



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

## LLB Group continues on growth trajectory

Dear shareholders

2022 was a good, but very challenging year for the LLB Group. The corona pandemic, Russia's war against Ukraine, the critical energy situation, inflation, the return to a restrictive monetary policy and the stalling of the trend towards globalisation – all had repercussions. In this challenging environment, we have to manage the transformation to a sustainable, climate-friendly and digital business world. Nonetheless, the LLB Group is prepared for the challenges and stands firmly at the side of its clients, providing them with the highest level of stability and security. We are also inspired by our success in implementing our new ACT-26 corporate strategy.

### Pleasing growth

The 2022 business result testifies anew to the LLB Group's success in growing sustainably and profitably while relying on its own resources. The pleasing development of recent years continued with both net new money inflows and loans to clients. Net new money inflow stood at CHF 3.6 billion, a rise of 3.9 per cent. Our growth is broadly supported: the LLB Group posted inflows in both its market divisions, "Retail and Corporate Banking" and "International Wealth Management", as well as in all three booking centres. Net new loans increased by CHF 0.8 billion or 5.5 per cent. Loans to clients rose to CHF 14.4 billion.

The LLB Group was not immune to the negative market sentiment during the year. As a result of corrections on the financial markets, client assets under management decreased by 8.7 per cent to CHF 83.9 billion. Robust organic growth ensured that the market-related contraction in business volume of 6.9 per cent was cushioned. It stood at CHF 98.4 billion (31.12.2021: CHF 105.7 billion).

The increase to CHF 149.4 million meant that we achieved the highest Group net profit since 2009, thereby surpassing the previous year's very good result by 8.4 per cent. This reflects the dynamic growth, the improved quality of earnings and the strict cost management of the LLB Group. The Cost Income Ratio was further reduced by 1.8 percentage points to 64.0 per cent. With a tier 1 ratio of 19.7 per cent and a Moody's rating of Aa2, the LLB Group stands for stability and security, especially in these turbulent times.

### ACT-26 progressing as planned

In our endeavours to realise our full potential, we are consistently pursuing our **ACT-26** strategy. Until 2026, we shall focus fully on three core elements: growth, efficiency and sustainability. We want to speed up (**AC**celerate) our previous rate of growth by utilising the latest technologies while becoming even more client focused, efficient and sustainable (**TR**ansform). In 2022, all aspects of the strategy implementation progressed as planned.

### Clear, dual positioning

In 2022, we adopted a dual positioning in our operations on the market. As a universal bank, the LLB Group is the leader in Liechtenstein and the adjacent region while, at the same time, excelling as a secure, sustainable, international private bank. We attach great importance to a lean organisational structure and concentrate on supporting two equal market divisions: "Retail and Corporate Banking" and "International Wealth Management". With this clear positioning and sharp business focus, we aim at improving efficiency and shortening decision-making processes, which benefit both our clients and our growth.

### Delisting of Bank Linth

Targeted acquisitions complement our organic growth. We also achieved an important success in this area in 2022. On 27 January 2022, Liechtensteinische Landesbank AG (LLB) announced a public purchase offer for all publicly held Bank Linth shares. The LLB's goal was to increase its 74.9 per cent stake in Bank Linth, which it had held since 2007, to 100 per cent. In a parallel step, LLB and Bank Linth announced their joint intention of delisting the shares of Bank Linth from the SIX Swiss Exchange. The public purchase offer was well received thus enabling LLB to increase its stake, following the completion of the corresponding legal procedure, to 100 per cent. Bank Linth was delisted from the SIX Swiss Exchange on 28 December 2022.

Many Bank Linth shareholders decided to take advantage of the partial exchange offer and are now LLB shareholders. We regard this as a testimony to the high degree of trust in the stability and security of the LLB Group. It confirms our belief in placing the strategic focus of Bank Linth on being a successful retail bank. The expansion of the shareholder base changes nothing for the existing LLB shareholders. LLB had acquired the additionally required LLB shares from its majority shareholder, the Principality of Liechtenstein. Its share participation in LLB decreased from 57.5 to 56.3 per cent.

