	**0**	**1'611'836**
Total value allowances	**– 383**	**0**	**0**	**– 383**
Total net carrying value	**1'611'454**	**0**	**0**	**1'611'454**
31.12.2019				
Due from banks				
Investment grade	1'352'469	0	0	1'352'469
Standard monitoring	0	0	0	0
Special monitoring	0	0	0	0
Sub-standard	0	0	0	0
Total gross carrying value	**1'352'469**	**0**	**0**	**1'352'469**
Total value allowances	**– 131**	**0**	**0**	**– 131**
Total net carrying value	**1'352'338**	**0**	**0**	**1'352'338**

	Stage 1	Stage 2	Stage 3	
in CHF thousands	Expected 12-month credit loss	Credit losses expected over the period without impairment of creditworthiness	Credit losses expected over the period with impairment of creditworthiness	Total
31.12.2018				
Loans				
Investment grade	1'859'832	10'889	0	1'870'720
Standard monitoring	10'225'832	216'047	0	10'441'880
Special monitoring	335'344	87'373	0	422'717
Sub-standard	0	0	199'015	199'015
Total gross carrying value	**12'421'009**	**314'309**	**199'015**	**12'934'332**
Total value allowances	**–7'958**	**–1'982**	**–71'851**	**–81'791**
Total net carrying value	**12'413'050**	**312'327**	**127'164**	**12'852'541**
31.12.2019				
Loans				
Investment grade	2'124'739	44'254	0	2'168'993
Standard monitoring	9'870'249	417'541	0	10'287'791
Special monitoring	244'363	102'032	0	346'395
Sub-standard	0	0	236'257	236'257
Total gross carrying value	**12'239'351**	**563'827**	**236'257**	**13'039'435**
Total value allowances	**–5'191**	**–2'126**	**–71'594**	**–78'911**
Total net carrying value	**12'234'160**	**561'701**	**164'663**	**12'960'524**

	Stage 1	Stage 2	Stage 3	
in CHF thousands	Expected 12-month credit loss	Credit losses expected over the period without impairment of creditworthiness	Credit losses expected over the period with impairment of creditworthiness	Total
31.12.2018				
Fixed-interest securities				
Investment grade	1'207'796	0	0	1'207'796
Standard monitoring	0	0	0	0
Special monitoring	0	0	0	0
Sub-standard	0	0	0	0
Total carrying value	**1'207'796**	**0**	**0**	**1'207'796**
Total value allowances	**–60**	**0**	**0**	**–60**
31.12.2019				
Fixed-interest securities				
Investment grade	1'595'413	0	0	1'595'413
Standard monitoring	0	0	0	0
Special monitoring	0	0	0	0
Sub-standard	0	0	0	0
Total carrying value	**1'595'413**	**0**	**0**	**1'595'413**
Total value allowances	**–113**	**0**	**0**	**–113**

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
31.12.2018				
Financial guarantees				
Investment grade	335'612	0	0	335'612
Standard monitoring	219'727	2'544	0	222'271
Special monitoring	4'009	652	0	4'660
Sub-standard	0	0	1'701	1'701
Total credit risk	**559'347**	**3'196**	**1'701**	**564'244**
Total provisions	**−1'128**	**−450**	**−1'701**	**−3'279**
31.12.2019				
Financial guarantees				
Investment grade	351'758	0	0	351'758
Standard monitoring	210'338	6'886	0	217'224
Special monitoring	3'706	1'871	0	5'577
Sub-standard	0	0	808	808
Total credit risk	**565'802**	**8'757**	**808**	**575'367**
Total provisions	**−1'050**	**−572**	**−808**	**−2'430**

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
31.12.2018				
Credit cards				
Investment grade	550	0	0	550
Standard monitoring	14'965	30	0	14'995
Special monitoring	6	0	0	6
Sub-standard	0	0	0	0
Total credit risk	**15'521**	**30**	**0**	**15'551**
Total provisions	**−6**	**0**	**0**	**−6**
31.12.2019				
Credit cards				
Investment grade	707	0	0	707
Standard monitoring	17'671	85	0	17'756
Special monitoring	24	5	0	29
Sub-standard	0	0	0	0
Total credit risk	**18'401**	**90**	**0**	**18'491**
Total provisions	**−7**	**0**	**0**	**−7**

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			
31.12.2018		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	1'611'836	0	0	1'611'836	−383	0	0	−383
Loans	13	12'421'009	314'309	199'015	12'934'332	−7'958	−1'982	−71'851	−81'791
Total		**14'032'845**	**314'309**	**199'015**	**14'546'168**	**−8'341**	**−1'982**	**−71'851**	**−82'174**

in CHF thousands	Note	Carrying value				Value allowances			
31.12.2018		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial instruments measured at fair value through other income *									
Fixed-interest securities	15	1'207'796	0	0	1'207'796	−60	0	0	−60
Total		**1'207'796**	**0**	**0**	**1'207'796**	**−60**	**0**	**0**	**−60**

in CHF thousands	Note	Credit risk				Value allowance provision			
31.12.2018		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Commitments and financial guarantees (off-balance sheet positions) **									
Financial guarantees		559'347	3'196	1'701	564'244	−1'128	−450	−1'701	−3'279
Credit cards		15'521	30	0	15'551	−6	0	0	−6
Total		**574'867**	**3'226**	**1'701**	**579'795**	**−1'134**	**−450**	**−1'701**	**−3'285**

* The carrying value corresponds to fair value, no value allowance can be made. The value allowance is made through other comprehensive income.

** The value corresponds to the maximum credit risk. Value allowances are recognised as provisions.

in CHF thousands	Note	Gross carrying value				Value allowances			
31.12.2019		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	1'352'469	0	0	1'352'469	−131	0	0	−131
Loans	13	12'239'351	563'827	236'257	13'039'435	−5'191	−2'126	−71'594	−78'911
Total		**13'591'820**	**563'827**	**236'257**	**14'391'904**	**−5'322**	**−2'126**	**−71'594**	**−79'042**

in CHF thousands	Note	Carrying value				Value allowances			
31.12.2019		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial instruments measured at fair value through other income *									
Fixed-interest securities	15	1'595'413	0	0	1'595'413	−113	0	0	−113
Total		**1'595'413**	**0**	**0**	**1'595'413**	**−113**	**0**	**0**	**−113**

in CHF thousands	Note	Credit risk				Value allowance provision			
31.12.2019		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Commitments and financial guarantees (off-balance sheet positions) **									
Financial guarantees		565'802	8'757	808	575'367	−1'050	−572	−808	−2'430
Credit cards		18'401	90	0	18'491	−7	0	0	−7
Total		**584'203**	**8'847**	**808**	**593'859**	**−1'058**	**−572**	**−808**	**−2'437**

