

Reporting on sustainability topics

To the LLB Group, sustainability means that it creates long-term added value for its clients, shareholders, employees and other stakeholder groups. In order to provide the best possible transparency, our sustainability reporting is prepared in accordance with the internationally established Global Reporting Initiative (GRI) Standards. The thematic focus is based on a comprehensive materiality analysis.

Multi-step analysis process

LLB carried out a materiality analysis again in 2022 to meet the increasing regulatory requirements – from the EU and Switzerland. In the process, it also adapted the analysis to reflect the new ACT-26 corporate strategy.

To identify material topics, LLB adopted a strategic approach and created a materiality matrix based on the double-materiality concept, in accordance with legal requirements. Identified were those topics which are material for LLB's business activities and have the greatest impact on the economy, the environment and society on the one hand, and on the company's own success on the other. In an initial context analysis, we reviewed our value creation and supply chains again for any relevant influencing factors and identified our key stakeholder groups. Next, we compiled a detailed list of possible material topics that can have both positive and negative impacts and then evaluated and condensed it. The topics that resulted from this process were then ranked by relevance by our key stakeholder groups and the management using an online survey. After consolidating the results from the survey, we created a draft materiality matrix which was discussed, evaluated and, where necessary, adapted in a workshop attended by representatives from various departments at LLB. The materiality matrix and material topics are presented and discussed in the latest sustainability report. The topics which are material for LLB are listed in the matrix. The Board of Directors was informed about changes to the material topics as part of sustainability reporting. It subsequently reviewed and approved the sustainability report including the materiality matrix.

In accordance with the content requirement for a non-financial declaration requirement set out in Liechtenstein's Persons and Companies Act (PGR), at a minimum those topics from the areas of environmental, social and employee matters, anti-corruption and bribery matters as well as respect for human rights were identified in the analysis as report content that is material in the sense of having "double materiality". These are topics that have relevant impacts on society, the environment or the economy and are relevant for an understanding of LLB's development and performance.



In dialogue with stakeholder groups

For the LLB Group, sustainability as a corporate responsibility also means meeting the expectations of the different internal and external stakeholder groups. We are in regular dialogue – personally, by electronic media, or at information meetings, working sessions or conferences – with the different stakeholders who affect the course of our business and over whom we have influence.

An important instrument is the LLB Group's annual report, which has contained a sustainability report since 2015. Through it, we highlight our proactive focus on sustainability and social responsibility. For sustainability reasons, we do not print our annual report.

The most significant stakeholder groups are in particular:

- ♦ Clients: Their needs are uppermost at every point of contact. Using various channels, we determine the needs and level of satisfaction of our clients.
- ♦ Principality of Liechtenstein: The Principality of Liechtenstein is our majority shareholder. We exchange views with representatives of the Landtag (Parliament) and the Government on a regular basis (see chapter "[Corporate governance](#)").
- ♦ The public: All our branding and communication measures are high-profile. A key trust-building element in this regard is an intensive exchange with media representatives (see sections "[Public relations](#)" and "[Media relations](#)").
- ♦ Partners and non-governmental organisations (NGOs): Through our membership of associations and organisations, we maintain a dialogue with partners and NGOs (see chapters "[International Wealth Management](#)" and "[Responsibilities for the economy, society and environment](#)").
- ♦ Employees: We reach our employees over our intranet, which is continuously updated, and through our "InSight" staff magazine. There are also various events where employees have the opportunity to personally meet and discuss with members of the Group Executive Board (see chapter "[Employees](#)").

Investor relations

As a publicly listed company, we are obliged to publish share-price-relevant facts by means of media communiqués. We inform shareholders, clients, employees and the public simultaneously, comprehensively and regularly about our business performance, value drivers as well as the implementation of our strategy and provide them with an overview of our key financial and operating figures. We maintain an open dialogue with analysts and investors in order to be able to report on the course of business on an ongoing basis. The aim is to ensure that the price of the LLB share represents the fair value of the company (see chapter “[Economic value creation](#)”).

Media relations

Irrespective of the ad hoc information and the annual media and analyst conference, we are in constant contact with the media and business journalists in our market regions. We make every effort to answer their questions in a transparent and timely manner. The LLB Group was the subject of around 860 media articles in 2022 (2021: 820).

Public affairs

Only by constantly seeking dialogue with different decision makers are we able to voice our opinion and be heard. LLB is therefore in regular contact with opinion leaders and selected representatives from the world of politics and economics. We are a member, too, of the key industry associations and organisations such as the Liechtenstein Chamber of Commerce and Industry and the Bankers Association (see chapter “[International Wealth Management](#)”). We exchange views with the Liechtenstein Financial Market Authority (FMA) on a regular basis. LLB is obliged to report to its majority shareholder, the Principality of Liechtenstein, on the course of business. Against this backdrop, there is a meeting twice a year of the senior management of the LLB Group and the Liechtenstein Head of Government. Once a year, the Group Board of Directors and the Group Executive Board invite the entire Government to a roundtable discussion.

