

# Economic environment

**The global economy has been subjected to intense pressure since Russian troops invaded Ukraine on 24 February 2022. A series of adverse factors affected the global economy in 2022 including the course of the war, the energy crisis, the rise in inflation and disruption of the supply chain.**

## International perspectives

### USA

Driven by robust domestic consumption, US economic performance had already returned to pre-corona levels by the summer of 2021. Since then, however, economic growth has weakened for several reasons including the cessation of transfer payments to private households, the reduction in real income as a result of higher inflation and the weakening of the housing market due to the rise in interest rates. With an average increase of 8.0 per cent, consumer prices rose in 2022 at a rate not seen for 40 years. The increase can only be partly attributed to higher energy and food prices. Financial and monetary support measures implemented during the corona crisis caused the US economy to overheat. Therefore, the Federal Reserve (Fed) should have tightened the reins of its monetary policy much earlier.

As a result of the sharp rise in price increases, the Fed raised the key interest rate by 425 basis points to 4.5 per cent between March 2022 and the end of the year. Its goal in doing so was to restore the balance on the employment market. The high point of interest rates has probably not yet been attained due to the continuing backlog in demand. In view of the Biden administration's USD 1.2 trillion infrastructure package, which envisages enormous investments in highway and bridge construction, water management and airports, as well as the Chips and Science Act to provide subsidies for the domestic computer chip industry, a tighter monetary policy would be justified.

### Euro zone

Real GDP growth in the EU came as a positive surprise in the first half of 2022. The effect was largely due to consumers spending more, especially for services, following the easing of Covid-19 restrictions. Subsequently, however, the rate of growth slowed as a result of the high inflation rate and the downturn in global demand. As the fall in gas and electricity prices shows, the expected energy crisis in winter 2022 / 2023 has probably been avoided. Nevertheless, a flat recession during the winter season cannot be completely excluded. Whether and how fast an economic recovery can occur will largely depend on the development on the energy market and the extent of global demand.

Consumer prices climbed by 8.4 per cent in the Euro zone in 2022. The inflation rate therefore reached its highest level since the birth of the monetary union. However, this figure conceals a substantial inflation differential between the member states. For example, the Baltic States recorded inflation rates of over 20 per cent. After an initial period of hesitation, the European Central Bank has raised the key interest rate by a total of 2.5 percentage points to 2 per cent since July 2022.

In spite of the challenging environment, the employment market has continued to develop positively. The rate of employment and labour market participation have not been so high for decades. Thanks to robust economic growth, a net two million additional jobs were created in the first half of 2022, pushing the number of persons employed in the EU to an all-time high of 213.4 million. The unemployment rate stood at a record low of 6.0 per cent in September.

### Switzerland

In international comparison, the Swiss economy recovered very quickly from the effects of the corona pandemic. On account of the global fall in demand and higher consumer prices, the growth rate slowed during the second half year. The experts at the Swiss State Secretariat for Economic Affairs (SECO) therefore reduced the growth forecast for 2022 to 2 per cent. A sluggish economic development is probably to be expected in the first half of 2023. But, from the current perspective, a recession is less likely due to the high level of resistance in the economy.

In Switzerland too, higher energy prices contributed to a relatively high inflation rate of 2.8 per cent. This was considerably under the rate of price increases in other European countries, but still well above the inflation target of the Swiss National Bank (SNB). The appreciation of the Swiss franc, especially against the Euro, was also a factor in limiting inflation. Nevertheless, Swiss households experienced the highest rate of price increases since 2008.

The employment market developed very favourably during the second half of 2022. The total number of employed persons grew and in September 2022 the unemployment rate stood at just 1.9 per cent, lower than it had been for over 20 years. Many business sectors complained of a shortage of skilled workers. As a result, the generally expected economic slowdown should probably lead only to a slight increase in the unemployment rate.

The period of negative nominal money market interest rates, which lasted almost eight years, ended in Switzerland on 22 September when the National Bank raised the key interest rate by a further 75 basis points. It had previously increased interest rates during the summer by half a percentage point for the first time in 15 years. On 16 December, it tightened monetary policy again by increasing the key interest rate by 50 basis points to 1.0 per cent. The step was aimed at countering the increase in inflationary pressure caused by price rises.

### Liechtenstein

Liechtenstein's economic activity slowed noticeably during 2022. The economic index of the "KonSens" Liechtenstein Institute fell in the third quarter by 0.7 index points to minus 1.2 points. Although the index value was still higher than during the financial crisis of 2008 / 2009 and the Covid-19 induced recession of 2020, it still lay in the negative zone, representing lower than average growth in historical comparison. Industry representatives and service providers still assessed the general situation as largely satisfactory at the end of the third quarter 2022 in spite of higher energy prices and supply chain bottlenecks. However, the business outlook had worsened at the majority of companies in comparison with the second quarter. The position probably remained fragile during the fourth quarter.

The Liechtenstein economy is very dependent on foreign sales and procurement markets. More than half of Liechtenstein's goods exports go to Switzerland, Germany and the USA. In the first half of 2022, direct goods exports were about 12 per cent lower than in the previous year. In contrast, the financial centre continued its growth trend. The turnover of the three largest banks rose by 15 per cent.

The employment market developed positively with total employment rising by 3.5 per cent. The unemployment rate remained low. The main issues confronting businesses were rising prices and uncertainties surrounding the procurement of base materials. The shortage of skilled labour remained unchanged.

### China

China's economy grew by 3 per cent in 2022, substantially below the target of 5.5 per cent set by the party and state leadership, and was one of the weakest results for decades. Growth was only somewhat lower during the first year of the corona pandemic in 2020.

The world's second largest economy was confronted with several problems in 2022. The slowdown in the global economy led to a decline in demand for Chinese goods. On account of the strict zero Covid policy and lockdowns in mega cities such as Shanghai, Guangzhou, Tianjin and Shenzhen, key industrial centres were closed for weeks and months. The rigorous corona policy also dampened private consumption.

Figures released by the national statistics office clearly show how seriously the real estate sector has suffered. This sector was one of the strongest drivers of the Chinese economy in the years prior to the corona pandemic. Investors and buyers are cautious because many real estate companies are heavily indebted.

The situation is exacerbated by the high level of unemployment among young Chinese. In the 16 to 24 age group, the unemployment rate climbed to nearly 20 per cent in July 2022. According to official figures, the rate stood at 17 per cent in November. The sudden change of policy by the Chinese government in combating corona caused the number of infected persons to soar, which initially will probably slow the economic recovery.

Weak economic data from China caused the majority of Asian stock markets to head south. In December 2022, inflation stood at 1.8 per cent. The factors, which affected inflation in the US and Europe, had only a limited influence on the Chinese inflation rate. In recent years, the central bank in Beijing has acted with great restraint. Extremely high sea freight costs are not applicable if Chinese factories supply the domestic market. Although the war in Ukraine is also driving up energy prices in China, because Beijing has not joined the oil and gas boycott of Russian supplies, it can still procure oil and gas from Moscow relatively cheaply.

### Bond markets

The inflationary and interest rate shocks led to a plunge in prices on the international bond markets that was not really dampened by lower coupon income. Both government and corporate bonds were equally affected. Although the prices of high-yield and emerging market bonds recovered somewhat towards the end of the year, losses were not recouped. On balance, it could be asserted that the bond markets experienced a once in a century crash.

### Currencies

Monetary policy was a key price driver on the international foreign exchange markets in 2022. For example, following the large hikes in interest rates made by the Fed and the Russian partial mobilisation in September 2022, the US dollar climbed to a 20-year high. However, higher interest rates were not the only reason for the strength of the dollar. Stock market players point to the dollar's attractiveness as a "safe investment haven".

Furthermore, the euro suffered because of the ECB's hesitant approach to dealing with the surge in inflation. The tide turned in favour of the euro only after the ECB had signalled its clear intent to take any steps necessary to return consumer prices to its target value of 2 per cent inflation in mid November 2022. The prospect of the US dollar losing some of its interest rate advantage probably also played a role here. By the end of the year, the euro had gained about 10 cents against the US dollar. The US dollar lost almost all of its gains from the beginning of the year against the Swiss franc.

As regards the euro/franc exchange rate, the Swiss National Bank made an about-turn in June when it stated for the first time that it no longer regarded the franc as being overvalued. Following the re-emergence of inflation on the world stage, there seemed to be only one direction for the euro/franc exchange rate with the franc gaining ground against the euro. Then in autumn 2022 a rebound occurred that continued to gain pace.