* The carrying value corresponds to fair value, no value allowance can be made. The value allowance is made through other comprehensive income.
** 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 2018	11'591'783	371'422	198'206	12'161'411
Transfers				
from Stage 1 to Stage 2	−126'676	126'676	0	0
from Stage 2 to Stage 1	163'563	−163'563	0	0
from Stage 2 to Stage 3	0	−22'044	22'044	0
from Stage 3 to Stage 2	0	0	0	0
Additions from changes to scope of consolidation	286'419	0	5'506	291'925
Additions due to issuing loans	3'977'114	77'084	1'433	4'055'631
Disposals due to redemption of loans / waiving of claims	−3'470'048	−75'266	−28'174	−3'573'488
Foreign currency influences	−1'147	0	0	−1'147
Gross carrying amount as at 31 December 2018	**12'421'009**	**314'309**	**199'015**	**12'934'332**

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 2018	−8'944	−1'735	−77'445	−88'124
Transfers				
from Stage 1 to Stage 2	755	−4'197	0	−3'442
from Stage 2 to Stage 1	−148	148	0	0
from Stage 2 to Stage 3	0	3'682	−3'682	0
from Stage 3 to Stage 2	0	0	0	0
Additions from changes to scope of consolidation	−138	0	−2'437	−2'575
Additions due to issuing loans	−3'533	−533	−4'086	−8'152
Disposals due to redemption of loans / waiving of claims	3'703	159	15'799	19'661
Foreign currency influences	2	0	0	2
Changes due to adjusted risk parameters and due to maturity effect	345	494	0	839
Valuation allowance as at 31 December 2018	**−7'958**	**−1'982**	**−71'851**	**−81'791**

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 2019	12'421'009	314'309	199'015	12'934'332
Transfers				
from Stage 1 to Stage 2	−335'896	335'896	0	0
from Stage 2 to Stage 1	94'599	−94'599	0	0
from Stage 2 to Stage 3	0	−74'104	74'104	0
from Stage 3 to Stage 2	0	15'204	−15'204	0
Additions from changes to scope of consolidation	0	0	0	0
Additions due to issuing loans	4'128'605	141'899	3'421	4'273'925
Disposals due to redemption of loans / waiving of claims	−4'065'862	−74'778	−24'654	−4'165'294
Foreign currency influences	−3'103	0	−425	−3'528
Gross carrying amount as at 31 December 2019	**12'239'351**	**563'827**	**236'257**	**13'039'435**

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 2019	−7'958	−1'982	−71'851	−81'791
Transfers				
from Stage 1 to Stage 2	209	−209	0	0
from Stage 2 to Stage 1	−612	612	0	0
from Stage 2 to Stage 3	0	2	−2	0
from Stage 3 to Stage 2	0	0	0	0
Net revaluation effect from transfers	548	−669	−7'295	−7'416
Additions from changes to scope of consolidation	0	0	0	0
Addition on account of new loans to customers / interest / reduction of existing collateral	−603	−841	−10'357	−11'801
Disposals due to redemption of loans / waiving of claims	2'207	886	17'372	20'466
Foreign currency influences	2	0	425	427
Changes due to adjusted risk parameters and due to maturity effect	1'014	75	115	1'205
Valuation allowance as at 31 December 2019	**−5'191**	**−2'126**	**−71'594**	**−78'911**

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 2018	301'825	497	2'120	304'441
Transfers				
from Stage 1 to Stage 2	−758	758	0	0
from Stage 2 to Stage 1	1'020	−1'020	0	0
from Stage 2 to Stage 3	0	−4	4	0
from Stage 3 to Stage 2	0	0	0	0
Additions from changes to scope of consolidation	250'908	0	0	250'908
Addition due to granting of new financial guarantees	147'224	3'256	36	150'516
Disposal due to withdrawal of financial guarantees	−140'508	−290	−459	−141'257
Foreign currency influences	−361	0	0	−361
Changes due to adjusted risk parameters and due to maturity effect	−4	0	0	−4
Credit risk as at 31 December 2018	**559'347**	**3'196**	**1'701**	**564'244**

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 2018	−1'988	−783	−2'120	−4'891
Transfers				
from Stage 1 to Stage 2	177	−177	0	0
from Stage 2 to Stage 1	−541	541	0	0
from Stage 2 to Stage 3	0	4	−4	0
from Stage 3 to Stage 2	0	0	0	0
Additions from changes to scope of consolidation	0	0	0	0
Addition due to granting of new financial guarantees	−178	−117	−36	−331
Disposal due to withdrawal of financial guarantees	622	25	459	1'106
Foreign currency influences	2	0	0	2
Changes due to adjusted risk parameters and due to maturity effect	778	56	0	834
Provision as at 31 December 2018	**−1'128**	**−450**	**−1'701**	**−3'279**

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 2019	559'347	3'196	1'701	564'244
Transfers				
from Stage 1 to Stage 2	– 3'114	3'114	0	0
from Stage 2 to Stage 1	159	– 159	0	0
from Stage 2 to Stage 3	0	0	0	0
from Stage 3 to Stage 2	0	51	– 51	0
Additions from changes to scope of consolidation	0	0	0	0
Addition due to granting of new financial guarantees	150'094	3'752	448	154'294
Disposal due to withdrawal of financial guarantees	– 140'004	– 1'197	– 1'290	– 142'492
Foreign currency influences	– 679	0	0	– 679
Credit risk as at 31 December 2019	**565'802**	**8'757**	**808**	**575'367**

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 2019	– 1'128	– 450	– 1'701	– 3'279
Transfers				
from Stage 1 to Stage 2	31	– 31	0	0
from Stage 2 to Stage 1	– 74	74	0	0
from Stage 2 to Stage 3	0	0	0	0
from Stage 3 to Stage 2	0	– 51	51	0
Net revaluation effect from transfers	72	– 207	0	– 136
Additions from changes to scope of consolidation	0	0	0	0
Addition due to granting of new financial guarantees	– 275	8	– 448	– 716
Disposal due to withdrawal of financial guarantees	199	28	1'290	1'517
Foreign currency influences	6	0	0	6
Changes due to adjusted risk parameters and due to maturity effect	119	59	0	178
Provision as at 31 December 2019	**– 1'050**	**– 572**	**– 808**	**– 2'430**

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.

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	31.12.2019	31.12.2018	+/−%
Secured by properties	11'270'282	11'212'329	0.5
Other collateral	1'404'250	1'309'653	7.2
Unsecured	285'991	330'558	−13.5
Total	**12'960'524**	**12'852'541**	**0.8**

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 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 31.12.2018				
Loans to customers	199'015	−71'851	127'164	127'164
Financial assets of stage 3 on reporting date 31.12.2019				
Loans to customers	236'257	−71'594	164'663	164'663

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	31.12.2019	31.12.2018
Written-off financial assets in year under report, subject to an enforcement measure	Contractually outstanding amount	Contractually outstanding amount
Loans to customers	864	68

Newly agreed loans to customers

Newly agreed loans to customers are not substantial.