Public relations

We use various channels to engage with the general public. With regular market commentaries and reports in local print media, we prove our expertise in financial matters. We strengthen our relationship with the local population by organising or sponsoring various events – and these became increasingly possible again after the coronavirus pandemic.

Digital communication channels

The LLB Group has been consistently investing in the expansion of its digital communication channels for a number of years now. It operates a total of eleven different web portals and microsites that are centrally managed through the same content management system and are in conformity with the brand. We also reach our clients with selected information through mobile and online banking. We are also in direct contact with clients over social media.

Responsibilities for the economy, society and environment

As a financial institution with a long-term orientation, the LLB Group is committed to leaving an environment that is as intact as possible and stable social conditions for the coming generations. With our new corporate strategy and even more ambitious goals, we are proceeding resolutely down this path.

Performance mandate and sustainability

As the oldest bank in Liechtenstein and steeped in tradition, LLB understands the special responsibility it has for taking a long-term approach. Sustainable business management is part of its performance mandate and its corporate identity. We have a legal obligation to our majority shareholder, the Principality of Liechtenstein, to promote Liechtenstein's economic development while at the same time taking ethical and environmental factors into account. We fulfil this special obligation by offering a diverse portfolio of products and services, applying sustainable standards to our offerings, our infrastructure and procurement, and engaging broadly in society.

Sustainability as a strategic goal

Sustainability is an integral part of our DNA. With our ACT-26 corporate strategy, we are going a step further: the LLB Group wants to play a pioneering role in the future. Sustainability is one of our three strategic core elements (see chapter "[Strategy and organisation](#)").

Our aim with ACT-26 is to be perceived as a bank that is stable, sustainable and innovative. We also want to differentiate ourselves from our competitors through it.

Overview of the sustainability strategy

Sustainability@LLB	Concrete measures	Overarching objective
<p>We set standards for banking with values.</p>  <p>The LLB Group actively contributes to environmental protection, promotes social justice and stands for responsible corporate governance.</p> 	<p>Banking operations</p> <ul style="list-style-type: none"> • From 2021: Net zero emissions through compensation (incl. commuter traffic) • By 2026: -20 % CO₂e emissions  <p>Bank products</p> <ul style="list-style-type: none"> • By 2026: -30 % CO₂ emissions • Ongoing: Expansion of the sustainable product range  <p>Reporting</p> <p>From 2022: Extended reporting Ongoing: Progress monitoring</p>  	<p>Entire LLB Group with net zero emissions by 2040 at the latest</p>

Goals of the sustainability strategy

We have set ourselves the goal of reducing the net CO₂ emissions of the LLB Group to zero by 2040 – in line with the UN's ambitious target to limit global warming to 1.5°C. Our Board of Directors has adopted a sustainability strategy. Its implementation happens at the Group Executive Board level in close co-operation with our Sustainability Council (see section "Sustainability governance of the LLB Group").

Banking operations

As a first partial step in this direction, the LLB Group became climate neutral in the 2021 business year by fully offsetting its CO₂ emissions. In co-operation with the Swiss climate foundation "myclimate", we support various CO₂-reducing projects in the region and around the world. Among these is a reforestation initiative in western Uganda and a project for fertile soil as a CO₂ sink in the Lake Constance region.



At the same time, we have initiated measures (see chapter "Corporate environmental and climate protection") to ensure that emissions in our banking operations are net zero by 2040.

Bank products

In addition to adapting its day-to-day operations, the LLB Group also wants to support its clients on the way to climate neutrality: with expert advisory services and differentiated, sustainable products. Specifically, the Group has set itself here, too, the goal of reducing the CO₂ emissions of all bank products to net zero by 2040. This would mean the LLB Group becoming completely climate neutral across its banking operations and its products ten years earlier than defined in the Paris climate agreement.

Adapting our offerings is a key factor in achieving the targets that we have set for ourselves. Consequently, the LLB Group has greatly expanded its range of sustainable investment products. In addition to its well-established asset management and advisory services, it also offers a comprehensive selection of sustainable funds. Launched by LLB in 2022, the two dark green LLB Impact Climate funds, which have a discernible, positive impact on the environment and nature, have an investment volume already in excess of CHF 700 million.

The LLB Group is convinced that sustainability is not only indispensable for preserving an intact environment and society, but is also increasingly becoming a decisive competitive factor.



"The scope of our transparency is a measure of how seriously we take our responsibility for a climate-friendly economy and society. In the TCFD report we completely disclose the extent of our carbon footprint. And we make it possible for every investor to achieve lasting good through their financial commitments."

Gabriel Brenna, Group CEO

Transparency

We have used the Global Reporting Initiative (GRI) Standards as the framework for our sustainability reporting for many years. We published our first-ever [TCFD report](#) in October 2022. The report discloses in a transparent manner, and in accordance with the internationally recognised standards of the Task Force on Climate-related Financial Disclosures (TCFD), an overview of the catalogue of measures adopted to implement the climate objectives, as well as where we stand on the path to climate neutrality.