### Digital transformation

With the "LLB.ONE" programme, we are forging ahead with the digital transformation of the LLB Group. The programme will enable us to further develop client interfaces in line with their requirements, make internal processes faster and simpler, and make the whole LLB Group more scalable and therefore more efficient. A new technology-driven, hybrid advisory model will enable us to continue placing a special focus on the personal care of our clients. For this purpose, in 2022, we modernised the digital client platform and expanded our digital product and service offer. A highly motivated team has been set up to simplify, standardise and automate internal core processes. We intend to invest CHF 100 million in the digital transformation by 2026.

## Transparent carbon footprint

As an official partner of the Climate Pledge, we have committed ourselves to achieve complete climate neutrality ten years earlier than specified in the Paris climate agreement. By 2040, the LLB Group intends to reduce emissions, both in banking operations and with its products, to net zero. In 2022, we made a great stride towards achieving this goal.

Since 1 August 2022, the investment advisory and asset management of the LLB Group have been aligned completely with sustainability criteria. New investment funds with a focus squarely on climate protection – so-called Impact Funds – have been added to complement our broad product range.

During the second half of 2022, we launched our “wiLLBe” app, the first digital asset management app for sustainable impact investments, in Liechtenstein, Switzerland and Germany. In addition to financial key figures, “wiLLBe” provides sustainability data for the individual portfolio such as global temperature increases, CO<sub>2</sub>-emissions and energy consumption.

For the first time in October 2022, we published a TCFD report, which provides the largest possible transparency into how the LLB Group achieves CO<sub>2</sub> neutrality. Within the context of this report, which is based on the internationally accepted standards of the “Task Force on Climate-related Financial Disclosures”, LLB completely discloses the extent of its current carbon footprint.

## Modern bank branches

One dynamic element of the LLB Group’s ACT-26 strategy is that positive steps mutually reinforce each other. This also applies to our modern bank branch concept, which differentiates us from our competitors. Close attention was paid to genuine client requirements in the redesigning of the network of Bank Linth branches and the three LLB bank branches in Liechtenstein. Since the reopening of the LLB headquarters branch in May 2022, we have been able to observe how positively people react to this attractive point of contact in Vaduz. Thanks to the seamless interaction between digital channels and personal advisory services, we are able to appeal to each individual bank visitor.

## Elections to the Board of Directors

The success of the LLB Group depends on the people who bear responsibility for it. On 5 May 2023, the terms of office of Vice Chair of the Board of Directors, Prof. Dr. Gabriela Nagel-Jungo, and of the Board member, Urs Leinhäuser, come to an end due to the term of office limitation legally stipulated in the Landesbank Law. Both persons have made a significant contribution to the successful development of the LLB Group since 2014. They always provided our company with unwavering support, great enthusiasm and sound judgement.

At the 31th General Meeting of Shareholders, the Board of Directors will propose that Dr. Nicole Brunhart and Dr. Christian Wiesendanger be elected as new members for a term of office of three years. Dr. Nicole Brunhart works as the Head of Transformation on the executive board of a leading European investment fund distribution platform in Zurich. She possesses many years of experience in strategy consulting and asset management, as well as acknowledged expertise in sustainability issues. Furthermore, she maintains a broad network of contacts in the financial services industry in Switzerland and the rest of Europe. Dr. Christian Wiesendanger has many years of global experience in wealth management and is known as one of the best experts in Swiss wealth management business. He possesses a rich knowledge of the banking industry.

## Attractive dividend policy

In acknowledgement of their trust in us, we ensure that our shareholders participate in our business success. We have pursued a long-term, attractive dividend policy for many years. The Board of Directors proposes to the General Meeting of Shareholders on 5 May 2023 that the dividend be increased from CHF 2.30 to CHF 2.50. Based on the closing price of the LLB share on 31 December 2022, this corresponds to a dividend yield of 4.5 per cent.

## Outlook

An exceptional degree of uncertainty continues to cloud economic and business prospects. Russia's war against Ukraine continues unabated with the threat of further economic disruptions. Persisting high inflation and uncoordinated adjustments by the global financial markets to cope with the new interest rate environment represent important risk factors. Thanks to an effective mix of cost discipline, targeted investments in digitalisation and a rigorous implementation of the ACT-26 strategy, we are confident of remaining on a robust and sustainable path to growth in 2023.