Changes to collateral policy

There were no substantial changes to the collateral policy or in the quality of collateral in the 2019 business year.

Types of cover for due from banks

in CHF thousands	31.12.2019	31.12.2018	+ / − %
Secured	20	101'164	− 100.0
Unsecured	1'352'319	1'510'289	− 10.5
Total	**1'352'338**	**1'611'454**	**− 16.1**

Expected value allowances of stage 1 exist for claims due from banks.

Taken-over collateral

	2019			2018		
in CHF thousands	Financial investments	Real estate / Properties	Total	Financial investments	Real estate / Properties	Total
As at 1 January	0	850	850	0	2'741	2'741
Additions / (Disposals)	0	900	900	0	− 1'723	− 1'723
(Value allowances) / Revaluations	0	0	0	0	− 168	− 168
As at 31 December	**0**	**1'750**	**1'750**	**0**	**850**	**850**

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.

Regulatory disclosures

1 Capital adequacy requirements (Pillar I)

In addition to the Banking Law and Banking Ordinance of the Principality of Liechtenstein, the legal basis of the capital adequacy requirements is formed by the Basel Committee on Banking Supervision (Basel III), as adapted by the European Union in the form of the Capital Requirements Regulation (CRR).

Banks may choose from various approaches to calculate the credit requirements for credit, market and operational risks in accordance with Basel III. The LLB Group applies the standard approach for credit risks, the basic indicator approach for operational risks and the standard approach for market risks (trading book activities of insignificant materiality in accordance with article 94, para.1 CRR). The determination of capital requirements and tier capital is carried out on the basis of the IFRS consolidated financial statement of the scope of consolidated companies according to supervisory law, which differs slightly from the scope of consolidation of the LLB Group according to commercial law. Further information regarding the regulatory framework and key figures of the LLB Group can be found in the separately published Disclosure Report 2019.

1.1 Segmentation of credit risks

	Regulatory risk weighted									
in CHF thousands	**0 %**	**10 %**	**20 %**	**35 %**	**50 %**	**75 %**	**100 %**	**150 %**	**250 %**	**Total**
31.12.2019										
Central governments or central banks	5'499'644	0	0	0	0	0	0	0	0	5'499'644
Regional governments or local authorities	111'788	0	99'402	0	0	0	0	0	0	211'190
Public sector entities	80'839	0	37'435	0	5'106	0	0	0	0	123'381
Multilateral development banks	60'399	0	0	0	0	0	0	0	0	60'399
International organisations	0	0	0	0	0	0	0	0	0	0
Institutions	125'432	0	1'700'445	0	77'525	0	33'304	0	0	1'936'705
Corporates	0	0	236'916	0	109'598	0	1'210'226	29'120	0	1'585'860
Retail	0	0	0	0	0	310'152	735'471	0	0	1'045'623
Secured by mortgages on immovable property	0	0	0	8'672'566	1'860'026	0	768'054	0	0	11'300'647
In default	0	0	0	0	0	0	72'836	59'287	0	132'123
Items associated with particular high risk	0	0	0	0	0	0	0	0	0	0
Covered bonds	0	794'881	0	0	0	0	0	0	0	794'881
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0
Collective investment undertakings (CIU)	0	0	0	0	0	0	40'864	0	0	40'864
Equity exposures	0	0	0	0	0	0	76'911	0	32	76'943
Other items	76'476	0	355	0	0	0	191'984	0	15'538	284'352
Total	**5'954'578**	**794'881**	**2'074'553**	**8'672'566**	**2'052'256**	**310'152**	**3'129'650**	**88'407**	**15'570**	**23'092'612**
Total previous year	5'901'221	357'496	2'885'450	8'268'203	2'076'180	329'159	3'390'127	126'859	20'800	23'355'495

1.2 Mitigation of credit risk

	31.12.2019				31.12.2018			
in CHF thousands	**Covered by recognised financial collateral**	**Covered by guarantees**	**Other credit commitments**	**Total**	**Covered by recognised financial collateral**	**Covered by guarantees**	**Other credit commitments**	**Total**
Balance sheet positions	683'676	4'258	0	687'933	880'537	6'656	0	887'193
Off-balance sheet positions	55'123	0	0	55'123	56'482	0	0	56'482
Derivatives	11'368	0	0	11'368	1'427	0	0	1'427
Total	**750'166**	**4'258**	**0**	**754'424**	**938'446**	**6'656**	**0**	**945'101**

1.3 Leverage Ratio (LR)

The leverage ratio is another integral part of the Basel III package. With its comparison of unweighted on-balance sheet and off-balance sheet risk positions on the one hand, and equity held, on the other, it tries to prevent the danger of financial institutes becoming excessively indebted. Following the application of CRR 2 in 2021, the leverage ratio is to be limited to 3 per cent. Up to that date, it is being monitored by the supervisory authorities and does not yet have to be legally observed.

As at 31 December 2019, the leverage ratio of the LLB Group stood at 7.1 per cent (31.12.2018: 6.7 %).

1.4 Liquidity Coverage Ratio (LCR)

The regulations in European legislation regarding the liquidity coverage ratio are meant to ensure that banks possess a reasonable level of liquidity to cover their liquidity requirements in the case of a liquidity stress scenario within 30 calendar days. As the only currently binding regulatory liquidity reference figure, the LCR represents both an important indicator for liquidity risk measurement and for liquidity risk management.

At the end of 2019, a regulatory LCR lower limit of 100 per cent was applicable for the LLB Group. With a value of 156.7 per cent, the LLB Group's ratio was substantially higher than the legal requirements.

2 Internal capital and liquidity adequacy assessment process (pillar II)

2.1 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 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 capital adequacy from various perspectives.

From the normative internal perspective, an assessment is made of to what extent 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 complemented by an economic internal perspective, within the scope of which all major risks are identified and quantified which, from an economic point of view, could cause losses and substantially reduce the amount of internal capital. In line 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 is tested using internal models. The quantified risks arising from the individual risk categories are aggregated in a total risk potential and are compared with the capital available to cover these potential losses. This process enables the extent to be determined to which 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.

2.2 Internal liquidity adequacy assessment process (ILAAP)

The LLB Group has in place robust strategies, principles, processes and systems, which it employs to monitor, measure and manage liquidity risks over an appropriate number of time periods. In addition, it ensures an appropriate balance between short-term liabilities and available resources and readily marketable assets. Providing a stable refinancing basis is another priority.

An adequate liquidity base consists of components from pillars 1 and 2, whereby the minimum requirements for short-term and structural liquidity risks are covered by components of pillar 1. Pillar 2 covers the not completely covered minimum requirements or the uncovered risks, as well as those that cannot be influenced by the bank. Both individual and consolidated, sound, effective and comprehensive strategies and processes are employed to determine the necessary liquidity resources.

Even in the case of fluctuations on the markets, the LLB Group's liquidity resources must continue to be adequate. 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 bank's internal liquidity adequacy assessment process is documented in internal regulations and guidelines and is reviewed and revised annually.