Membership of international climate initiatives

We reaffirm our commitment to sustainability and climate protection through membership in the most important international climate initiatives:

- ♦ **The United Nations Net-Zero Banking Alliance:** The LLB Group has been a member of the United Nations Net-Zero Banking Alliance (NZBA) since August 2021. Its aim is to eliminate the most carbon-intensive sectors from credit and investment portfolios.
- ♦ **Race to Zero:** With its membership in the NZBA, the LLB Group is also part of the Race to Zero campaign – an initiative launched by the United Nations. The campaign brings together state and non-state actors from more than 90 nations. They recognise the importance and the urgency of working towards a decarbonised economy in order to create a healthier, safer, cleaner and more resilient world for future generations.
- ♦ **Principles for Responsible Banking:** In 2021, we also became a signatory to the United Nations Principles for Responsible Banking (PRB). The PRB is an initiative for responsible banking and provides a single framework for a sustainable banking industry. It was developed as part of an innovative partnership between banks around the world and the Finance Initiative of the United Nations Environment Programme.
- ♦ **The Climate Pledge:** The Climate Pledge is a voluntary commitment to implement the Paris climate agreement ten years earlier and be CO₂ neutral by 2040. The LLB Group has been an official partner since March 2022.
- ♦ **Principles for Responsible Investment:** The LLB Group has been a member of the Principles for Responsible Investment (PRI) Finance Initiative since 2020. As such, it supports the responsible management of securities.
- ♦ **Climate foundations:** LLB is a partner of the independent non-profit LIFE Climate Foundation Liechtenstein (since 2009) and the Swiss Climate Foundation (since 2012). It thus belongs to a group of partner firms that pool their resources to provide uncomplicated, efficient support to small and medium-sized enterprises (SMEs) in Switzerland and Liechtenstein that contribute to climate protection. LLB refunds of CO₂ contributions from Liechtenstein made to the Climate Foundation are used to promote climate-friendly products and technological developments as well as energy-saving projects.
- ♦ **UN Global Compact:** As a United Nations initiative, the UN Global Compact pursues the vision of an inclusive, sustainable global economy that benefits all people, communities and markets. To make this happen, the UN Global Compact supports companies to do business responsibly by aligning with ten universal principles on human rights, labour standards, environmental protection and anti-corruption, as well as by incorporating the Sustainable Development Goals (SDGs).
- ♦ **Partnership for Carbon Accounting Financials:** PCAF is a global, industry-led initiative to assess and disclose the greenhouse gas emissions financed by loans and investments. Following PCAF recommendations on how to calculate CO₂ ensures that the CO₂ data that the LLB Group discloses are meaningful and comparable with other institutions.

Social and corporate governance

Sustainability encompasses not only the environmental but also the social and governance aspects. We are committed at the LLB Group to value-oriented management and transparent corporate governance. Through the LLB Future Foundation, we have been supporting non-profit projects in the region since 2011. On the occasion of the 10th anniversary of the Foundation, the Board of Trustees decided to present a new award, the Future Prize, for excellent sustainability commitment every two years (see chapter "[Industry initiatives and corporate citizenship](#)").

Sustainability governance of the LLB Group

The LLB Group's organisational structure is made up of divisions. The management structure encompasses the two market divisions "Retail and Corporate Banking" and "International Wealth Management" as well as the functions of Group Chief Executive Officer (CEO), Group Chief Financial Officer (CFO) and Group Chief Digital & Operating Officer (CDO) (see chapter "[Strategy and organisation](#)").

LLB set up a new governance structure during the year to ensure that sustainability matters are addressed at all levels of the hierarchy.

Since the 2022 business year, a so-called Sustainability Council has been responsible within the LLB Group for coordinating our ambitious goals. It is a key governing body in our new governance structure and has five permanent members. The Group CEO acts as Chairman. The four other members are the CEOs of the subsidiaries LLB Österreich and Bank Linth as well as the Head of International Wealth Management and the Head of Group Corporate Communications & Sustainability. The Sustainability Council is tasked with overseeing the implementation of the sustainability strategy and making adjustments where necessary. The council generally convenes every three months. It informs the Group Executive Board about how climate risk management is progressing on a semi-annual basis. The Group Executive Board and the Sustainability Officer report to the Board of Directors on the implementation and progress of the sustainability strategy twice a year.

The operational implementation of the sustainability and climate strategy is the responsibility of eleven workstreams. Each workstream has either a product focus (e.g. credits) or a thematic focus (e.g. social impact) and reports to the Sustainability Council every two months.

In 2021, we also formed what are called green teams and assigned them to the workstream of the Sustainability Officer. In these teams, employees can contribute their own ideas and take on project responsibility during regular working hours, thereby helping to actively shape the sustainable future of the LLB Group. We want in this way to tap into the creativity of each individual in order to find innovative solutions that would not be found otherwise through a top-down only approach. The Board of Directors is regularly informed about these activities.

As the highest governing body at the LLB Group, the Board of Directors regularly participates in related discussions and approves the sustainability and climate strategy as well as the sustainability report as part of the annual report. At a closed meeting in 2022, it was updated on the implementation status of the various strategic initiatives and on all sustainability topics relevant to LLB. The Board of Directors is otherwise kept informed of the progress being made when it convenes. At its meeting in February 2023, the current sustainability and climate strategy is up for discussion and review.

