

# Economic environment

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

## International Perspectives

### USA

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

### Euro zone

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

### Switzerland

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

### Liechtenstein

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

## China

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

## Inflation

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

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

## Interest rates

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

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

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

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

## Currencies

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

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

## Equity markets

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

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

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

# Retail & Corporate Banking

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

## Regionally anchored

Founded 160 years ago, Liechtensteinische Landesbank is the longest established financial institute in Liechtenstein. Its very large share of the market in private and corporate client business confirms that the Landesbank is firmly anchored in the region and makes a major contribution to the economy of the Principality. It is the only bank in Liechtenstein with several branches and an extensive network of cash machines. Many clients are also shareholders of the bank (see chapter [“Economic value creation”](#)). Bank Linth (founded in 1848) also has a rich tradition and is well known for its proximity to clients and its strong regional ties. The client advisers at both banks live in their market regions and therefore have a profound knowledge of their clients’ needs (see chapter [“Employees”](#)).

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

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

## Premium partner of the Chamber of Commerce

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

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

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

## Spotlight on client needs

As part of the StepUp2020 strategy, the LLB Group set itself the goal of investing more time in the individual care of its clients and enhancing the quality of the advice it provides to them. In 2021, therefore, we paid great attention to the behavioural economic aspects of distribution and marketing issues as well as in product design. In collaboration with an external partner, we field tested various

behavioural economic concepts in a pilot project. In response to the good results achieved, we shall explore this concept in distribution, and our approach to clients in greater detail.

### Successful lending and mortgage business

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

#### Bank branch and ATM network

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

**2** bank branches and  
**19** ATM locations

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

**16** bank branches / advisory points and  
**27** ATM locations

### Payments, savings and deposits

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

### Reliable partners for our corporate clients

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

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

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

Our close ties with SME clients were demonstrated especially during the corona crisis. During the pandemic, both LLB and Bank Linth provided companies, which had run into financial difficulties, with Covid-19 bridging loans in a simple and unbureaucratic manner. In the year under report no further liquidity support was provided. Nevertheless, we continued to maintain close contacts with our

corporate clients. If, in spite of their sustainable business model, companies still experienced challenging liquidity situations, we supported them by deferring interest and amortisation payments. Each individual case was evaluated according to LLB's defined basic criteria (see chapter "Financial and risk management").

### Individual pension provisioning solutions

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

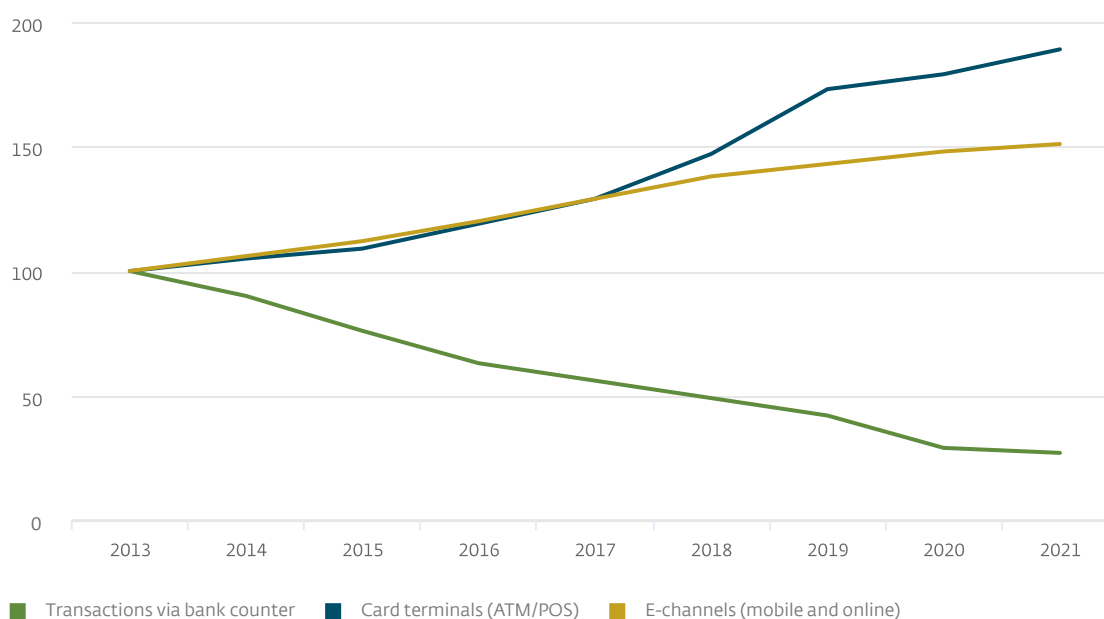
The LLB Pension Fund Foundation is a member of the supervisory board of the Liechtenstein Pension Fund Association, enabling it to actively consult and shape the regulatory framework for the domestic market.