Assets under management

in CHF millions	31.12.2019	31.12.2018	+ / – %
Assets in own-managed funds	6'089	6'212	–2.0
Assets with discretionary mandates	8'703	7'955	9.4
Other assets under management	61'531	53'123	15.8
Total assets under management	**76'322**	**67'290**	**13.4**
of which double counting	4'807	5'067	–5.1

in CHF millions	2019	2018	+ / – %
Total assets under management as at 1 January *	67'290	50'252	33.9
Net new money	4'142	1'278	
Market and currency effects **	4'890	–4'681	
Other effects (incl. reclassifications)	0	20'442	
Total assets under management as at 31 December *	**76'322**	**67'290**	**13.4**

* Including double counting.
** Including interest and dividend income.

Breakdown of assets under management

in per cent	31.12.2019	31.12.2018
By asset class		
Equities	20	19
Bonds	21	21
Investment funds	33	30
Liquidity	21	24
Precious metals / others	5	5
Total	**100**	**100**
By currency		
CHF	31	32
EUR	39	39
USD	22	22
Others	8	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.

Financial statement of LLB AG in the online annual report with Excel files for your own statistics

http://ar2019.llb.li/financial-statement-llb-ag

Financial statement of LLB AG, Vaduz

Report of the statutory auditor

to the General Meeting of Liechtensteinische Landesbank Aktiengesellschaft, Vaduz

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Liechtensteinische Landesbank Aktiengesellschaft ("the Company"), which comprise the balance sheet as at 31 December 2019, the income statement for the year then ended and the notes, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 219 to 241) give a true and fair view of the consolidated financial position of the Company as at 31 December 2019 and its financial performance for the year then ended in accordance with Liechtenstein law and the Company's articles of association.

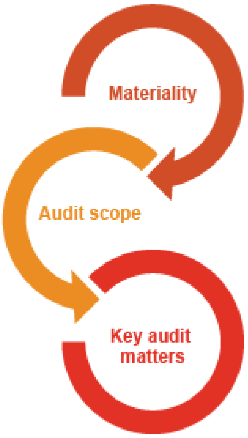
Basis for opinion

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

We are independent of the entity in accordance with the provisions of Liechtenstein law and the requirements of the Liechtenstein audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 3.85 million

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

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

- Valuation of loans

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Overall materiality	CHF 3.85 million
How we determined it	5% of the result from normal business operations
Rationale for the materiality benchmark applied	We chose the result from normal business operations as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured. The result from normal business operations represents profit before tax and before changes to the provisions for general banking risks and is a generally accepted benchmark for materiality considerations.

We agreed with the Group Audit Committee that we would report to them misstatements above CHF 0.19 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

Key audit matters

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

Valuation of loans

Key audit matter	**How our audit addressed the key audit matter**
The Company grants loans to private individuals, corporates and public entities located mainly in Liechtenstein and Switzerland. As at 31 December 2019, loans amount to CHF 6.7 billion (2018: CHF 6.8 billion) and thus represent the largest asset category of the Bank. Mortgage-based loans form the majority of the loan portfolio (79% of total loans). In addition, the Bank grants corporate loans and Lombard loans. Any impairments are recognised by means of individual loss allowances. Calculating the amount of individual loss allowances requires judgement. We focussed on the following two points: • The methods used by the Bank to identify loans in the loan portfolio that may need a loss allowance, including loans that according to the Bank's definition show indications of impairment. • The appropriateness and consistent application of the policies and instructions issued by Group management relating to the calculation of the amount of individual loss allowances. The recognition and valuation principles applied to accounts receivable from customers and the methods used to identify default risk, to determine the need for impairment and to evaluate collateral are described in the management report. *Please refer to page 224 (Accounting policies and valuation principles), page 227 (Notes to the balance sheet Type of collateral).*	We tested the adequacy and effectiveness of the following key controls relating to the valuation of accounts receivable from customers: • Credit processing and authorisation: Sample testing of the requirements and processes set out in the Group's internal policies and working instructions in relation to credit processing. We also tested that approvals were granted at the appropriate level of authority. • Credit monitoring (periodic reviews): Sample testing of identified loans at risk and of the calculation of the potential amount of impairment. Where significant judgement was required, we also challenged the decisions of those authorised to approve loans with our own critical opinion as part of our substantive tests of detail. Our tests of detail covered the following: • Sample-based testing of new business and loans at risk in the loan portfolio (including loans with individual loss allowances or indications of impairment) to evaluate whether additional loss allowances were needed. • Sample-based testing of the method used to calculate loss allowances on the loan portfolio in terms of its appropriateness and compliance with the policies and working instructions issued by the Group. The tests of key controls and tests of detail give us sufficient assurance to assess the valuation of the loans as adequate. The valuation estimates made by the Bank are in line with our expectations.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report except for the consolidated financial statements and the stand-alone financial statements of Liechtensteinische Landesbank Aktiengesellschaft and our auditor's reports thereon.

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

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

Responsibilities of the Board of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

The management report (page 218) as at 31 December 2019 comply with Liechtenstein law and the articles of incorporation. Further, the management report accords with the financial statements and, in our opinion, does not contain any material inaccurate information.

We further confirm that the proposed appropriation of available earnings complies with Liechtenstein law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Claudio Tettamanti	Valentin Studer
Certified Public Accountant	Certified Public Accountant (CH)
(Auditor in charge)	

St. Gallen, 9 March 2020

Management report

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

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

On the balance sheet date, Liechtensteinische Landesbank AG, Vaduz, and its subsidiaries held a total of 364'295 registered shares (previous year: 124'841 shares). This corresponds to a share capital stake of 1.2 per cent (previous year: 0.4 %). With respect to the volume of and changes to treasury shares of Liechtensteinische Landesbank AG, reference is made to the individual financial statement.

The Board of Directors proposes to the General Meeting of Shareholders on 8 May 2020 that a dividend of net CHF 2.20 per registered share be paid out.

No important changes have occurred since the balance sheet date which would necessitate the reporting of any additional data or a correction of the 2019 financial statement.