### Stock markets

2022 on the stock markets was marked by the shock rises in interest rates, global uncertainties and high volatility. High-value tech stocks suffered most under these conditions with the Nasdaq index in the US posting big losses after years of outperformance. Indices, in which commodity and industrial companies had higher weightings, performed better in 2022.

Stock markets across the world suffered heavy losses with the Dow Jones Industrial losing 9 per cent, the Nasdaq Composite 34 per cent, the Nikkei 11 per cent and the Euro Stoxx 50 11 per cent. At the end of December 2022, the SMI leading index stood at 10'729.4 index points, about 17 per cent under the level at the beginning of the year. The MSCI World Index, which tracks the stocks of 23 developed countries, fell by 16.5 per cent.

# Retail & Corporate Banking

**Liechtensteinische Landesbank and Bank Linth maintain close business relations with their retail and corporate clients in Liechtenstein and Switzerland. As a universal bank offering private banking in all its domestic markets, the LLB Group counts on its personal advisory services and excellent investment competence. As a modern bank, it also promotes digital Innovation.**

## Universal bank offering private banking

The LLB Group has set itself the goal of being the clear leader in Liechtenstein and the adjacent region. This objective will form the basis of the operating guidelines of the new "Retail and Corporate Banking" division, enlarged in line with the ACT-26 corporate strategy. Over the next five years, we want to continue on our growth trajectory, improve efficiency and continue on the path to climate neutrality. To enable us to bundle our resources and exploit synergies, the client segments "Retail and Corporate Banking" and "Private Banking" in Liechtenstein and the region, were amalgamated in 2022. This has considerably improved the enlarged division's closeness to clients.

In enhancing its clients' banking experience, the LLB Group foresees broad potential to attain five objectives:

- ♦ Strengthening of private banking in the domestic markets of Liechtenstein, Switzerland and Austria;
- ♦ Growth of private banking in Germany;
- ♦ Intensification of business with corporate clients in Liechtenstein and Switzerland;
- ♦ Scaling up of syndicated lending business;
- ♦ Expansion of the digital offering for retail clients and enlargement of the advisory centre.

## Regionally anchored

Founded in 1861, Liechtensteinische Landesbank (LLB), with its headquarters in Vaduz, is the longest established financial institute and largest universal bank in Liechtenstein. For many years, it has been the market leader in retail and corporate banking while at the same time fulfilling an important economic function. It is the only bank in the country with three branches and an extensive network of 19 cash machines for all bank transactions. LLB is regarded as the Liechtensteiners' bank; many clients are also LLB shareholders (see chapter "[Economic value creation](#)").

Bank Linth (BLL), founded in 1848, with headquarters in Uznach, can also look back on a long tradition. It has strong ties to the Linth and upper Lake Zurich regions of Switzerland. Since the end of 2022, it has been wholly owned by LLB; on 28 December 2022, all BLL shares were delisted from the SIX Swiss Exchange. This will enable Bank Linth, as a retail bank, to focus even more intensively on its retail and corporate clients and their requirements. As is the case at LLB, the client advisers at Bank Linth live in the market region and are trusted by local people and businesses (see chapter "[Employees](#)").

**Bank branch and ATM network**

LLB is the only bank having a business presence throughout Liechtenstein:

at its headquarters in Vaduz  
at 2 bank branches (Balzers and Eschen)  
at 19 ATM locations

Bank Linth LLB is the largest regional bank in eastern Switzerland, with a business presence:

at its headquarters in Uznach  
at 17 branches in the six Swiss regions of the Linth district, Lake Zurich, Ausserschwyz, Sarganserland, Winterthur and Thurgau  
at 23 ATM locations

**Closeness to clients**

In 2022, the LLB Group set up a dedicated Corporate Clients Business Area, responsible for Liechtenstein and Switzerland. The LLB and BLL bank branches, and their advisory centres, are integrated in the Retail Clients Business Area. The focus of the "Retail and Corporate Banking" division is squarely on the domestic markets of Liechtenstein, Switzerland and Austria, as well as the traditional cross-border markets of Germany and Italy.

Banking for retail and corporate clients comprises the deposits and financing business in the domestic markets of Liechtenstein and Switzerland. However, LLB is also the bank of choice for many cross-border workers from the neighbouring Austrian province of Vorarlberg. As the banking partners for small and medium-sized enterprises (SMEs), LLB and BLL are traditionally well thought of in Liechtenstein and eastern Switzerland. In local, regional and international private banking, the LLB Group convinces with its stability and security. Our clients have confidence in our extensive experience, in the quality of our services and in the good investment performance of our asset managers.

**Reliable partners for business**

2022 was a year, in which the economy had to struggle with supply chain problems, a shortage of skilled labour, inflation and high energy prices. The war in Ukraine hampered the recovery from the Covid-19 pandemic. Precisely in such challenging times, the LLB's support for small and medium-sized businesses is especially appreciated. Since 2016, we have been collaborating with the Liechtenstein Chamber of Commerce; another example of our strong sense of responsibility for the local economy. We offer all members of the Chamber preferential conditions with foreign exchange transactions and favoured status for our "SME-box" basic product.

Together with the Chamber of Commerce we launched the "LLB SME Award" in 2018 to promote the quality of the Principality of Liechtenstein as a centre for business. The LLB sponsors the award to honour companies, which, as pioneers, help to shape the future of Liechtenstein. The "SME of the Year" and the "Newcomer of the Year" awards will be presented the next time in 2024 at the Liechtenstein Industry, Trade and Commerce Exhibition in Schaan (LIHGA).

**Products and services**

In Liechtenstein, LLB is the leading bank in retail and corporate banking. For wealthy private clients the bank is an established name in the three domestic markets, and in the German private banking market it is increasingly in demand. LLB is distinguished by its professional competence; it creates genuine benefits with its products and services and enjoys an excellent reputation among members of business community, society and institutions. Part of its success is certainly attributable to it being one of the most secure, best capitalised, universal banks in the world (see chapter "[Finance and risk management](#)"). Bank Linth is the largest regional bank in eastern Switzerland and is represented in the six Swiss regions of the Linth area, Lake Zurich, Ausserschwyz, Sarganserland, Winterthur and Thurgau.

LLB is a bank that lives its values. Our employees stand by their word, they uphold our values of integrity and of respectfulness for others. They set standards of excellence in their work and in their passion for what they do, and they participate in shaping the future in a pioneering and sustainable manner (see chapter [“Values and corporate management”](#)).

### Payments and savings

In payment transfers and account management business, LLB is the acknowledged leader in Liechtenstein. Practically every resident has an account at the Landesbank. “LLB Combi” and “Bank Linth Combi” offer a whole range of account options, various payment transfer possibilities and supplementary services. An interactive online configurator helps our retail and corporate clients to design their own individual banking relationship themselves according to their wishes and needs. It also reveals the cost of every module to provide full transparency.

### Investing / Private banking

LLB offers broadly based, individual investment advisory and asset management services of the highest quality to its retail and corporate clients and its private banking clientele. The investment proposals put forward in strategic investment advisory and asset management discussions are based on the expertise of the LLB Asset Management team. These specialists possess extensive experience in the management of assets for private and institutional clients. Our innovative “LLB Invest” advisory models provide practical investment solutions based on investors’ requirements, as well as fair and transparent pricing. Close, personal support is provided with “LLB Basic”, and with “LLB Comfort” we comprehensively administer and optimise your assets. The “LLB Consult” and “LLB Expert” models offer active investment advisory.

Furthermore, our clients benefit from LLB’s extensive range of investment funds and its award-winning performance. All LLB funds are free of retrocessions and are among the most inexpensive actively managed investment funds in Europe. Based on the LLB’s fund universe, the “LLB Investment Plan” and the “LLB Fund Savings Plan” have proven to be attractive possibilities for the systematic appreciation of assets in recent years.

### Sustainable investing

Since 1 August 2022, the investment advisory and asset management products and services of the LLB Group have been fully aligned with sustainability criteria. New funds with the focus on climate protection – so-called impact funds – have been added to our extensive product range. Furthermore, at the end of July 2022, we launched our “wiLLBe” app, the first purely digital asset management for sustainable investments. This simple, professional and inexpensive app offers our clients in Liechtenstein, Switzerland and Germany the possibility, from a starting sum of only CHF or EUR 2'000.–, not only to generate returns, but also to make a contribution to a better world. “wiLLBe” enables investments to be made in seven selected areas, which are aligned with the seventeen UN objectives for sustainable development (UN SDGs). By making a donation, investors can also directly support selected non-profit organisations (see chapter [“Sustainability in banking”](#)).