## A note of thanks

We want to thank our clients for their loyalty and trust in the LLB Group. A sincere note of thanks goes to our staff for their hard work and great dedication every day. And, of course, you our esteemed shareholders, for supporting us in shaping a successful future. We have set ourselves ambitious goals, and we know how we can achieve them.

Yours sincerely



**Gabriel Brenna**  
Group CEO



**Georg Wohlwend**  
Chairman of the Board of Directors

# Strategy and organisation

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

## ACT-26 strategy

The ACT-26 strategy is the next logical step in the LLB Group's development. **ACT-26** stands for taking action and also for acceleration and transformation (**AC**celerate and **Tr**ansform).



The strategy is based on three core elements:

- ♦ **Growth:** Over the next five years, the LLB Group is aiming once again to significantly increase its business volume through a combination of accelerated organic growth and targeted acquisitions. The basis for this expansion is the security and stability of the LLB Group combined with award-winning investment expertise and investment performance for private and institutional clients. In retail and corporate banking business, we also want to expand our position in Liechtenstein and Switzerland.
- ♦ **Efficiency:** In future, LLB will again place special focus on providing personal advisory services to clients with the aid of a hybrid advisory model, supported by technology. For this purpose, the digital client platform will be modernised and the range of digital products and services will be expanded for all client groups. The LLB Group wants to take an agile approach in order to be able to react to the changing needs of its clients. At the same time, it will also be streamlining, standardising and automating its core processes in order to increase efficiency and make the bank more scalable. The LLB Group will therefore be investing CHF 100 million into its digital transformation in the strategy period.
- ♦ **Sustainability:** Sustainability has been an integral part of LLB's DNA for 160 years. In future, the LLB Group wants to play a leading role in this area and is therefore setting ambitious goals for itself. For example, the LLB Group's banking operations were already climate-neutral in 2021 – making it the first bank in Liechtenstein and one of the first in Switzerland and Austria to reach this target. Furthermore, the LLB Group has set itself the goal of becoming completely climate-neutral by 2040 – ten years earlier than most competitors – and all of this in line with the UN's ambitious target to limit global warming to 1.5°C. To achieve this goal, the Group aims to significantly reduce the carbon emissions of its banking operations and those of its client portfolios. The bank will forge ahead with the process of making its own bank products sustainable and will continue adding innovative products to its range.

### Ambitious growth and financial objectives

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

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

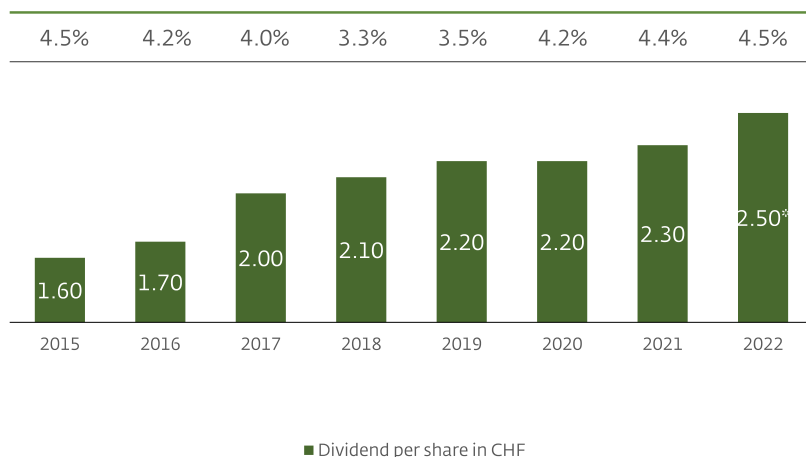
In addition to this, we are targeting a tier 1 ratio of over 16 per cent.

Core element	Objective		Actual status 2022	
Growth	Net new money	> 3 % p.a.	3.9 %	✓
	Net new loans	> 3 % p.a.	5.5 %	✓
Efficiency	Cost Income Ratio in 2026	65 %	64.0 %	✓
Sustainability	Net zero CO <sub>2</sub>	2040	On course	✓
Security	Tier 1 ratio	> 16 %	19.7 %	✓

### Attractive and sustainable dividend policy

The LLB Group is continuing to pursue an attractive and sustainable dividend policy. The distribution ratio amounts to more than 50 per cent of the Group net profit. Furthermore, the LLB Group aims to continually increase the dividend.