Balance sheet

in CHF thousands	Note	31.12.2019	31.12.2018	+ / − %
Assets				
Cash and balances with central banks		2'980'038	3'599'823	−17.2
Due from banks		1'812'979	1'447'437	25.3
due on a daily basis		703'579	636'299	10.6
other claims		1'109'401	811'138	36.8
Loans	1	6'675'631	6'789'787	−1.7
of which mortgages	1	5'261'317	5'143'457	2.3
of which subordinated claims (gross)		0	0	
Bonds and other fixed-interest securities		1'545'293	1'338'466	15.5
Money market instruments		0	0	
Bonds		1'545'293	1'338'466	15.5
from public authority issuers		279'296	246'381	13.4
from other issuers		1'265'997	1'092'086	15.9
of which subordinated bonds		0	0	
Shares and other non-fixed-interest securities		62'252	50'331	23.7
Participations	4	28	30	−6.3
Shares in associated companies	4	437'482	436'200	0.3
Intangible assets	6	45'165	42'293	6.8
Fixed assets	6	87'088	89'472	−2.7
Own shares	3	22'647	7'735	192.8
Other assets	18	209'128	169'675	23.3
Accrued income and prepayments		64'667	65'554	−1.4
Total assets		**13'942'398**	**14'036'805**	**−0.7**
Liabilities				
Due to banks		1'319'585	1'359'827	−3.0
due on a daily basis		342'147	610'381	−43.9
with agreed maturities or periods of notice		977'439	749'447	30.4
Due to customers		10'215'843	10'440'625	−2.2
savings deposits		2'103'531	2'227'348	−5.6
other liabilities		8'112'313	8'213'277	−1.2
due on a daily basis		7'649'509	7'816'174	−2.1
with agreed maturities or periods of notice		462'804	397'103	16.5
Certified liabilities		363'284	131'103	177.1
medium-term notes		113'284	131'103	−13.6
Bonds issued	9	250'000	0	
Other liabilities	18	208'738	269'649	−22.6
Accrued expenses and deferred income		47'067	49'775	−5.4
Provisions		6'581	9'829	−33.0
tax provisions	10	5'449	5'803	−6.1
other provisions	10	1'132	4'026	−71.9
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		1'195'080	1'185'080	0.8
legal reserves		390'550	390'550	0.0
reserves for own shares		22'647	7'735	192.8
other reserves		781'883	786'795	−0.6
Balance brought forward		4'858	4'872	−0.3
Profit for the year		69'611	74'295	−6.3
Total liabilities		**13'942'398**	**14'036'805**	**−0.7**

Off-balance sheet transactions

in CHF thousands	Note	31.12.2019	31.12.2018	+ / − %
Contingent liabilities	1 / 19	43'019	43'893	−2.0
Credit risks		191'088	190'660	0.2
irrevocable commitments	1	186'044	190'622	−2.4
call liabilities	1	5'045	38	
Derivative financial instruments	20	17'273'418	15'447'731	11.8
Fiduciary transactions	21	656'660	512'591	28.1

Income statement

in CHF thousands	Note	2019	2018	+ / – %
Interest income		111'622	114'926	–2.9
of which from fixed-interest securities		19'731	15'471	27.5
of which from trading transactions		0	0	256.8
Interest expenses		–19'689	–28'064	–29.8
Net interest income		**91'933**	**86'862**	**5.8**
Shares and other non-fixed-interest securities		512	162	217.1
of which from trading transactions		512	162	217.1
Participations and associated companies		15'000	10'004	49.9
Income from securities		**15'512**	**10'166**	**52.6**
Credit-related commissions and fees		359	353	1.8
Commissions from securities and investment business		104'958	104'076	0.8
Other commission and fee income		18'962	19'194	–1.2
Commission and fee expenses		–43'765	–44'868	–2.5
Net commission and fee income		**80'514**	**78'754**	**2.2**
Income from financial transactions		**40'601**	**55'378**	**–26.7**
of which from trading business	22	43'225	50'089	–13.7
Income from real estate holdings		874	1'158	–24.5
Sundry ordinary income		28'477	21'440	32.8
Other ordinary income		**29'351**	**22'598**	**29.9**
Total operating income		**257'911**	**253'758**	**1.6**
Personnel expenses	23	–103'879	–104'900	–1.0
Administrative expenses	24	–46'146	–48'022	–3.9
Total operating expenses		**–150'025**	**–152'922**	**–1.9**
Gross operating profit		**107'887**	**100'836**	**7.0**
Depreciation on intangible assets and fixed assets		–22'979	–20'649	11.3
Sundry ordinary expenses	25	–1'247	–445	180.0
Allowances on claims and allocations to provisions for contingent liabilities and lending risks	10	–9'025	–696	
Earnings from the release of allowances on claims and of provisions for contingent liabilities and lending risks	10	2'681	1'021	162.5
Write-downs to participations, shares in associated companies and securities treated as long-term investments		–2	–3	–25.8
Earnings from write-ups to participations, shares in associated companies and securities treated as long-term investments		0	0	
Result from normal business operations		**77'315**	**80'065**	**–3.4**
Income taxes		–7'905	–5'864	34.8
Other taxes		201	95	111.6
Releases / (Additions) to provisions for general banking risks		0	0	
Profit for the year *		**69'611**	**74'295**	**–6.3**

* The return on capital (annual profit in relation to balance sheet total) amounted to 0.50 per cent as at 31 December 2019 and to 0.53 per cent as at 31 December 2018 (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 8 May 2020 that the balance sheet profit as at 31 December 2019 be distributed as follows:

in CHF thousands	2019	2018
Profit for the year	69'611	74'295
Balance brought forward	4'858	4'872
Balance sheet profit	74'470	79'167
Distribution of balance sheet profit		
Allocation to other reserves	3'000	10'000
Allocation to corporate capital (common stock) *	66'959	64'309
Balance carried forward *	4'511	4'858

* 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 2019.

If this proposal is accepted, a dividend of net CHF 2.20 per registered share will be paid out on 14 May 2020.

Notes on business operations

Liechtensteinische Landesbank Aktiengesellschaft with its registered office in Vaduz and two domestic branch offices is active as a full-service (universal) bank. LLB AG is one of the three largest banks in Liechtenstein and has subsidiaries in Liechtenstein, Austria and Switzerland, as well as a branch in Dubai and representative offices in Zurich-Erlenbach, Geneva and Abu Dhabi. At the end of 2019, LLB AG employed 583 persons (previous year: 574) on a full-time equivalent basis. The average headcount in 2019 amounted to 582 persons (previous year: 565) 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	31.12.2019	31.12.2018
1 USD	0.9662	0.9866
1 EUR	1.0854	1.1282

Average rate	2019	2018
1 USD	0.9928	0.9775
1 EUR	1.1117	1.1524

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.

Changes to the previous year

In the previous year, a reclassification of balances due to banks (due daily) to balances due to customers (due daily) was made.