### Multiple channels enhance closeness to clients

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

Even if over-the-counter business is declining, this does not mean that our bank branches have become superfluous. On the contrary, the scope and intensity of advisory discussion and meetings have increased. Therefore, we are investing not just in technology but also in the advanced training of our bank branch teams. Our branch counter staff are becoming client advisers, who also complete the certification programme according to the standards of the Swiss Association for Quality (SAQ) (see chapter "Employees").

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



### E-Channels

We are one of the few banks to have structured our entire digital offering as a one-stop shop. Designed in accordance with the latest security and technological standards, our digital offering is constantly expanding. In 2021, our Online and Mobile Banking programmes were further enlarged. Users therefore benefitted from new functions and improved user-friendliness (see chapter “Corporate Center”). Since 2021, the following features are additionally available to you:

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

### Digitalisation of payment systems

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

- ♦ **LiPay:** In contrast to other established instant payment systems in Switzerland and Liechtenstein, our own contactless payment app uses direct “account-to-account” payments, accelerated by instant push messages.
- ♦ **QR billing:** This solution represents a further step towards the automation of payment processes. It simplifies the issuing and payment of invoices for our clients and, following a transition period, it will replace the orange and red payment slips in autumn 2022. Liechtensteinische Landesbank will actively support the changeover process by providing specific offers. However, it has to be said that, so far, clients appear hesitant to make the change.
- ♦ **eBill:** This service makes it easier and faster for our clients to receive, check and release invoices for payment via LLB’s Online Banking. Thanks to electronic and paperless processing, costs can be saved and a contribution can be made to sustainably protecting the environment.
- ♦ **LLB Connect:** For companies having a very large number of payment orders we offer an attractive and convenient solution in the form of LLB Connect. This interface enables companies to submit payment, stock market and foreign exchange orders via the usual software environment quickly, securely and efficiently to LLB. The accounting system can be reconciled automatically with accounts receivable and accounts payable.
- ♦ **EBICS:** We also offer our corporate clients the Electronic Banking Internet Communication Standard. EBICS has become established in various SEPA (Single Euro Payment Area) countries as a multi-bank client /bank communications standard that enables payment transfers to be executed in an encrypted and secure form via the internet.