Dividend yield



\* Proposal of the Board of Directors to the General Meeting of Shareholders of 5 May 2023



## Structure and organisation of the LLB Group

The strategic focus of ACT-26 will also be consistently implemented at the organisational level. Clients and technological change are at the heart of this shift.



The LLB Group has a divisional organisational structure. In addition to the two market divisions "Retail and Corporate Banking" and "International Wealth Management", the management structure includes the functions of Group Chief Executive Officer (Group CEO), Group Chief Financial Officer (Group CFO) and Group Chief Digital & Operating Officer (Group CDO).

### Dual positioning

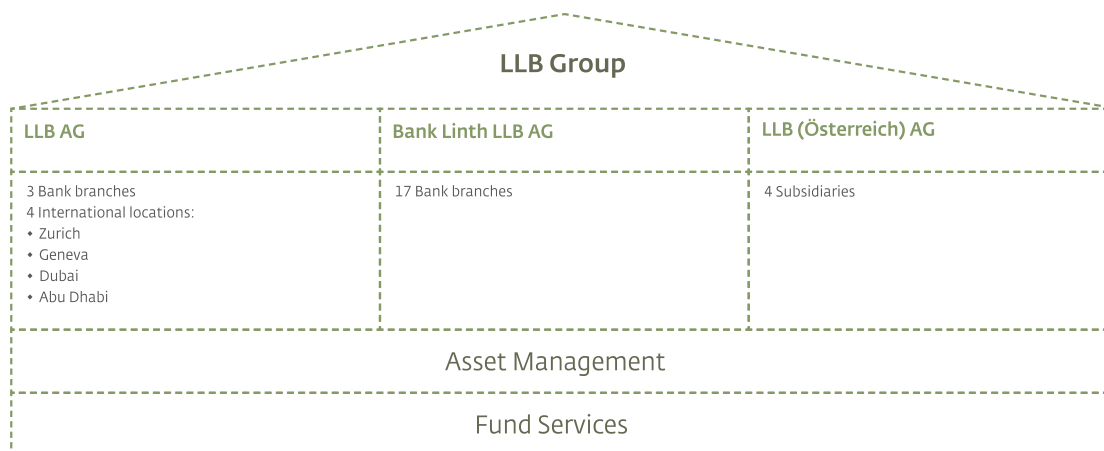
The LLB Group intends to achieve its ambitious growth and financial objectives through clear dual positioning in the market: a universal bank with strong local ties on the one hand and a sustainable international private bank on the other.



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

- ♦ The "Retail and Corporate Banking" division services locally oriented private banking clients in Liechtenstein, Switzerland and Germany, as well as corporate and private clients in Liechtenstein and Switzerland (see chapter "[Retail and Corporate Banking](#)").
- ♦ The "International Wealth Management" division cares for Austrian and international private banking clients, as well as institutional and investment fund clients (see chapter "[International Wealth Management](#)").

## Group structure



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

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

## Corporate culture

### Vision and guiding principles

Besides strategy and structure, the culture of a company is one of the most important factors in its success. The LLB Group is committed to a concept of banking with a binding system of values. Our vision is thus encapsulated in the motto:

**"We set standards for banking with values."**

Our vision of banking is based on the idea of managing material values with a clearly defined system of principles. The LLB Group's corporate culture is based on the following four values:

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

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



# Finance and risk management

**Accepting risk goes hand in hand with banking business. Sustainable and methodical finance and risk management is essential to ensure the risks remain calculable. Our integrated approach has proven itself.**

Sustainable finance management and anticipatory risk management: we attach very great importance to these factors at all levels of the organisation. As part of an integrated approach, risk management at the LLB Group includes dealing with legal and compliance risks as well as information security. The competences for different areas of finance and risk management are bundled in the Group CFO division.

## Expansion in line with ACT-26

The central task of the Group CFO division is to ensure growth, opportunities and risks are balanced. This includes the consistent implementation of rules and standards. A further expansion of finance and risk management is planned in line with the ACT-26 corporate strategy:

- ♦ improvement in the efficiency of processes;
- ♦ targeted strengthening of risk management;
- ♦ scaling up of cyber defence;
- ♦ expansion of data protection.