Notes to the balance sheet

1 Type of collateral

in CHF thousands		Type of collateral Secured by mortgage	Other collateral	Unsecured	Total
Loans					
Loans (excluding mortgage loans)		14'304	926'788	473'222	1'414'314
Mortgage loans					
residential property		4'240'648	2'974	37'776	4'281'398
office and business property		550'528	506	5'506	556'539
commercial and industrial property		228'011	0	4'137	232'148
other		191'231	0	0	191'231
Total loans	**31. 12. 2019**	**5'224'722**	**930'268**	**520'641**	**6'675'631**
	31. 12. 2018	5'086'688	1'162'696	540'403	6'789'787
Off-balance sheet transactions					
Contingent liabilities		1'662	38'256	3'101	43'019
Irrevocable commitments		74'981	11'437	99'626	186'044
Call liabilities		0	0	5'045	5'045
Total off-balance sheet transactions	**31. 12. 2019**	**76'643**	**49'693**	**107'772**	**234'108**
	31. 12. 2018	69'258	50'285	115'010	234'553

Impaired claims

in CHF thousands	Gross outstanding amount	Estimated proceeds from realisation of collateral	Net outstanding amount	Specific allowances
31. 12. 2019	**57'362**	**27'110**	**30'252**	**30'252**
31. 12. 2018	48'505	23'689	24'815	24'815

2 Securities and precious metals holdings

a Securities and precious metals trading positions

	Book value		Cost		Market value	
in CHF thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Equities	11	10	69	67	11	10
listed	0	1	57	58	0	1
unlisted	11	10	11	10	11	10
Total	**11**	**10**	**69**	**67**	**11**	**10**

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

	Book value		Cost		Market value	
in CHF thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Debt securities	1'545'293	1'338'466	1'552'950	1'346'528	1'572'988	1'351'745
listed	1'545'293	1'338'466	1'552'950	1'346'528	1'572'988	1'351'745
Equities	22'670	7'760	23'780	8'402	22'784	8'070
listed	22'647	7'735	23'574	8'195	22'732	8'015
unlisted	23	25	206	207	52	55
Total	**1'567'963**	**1'346'226**	**1'576'730**	**1'354'931**	**1'595'772**	**1'359'814**

c Securities and precious metals as fixed assets

	Book value		Cost		Market value	
in CHF thousands	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Equities	62'218	50'296	69'213	57'304	70'244	53'396
listed	44'009	0	44'385	0	46'366	0
unlisted	18'208	50'296	24'828	57'304	23'878	53'396
Precious metals	45'838	37'080	45'838	37'080	45'838	37'080
Total	**108'056**	**87'376**	**115'051**	**94'383**	**116'083**	**90'476**

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

	Quantity		Book value	
Quantity / in CHF thousands	**2019**	**2018**	**2019**	**2018**
As at 1 January	124'841	1'922'937	7'735	94'894
Bought	283'500	116'500	18'284	7'100
Sold *	−44'046	−1'914'596	−2'588	−163'176
Additions / (Impairments)	0	0	−784	68'917
As at 31 December	**364'295**	**124'841**	**22'647**	**7'735**

* The previous year contains the transfer of 1.85 million treasury shares to the owners for the purchase of Semper Constantia Privatbank AG.

4 Participations and shares in associated companies

in CHF thousands	**31.12.2019**	**31.12.2018**
Participations		
Without market value	28	30
Total participations	**28**	**30**
Shares in associated companies		
Without market value	437'482	436'200
Total shares in associated companies	**437'482**	**436'200**

5 Substantial participations and shares in associated companies

Company name and registered office	Business activity	Currency	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	Fund management company	CHF	8'000'000	100.0	100.0
LLB Holding AG, Uznach	Holding company	CHF	95'328'000	100.0	100.0
Zukunftsstiftung der Liechtensteinischen Landesbank AG	Charitable foundation	CHF	30'000	100.0	100.0

6 Statement of fixed assets

in CHF thousands	Cost	Accumulated depreciation	Book value 31.12.2018	Investments	Disinvestments	Reclassifications	Additions	Depreciation	Book value 31.12.2019
Total participations (non-controlling interests)	**37**	**– 7**	**30**					**– 2**	**28**
Total shares in associated companies	**472'569**	**– 36'369**	**436'200**	**1'281**					**437'482**
Total securities and precious metals as fixed assets	**167'237**	**– 79'861**	**87'376**	**176'688**	**– 156'009**				**108'056**
Total intangible assets *	**149'020**	**– 106'727**	**42'293**	**16'047**				**– 13'176**	**45'165**
Real estate									
bank premises	176'957	– 116'403	60'555	1'398				– 4'937	57'016
other properties	25'038	– 10'038	15'000	0					15'000
Other fixed assets	104'731	– 90'812	13'919	6'021				– 4'867	15'073
Total fixed assets	**306'726**	**– 217'253**	**89'472**	**7'419**				**– 9'804**	**87'088**
Fire insurance value of real estate			194'917						195'363
Fire insurance value of other fixed assets			37'036						28'181

* Solely licences and software

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

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

in CHF thousands	31.12.2019	31.12.2018
Excluding lending transactions and pension transactions with securities		
Book value of pledged and assigned (as collateral) assets	51'715	50'248
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	280'638	250'228
of which capable of being resold or further pledged without restrictions	280'638	250'228
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	411'057	582'184
of which resold or further pledged securities	3'298	82'759

8 Liabilities due to own pension funds

in CHF thousands	31.12.2019	31.12.2018	+/−%
Current account, call money and time deposits	3'676	19	
Savings deposits	17'792	20'089	−11.4
Total	**21'468**	**20'108**	**6.8**

9 Bonds issued

					in CHF thousands		
Year issued	Name	Currency	Maturity	Nominal interest rate in %	Nominal value	2019	2018
2019	Liechtensteinische Landesbank AG 0.125 % Senior Preferred Anleihe 2019 – 2026	CHF	28.05.2026	0.125 %	150'000	150'000	0
2019	Liechtensteinische Landesbank AG 0.000 % Senior Preferred Anleihe 2019 – 2029	CHF	27.09.2029	0.000 %	100'000	100'000	0

10 Allowances and provisions / provisions for general banking risks

in CHF thousands	Total 31.12.2018	Specific allowances	Recoveries, overdue interest, currency differences	New provisions charged to income statement	Provisions released to income statement	Total 31.12.2019
Allowances for loan default risks						
Specific allowances	24'815	−930	23	9'025	−2'681	30'252
Lump-sum individual allowances (incl. those for country risks)	0	0	0	0	0	0
Provisions for taxes and deferred taxes	5'803	0	0	0	−354	5'449
Other provisions	4'026	−450	0	349	−2'793	1'132
Total allowances and provisions	**34'644**	**−1'380**	**23**	**9'374**	**−5'829**	**36'833**
Minus allowances	−24'815					−30'252
Total provisions according to balance sheet	**9'829**					**6'581**
Provisions for general banking risks	**310'000**					**310'000**

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

	31.12.2019			31.12.2018		
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	152'179	154'000	30'800'000	153'376
Total common stock	**154'000**	**30'800'000**	**152'179**	**154'000**	**30'800'000**	**153'376**

No conditional or authorised capital exists.