For individual portfolios, in addition to financial key figures, “wiLLBe” also supplies sustainability data such as global temperature increases, CO<sub>2</sub> emissions and energy consumption, thus making visible what measurable impact the investments are having.

### Financing / Loans and mortgages

Lending business is an important activity for LLB. We pursue a prudent lending policy focused on affordability and creditworthiness (see chapter [“Finance and risk management”](#)). With a market share of 50 per cent, LLB is the leader in providing mortgages and construction loans in Liechtenstein. We offer individual financing possibilities in the form of flexible and transparent models: ranging from the variable basis mortgage to the money market flexible or fixed-rate mortgage. These instruments enable LLB and Bank Linth to support environmentally friendly construction in Liechtenstein and Switzerland. A Lombard loan (current account, fixed advance) also provides a flexible financing solution for retail and corporate clients and for comprehensive asset planning.

### Retirement and financial planning

We advise our clients not only in relation to all financing and investment issues, but also go a step further by supporting retail clients and companies in all aspects of their life and business cycles. In our 360-degree consultancy packages “LLB Compass” and “Bank Linth Compass”, we focus on the future and such issues as assets, real estate, financing facilities, risk provisioning, taxation and pension systems. Accordingly, we are ready to advise and support companies in Liechtenstein and Switzerland from the date they are founded up to the signing of the owner’s succession agreement.

### Corporate clients / SMEs

The provision of individual service and advice to corporate clients in all financial and banking matters has a long tradition at LLB and Bank Linth. With a market share of over 70 per cent, LLB is the market leader in Liechtenstein; Bank Linth is one of the largest providers in eastern Switzerland. Our care and service concept is based on the life cycle approach, in line with which we cover the whole of life cycle with a broad range of products and services adapted to suit the individual case from the founding of the company, the build-up phase through to the development and maturity phase, up to succession and estate planning. Companies and entrepreneurs especially appreciate our close attention and innovative flair.

As the leading universal bank in Liechtenstein and the adjacent region, we offer companies medium-light, medium and large basic product packages in the form of our “SME-Box”. All the packages come with transparent benefits and conditions. They are supplemented by the “SME-Menu”, which provides a range of services in five areas; accounts and payments, investing, financing, retirement and succession as well as additional services. We can also offer a comprehensive service in relation to the processing of financial transactions at home and abroad. Small and medium-sized companies also benefit from LLB and Bank Linth’s made-to-measure solutions for the financing of investments.

Over the next few years, the LLB Group plans to expand its business with syndicated loans.

### Individual pension fund solutions

We are the only bank in Liechtenstein to offer SMEs individual pension fund solutions through the LLB Pension Fund Foundation for Liechtenstein (LVST). Founded in 2005, in the meantime, the LVST is – measured in terms of its balance sheet total – the largest collective foundation in the country and the only pension fund offering members the choice between two investment strategies. Following strong growth in 2020, the foundation continued to achieve solid organic growth in 2021 and 2022. At the end of the business year, it administered assets of CHF 1.15 billion. (2021: CHF 1.27 billion). At the end of 2022, the pension savings capital under administration for actively and passively insured participants stood at CHF 1.18 billion (2021: CHF 1.15 billion). The LVST counted 856 affiliated companies (2021: 808) having a total of 7'691 actively insured persons (2021: 7'757). The average coverage ratio stood at 99 per cent (2021: 115 %).

At the LLB Pension Foundation, security and stability play a major role. Particular focus is placed on digitalising services. As the first collective foundation in Liechtenstein, the LVST introduced a digital pension fund cockpit in 2021 for insured persons. In 2019, it was already possible for affiliated companies to efficiently prepare and process information via the LVST company portal. Liechtenstein’s youngest collective foundation is a major pillar of the domestic market. It is a member of the supervisory board of the Liechtenstein Pension Fund Association, which has set itself the goal of further developing the Liechtenstein pension fund market.

### Closeness to clients with digital and personal service

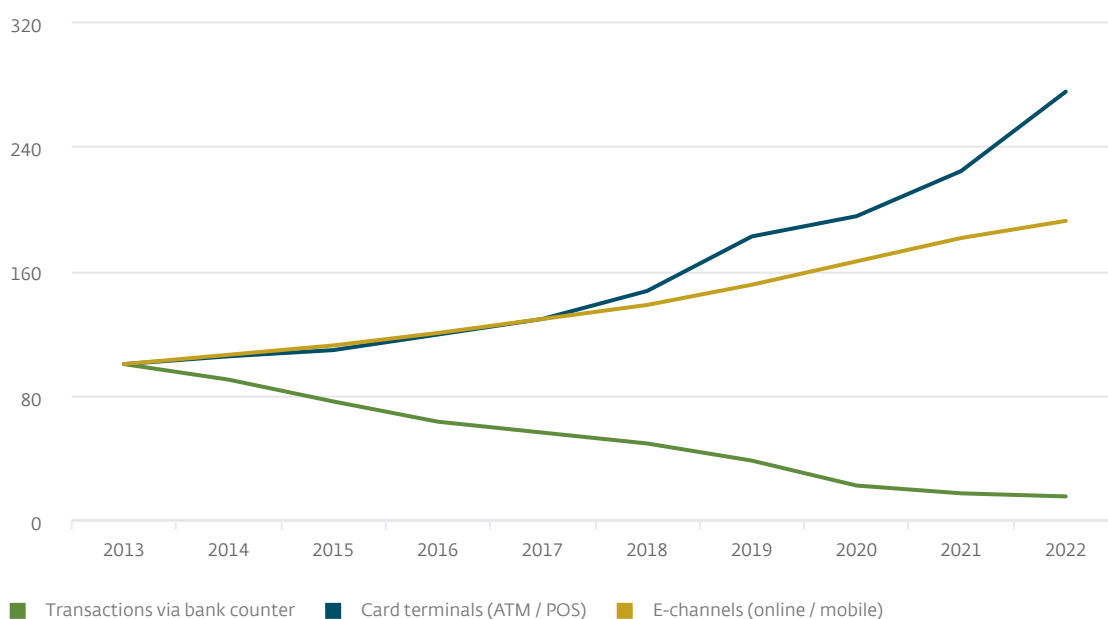
The pace of digital change at the LLB Group is picking up pace sharply. The new “LLB.ONE” programme is driving the digital transformation of key business processes across and throughout all client segments and markets (see chapter “[Corporate Center](#)”). This includes the comprehensive, Group-wide standardisation and automation of lending procedures and processes. We have already reached significant milestones with the “Credit for Future” Group project. In line with our ACT-26 corporate strategy, we will invest CHF 100 million in the digital transformation by 2026.

A large portion of our retail and corporate clients already contacts us at anytime from anywhere via our E-channels. In 2022, they carried out 3.2 million (2021: 3.0 million) transactions via our Online and

Mobile Banking systems. At the same time, transactions made using LLB bank cards also rose sharply to 5.0 million (2021: 4.1 million).

The digital transformation brings new, very important functions to our bank branches. They are venues for providing and receiving personal advice in an environment that creates a completely new banking experience. All our client advisers complete a certification programme in accordance with the standards of the Swiss Association for Quality (SAQ) (see chapter "Employees").

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



### E-Channels

LLB is one of the few banks to have structured its entire digital offering as a "one-stop shop". Designed in accordance with the latest security and technological standards, our digital offering is constantly being extended. In 2021, we expanded our Online and Mobile Banking programmes, enabling users to benefit from new functions and improved user-friendliness (see chapter "Corporate Center").

- ♦ **Online fund saving plan:** about sixty funds are available for selection from our fund savings plan. Clients can sign up to and manage fund savings plans independently, a very popular feature with them. Client advisers can provide support, if required, at any time via the system.
- ♦ **Online extension of fixed-term mortgages:** mortgage clients can extend existing fix-term mortgages using LLB Online Banking for periods up to ten years. LLB was the first bank in Liechtenstein to provide this mortgage option online.
- ♦ **"wiLLBe" app for sustainable investing:** "wiLLBe" enables savers and investors to invest sustainably with support from LLB's award-winning asset management team. The goal is to offer various investment possibilities having sustainable impact and returns (see paragraph "Sustainable investing").