The Business Risk Management Department created in 2022 is responsible for the management of operational risks. This department encompasses the functions of information security, data protection, cyber defence and the internal control system.

## 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 in an efficient and timely manner. The key instruments are medium-term planning, the annual budgeting process, the key performance indicators from the Group's management information system, and the planning and management of capital and liquidity.

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

## Risk management

The LLB Group has a prudent approach to risk, which is essential for protecting reputation, maintaining excellent financial strength and safeguarding sustainable profitability. Our risk management is based on risk policy and encompasses the systematic identification and assessment, reporting management and monitoring of credit risks, market risks, liquidity risks and operational risks, as well as asset liability management (ALM). The LLB Group applies an appropriate organisational and methodological framework for assessing and managing risk (see chapter "[Risk management](#)" in the financial section).

Combating money laundering and the financing of terrorist or criminal activities, as well as the minimising of regulatory risks, especially in cross-border business, are given the highest priority in the LLB Group as part of risk management.

## Liquidity management

The LLB Group has in place robust strategies, policies, processes and systems that enable it to identify, measure, manage and monitor liquidity risk. The internal liquidity adequacy assessment process (ILAAP) is set down in internal regulations and guidelines and is reviewed annually (see chapter “[Risk management](#)” in the financial section). The reference figures relating to liquidity management are reported in the chapter “[Regulatory disclosures](#)”.

The Group Treasury manages the risks in the banking book that arise from banking activities, especially liquidity, interest rate and foreign currency risks.

## Capital management

The LLB Group has in place sound, comprehensive and effective processes to assess and maintain an adequate equity capital on an ongoing basis. The internal capital adequacy assessment process (ICAAP) is a key risk management instrument. The ICAAP is documented in internal regulations and guidelines and is reviewed and revised annually on the basis of overall bank stress tests.

## Solid equity base

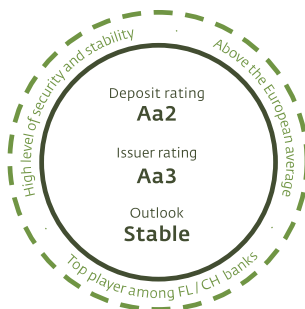
A good equity capital base not only protects its reputation, but is also part of the financial management and credibility of a bank. Having a sufficiently high-quality equity base at all times is part of the LLB Group’s identity. Its financial strength shall remain, as far as possible, unaffected by fluctuations in the capital markets.

LLB is considered to be of systemic importance to the Liechtenstein economy and is subject to a regulatory minimum capital adequacy ratio of 13.7 per cent. We are targeting a tier 1 ratio of over 16 per cent as a strategic objective. The LLB’s capital ratio is reported in the chapter “[Regulatory disclosures](#)”.

Thanks to its solid equity base, which consists entirely of hard core capital, the LLB Group continues to enjoy a high level of financial stability and security. The comfortable capital situation provides it with plenty of scope to make acquisitions.

## Rating confirms financial strength

Liechtensteinische Landesbank has a deposits rating of Aa2 from rating agency Moody’s. According to Moody’s, this means that it is one of the highest-rated banks in the world. It is among the top range of Liechtenstein and Swiss banks and ranks well above the average of European financial institutions. The rating underlines LLB’s stability and financial strength and is proof of our prudent finance and risk management.



## Credit management

We support private individuals, companies, small businesses and public institutions in financing their plans for the future.

At CHF 12.9 billion, the lion's share of loans made during the reporting year, namely 89.2 per cent (31.12.2021: 88.7 %), comprised loans secured by mortgages. We continued to successfully grow our market share of loans to clients. At the end of 2022, the volume of loans had increased to CHF 14.4 billion (31.12.2021: CHF 13.8 billion). We extend mortgages primarily in the market regions of Liechtenstein, north-eastern Switzerland and the region of Zurich.

### 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 type of loan. With the exception of standard business transactions, the authority to grant credit lines lies with the back office, i.e. 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 risks in individual cases.