	31.12.2019		31.12.2018	
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	2019
Share capital	154'000
Share premium	47'750
Legal reserves	390'550
Reserve for own shares	7'735
Other reserves	786'795
Provisions for general banking risks	310'000
Balance sheet profit	79'167
Total shareholders' equity as at 1 January (before profit distribution)	**1'775'997**
Dividend and other distributions from previous year's profit	−64'309
Net profit for the year	69'611
Allocation to provisions for general banking risks	0
Total shareholders' equity as at 31 December (before profit distribution)	**1'781'300**
Of which:	
Share capital	154'000
Share premium	47'750
Legal reserves	390'550
Reserve for own shares	22'647
Other reserves	781'883
Provisions for general banking risks	310'000
Balance sheet profit	74'470

13 Maturity structure of assets, liabilities and provisions

in CHF thousands		Sight deposits	Callable	Due within 3 months	Due between 3 months to 12 months	Due between 12 months to 5 years	Due after 5 years	Immo-bilised	Total
Assets									
Cash and balances with central banks		2'980'038	0	0	0	0	0	0	2'980'038
Due from banks		560'579	0	838'178	114'925	25'213	274'085	0	1'812'979
Loans		13'631	532'600	1'586'810	879'950	2'697'145	965'495	0	6'675'631
of which mortgage loans		12'854	84'190	824'365	762'935	2'612'884	964'088	0	5'261'317
Securities and precious metals held for trading		11	0	0	0	0	0	0	11
Securities and precious metals holdings as currents assets (excluding trading positions)		1'567'963	0	0	0	0	0	0	1'567'963
Securities and precious metals holdings as fixed assets		45'838	62'218	0	0	0	0	0	108'056
Other assets		540'143	19	72'854	35'508	41'146	19'211	88'838	797'719
Total assets	**31.12.2019**	**5'708'204**	**594'836**	**2'497'842**	**1'030'383**	**2'763'504**	**1'258'791**	**88'838**	**13'942'398**
	31.12.2018	6'177'309	579'309	1'767'549	1'185'045	3'257'592	979'107	90'895	14'036'805
Liabilities and provisions									
Due to banks		342'147	217'080	650'014	110'344	0	0	0	1'319'585
Due to customers		7'068'217	2'708'171	376'414	63'041	0	0	0	10'215'843
of which savings deposits		0	2'056'880	40'911	5'740	0	0	0	2'103'531
of which other liabilities		7'068'217	651'292	335'503	57'301	0	0	0	8'112'313
Certified liabilities		0	0	7'562	26'202	66'031	263'489	0	363'284
of which medium-term notes		0	0	7'562	26'202	66'031	13'489	0	113'284
of which bonds issued		0	0	0	0	0	250'000	0	250'000
Provisions (excluding provisions for general banking risks)		0	0	0	0	6'581	0	0	6'581
Other liabilities		80'514	23	78'575	31'540	43'542	21'609	0	255'804
Total liabilities and provisions	**31.12.2019**	**7'490'878**	**2'925'275**	**1'112'566**	**231'128**	**116'154**	**285'098**	**0**	**12'161'098**
	31.12.2018	7'569'290	3'203'908	867'926	427'727	152'060	39'897	0	12'260'808
Bonds and other fixed-interest securities that are due in the following financial year									227'332

14 Due from and due to associated companies and related parties

a Due from and due to participations and associated companies

in CHF thousands	31.12.2019	31.12.2018	+ / − %
Due from participations	0	0	
Due to participations	0	0	
Due from associated companies	957'307	435'461	119.8
Due to associated companies	854'284	1'114'671	− 23.4

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

in CHF thousands	31.12.2019	31.12.2018 **	+ / − %
Due from the Principality of Liechtenstein	3'373	3'051	10.5
Due to the Principality of Liechtenstein	188'804	140'554	34.3
Due from companies associated with the Principality of Liechtenstein *	56'084	56'015	0.1
Due to companies associated with the Principality of Liechtenstein *	195'524	186'118	5.1

* Associated companies: Liechtensteinische Kraftwerke, Liechtensteinische Gasversorgung, Telecom Liechtenstein AG, Liechtensteinische Post AG, Verkehrsbetrieb LIECHTENSTEINmobil and AHV-IV-FAK-Anstalt.
** The comparison period was adjusted.

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	31.12.2019	31.12.2018	+ / − %
Members of the Board of Directors	668	576	16.0
Members of the Board of Management	2'561	2'844	− 9.9

d Related party transactions

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

15 Breakdown of assets and liabilities by location

	31.12.2019		31.12.2018	
in CHF thousands	**FL / CH**	**Abroad**	**FL / CH**	**Abroad**
Assets				
Cash and balances with central banks	2'980'038	0	3'599'823	0
Due from banks	1'471'703	341'276	904'077	543'360
Loans (excluding mortgages)	850'365	563'949	841'480	804'850
Mortgage loans	5'261'317	0	5'143'457	0
Bonds and other fixed-interest securities	275'518	1'269'775	220'247	1'118'220
Shares and other non-fixed-interest securities	55'476	6'776	40'749	9'582
Participations	28	0	30	0
Shares in associated companies	131'405	306'077	131'405	304'795
Intangible assets	45'165	0	42'293	0
Fixed assets	87'088	0	89'472	0
Own shares	22'647	0	7'735	0
Other assets	138'310	70'819	129'411	40'264
Accrued income and prepayments	47'544	17'123	49'975	15'580
Total assets	**11'366'604**	**2'575'794**	**11'200'154**	**2'836'651**
Liabilities				
Due to banks	548'975	770'610	379'552	980'275
Due to customers (excluding savings deposits)	5'767'822	2'344'491	5'805'320	2'407'957
Savings deposits	1'771'838	331'693	1'895'742	331'606
Certified liabilities	363'284	0	131'103	0
Other liabilities	162'939	45'799	220'682	48'967
Accrued expenses and deferred income	26'098	20'969	24'334	25'440
Provisions	6'581	0	9'829	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	22'647	0	7'735	0
Other reserves	781'883	0	786'795	0
Profit carried forward	4'858	0	4'872	0
Profit for the year	69'611	0	74'295	0
Total liabilities	**10'428'836**	**3'513'562**	**10'242'559**	**3'794'246**

16 Geographical breakdown of assets by location

	31.12.2019		31.12.2018	
in CHF thousands	**Absolute value**	**% of total**	**Absolute value**	**% of total**
Liechtenstein / Switzerland	11'366'604	81.5	11'200'154	79.8
Europe (excluding Liechtenstein / Switzerland)	1'460'952	10.5	1'670'897	11.9
North America	444'291	3.2	403'751	2.9
Asia	418'110	3.0	501'612	3.6
Others	252'440	1.8	260'391	1.9
Total assets	**13'942'398**	**100.0**	**14'036'805**	**100.0**