- ♦ The Group Risk Committee informs the Board of Directors specifically about the risks of the climate crisis.
- ♦ The Group Nomination & Compensation Committee incorporates sustainability into the incentive systems.
- ♦ The Group Strategy Committee advises on adjustments to the existing sustainability strategy.
- ♦ The Group Audit Committee reviews and approves the sustainability report.

Overview of sustainability and climate governance structure



Focus topic: Governance in risk management

In addition to the bodies that have already been mentioned, which maintain a broad strategic and operational focus on sustainability issues including climate-related opportunities and risks, climate risks are currently integrated into the existing risk management structure, where they are closely managed.

Organisational structure of risk management



Further development of staff competences

Financial institutions are facing a host of sustainability-related regulations driven primarily by the EU Commission, the overarching aims of which are to slow down global warming and to ensure compliance with social standards. In order to achieve these, global capital flows are being redirected towards more sustainable investments. The LLB Group is following developments closely and making the necessary adjustments in its areas of activity (see chapter “Values and corporate management”).

Sustainability with high ambitions as part of the strategy

Our employees are an important factor for the success of our sustainability strategy. We offer them appropriate training or professional education so as to stay up to date with changing regulatory requirements as well as with our growing number of sustainable products (see chapters “Employees” and “Sustainability in banking”).

Values and corporate management

The values of “integrity”, “respectfulness”, “excellence” and “pioneering” (see chapter “[Strategy and organisation](#)”) form the basis for the corporate management of the LLB Group. Our Code of Conduct provides a reliable guiding framework for the value-based and forward-looking actions of all employees (see chapter “[Employees](#)”).

Responsible corporate management

We plan to revise our Code of Conduct next year and to incorporate the issue of human rights to a greater extent. Similarly, we intend to draw up a code of conduct for our suppliers to encourage them to act more sustainably. We are guided by the concerns of our clients and pay particular attention to meeting their security needs and our data protection standards for the use of the various distribution channels at all times (see chapter “[Finance and risk management](#)”). Our aim is to win over clients with good products and services. As the bank for the country and the people, being able to offer attractive and innovative price models is important to LLB (see chapter “[Sustainability in banking](#)”).

Corporate governance and corporate culture

The LLB Group promotes fairness, transparency and accountability as well as the ethically correct and legally compliant conduct of its employees. By doing so, we protect the interests of our stakeholders and ensure good, sustainable corporate management. And we can contribute to a more socially just society and economy.

As part of its corporate governance, LLB ensures responsible management, guarantees correct monitoring processes and promotes transparency. As a listed company, the SIX Exchange Regulation directive on Corporate Governance (DCG) forms the fundamental basis for corporate management. The Liechtenstein Law on the Control and Oversight of Public Enterprises (ÖUSG) and the Law on Liechtensteinische Landesbank (LLBG) provide a further framework. The Group Tax Compliance Department is responsible for ensuring implementation of the tax compliance strategy as well as compliance with the Automatic Exchange of Information (AEOI) and the FATCA agreement.

Besides strategy, corporate culture is also a key factor in our success. For this reason, LLB promotes the implementation of internal rules, processes and practices that foster ethical behaviour, fairness and transparency. Our [Code of Conduct](#) provides a reliable framework that offers guidance to all employees in acting in a value-driven and responsible manner. The principles it contains not only fulfil statutory requirements, but also meet ethical and social standards.

Compliance and legal risks

At the LLB Group, compliance and legal risks are defined as the risks of violations of legal and regulatory provisions as well as of standards, which can lead to sanctions and result, in particular, in financial losses or reputational damage. Ensuring good compliance is a challenging management task. LLB’s Board of Directors defines the guidelines and receives a written report once a year from Group Legal & Compliance on compliance risks and measures taken to remedy them. The Group Legal & Compliance Business Area informs, supports and advises the Group Executive Board on the assessing and monitoring of compliance risks. Key compliance issues such as following regulatory changes, implementing new requirements, training employees and monitoring are dealt with by the appropriate departments. These include, for example, Group Regulatory Compliance, Group Financial Crimes Compliance and Group Tax Compliance.

A set of internal rules and regulations exist for all key issues, including whistleblowing. Anyone with information about improper conduct by any employee of the LLB Group which is not consistent with its compliance principles and could be detrimental to the bank has the option of contacting the bank's internal whistleblowing office either in writing, verbally or electronically. This can now also be done using a separate tool that enables anonymous reporting and communication with the bank. The whistleblowing office investigates reports made, determines whether there has been a possible violation of laws, rules and regulations, morality or the like, and classifies the information accordingly. The whistleblower is protected and must not suffer any disadvantage through making the report. If a compliance violation has occurred, it is then assessed in a regulated internal process and, if necessary, punished.

In the reporting year, no penalties or fines were imposed on LLB due to violations of legal or regulatory requirements. We expect all employees to observe the Code of Conduct, to act with integrity and to comply with professional standards as well as with the existing laws, regulations and directives.

Continuous adaptation of security infrastructures together with monitoring and analysis systems as well as training of the employees form the basis for the prevention of abusive conduct. Internal directives and measures are regularly adapted to changed framework conditions such as regulatory developments.