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

### Closeness to clients in modern bank branches

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

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



Urs Müller, Head Retail and Corporate Banking

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

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

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

### Highly efficient and service-oriented advisory centres

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

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

### ACT-26 puts clients at the forefront

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

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

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



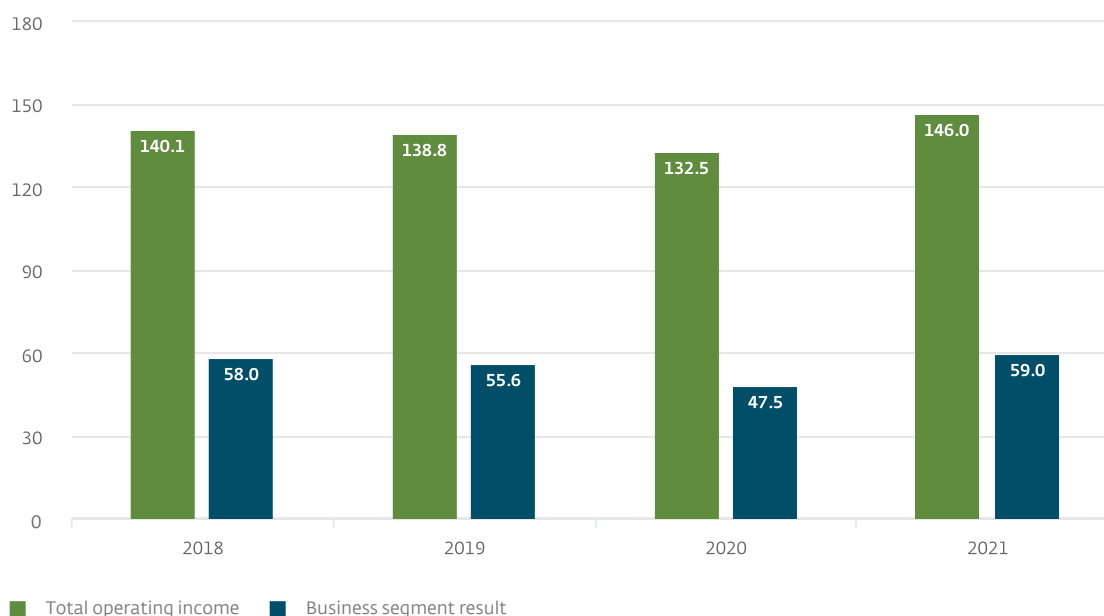
Even greater importance will be attached to the advisory centres in future. Accordingly, they will be reorganised and their infrastructure will be modernised. In going forward, the experiences provided to clients, and no longer classical product sales activities, are to be the focus of the strategic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

### Business segment result

Interest differential business, which comprises the largest proportion of earnings in the Retail and Corporate Clients Division, posted a stable development and, at CHF 91.7 million, remained at the same level as in the previous year – in spite of persisting pressure on margins. In contrast to the previous year, provisions for expected credit losses were written back in 2021. Fee and commission income was up by a pleasing 9.0 per cent in comparison with 2020. In total, operating income rose by over 10 per cent year on year. The segment profit before tax, at CHF 59.0 million, was 24.3 per cent above the previous year's level.

The business volume expanded by 2.6 per cent to CHF 21.3 billion. The increase was attributable to net new money inflows of CHF 491 million and higher mortgage loans. The net new money inflows and the growth in lending activities were achieved in the domestic markets of Switzerland and Liechtenstein.

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



## Segment reporting

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

## Performance figures

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

1 Definition available under [www.llb.li/investors-apm](http://www.llb.li/investors-apm)

## Additional information

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

1 Definition available under [www.llb.li/investors-apm](http://www.llb.li/investors-apm)

# Private Banking

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

## **Focus on clients**

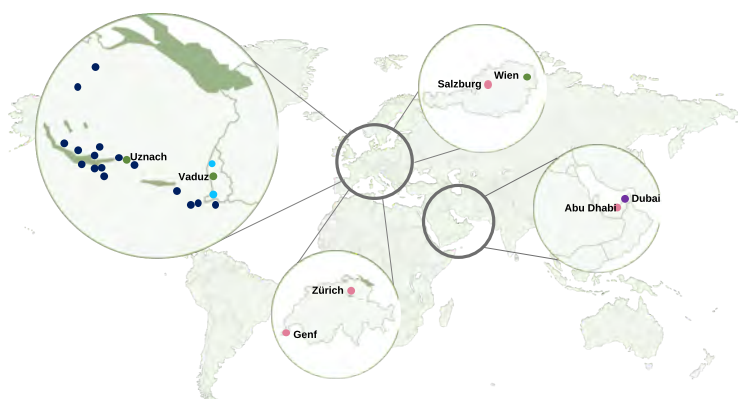
The bond with our clients is always the central focus of the LLB Group. The corona pandemic confronted this relationship with new challenges because the personal contact with them was at times impossible. However, our teams of advisers succeeded in overcoming the physical distance and utilised new banking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

## **Stability and security**

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

## **International presence – strong local ties**

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



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

### One bank group – three home markets

Liechtenstein, Switzerland and Austria, as financial centres, possess a high potential to attract investors, who are seeking security and stability for their investments. Consequently, for years we have posted very pleasing inflows of client assets in private banking from our three home regions – a development which continued impressively during the year under report.