### Digitalisation of payment systems

By utilising various digital possibilities, the payment and issuing of invoices becomes more efficient, simple and clear:

- ♦ **LiPay:** LLB's own digital solution for cash-free and contactless payments is an innovative alternative for retail and corporate clients. In contrast to other instant payment systems, LiPay uses direct "account-to-account" payments, accelerated by instant push messages.
- ♦ **QR billing:** Since 1 October 2022, the former orange / red payment slips can no longer be used in Liechtenstein and Switzerland. On the new payment slips, all the relevant information is contained in the QR code, which simplifies the issuing and payment of invoices both for private individuals and



companies. Since 1 July 2020, LLB clients have been able to scan QR bills via LLB Mobile Banking and, via Online Banking, manually type in or scan, issue and pay them using PayEye.

- ♦ **eBill:** This programme 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 made to sustainably protecting the environment.
- ♦ **LLB Connect:** This interface provides companies having a very large number of payment orders with an attractive and convenient solution. Payment, stock market and foreign exchange orders can be generated and submitted via the usual software environment to LLB quickly, securely and efficiently. The accounting system can be reconciled automatically with accounts receivable and accounts payable.
- ♦ **EBICS:** With EBICS (electronic banking internet communication standard), LLB offers corporate clients, in addition to Online Banking, a professional solution for the direct connection to the client's financial software. This enables corporate clients to conveniently manage their accounts from one app, independently of whether these accounts are held with LLB or other banks in Liechtenstein or abroad. EBICS has become established in various SEPA countries (single euro payment area) as a multi-client /bank communications standard that enables payment transfers to be executed in an encrypted and secure form via the internet.

### Modern bank branches

Bank branches are the face of LLB and Bank Linth. Focusing on clients is an essential prerequisite for us, and is the reason why not only our digital banking systems are state of the art, but also our network of branches. LLB's clients can choose between obtaining personal advice online or personally in one of our modern branches.

Following the remodelling of our branches in Balzers and Eschen, the redesigned headquarters branch in Vaduz has also been a focal point for optimal client experiences and personal services since May 2022. Our unique "Bankorama" experience makes LLB banking products more simple, clear and interactive. We are also forging ahead with the digitalisation of processes in our bank branches so that the branch advisers have available all the tools and digital services they need.

On its way to becoming the "bank of the future", Bank Linth modernised its first branches in 2015. In the meantime, all seventeen branches have been remodelled in accordance with the new concept, which places the provision of advice at the forefront of branch activity. Thanks to mobile workplaces and adjustments to infrastructure, all Bank Linth branches can offer the choice of flexible appointment planning for client discussions.



**"Our close relations with people and businesses are our great strength. As the leading universal bank in Liechtenstein and the region, it is our goal to exceed expectations in terms of both personal and digital services."**

Urs Müller, Head "Retail & Corporate Banking"

### Advisory centres / Experts on demand

For around 100'000 clients, the LLB and Bank Linth advisory centres are already the efficient interface and first-class point of contact between online and offline services. 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 2022, our two advisory centre teams answered 153'000 telephone calls, responded to 27'000 e-mails and 18'100 bank messages.

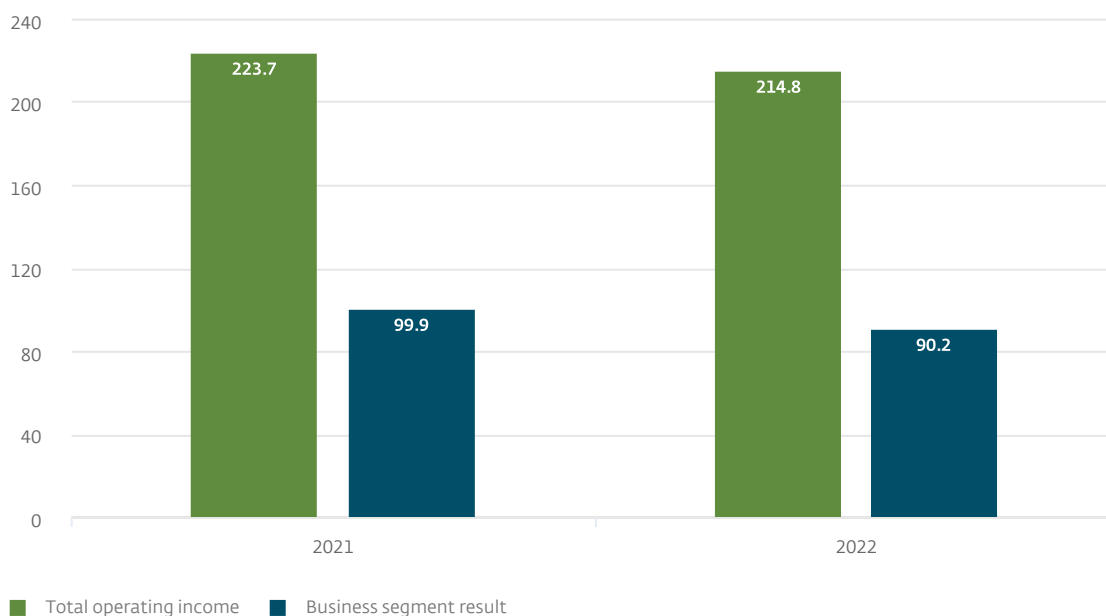
In recent years more and more demands have been made on our advisory centres, caused largely by the plethora of different regulatory requirements applying to our clients from around eighty countries. In future, our professional and experienced on-demand teams will play an even more important role. We intend to adapt the structure of our advisory centres and equip them with the latest technical infrastructure. So that even when contacting the bank remotely, clients can rely on receiving appropriate advice and situative support in solving problems.

### Business segment result

Interest differential business, which comprises the largest proportion of earnings in the “Retail and Corporate Banking” division, posted an 8.0 per cent increase. The rise was attributable to the continual growth of mortgage lending business and higher interest rate levels. Higher risk provisions for expected credit losses were allocated. As expected, fee and commission income decreased as a result of lower volumes and fewer generated performance fees. In contrast, trading activities expanded, generating an 18.6 per cent rise in trading income to CHF 20.8 million. Operating expenses remained stable resulting in a segment profit before taxes of CHF 90.2 million.

Growth continued to be pleasing with both the positive net new money inflow of CHF 1.0 billion and increased lending business of CHF 0.9 billion contributing equally to the increase. Accordingly, in spite of the negative market development, the business volume expanded to CHF 33.0 billion.

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



## Segment reporting

in CHF thousands	2022	2021 <sup>1</sup>	+ / - %
Net interest income	111'820	103'533	8.0
Expected credit losses	- 4'695	5'539	
Net interest income after expected credit losses	107'126	109'072	- 1.8
Net fee and commission income	85'010	95'096	- 10.6
Net trading income	20'806	17'544	18.6
Other income	1'845	2'016	- 8.5
<b>Total operating income</b>	<b>214'786</b>	<b>223'728</b>	<b>- 4.0</b>
Personnel expenses	- 43'974	- 43'216	1.8
General and administrative expenses	- 4'416	- 4'037	9.4
Depreciation	- 43	- 40	6.8
Services (from) / to segments	- 76'130	- 76'498	- 0.5
<b>Total operating expenses</b>	<b>- 124'563</b>	<b>- 123'790</b>	<b>0.6</b>
<b>Segment profit before tax</b>	<b>90'223</b>	<b>99'938</b>	<b>- 9.7</b>

1 The figures for the financial year 2021 were carried over and adapted to the new segment structure.

## Performance figures

	2022	2021 <sup>1</sup>
Gross margin (in basis points) <sup>2</sup>	67.1	68.4
Cost Income Ratio (in per cent) <sup>2</sup>	57.0	56.6
Net new money (in CHF millions) <sup>2</sup>	1'022	551
Growth of net new money (in per cent) <sup>2</sup>	5.1	2.9

1 The figures for the financial year 2021 were carried over and adapted to the new segment structure.

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

## Additional information

	31.12.2022	31.12.2021 <sup>1</sup>	+ / - %
Business volume (in CHF millions) <sup>2</sup>	33'003	32'620	1.2
Assets under management (in CHF millions) <sup>2</sup>	19'365	19'887	- 2.6
Loans (in CHF millions)	13'638	12'733	7.1
Employees (full-time equivalents, in positions)	248	251	- 1.0

1 The figures for the financial year 2021 were carried over and adapted to the new segment structure.

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

# International Wealth Management

**At the LLB Group, international wealth management means that, as a secure and sustainable, international private bank, we support wealthy private clients and professional clients in all market situations. We stand for stability and security, superb advisory services and outstanding investment performance.**

## International private bank

As formulated in the ACT-26 corporate strategy, the LLB Group will utilise its strength as one of the most stable banks in the world to position itself even more clearly as a secure and sustainable, international private bank. We are bundling our competences to facilitate accelerated growth, the highest level of efficiency and a climate-friendly financial services industry in the future. In 2022, we combined the former market divisions “Private Banking” (responsible for international business) and “Institutional Clients” to form the “International Wealth Management” division.