Risk and reputation management

The LLB Group proactively manages opportunities and risks, and this enables it to identify and mitigate risks in good time. Risks can have a significant impact not only on LLB's standing in the market, with the public as well as with clients and staff, but also on the success of the business. By acting diligently and in compliance with the law, we can further mitigate risks and uphold our reputation along with the good name of the Liechtenstein financial centre. We are intent on identifying potential risks early so that appropriate measures can be taken promptly. In this way, we not only ensure the bank's continued existence, but also protect our clients and all other stakeholders.

To this end, LLB takes a holistic approach to risk and reputation management with organisational and independent control processes and authorities. The Board of Directors of the LLB Group determines the basic risk strategy, risk policy and risk tolerance with the support of the Group Risk Committee. The Group Executive Board is responsible for the implementation of the risk management processes within the intended scope. It is supported by the various risk committees.

The Group Credit & Risk Management Department identifies, assesses and monitors risks. It reports to the Board of Directors and the Group Executive Board on the LLB Group's key risks. The division is functionally and organisationally independent of the operative units and supports the Group Executive Board in the management of overall risk.

Digitalisation

For the LLB Group, digitalisation and innovative strength are of major importance. The banking business has been undergoing digital transformation for decades. Starting with settlement in the core banking system, successive processes were digitalised until finally the transformation also reached the client business. Apart from cash, there is no other financial service that is used exclusively in the physical world. With the growing penetration of technology into everyday life, interpersonal interaction such as in advisory meetings is being increasingly supported digitally.

To ensure our continued success, we are intent on using the opportunities that digitalisation brings to our processes and to the development of new products and services. Our innovative strength allows us to capitalise on competitive advantages that we reap from digitalisation. With our offerings, which reflect changing needs, we create customer experiences. Lower development costs and better scalability of products and services have a positive effect on LLB's profitability, which ultimately also benefits our stakeholders. At the same time, we are keen to actively counter any negative effects of digitalisation for our clients, employees and society. Digitalisation can lead at LLB to a change in internal job specifications. Other possible consequences are a reduction of service levels and anonymous services or even manipulative techniques in online distribution. We are aware of the negative effects and want to counteract them with our solutions: with our omni-channel advisory service, we continue to operate a

physical channel; we set high data protection standards; and we promote honest, transparent communication.

With its “LLB.ONE” programme, LLB aims to optimise and digitalise its core processes end-to-end – i.e. from the initial contact to the termination of the client relationship – by 2026. It has earmarked a budget of CHF 100 million for this programme. With “LLB.ONE”, LLB has committed itself to a zero-based design approach, whereby existing structures are revisited and, if necessary, redesigned. Core components that have already been redesigned include measuring the success of projects and initiatives, involving clients and external stakeholders in ongoing development, and continuous reviewing its own internal work.

“Sustainability” was centre stage in the area of digitalisation and innovation for LLB in 2022. Besides anchoring sustainability as one of the Group’s three strategic objectives, LLB followed through with an offering on the market: “wiLLBe” enables sustainable investment on the basis of personalised sustainability topics. “wiLLBe”, the LLB Group’s first fully digital offering, was launched in 2022. The sustainable investment app enables paperless onboarding within minutes and, for the first time, provides retail clients with an asset management service with individual securities at very competitive costs.

The greatest challenge for LLB as well as for the whole industry over the next few years will be, despite complexity in the regulatory banking environment, to integrate efficient and scalable digital solutions, while at the same time providing maximum benefits to clients.

Regulatory framework and developments

LLB considers it a top priority in a highly regulated business environment to closely monitor ongoing legislative developments and, where possible and expedient, to play an active part in shaping developments as well as to prepare for innovations in good time. The employees implement the regulatory requirements and thus make an essential contribution to the success of the business and to the good reputation of LLB.

The most important regulatory requirements and developments in the reporting year are summarised below. We have focused primarily on regulations that were of particular importance in the reporting year due to their topicality. Other regulatory requirements that are of relevance to the LLB Group can be found in previous annual reports.

Our sustainability strategy focuses on tackling some of society’s biggest challenges but also addresses the concomitant regulatory and political requirements. Of specific importance here is Regulation (EU) 2020/852 (EU Taxonomy). As described in the following chapters, it has an impact on our core strategy, our product development and the way we deal with our clients and stakeholders. The customised implementation of the EU Taxonomy helps us to develop our own ambitions further and is coordinated and acted upon within the LLB Group.