### Traditional cross-border markets

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

### Central and Eastern Europe (CEE)

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

### Middle East

The LLB Group has maintained a representative office in Abu Dhabi since 2005. In 2008, this was followed by our business base in Dubai. In recent years we have significantly strengthened and expanded our position in the Middle East.

### Private Banking International

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

## High level of product and service quality

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

## Outstanding advisory services

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

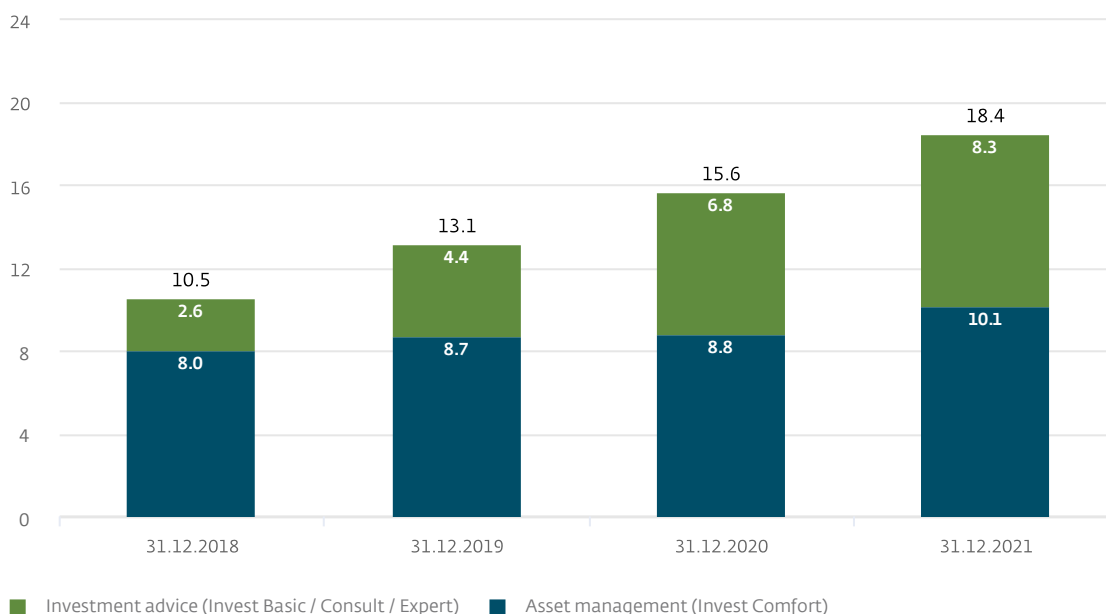
On the permanent list of best vendors, the Liechtensteinische Landesbank ranked sixth and is therefore among the leading private banking providers in the entire German-speaking region.

## Investment counselling and asset management

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

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

### LLB Invest (in CHF billions)



## Holistic financial planning

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

### Fair and transparent pricing

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

### Continual further training

The high quality of our advisory services can only be maintained thanks to continual investments in the further training and professional education of our employees. All our client advisers must complete the certification programme according to the standards of the Swiss Association for Quality (SAQ). In Austria, we provide training in line with the "European Investment Practitioner" (EIP) certificate programme, which is recognised throughout the EU. We have supplemented this programme with our own oral examination, thus upgrading it to comply with the SAQ certification (see chapter "[Employees](#)").

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

### Service and technology

In the year under report, we again expanded our Mobile and Online Banking programmes (see chapter "[Corporate Center](#)"). Clients of the LLB Group now have an overview of their assets everywhere and at all times. Numerous banking activities can now be carried out digitally and conveniently. The parallel offer of excellent personal advice coupled with digital services has proven its worth.