International private banking clients as well as professional investors and financial intermediaries have exacting demands. They expect asset management with proven investment performance on which they can rely, competent, long-term contact partners, as well as professionalism and efficiency in the handling of their financial affairs. For both our wealthy private clients and our institutional clients the stability and security of the LLB Group forms the foundation of a collaboration based on trust.

Building on its new complementary model, the LLB Group is pursuing five major objectives in the field of international wealth management:

- ♦ Strengthening of intermediary business in Liechtenstein, Switzerland, Austria and Germany;
- ♦ Expanding of position as leading wealth management bank in Austria;
- ♦ Further growth as a unique investment fund powerhouse in the German-speaking region;
- ♦ Continuing major marketing and sales efforts in the private banking growth markets of Central and Eastern Europe, as well as the Middle East;
- ♦ Consistent, sustainable investments according to ESG guidelines.

## Stability and security

As the longest established financial institution in Liechtenstein, LLB has a long tradition as a private bank. Wealthy private clients, companies and financial intermediaries rely on this experience and appreciate the financial strength of the LLB Group. This distinguishing attribute acquired even more importance in 2022 due to the war in the Ukraine, incipient inflation trends and the return to a restrictive monetary policy. Our private and professional clients know that, for years, we have been one of the most secure, best capitalised universal banks in the world.

Since April 2016, and every year since then, Liechtensteinische Landesbank has been assigned a deposits rating of Aa2 by Moody's the rating agency (see chapter “[Finance and risk management](#)”). This means that we are regarded as one of the highest-rated banks in the world. We are among the top range of Liechtenstein and Swiss banks, ranking well above the average of European financial institutions. At the same time, with the Principality of Liechtenstein as our majority shareholder, we have a very stable ownership structure. Liechtenstein is one of only a few countries in the world to be awarded an AAA rating by Standard & Poor's and thus the highest financial standing.

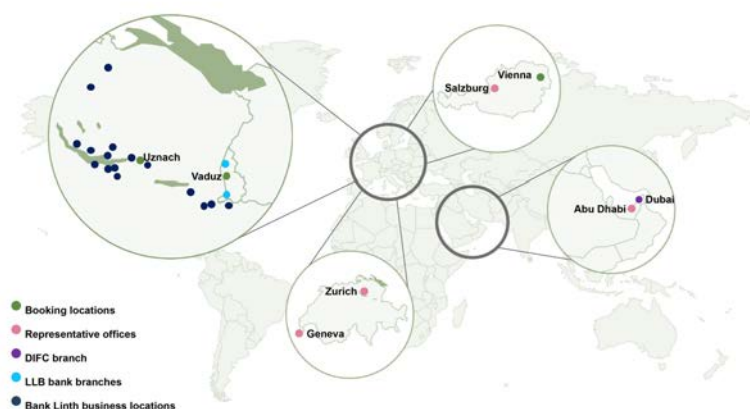
## International presence – strong local ties

Wealth management clients throughout the world can call on three booking centres at the LLB Group. We are represented with a bank each in the modern, stable financial centres of Liechtenstein, Switzerland and Austria. The LLB Group is internationally active and maintains strong local ties thanks

to Liechtensteinische Landesbank and its three bank branches in Liechtenstein, to Bank Linth with its seventeen branches in eastern Switzerland and to Liechtensteinische Landesbank (Österreich) AG with business locations in Vienna and Salzburg. We care for our international clientele from our representative offices in Geneva, Zurich and Abu Dhabi, as well as from our branch in the Dubai International Financial Center (DIFC), Dubai.

The LLB Group attaches great importance to meeting tax compliance requirements and strictly observing prevailing local and international regulations. By providing intensive training and clear instructions to our employees we ensure that they fulfil the regulations of the target countries within the scope of their cross-border activities for the protection of our company and our clients.

### Locations of the LLB Group



### Three successful domestic markets

Our domestic markets, Liechtenstein, Switzerland and Austria, possess great potential to attract private and professional investors, who are seeking security and stability for their investments, as well as efficient, personal advisory services. Liechtenstein is a specialised and, at the same time, an internationally networked financial centre. Thanks to its membership of the EEA and its customs agreement with Switzerland, the LLB Group has unrestricted access from this business location to two economic areas: the EU single market and to Switzerland. These are two of the most important and competitive financial centres in the world. From its business base in the EU member state, Austria, the LLB Group is expanding its position as the leading wealth management bank in the German-speaking region and in the markets of Central and Eastern Europe.

### Traditional cross-border markets

For us as a private bank, selected Western European markets traditionally play a key role. We benefit here from our extensive experience as a wealth manager, from our high service quality and from our proven investment performance. Germany, Europe's largest private banking market, in particular, is becoming increasingly important to the LLB Group. The growth that we achieved in this market in 2022 confirms that our clients appreciate our values and services. For this reason, we are intensifying our business activities in Germany from out of our domestic markets in Liechtenstein and Austria.

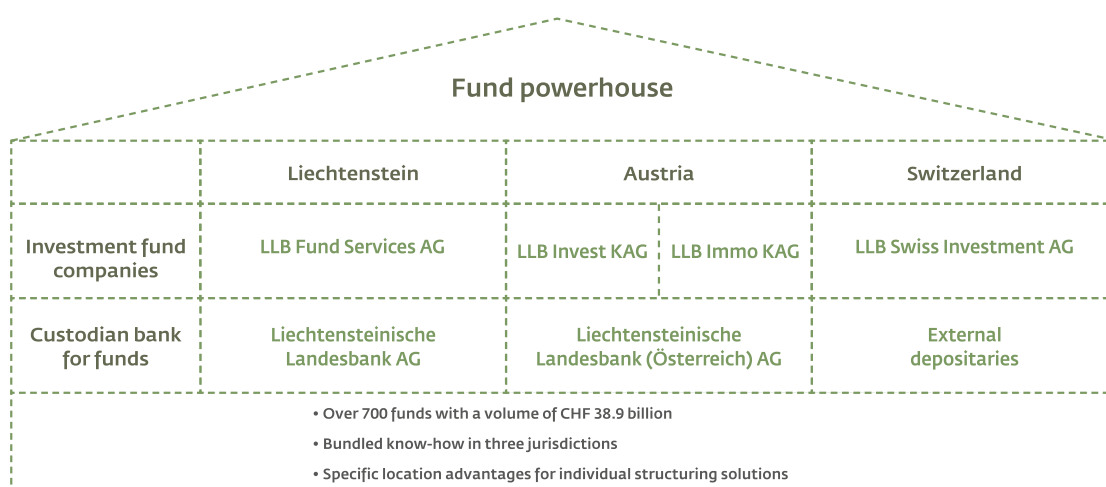
### Private Banking International

We take care of our clients in Central and Eastern Europe (CEE) from our headquarters in Vaduz, from Vienna, and from our representative offices in Geneva and Zurich. Our clients in the United Arab Emirates and the Middle East (ME) are cared for from our branch in the Dubai DIFC (2008) and from our

representative office in Abu Dhabi (since 2005). In 2022, the two business areas CEE and ME were organisationally amalgamated into Private Banking International in order to underline the importance of these growth markets and bundle our resources.

### Fund powerhouse

As a secure, international private bank, new opportunities are emerging for the LLB Group as a sustainable asset manager and funds powerhouse. In 2022, investment fund business again proved to be a key earnings pillar of the LLB Group with uninterrupted growth potential, reporting another very good business result. The net new money inflow stood at CHF 1.8 billion (2021: CHF 3.1 billion). At the end of 2022, the LLB Group administered a fund volume CHF 38.9 billion (2021: CHF 44.0 billion); the decrease was due to market-related factors. With four investment fund companies in our three domestic markets and over 700 managed funds, we are among the most versatile fund vendors in Europe.



### Private label funds

The LLB Group's fund management companies attach great significance to private label fund solutions (known in Austria as "Special funds" or "Master-KAG" solutions). External asset managers and institutional investors frequently utilise private label funds tailored to suit their specific requirements. Family offices and wealthy private clients are also increasingly showing interest in these made-to-measure fund solutions, which are structured according to Liechtenstein, Swiss or EU law, and which enjoy the same investor protection as funds licensed for public distribution. They enable large volumes of assets to be efficiently managed and individually structured.