Implementation of regulatory frameworks 2015–2022

2015

- ♦ 4th EU Anti-Money Laundering Directive
- ♦ Agreement on the Automatic Exchange of Information (AEOI) signed by Liechtenstein / EU

2016

- ♦ Undertakings for Collective Investment in Transferable Securities Directive V (UCITS V)
- ♦ Complete revision of the Investment Undertakings Act (IUA)
- ♦ Implementation of AEOI

2017

- ♦ Revision of Due Diligence Act (DDA)

2018

- ♦ Markets in Financial Instruments Directive II (MiFID II)
- ♦ EU General Data Protection Regulation (GDPR)
- ♦ EU Mutual Assistance Directive

2019

- ♦ Deposit Guarantee Schemes Directive (DGSD)
- ♦ EU Payment Services Directive (PSD2)

2020

- ♦ Implementation project for the Financial Services Act (FinSA) / Financial Institutions Act (FinIA) Switzerland

2021

- ♦ Adaptation to the Due Diligence Act (DDA) to implement the 5th EU Anti-Money Laundering Directive

2022

- ♦ Regulation on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation)
- ♦ Regulation on sustainability-related disclosures in the financial services sector (Disclosure Regulation) and Regulation on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation)
- ♦ Adaptation to the Liechtenstein Banking Act and to the Banking Ordinance to implement the Capital Requirements Directive V (CRD V)

Regulatory disclosure obligations under Article 8 of the EU Taxonomy Regulation

The aim of the EU Sustainable Finance Action Plan is to direct capital flows into environmentally sustainable economic activities. This requires a common understanding of what constitutes environmentally sustainable economic activities. This prerequisite was created with Regulation (EU) 2020/852 (EU Taxonomy), which entered into force in Liechtenstein on 1 May 2022. In addition to establishing the criteria for determining whether an economic activity qualifies as environmentally sustainable, the EU Taxonomy also lays down comprehensive reporting obligations for credit institutions.

In accordance with Article 3 of the EU Taxonomy, an economic activity qualifies as environmentally sustainable if it contributes substantially to any one of the environmental objectives below. At the same time, it must not adversely harm any of the other environmental objectives and must comply with the minimum safeguards laid down.

The following six environmental objectives provide a benchmark for assessing the environmental sustainability of an economic activity under the EU Taxonomy:

- 1 climate change mitigation
- 2 climate change adaptation
- 3 sustainable use of water resources
- 4 transition to a circular economy
- 5 pollution prevention, and
- 6 protection of ecosystems and biodiversity.

The conditions under which an economic activity qualifies as contributing substantially to climate change mitigation and climate change adaptation and as causing no significant harm to any of the other environmental objectives are determined using the technical screening criteria laid down in Delegated Regulation No. (EU) 2021/2139. The technical screening criteria for the other environmental objectives are expected to be adopted in a delegated act during the course of 2023.

In accordance with Article 8 of the EU Taxonomy, the LLB Group is obliged to disclose information about the proportion of total assets of the LLB Group that is associated with economic activities that qualify as environmentally sustainable under the EU Taxonomy. The reporting obligations are specified in Delegated Regulation No. (EU) 2021/2178 and will enter into force gradually by the 2025 reporting year.

The reporting obligation for the 2022 reporting year covers, on the one hand, the proportion of exposures related to taxonomy-eligible economic activities. This corresponds to the proportion of total assets that is associated with economic activities described in Delegated Regulation No. (EU) 2021/2139. Neither compliance with the technical screening criteria nor compliance with the minimum safeguard standards is essential for this. For the 2022 reporting year, the proportion in total assets of exposures related to taxonomy non-eligible economic activities is also disclosed. The same applies to the proportion in total assets of exposures to supranational issuers, central banks and central governments, the proportion in total assets of derivatives, the proportion in total assets of exposures to entities that are not obliged to publish non-financial information under Article 19a or 29a of Directive 2013/34/EU, the proportion in total assets of on-demand interbank loans and the proportion in total assets of the trading portfolio. The reporting obligation for the 2022 reporting year covers not only quantitative information but also qualitative information in accordance with Annex XI of Delegated Regulation No. (EU) 2021/2178.

The taxonomy eligibility analysis is an intermediate step in the reporting and corresponds to full compliance with the regulatory requirements under Article 8 of the EU Taxonomy until the full reporting obligations under Article 10 of Delegated Regulation No. (EU) 2021/2178 enter into force.

From the 2023 reporting year, the LLB Group is obliged to disclose the proportion of exposures related to taxonomy-aligned economic activities¹ of a defined portion of the assets. Known as the green asset ratio (GAR), it indicates the proportion of business volume of the LLB Group that is associated with economic activities that are environmentally sustainable under the EU Taxonomy.

To enable comparability over time, the calculation of the key figures for the 2022 reporting year corresponds to the specifications for the calculation of the GAR.

Total assets minus exposures to central governments, central banks and supranational issuers in the denominator were therefore used as the reference value for calculating the seven key figures below. In accordance with Article 7 and Annex V of Delegated Regulation No. (EU) 2021/2178, the following exposures were also excluded from the numerator for the calculation of the first two key figures:

- ♦ exposures to central governments, central banks and supranational issuers
- ♦ derivatives
- ♦ financial assets held for trading
- ♦ on-demand interbank loans.

The exclusion of exposures to entities that are not obliged to publish non-financial information under Article 19a or Article 29a of Directive 2013/34/EU was not made for the 2022 reporting year due to limited data availability.

The calculation of the key figures for the 2022 reporting year was based on regulatory financial reporting requirements and the scope of prudential consolidation. The table below summarises the results of the reporting obligations applicable for the 2022 reporting year.