When continually analysing and monitoring client portfolios, our client advisers and analysts are supported by the latest technology. Highly sophisticated algorithms calculate the risk and return of individual financial instruments in order to enhance portfolio performance. Individual objectives and restrictions are automatically considered. If the risk / return characteristics of an investment do not fulfil the client's criteria, the software flags up an alert automatically.

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

### Outstanding investment performance

One of the main reasons for the success of our private banking is the very good performance of our investment solutions. This is confirmed by the many international awards, which the Asset Management Division of the LLB Group has received for its outstanding expertise in recent years. The investment selection process for the portfolios follows the proprietary, multi-award-winning LLB quantitative investment concept, which we are continually refining and enhancing. As active managers, our asset management specialists are guided by benchmarks, with the goal of exceeding them in our own funds and mandates. This applies in both asset management and for investment funds. To ensure quality, we constantly invest in technology and the training of our investment experts.

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

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

### Client focus with ACT-26

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

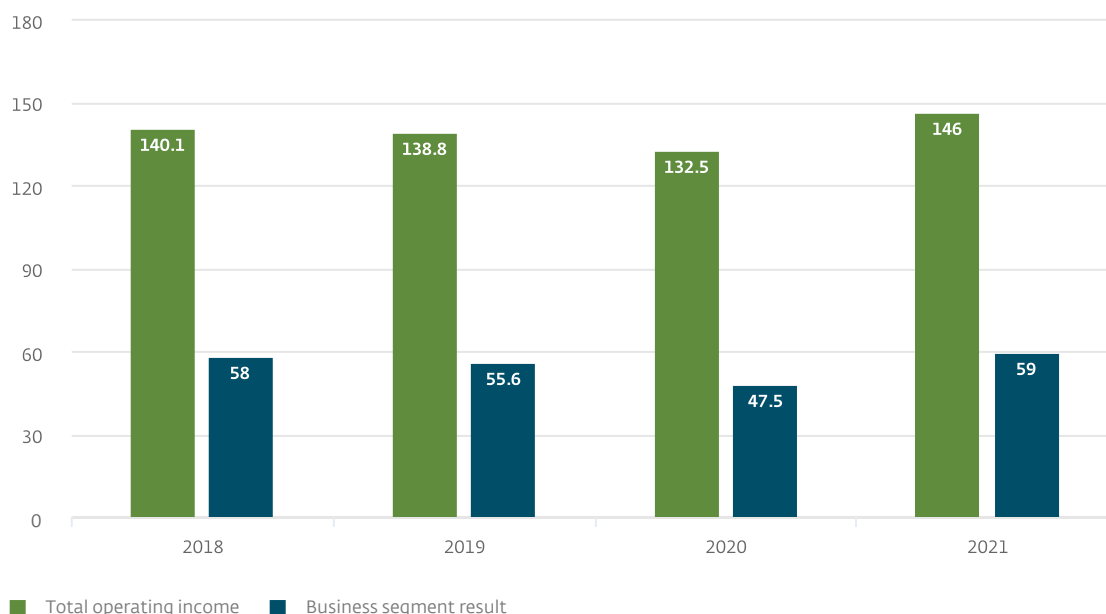
In private banking, the emphasis will continue to be on stability, competence, professionalism and personal service. This will enable us to strengthen our position as the leading wealth management bank in Austria. Providing customised solutions for our clients will be of cardinal importance here.

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

### Business segment result

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

#### Segment reporting: Private Banking in (CHF millions)



## Segment reporting

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

## Performance figures

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

1 Definition available under [www.llb.li/investors-apm](http://www.llb.li/investors-apm)

## Additional information

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

1 Definition available under [www.llb.li/investors-apm](http://www.llb.li/investors-apm)



# Institutional Clients

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

## **Specialised in serving professional clients**

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

We offer every client, who commissions us to manage his assets, outstanding investment advisory competence, as confirmed by the many awards we have received from various independent institutions (see paragraph "[Asset Management](#)").