In its three domestic markets, the LLB Group offers all its products and services according to the "one-stop shop" concept. This creates the maximum degree of flexibility to enable us to fulfil clients' wishes. We plan and set up made-to-measure funds not only for our own corporate Group and private clients, but also 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 acting as a representative for foreign funds. In Liechtenstein and Austria, we take over the function of custodian bank / depositary. In 2022, we intensified our sales and marketing efforts for the fund powerhouse and extended the range of fund services in our home markets. These measures have resulted in stronger growth. At all our fund locations, our modern, standardised investment fund platform forms the basis for further growth.

### Liechtenstein and Switzerland

In Liechtenstein, LLB Fund Services AG is one of the leading fund vendors. Based on a holistic and needs-oriented advisory concept, both intermediaries and private clients receive all fund services from one source. Thanks to its unrestricted access to the EU and Switzerland, Liechtenstein offers ideal conditions for cross-border fund distribution.

Since April 2018, the LLB Group has also been represented in the Swiss investment market. Through LLB Swiss Investment AG in Zurich, it offers clients tailor-made fund solutions according to Swiss law. This jurisdiction is ideal for large institutional investors or family office structures in order, for example, to set up funds with investments which are subject to withholding tax (for example, Swiss equities).

In 2022, with its fund business in Liechtenstein and Switzerland, the LLB Group registered an excellent net new money inflow of CHF 1.5 billion (2021: CHF 1.3 billion). On account of market-related factors, the book volume decreased to CHF 22.8 billion (2021: CHF 25.0 billion).

### Austria

With its two capital investment companies, LLB Invest KAG and LLB Immo KAG, Liechtensteinische Landesbank (Österreich) AG is one of the leading vendors of investment funds and real estate funds in the Austrian market. In 2022, LLB Invest KAG administered over 300 funds (including public funds, large investor funds, special funds, multi-manager funds and alternative investment funds) and is therefore the top ranked investment company on 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. In the Austrian and German markets, it invests directly in real estate with the goal of generating attractive returns. It pays special attention to sustainability criteria in managing real estate funds. Some of its funds have already 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 regarded as a first-class, long-term diversification possibility for portfolios and as a stable earnings generator.

In 2022, the Institutional Banking Austria business segment posted a net new money inflow of CHF 465 million (2021: CHF 2'428 million). As at 31 December 2022, the business volume stood at CHF 21.9 billion (31.12.2021: CHF 25.9 billion). At the end of 2022, we managed or held in custody a total of 365 investment funds (31.12.2021: 360).

### High level of service quality

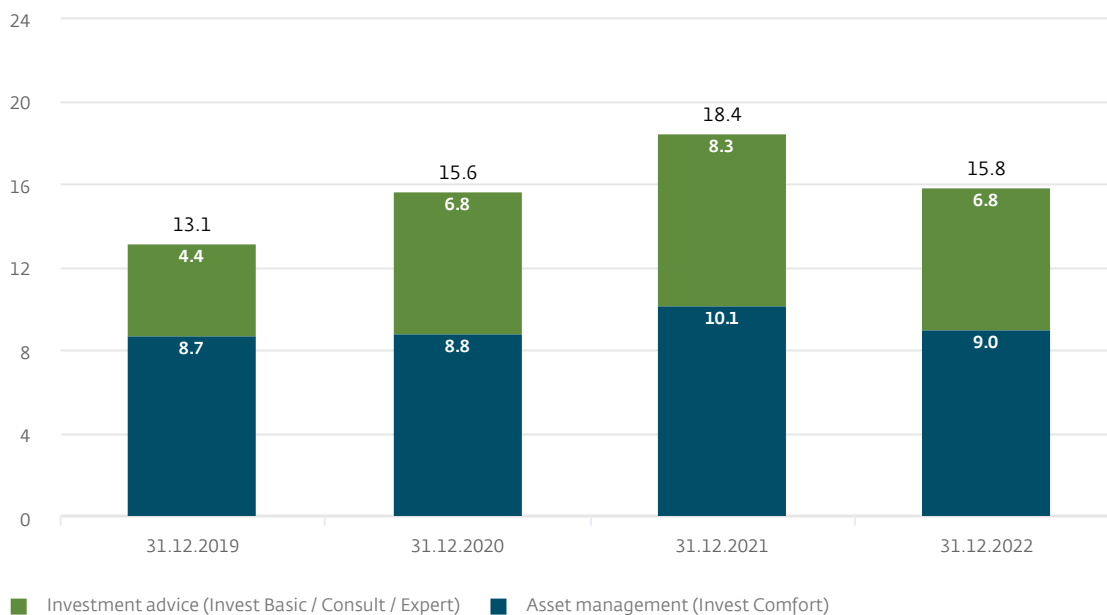
Wealthy private clients and professional clients attach great value to sound investment expertise, fair and transparent conditions, as well as individual and forward-looking investment solutions. However, they count on us as their bank partner to identify opportunities, open new perspectives and to take advantage of the possibilities that modern technology offers. Moreover, they rely on our networks and our knowledge in the areas of cross-border banking, compliance, risk management and sustainability. Long-term, personal care and advice is part of the LLB Group's identity, international wealth management clients take these qualities for granted.

### Innovative wealth management

At the LLB Group, traditional wealth management combines with innovative, modern advisory models. Since 2016, we have been offering "LLB Invest" to our private and institutional clients. This is a transparent, flexible, highly individual investment and wealth management tool. Clients decide themselves what scope of service they wish to receive. This versatile spectrum of services ranges from basis to expert solutions.

Our client advisers work hand in hand with our investment specialists, who have full access to the international financial markets and are supported by the latest technology. Using continual monitoring and optimisation of portfolios, they ensure the security of the investments and a performance in line with the selected strategy. In 2022, the volume of asset management and advisory mandates managed according to the "LLB Invest" model (see chart) contracted to CHF 15.8 billion as a result of market-related factors.

### LLB Invest (in CHF billions)



### Digital transformation

In 2022, the LLB Group forged ahead with the fundamental digital transformation of all its key business processes across and throughout all client segments and countries (see chapter “Corporate Center”). With the “LLB.ONE” programme it is driving forward with the innovative further development of client interfaces and its core processes. All the banks within the LLB Group use the common Avaloq core banking system, meaning that processes throughout the Group can be better automated.

With our Mobile and Online Banking they can conveniently and digitally transact numerous banking activities at any time and from anywhere. Our investments in digital systems make our private banking services even more efficient and convenient. The use of technology boosts the quality of our personal advisory services to a new level.

Innovative digital solutions are also the key to the close ties we have with professional investors. Thanks to upgraded digital channels, contacts with them are now more flexible, more individual and more convenient. We are constantly expanding our offering of digital services for the collaboration with intermediaries and independent asset managers. For example, we have upgraded our “LLB FIX-Interface” and our “LLB Xpert Solutions” product ranges, thus reacting at an early stage to the changing requirements of our clients. Using the “LLB FIX-Interface”, external asset managers can boost their efficiency in interacting with us, thus enabling them to gain more productive and profitable time with their clients.

### Group Business Compliance

The increasing density of regulatory requirements confronts financial intermediaries with growing challenges in relation to organisation, compliance, risk management and internal control systems. The LLB Group is therefore consistently enlarging the Group Business Compliance Department, which acts as a hub between clients, client advisors and compliance specialists. Our professional clients appreciate the support we provide them with from start to finish when opening complicated account relationships and in complex business cases. This enhances the collaboration and conforms more precisely with “know-your-customer” requirements, preventing duplication of work, thus saving valuable resources and making both our clients and ourselves more effective. Our client advisors from the “Retail and Corporate Banking” division call more and more often on the support of the internal Group Business Compliance Department because private individuals and corporate clients are also affected by regulatory provisions.



### Fair and transparent pricing models

We believe in successful, partner-like collaboration as the key to long-term client relationships. This includes fair and transparent pricing models with numerous options. The tariff structures of Liechtensteinische Landesbank are simple and clear, costs are visible at a glance (see chapter "Sustainability in banking"). LLB and LLB Bank Linth forego retrocessions both in the provision of investment advisory and asset management services, i.e. we do not accept commissions from external fund vendors for the distribution of their products. 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. Even when structuring pricing models, we think first of the requirements of our clients.