1. An economic activity qualifies as taxonomy-aligned if it contributes substantially to any one of the environmental objectives, does not adversely harm any of the other environmental objectives and complies with all social minimum safeguards.

	Proportion in % of total assets ²
Proportion of exposures related to taxonomy-eligible economic activities	21 %
Proportion of exposures related to non taxonomy-eligible economic activities	76 %
Other exposures	
Proportion of derivatives	2 %
Proportion of entities that are not obliged to publish non-financial information under Article 19a or 29a of Directive 2013/34/EU	n/a
Proportion of trading portfolio	0 %
On-demand interbank loans ³	1 %
Exposures excluded from the calculation	
Proportion in total assets of central governments, central banks and supranational issuers	33 %

² Excluding exposures to central governments, central banks and supranational issuers

³ Term < 1 year

Financial centre strategy

In 2019, the Government published a comprehensive financial centre strategy designed to further enhance the competitiveness of the Liechtenstein financial centre. The path of tax compliance should continue to be pursued. The same applies to compliance with international rules and standards. The focus of the strategy is on unrestricted and equal access to markets and improving the framework conditions for innovative enterprises. In addition, the Government has set four strategic goals in order to meet international expectations in the area of combating money laundering and terrorist financing. Dialogue with key partner countries is to be intensified. Membership of international bodies such as the International Monetary Fund (IMF) will thus continue to be explored. The Government also attaches great importance to digitalisation and blockchain technology. With the Blockchain Act (Token and TT Service Providers Act, TVTG), Liechtenstein is the first country in the world to develop a legal basis for the token economy.

International tax topics

Disclosure of cross-border tax planning arrangements

According to the OECD, the lack of comprehensive and relevant disclosure about potentially aggressive or abusive tax planning strategies is one of the major challenges facing tax authorities. In this context, the EU, with the amendment to the EU Mutual Assistance Directive (Directive 2011/16/EU – “DAC 6”) which came into effect in 2018, has introduced a disclosure requirement for cross-border tax arrangements directed at EU intermediaries (especially fiduciaries, lawyers, tax advisers and banks).

International co-operation on tax topics

The Principality of Liechtenstein is intent on creating an attractive tax system that takes account of European law and international developments. Hence, the Principality has implemented the international automatic exchange of information with 114 partner or reporting countries since the beginning of 2016. The FATCA agreement with the USA was concluded in 2014. The Global Forum of the OECD confirmed in November 2021 that Liechtenstein is fully compliant with the OECD requirements and described the Liechtenstein legal framework as “In place”, which corresponds to the highest rating.

Plans for international group taxation

While the OECD's plans for an internationally unified approach to digital taxation presented in autumn 2019 are still in progress, the Group of Twenty (G20) countries endorsed in autumn 2021 a global minimum tax for corporations, which is set to apply from 2023.

Access to the EU market

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

Data protection and cyber security

Due to increasing digitalisation, client data protection and information security play a fundamental role in banking practice. Sophisticated information processing systems, which guarantee confidentiality, availability and integrity, protect against dangers and threats and help to prevent damage as well as minimise risks. By taking appropriate technical precautions on information security and data protection, we can ensure the seamless operation of digital systems, engender trust among our clients and employees and promote economic activity in Liechtenstein. We also contribute to the protection of the country's critical infrastructure.

The Group Information Security Department bears primary responsibility for client data protection and information security. The laws and supervisory guidelines in Liechtenstein, Switzerland and Austria together with the specific regulations in our target markets (in particular, the Banking Act, the Data Protection Act, the GDPR as well as FINMA and FMA requirements) regulate, in a clear and binding manner, the responsibilities and measures for client data protection and information security. We process personal data in accordance with the General Data Protection Regulation. At the LLB Group, the principles and policies are set out in directives that are binding throughout the Group. Employees are regularly trained and sensitised in the responsible handling of client data and information.

Standards for cyber security are very high at the LLB Group. Specialists from the responsible data centre continuously analyse new cyber threats and, depending on the risk, take appropriate countermeasures. External comparisons and penetration tests guarantee a good level of security on a continuous basis.

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

EU General Data Protection Regulation (EU GDPR)

LLB has implemented the requirements of the European EU General Data Protection Regulation (EU GDPR) Group-wide. The regulation regulates and standardises the collection and processing of personal data by companies and public authorities. LLB has established corresponding rules which are applicable throughout the Group and made the necessary adjustments to implement the requirements appropriately.

Data protection laws in Switzerland and Dubai (DIFC)

The Swiss Data Protection Act was completely revised in 2020 and partially adapted to the EU GDPR. But it retains its own basic concept. It will come into force on 1 September 2023.

In the Dubai International Financial Centre (DIFC), the new Data Protection Law came into force on 1 July 2020. It sets an important benchmark for data protection in the Middle East and largely aligns the legal situation with the EU General Data Protection Regulation, which is gradually becoming an international benchmark.

Protection against money laundering and terrorist financing

Liechtenstein has a zero-tolerance policy towards money laundering and terrorist financing. As a member of the EEA, Liechtenstein has meanwhile also implemented the 5th EU Anti-Money Laundering Directive and in doing so has improved transparency with regard to beneficial owners as well as risks relating to virtual currencies. The directive also tightens and harmonises the criteria for assessing high-risk third countries. These international requirements have been implemented domestically through the Due Diligence Act and the Due Diligence Ordinance.