17 Breakdown of assets and liabilities by currency

in CHF thousands	CHF	EUR	USD	Others	Total
Assets					
Cash and balances with central banks	2'968'486	11'113	183	255	2'980'038
Due from banks	823'871	369'446	339'385	280'278	1'812'979
Loans (excluding mortgages)	717'870	293'636	330'928	71'880	1'414'314
Mortgage loans	5'253'882	7'435	0	0	5'261'317
Bonds and other fixed-interest securities	446'173	504'324	594'796	0	1'545'293
Shares and other non-fixed-interest securities	50'946	8'405	2'900	0	62'252
Participations	28	0	0	0	28
Shares in associated companies	437'482	0	0	0	437'482
Intangible assets	45'165	0	0	0	45'165
Fixed assets	87'088	0	0	0	87'088
Own shares	22'647	0	0	0	22'647
Other assets	164'665	8'761	35'147	556	209'128
Accrued income and prepayments	35'556	14'808	13'100	1'203	64'667
Total on-balance sheet assets	**11'053'857**	**1'217'928**	**1'316'441**	**354'171**	**13'942'398**
Delivery claims from forex spot, forex futures and forex options transactions	4'099'189	4'882'758	4'711'894	1'279'343	14'973'183
Total assets	**15'153'046**	**6'100'686**	**6'028'335**	**1'633'513**	**28'915'581**
Liabilities					
Due to banks	925'811	344'629	21'728	27'417	1'319'585
Due to customers (excluding savings deposits)	4'333'586	1'643'179	1'619'685	515'862	8'112'313
Savings deposits	2'099'001	4'530	0	0	2'103'531
Certified liabilities	363'284	0	0	0	363'284
Other liabilities	200'089	4'714	3'450	485	208'738
Accrued expenses and deferred income	27'578	11'210	6'614	1'664	47'067
Provisions	6'581	0	0	0	6'581
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	22'647	0	0	0	22'647
Other reserves	781'883	0	0	0	781'883
Profit carried forward	4'858	0	0	0	4'858
Profit for the year	69'611	0	0	0	69'611
Total on-balance sheet liabilities	**9'737'231**	**2'008'261**	**1'651'476**	**545'429**	**13'942'398**
Delivery liabilities from forex spot, forex futures and forex options transactions	5'444'609	4'074'068	4'333'516	1'133'071	14'985'264
Total liabilities	**15'181'840**	**6'082'330**	**5'984'992**	**1'678'500**	**28'927'661**
Net position per currency	**– 28'794**	**18'357**	**43'343**	**– 44'986**	**– 12'081**

18 Other assets and liabilities

in CHF thousands	31.12.2019	31.12.2018	+/–%
Precious metals holdings	45'838	37'080	23.6
Tax prepayments / Withholding tax	1'067	655	62.9
Positive replacement values *	108'703	79'281	37.1
Settlement account	47'231	47'153	0.2
Clearing accounts	442	760	–41.9
Taken-over real estate	1'750	850	105.9
Deferred tax claim	4'097	3'896	5.2
Total other assets	**209'128**	**169'675**	**23.3**
Charge accounts	3'802	3'560	6.8
Negative replacement values *	155'119	119'723	29.6
Accounts payable	10'582	103'103	–89.7
Settlement account	17'141	16'930	1.2
Clearing accounts	22'094	26'332	–16.1
Total other liabilities	**208'738**	**269'649**	**–22.6**

* Replacement values are shown gross.

Notes to off-balance sheet transactions

19 Contingent liabilities

in CHF thousands	31.12.2019	31.12.2018	+/−%
Credit guarantees and similar instruments	21'509	23'545	−8.6
Performance guarantees and similar instruments	14'215	13'516	5.2
Other contingent liabilities	7'295	6'832	6.8
Total contingent liabilities	**43'019**	**43'893**	**−2.0**

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	17'141	51'470	2'236'708
Forward transactions		23	21	4'344	0	0	0
Foreign exchange contracts							
Forward contracts		88'813	100'898	14'947'065	0	0	0
Options (OTC)		2'363	2'368	68'019	0	0	0
Precious metals							
Forward contracts		17	17	1'898	0	0	0
Equity / Index contracts							
Options (OTC)		345	345	15'385	0	0	0
Total excluding netting agreements	**31.12.2019**	**91'562**	**103'649**	**15'036'710**	**17'141**	**51'470**	**2'236'708**
	31.12.2018	62'351	67'122	13'420'166	16'930	52'601	2'027'565

Liechtensteinische Landesbank AG has concluded no netting agreements.

21 Fiduciary transactions

in CHF thousands	31.12.2019	31.12.2018	+/−%
Fiduciary deposits with other banks	656'660	512'591	28.1
Total fiduciary transactions	**656'660**	**512'591**	**28.1**

Notes to the income statement

22 Income from trading operations

in CHF thousands	2019	2018	+ / − %
Foreign exchange trading	42'332	50'124	−15.5
Foreign note trading	−350	−435	−19.5
Precious metals trading	1'225	374	227.9
Securities trading	18	27	−32.4
Total	**43'225**	**50'089**	**−13.7**

23 Personnel expenses

in CHF thousands	2019	2018	+ / − %
Salaries and compensations	−83'164	−84'151	−1.2
Social benefits and retirement benefit plans	−17'305	−16'626	4.1
of which retirement benefit plans	−11'664	−11'226	3.9
Other personnel expenses	−3'410	−4'124	−17.3
Total	**−103'879**	**−104'900**	**−1.0**

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	2019	2018	+ / − %
Occupancy expenses	−3'498	−3'297	6.1
Expenses for IT, machinery, vehicles and other equipment	−17'689	−16'809	5.2
Other business expenses	−24'960	−27'916	−10.6
Total	**−46'146**	**−48'022**	**−3.9**

25 Other ordinary expenses

in CHF thousands	2019	2018	+ / − %
Losses on receivables	0	0	
Operational risk	0	0	
Sundry other ordinary expenses	−1'247	−445	180.0
Total other ordinary expenses	**−1'247**	**−445**	**180.0**

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.

Valuation estimates of real estate are stipulated in internal directives. The market value, which serves as the basis for loan-to-value ratios, is determined as follows:

- owner-occupied property: actual value;
- investment property: productive and actual value, depending on the property and the ratio of productive to actual value;
- owner-used commercial or industrial property: the productive and actual values attainable on the market, depending on the property and the ratio of productive to actual value;
- building land: internally stipulated price estimates taking into consideration future use.

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.

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Key dates 2020

January

1 Migration of LLB Österreich to the core banking system Avaloq

February

24 Presentation of 2019 business result, Bank Linth

March

12 Presentation of 2019 business result, LLB Group

April

15 171st Ordinary General Meeting of Shareholders, Bank Linth

29 SAQ certification event, Vaduz

May

8 28th Ordinary General Meeting of Shareholders, LLB

June

8 Presentation of the LLB Business Day Award on the Business Day for Women in Vaduz

25 – 27 "LLB Summer in the Courtyard" performances by various artists in the inner courtyard of the headquarters building

August

18 Presentation of 2020 interim financial result, Bank Linth

25 Presentation of 2020 interim financial result, LLB Group

September

15 Presentation of the LLB SME Award at the LIHGA regional trade fair

November

17 LLB Investment Forum

December

17 Presentation of the LLB Sport Award at the Liechtenstein Olympic Committee's Night of Sports