### Networking and transfer of knowledge

We provide wealthy clients with access to the expertise of our investment specialists and to the universe of our investment solutions. In addition, we support professional investors through networking and a transfer of knowledge. For them it is extremely important to have unrestricted access to the capital markets and to be able to continually update their current level of knowledge. For many years therefore the LLB Group made available its "LLB Xpert Views" online platform to financial intermediaries to enable them to have a transparent and concise overview of current market developments.

"We are one of the most stable banks in the world. As a secure and sustainable, international private bank, we fulfil the high demands of private banking clients and professional investors – and also give impetus for a sustainable world."



Natalie Flatz, Head "International Wealth Management" division

This online platform is a central point of contact for insurance companies, family offices, pension funds, independent asset managers, investment fund managers and fund promoters. This enables us to make available exclusively to our stakeholders the expertise of our specialists in asset management. At the same time, we can brief our professional clients about the latest regulatory provisions. The personal exchange of views and experience is also very important to us. We ensure this takes place several times a year in the form of exclusive round-table discussions.

### Memberships

The LLB Group is closely networked with various associations and bodies and therefore always aware of which themes and issues will be significant in the future. Furthermore, these memberships offer us the possibility of actively participating in shaping the framework conditions, which determine our business model:

- ♦ LLB Fund Services AG is a member of the executive board, and provides the vice chair, of the **Liechtenstein Investment Fund Association**. It 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**, an independent dialogue partner having contacts with national and international associations and institutions.
- ♦ The LLB Invest KAG and die LLB Immo KAG are represented on the executive board of the **Association of Austrian Investment Companies**, the umbrella association of Austrian administration companies and all Austrian real estate capital investment companies.
- ♦ The LLB Immo KAG is also a member and currently chair of the **Austrian Society for Sustainable Real Estate Business** and the **Association of Institutional Real Estate Investment Companies**.

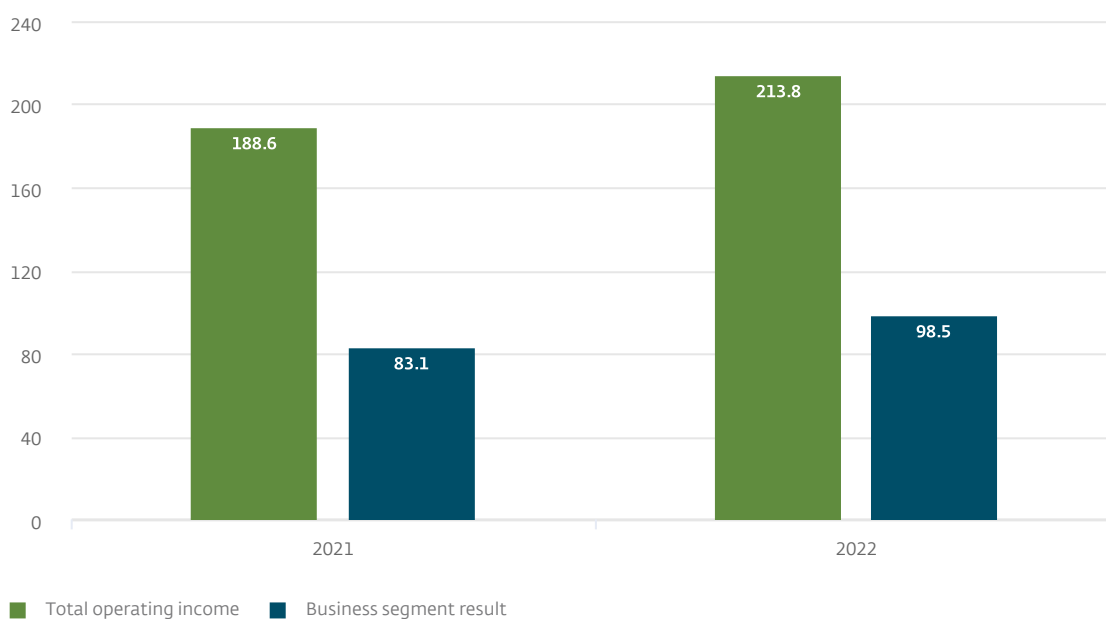
- ♦ In Zurich, LLB Swiss Investment AG is a member of the **Asset Management Association of Switzerland**. The goal of this organisation is to promote Switzerland as a leading asset management centre with high standards of quality, performance and sustainability.

### Business segment result

The segment result before taxes of the International Wealth Management division totalled CHF 98.5 million. In comparison with the previous year, this represents an increase of almost 19 per cent. Operating income rose by CHF 25.2 million to CHF 213.8 million. A marked improvement was achieved in interest differential business with income more than doubling to CHF 51.2 million. This was largely attributable to the raising of interest rates. In the previous year, the segment benefitted from performance fees from fee and commission business as well as larger volumes of client assets. Operating expenses climbed to CHF 115.3 million. General and administrative expenses increased primarily due to the allocation of provisions for legal and litigation risks.

Net new money inflows of CHF 2.5 billion confirm the positive growth trend of recent years. Especially in investment fund business, the segment achieved gratifying inflows. On account of market-related corrections, the business volume decreased by 10.6 per cent to CHF 65.2 billion.

### Segment reporting: International Wealth Management (in CHF millions)



## Segment reporting

in CHF thousands	2022	2021 <sup>1</sup>	+ / - %
Net interest income	51'173	22'096	131.6
Expected credit losses	1'994	- 3'052	
Net interest income after expected credit losses	53'167	19'044	179.2
Net fee and commission income	138'287	149'728	- 7.6
Net trading income	22'350	19'832	12.7
Other income	4	2	116.6
<b>Total operating income</b>	<b>213'808</b>	<b>188'606</b>	<b>13.4</b>
Personnel expenses	- 44'107	- 44'065	0.1
General and administrative expenses	- 11'274	- 6'047	86.4
Depreciation	- 391	- 444	- 11.9
Services (from) / to segments	- 59'549	- 54'976	8.3
<b>Total operating expenses</b>	<b>- 115'321</b>	<b>- 105'531</b>	<b>9.3</b>
<b>Segment profit before tax</b>	<b>98'487</b>	<b>83'074</b>	<b>18.6</b>

1 The figures for the financial year 2021 were carried over and adapted to the new segment structure.

## Performance figures

	2022	2021 <sup>1</sup>
Gross margin (in basis points) <sup>2</sup>	31.2	28.0
Cost Income Ratio (in per cent) <sup>2</sup>	52.0	54.8
Net new money (in CHF millions) <sup>2</sup>	2'463	6'721
Growth of net new money (in per cent) <sup>2</sup>	3.4	11.2

1 The figures for the financial year 2021 were carried over and adapted to the new segment structure.

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

## Additional information

	31.12.2022	31.12.2021 <sup>1</sup>	+ / - %
Business volume (in CHF millions) <sup>2</sup>	65'194	72'904	- 10.6
Assets under management (in CHF millions) <sup>2</sup>	64'214	71'760	- 10.5
Loans (in CHF millions)	980	1'144	- 14.3
Employees (full-time equivalents, in positions)	246	236	4.2

1 The figures for the financial year 2021 were carried over and adapted to the new segment structure.

2 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 coordinates and monitors Group-wide business activities, processes and risks. At the same time, it drives forward the Group's corporate development. The Corporate Center plays a key role in the digital transformation of the Group. By 2026, the LLB Group intends to become more digital, more agile and more scalable.

## Service provider and enabler

The Corporate Center contains the Group CEO (see chapter "Strategy and organisation"), Group CFO (see chapter "Finance and risk management") and Group CDO (Chief Digital and Operating Officer). All the organisational units, which coordinate, support and monitor Group-wide business activities, processes and risks are integrated in this segment. These include: Finances, Credit and Risk Management, Operations, IT, Information Security, Digital Transformation, Product Management, Corporate Development, Legal & Compliance, as well as Facility and Procurement Management. Other business areas such as Communications, Marketing, Asset Management and Human Resources (see chapter "Employees") are also integrated in the Corporate Center. It focuses completely on the requirements of the market divisions and thereby makes a direct contribution to the value added by the LLB Group.

The Corporate Center plays a vital role in implementing the ACT-26 corporate strategy. In this connection, expenditure totalling over CHF 250 million is planned up to 2026. In addition to CHF 100 million for the digital transformation, the LLB Group will invest in building infrastructure, hard and software, as well as in strategic projects.