We not only want to offer our clients the best possible service today, we also want to hear about their future requirements. For this purpose we regularly carry out client surveys to learn in which areas we can improve and how we can enhance our services.

## **Digitalisation for closer relations with clients**

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

## **Fund powerhouse**

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

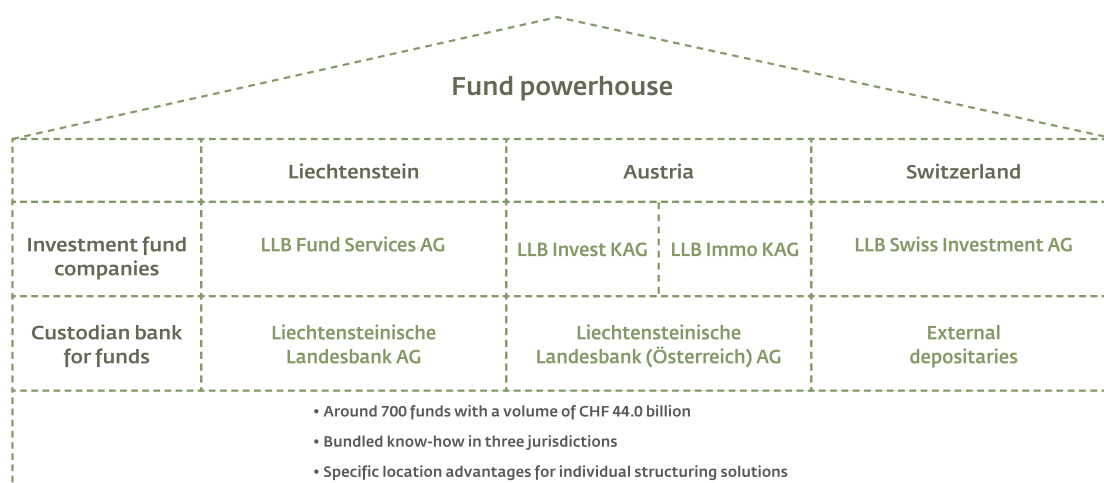
Our four investment fund companies in three countries offer clients access both to the European and Swiss economic areas. This makes us one of the most versatile fund vendors in Europe: added value that our clients seek, appreciate and use more and more often

Our fund management companies focus on delivering private label solutions (known in Austria as special funds or "Master-KAG" solutions), which can be structured very flexibly. They enable large

volumes of assets to be efficiently managed and structured. In line with our “all in one shop” concept, we offer our home markets all the products and services involved in private label fund business. This creates the maximum degree of flexibility to enable us to fulfil our clients’ wishes. We plan and set up made-to-measure funds, both in-house and for independent asset managers, family offices and other fund promoters. We structure and manage these vehicles and ensure modern, state-of-the-art risk management. At our business locations in Vaduz and Zurich, we complement our services by assuming a representative function for foreign funds. In Liechtenstein and Austria, we take over the function of custodian bank / depositary.

In 2021, we intensified our marketing efforts for our fund powerhouse and, therefore, established our range of products and services more firmly in our home markets. In the year under report, a decision was made to introduce a uniform, modern fund platform for all our investment fund locations, thus laying the foundation for future successful growth.

### Fund services of the LLB group



### Fund business in Liechtenstein and Switzerland

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

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

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

### Fund business in Austria

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

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

LLB Immo KAG is the leader in innovation on the Austrian market, especially in relation to products for institutional investors. It invests directly in high-yield real estate in the stable Austrian and German markets. It pays special attention to sustainability criteria in managing real estate funds. For example, some of its funds have been awarded either the Austrian eco-label (the highest sustainability certification for real estate funds in Austria) or an ÖGUT assessment (Austrian Society for Environment and Technology). Real estate funds are generally regarded as a first-class diversification possibility for portfolios and, especially in the persisting low interest rate environment, as a stable earnings generator.