### High standards with lending

The LLB Group pursues a risk-conscious credit policy. It includes the differentiated and separate evaluation of loan applications, the conservative assessment of collateral values, the individual calculation of affordability, as well as compliance with standard equity requirements. The different control processes help us to reliably fulfil our performance mandate and to take proper consideration of risks (see chapter "[Responsibilities for the economy, society and environment](#)").

In the case of real estate financing, we observe the provisions of the Liechtenstein Banking Law and the Ordinance concerning banks and securities firms, which govern risk management. For mortgage financing in Switzerland, we observe the minimum requirements specified by the Swiss Bankers Association (SBA) and approved by the Swiss Financial Markets Authority (FINMA). We also apply the EU guidelines on assessing, evaluating and processing mortgage secured loans. Since mid-2021, the guidelines of the European Banking Authority (EBA Guidelines on loan origination and monitoring) have therefore been applied to new lending.



**"At LLB, growth and risk management go hand in hand. The Group CFO division balances the opportunities and risks for the strategic development of the LLB Group."**

Christoph Reich, CFO LLB Group

## Compliance risks

As part of the risk management of the LLB Group, the compliance organisation focuses not only on dealing with legal risks but also on three areas in particular:

- ♦ Combating money laundering and financing of terrorism;
- ♦ Implementing tax compliance within the framework of international agreements;
- ♦ Complying with regulatory requirements and monitoring of employee transactions.

At the LLB Group, the compliance organisation is regarded as part of risk management. This is based on the internationally recognised three lines of defence model:

- ♦ The first line of defence covers all functions that are involved in conducting day-to-day business operations and, as a rule, have results-based objectives.
- ♦ The second line of defence – this includes the LLB Group's compliance organisation – carries out, independently of the market and the results, monitoring and control functions, and is responsible for ensuring compliance with applicable internal and external regulations.
- ♦ In the third line of defence, the internal audit ensures the effectiveness of the controls.

## Combating money laundering and terrorist financing

The risks of money laundering and terrorist financing are addressed as part of a strict, IT-supported process when establishing new or monitoring existing business relationships. The monitoring of transactions is performed on a systematic and risk-oriented basis.

Besides activities in our domestic markets of Liechtenstein, Switzerland and Austria, we restrict our cross-border activities to markets that are strategically and economically significant to LLB. This means the markets of Germany and the rest of Western Europe, the growth markets of Central and Eastern Europe, as well as the Middle East.

The LLB Group's internal regulations and training ensure that employees are regularly instructed about regulatory changes, sensitised to indications of possible money laundering, and know and comply with the regulations of the respective target country when engaging in cross-border activities.

## Rules of conduct

We expect our corporate bodies and employees to comply with the applicable laws, regulations and guidelines, professional standards and our rules of conduct. This stipulates 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 relations are supported by employees and corporate bodies is also clearly regulated, as are the acceptance of inducements and the exercising of secondary employment.

## Dealing with cyber risks

Protection against cyber attacks has a very high priority for the LLB Group and is ensured through IT systems and trained and aware employees. The principles and policies on information security are set out in directives that are binding throughout the Group. Our data is protected by robust processes and advanced systems. Specialists continually analyse new cyber threats and, depending on the risk, take appropriate defensive measures. In future, these analyses and defensive measures will be developed further by the LLB Group's Cyber Defence Center. Targeted vulnerability management and penetration tests ensure a consistently high and appropriate level of security.

## Internal control system

As an integral part of our Group-wide risk management, the internal control system (ICS) contributes to increasing risk transparency within the company by monitoring the risks in the relevant business processes through effective control processes. The LLB Group applies standards that are customary in the banking industry to this sub-system of risk management.

**Business continuity management (BCM)**

A crisis or catastrophe requires critical business decisions to be made, but cannot be done with the resources ordinarily available to management. Business continuity management (BCM) comes into play whenever preventative measures defined in the risk management process do not work and the level of damage from an event could assume a scale that threatens the existence of the company. It identifies business-critical processes within the whole LLB Group, establishes BCM crisis teams, draws up emergency plans and keeps senior management up to date with regular reports. This was most recently the case with the corona pandemic. Through the pandemic, the LLB Group's BCM has been shown to be crisis-proof, efficient and comprehensive.