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



## Digital transformation

The Group CDO division is the principal driver of the digital transformation. All the resources for the comprehensive change process are bundled in this division. During the next four years, with its "LLB.ONE" programme, the LLB Group will initiate far reaching changes in refining and developing further digital offers, focusing even more sharply on clients and maximising process efficiency. The

Group Digital Transformation Department, which was set up in 2022, is responsible for implementing these changes.

In other areas too, the LLB Group is forging ahead with its transformation to the digital age. This means far more than simply introducing new technology. It requires a continual critical analysis and interpretation of the benefits and effects of digitalisation across and within all corporate levels coupled with a cultural transition.

### Shared Service Centers

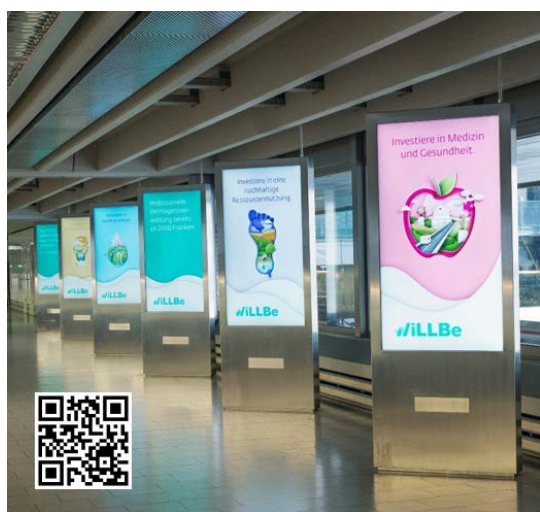
The LLB Group's digital transformation is also facilitated and supported by its Group shared services. The LLB Group's Shared Service Center can call on an extensive range of professional and process competences. Thanks to the systematic bundling of various operative services and the harmonisation of processes in the individual legal entities and business areas, synergy potentials can be exploited and efficiency stepped up. This applies especially to the maintenance of client master data and to payment transfer processes, as well as to foreign currency and securities transactions.

### Digitalisation of banking business

Our clients expect a great deal from the systems and product portfolios provided by banks: very competitive conditions, personalised services, multiple functions and anytime, anywhere access. In recent years, the LLB Group has positioned itself as a modern, innovative, cost-transparent and, at the same time, personal bank. It has expanded its digital services and channels, investing CHF 30 million for this purpose during the last strategy period. Within the scope of the new ACT-26 strategy, a further CHF 100 million will be expended on realising the Group's digital transformation. And, of course, in doing so we shall continue to place our clients' needs and requirements at the forefront of all our activities.

### Digital asset management

In 2022, the LLB Group reached a key milestone in its push to become fully digitalised. The launching of the "wiLLBe" app in Liechtenstein and Switzerland at the end of July introduced purely digital asset management for sustainable impact investing. The app was introduced in Germany in September. This innovation enables the active management of individual securities from amounts starting at CHF / EUR 2'000.–. In choosing the investment strategy, in addition to receiving the market opinion and expertise of our award-winning asset management specialists, the client's wishes can also be taken into consideration. Besides the financial key figures, the "wiLLBe" app also provides sustainability data for investments.



### LLB.ONE

By 2026, the LLB Group intends to become more digital, more agile and therefore more scalable. Our "LLB.ONE" programme enables us to focus on increasing client benefits by utilising the latest technology in our interactions with clients. In future, our clients can decide themselves when and through which channels they want to receive the LLB Group's services. In addition, a highly motivated, creative team is

engaged in analysing the Group's core processes and simplifying, standardising and automating them from start to finish. We take an agile and flexible approach to this transition so that we can react to changing client requirements by analysing existing procedures and adjusting them where required.

In 2022, we modernised and upgraded the digital client platform and the digital product and service offer, particularly in the areas of financing and client life cycle.

### Digital Workplace

At the LLB Group, the digital transformation applies not only to client experiences, processes and products, but also to the employees who supply them. As part of the "team@work" Group project, we are working on the internal renewal of our digital work infrastructure and the optimisation of work processes. In 2022, we continued to make good progress with the development of the digital workplace and the introduction of the functionalities of Microsoft Cloud within the LLB Group. The existing Skype for Business communication system will be replaced by MS Teams throughout the LLB Group. MS Teams has been available to all staff for video conferencing and desktop sharing since the end of 2022. The changeover of all telephones to MS Teams will follow during 2023. In recent years, the LLB Group has also sharply expanded its WFH (working from home) capacity. The current WFH regulations stipulate that employees can spend up to 40 per cent of their working time working from home (see chapter "Employees").



**"For us, digital transformation means a lot more than the digitalisation of clients' experiences, of processes and products. We critically analyse and redesign existing structures across and within all corporate levels."**

Patrick Fürer, Group CDO

### Sustainable investment products

The financial services industry plays an important role in the ongoing transition to a climate-friendly economy. At the LLB Group, Asset Management has attached a high priority to sustainable investing for many years. We offer sustainable asset management services both for individual securities and investment fund portfolios. Since 1 August 2022, the LLB Group's investment advisory and asset management services have been completely aligned with sustainability criteria. Furthermore, we have added two new impact funds (funds which meet the EU's definition of being ecologically sustainable) having their focus on climate protection to our range of products. The goal is to develop investment products and services, which generate returns as well as meeting high ecological, social and ethical criteria. Accordingly they contribute to cushioning the impact of climate change. We underline our efforts to attain greater sustainability through our membership in the UN's most important financial initiatives to protect the climate (see chapter "Responsibilities for the economy, society and environment").

To enable our client advisers to keep pace with these developments, since October 2020 we are offering an extensive range of sustainability training programmes. These include self-training sessions so that new employees can complete the training quickly. We also ensure that our staff stay right up to date with sustainability themes by providing them with specific information briefings such as industry updates or at focus meetings.

### Sustainable investment approach

In selecting sustainable investments, we utilise a systematic approach, which combines both negative and positive criteria. We exclude investments in companies, which violate important national or international norms, or with substantial turnover in controversial industries and sectors. We select companies, which predominantly consider or make a contribution to the three ESG themes, i.e. environment, society and corporate governance.

In addition to their extensive experience and expertise, when making investments, our asset managers can call on our own independent investment 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 consistently pursue the goal of creating more added value for clients over the medium to long term.

Our investment products have achieved top positions in industry-wide comparisons and competitions for many years. In 2022, the LLB Group again received several awards. For example, the LLB Strategy Total Return 2.0 fund in the category "Mixed Umbrella Funds Balanced – Conservative" was ranked in second place by the Austrian "GELD-Magazin".

### 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 sustainable 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: "ESG sustainable global active", "ESG+ sustainable global active", "ESG sustainable in Switzerland", "ESG sustainable alternative" or "ESG sustainable 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 2022 stood at CHF 9.0 billion (2021: CHF 10.1 billion). The year-on-year decrease was performance-related.

### Business segment result

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. In comparison with the previous year, operating income rose by CHF 10.5 million to CHF 74.6 million. Treasury measures, which were implemented due to the increase in US interest rates, led to an expansion of trading activities, partly to the detriment of interest business. In contrast, income from financial investments was lower. Operating expenses climbed by 5.6 per cent to CHF 88.3 million as a result of targeted investments in the ACT-26 strategy.

## Segment reporting

in CHF thousands	2022	2021 <sup>1</sup>	+ / - %
Net interest income	- 10'746	28'382	
Expected credit losses	- 17	0	
Net interest income after expected credit losses	- 10'763	28'382	
Net fee and commission income	- 12'350	- 11'186	10.4
Net trading income	92'994	41'590	123.6
Net income from financial investments	- 933	3'727	
Other income	5'650	1'557	262.9
<b>Total operating income</b>	<b>74'597</b>	<b>64'069</b>	<b>16.4</b>
Personnel expenses	- 108'067	- 102'711	5.2
General and administrative expenses	- 80'327	- 73'361	9.5
Depreciation	- 35'632	- 39'071	- 8.8
Services (from) / to segments	135'679	131'474	3.2
<b>Total operating expenses</b>	<b>- 88'347</b>	<b>- 83'670</b>	<b>5.6</b>
<b>Segment profit before tax</b>	<b>- 13'749</b>	<b>- 19'601</b>	<b>- 29.9</b>

1 The figures for the financial year 2021 were carried over and adapted to the new segment structure.

## Additional information

	31.12.2022	31.12.2021 <sup>1</sup>	+ / - %
Employees (full-time equivalents, in positions)	622	569	9.3

1 The figures for the financial year 2021 were carried over and adapted to the new segment structure.