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

### Financial intermediaries

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

### Expansion of digital services for our clients

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

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

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

### Group Business Compliance

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

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

### Asset management

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

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

### Sustainable investment products

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

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

### Sustainable investment concept

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

When making investments, in addition to their extensive experience and expertise, our asset managers can call on our own concept: the "LLB Multi-Factor Model". This provides a broadly based quantitative analysis of large investment universes and therefore a sound basis for the selection of the most attractive securities. We always pursue the goal of achieving more added value for the client over the medium to long term.

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

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

### Asset management

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

The volume of assets under management at the end of 2021 stood at CHF 10.1 billion (2020: CHF 8.8 billion).

### Partner-like dialogue and transfer of knowledge

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

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

The personal exchange of views and experience is also very important to us. We therefore organise exclusive round-table discussions several times a year with intermediaries. Within the context of these discussions, LLB internal experts and investment specialists regularly inform clients about current practical issues. On account of the corona crisis we were unable to hold any round-table discussions in the previous year, so our clients were very pleased that we were able to organise at least a few of these events in the year under report. The feedback we received from them confirmed how important it is to intensively nurture personal interaction in addition to online meetings.

### Partnerships with financial centre players

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

Our most important memberships are:

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

### Institutional Clients Division becomes International Wealth Management (IWM)

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

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



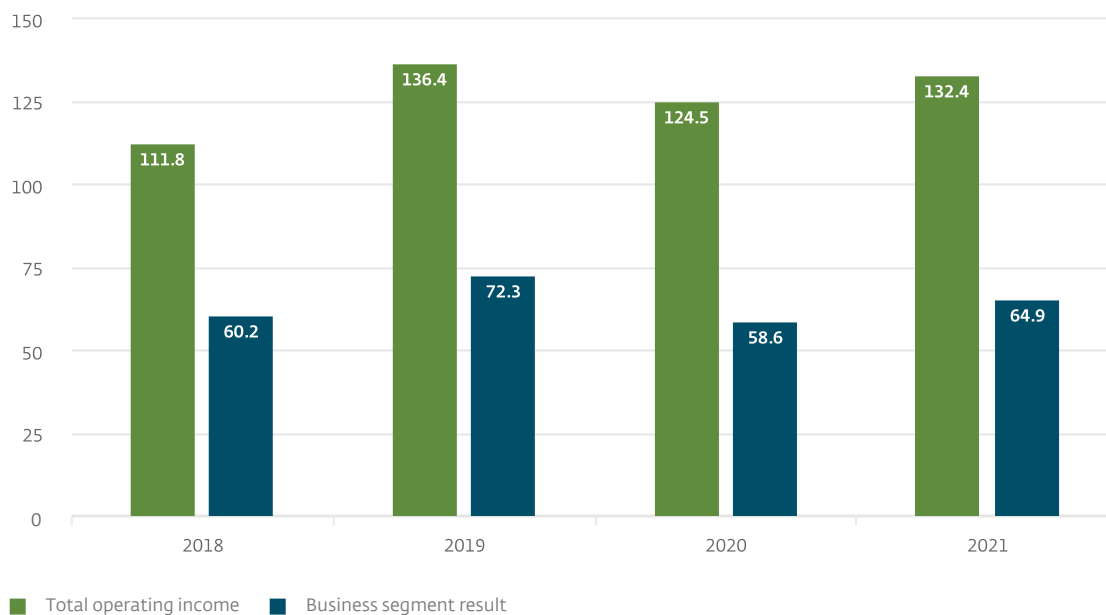
Natalie Flatz, Head International Wealth Management

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

### Business segment result

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

### Business segment result: Institutional Clients (in CHF millions)



### Segment reporting

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

### Performance figures

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

1 Definition available under [www.llb.li/investors-apm](http://www.llb.li/investors-apm)

## Additional information

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

1 Definition available under [www.llb.li/investors-apm](http://www.llb.li/investors-apm)



# Corporate Center

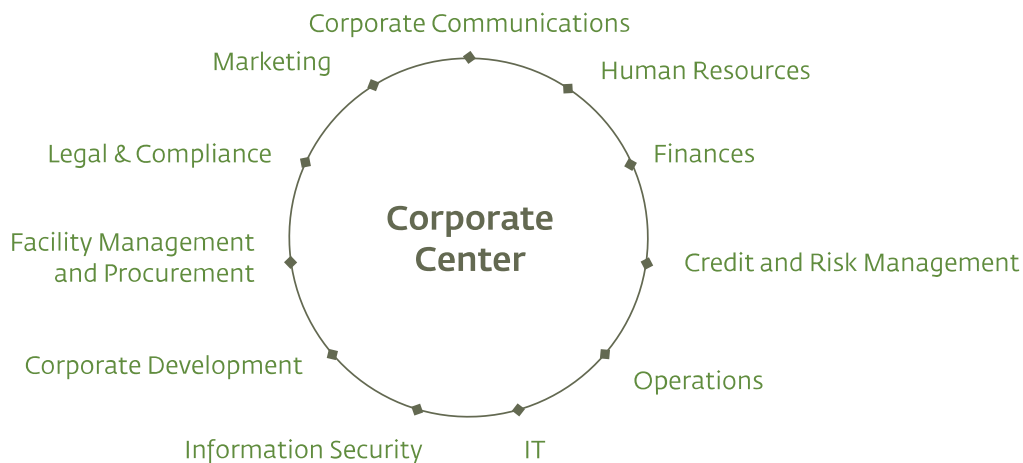
The Corporate Center steers, controls and combines the central functions within the LLB Group. It drives the Group's corporate development, including IT systems, and pursues the goal of improving the efficiency of processes, as well as expanding and improving the quality of our services.

## Service provider and enabler within the Group

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

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

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



## Shared Service Centers

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

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

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

### **Generating synergy effects**

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

### **Digitalisation of banking business**

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

### **Expansion of Online und Mobile Banking**

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

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

### **Progress with internal digitalisation**

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

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

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

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

### New focus with ACT-26

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

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



Patrick Fürer, CDO LLB Group

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

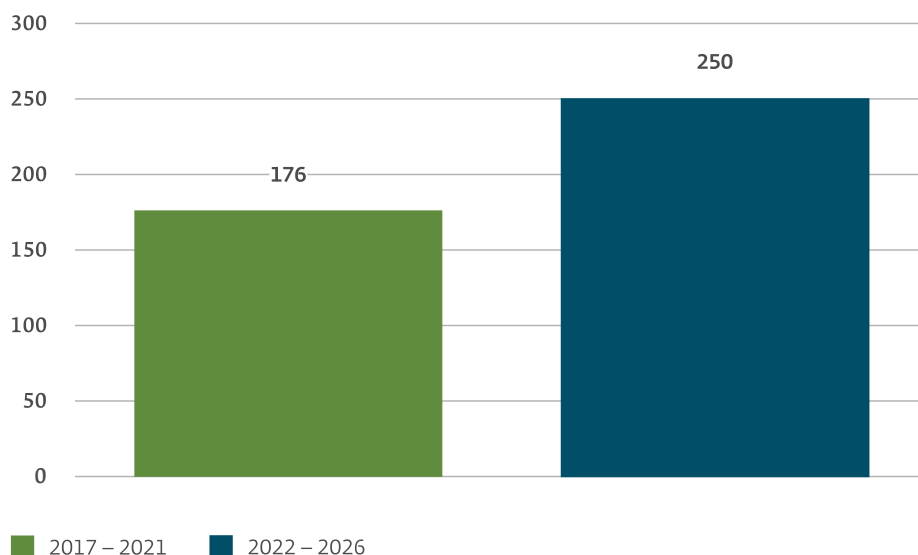
This change process will be driven by the division of the Chief Digital & Operating Officer (formerly the COO), in which all the resources necessary for the digital transformation will be bundled. This will be reflected in the organisation of the division, which will be strengthened by the establishment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

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

### Business segment result

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

### Investments (in CHF millions)



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

### Segment reporting

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

### Additional information

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