Compliance with international standards

The Financial Intelligence Unit (FIU) serves as the country's central authority for obtaining and analysing information that is necessary to recognise money laundering, predicate offences for money laundering, organised crime and terrorist financing. It represents Liechtenstein in the Committee of Experts on anti-money laundering and terrorist financing in the EU. The current version of the FIU Law of 2019 and the adaptations made to the Due Diligence Act in 2021 ensure Liechtenstein is fully legally compliant with the international standard.

In 2002, 2007, 2013/2014, the International Monetary Fund (IMF) and Moneyval (the Council of Europe's Committee of Experts) assessed to what extent the Liechtenstein provisions on anti-money laundering and combating the financing of terrorism meet the standards laid down by the Financial Action Task Force (FATF 40 + 9 Recommendations). The IMF and Moneyval attested positively to Liechtenstein's standards in combating money laundering and financing of terrorism in their last report. After carrying out the National Risk Assessments (NRA I) in 2016/2017 and updating them (NRA II) in 2020, Liechtenstein completed the Moneyval country examination in autumn 2021 in order to assess the effectiveness of the measures in preventing money laundering and terrorist financing. In its last report published on 29 June 2022, Moneyval attested to Liechtenstein's high level of effectiveness in identifying and combating money laundering and terrorist financing risks and commended the country for having a comprehensive and convergent understanding of its key risks in this area. Liechtenstein was awarded the rating "substantial" in five of eleven effectiveness ratings. In terms of technical compliance with the 40 FATF recommendations, Liechtenstein was also given very good marks.

Consumer protection

MiFID II / Liechtenstein

The Liechtenstein banking centre and thus also LLB implemented the Markets in Financial Instruments Directive II (MiFID II). It simplifies cross-border financial services and allows investment firms, banks and stock markets to offer their services in other EU / EEA member states. Furthermore, they are required to conduct precise client and product analyses as well as disclose information on compensations and commissions. The accompanying Regulation (MiFIR), which has been in force since January 2018, brought significant changes compared to the previously applicable laws. These include the strengthening of investor protection and improving the integrity and transparency of the financial markets. High-frequency trading is subject to regulation and supervisory oversight; position limits in commodities trading are strict. Throughout the EU, consultations at bank branches and consultations by telephone must record and document in a comprehensive manner why a financial product was recommended and how it matches the client's risk profile.

FinSA / Switzerland

In November 2019, Switzerland decided to follow a balanced and modern overall approach to investor protection with the adoption of the Financial Services Act (FinSA) and the Financial Institutions Act (FinIA). The two acts, which have been in force since January 2020, aim to create a level playing field for financial intermediaries and to improve client protection. The FinSA contains rules of conduct towards clients that financial service providers must comply with. It also provides for prospectus requirements and requires a basic information sheet for financial instruments that is easy to understand. The FinIA essentially standardises the authorisation rules for financial service providers.

Rules of the game in the EU payment systems market

For LLB, the harmonisation and the digitalisation of the European payment systems market are important topics. As an EEA country, Liechtenstein adopted the second EU Payment Services Directive (PSD2) in 2019. The revised Payment Services Act came into force on 1 October 2019. The PSD2 introduces new information and liability rules for payment service providers that are aimed at improving customer protection. It also requires strong customer authentication and limits the scope of previous exemptions. In this connection, two new types of financial intermediary, namely the payment initiation service provider and the account information service provider, have been created. At LLB, the adjustments required to implement the PSD2 have been made.

EU Mortgage Credit Directive

The Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property has been in force in the EU member states since 2014. It has created a single legal framework for the granting of mortgage credit agreements to consumers in the internal European market. As a member of the EEA, Liechtenstein was obliged to transpose this directive into national law. This happened with the Mortgage and Real Estate Credit Act, which has been in effect since 1 April 2021. The directive serves to protect consumers taking out loans to buy residential property. Under the directive, the banks are subject to various obligations when granting a loan. These include, in particular, (pre-)contractual information requirements, creditworthiness assessment requirements and qualification requirements for bank employees involved in granting loans.

LLB has implemented the rules and incorporated them into the relevant processes, with the consultation process having been particularly affected.

Capital adequacy requirements

Revision of EU banking regulation

The new EU banking package, which was published by European legislators on 20 May 2019, has implemented further key elements of the Basel III framework, which was essentially completed at the end of 2017, at European level through amendments to the Capital Requirements Regulation II (CRR II) and Capital Requirements Directive V (CRD V). The CRR II has been applicable in the EU since June 2021, while the CRD V had to be implemented by the EU member states by 28 December 2020. In Liechtenstein, the CRR II and the CRD V came into force on 1 May 2022.

Transparency Regulation and Taxonomy (Regulation in the sustainability sector)

The EU Sustainable Finance Action Plan adopted by the European Commission in March 2018 aims, among other things, to improve the financial sector's contribution to sustainable and inclusive growth by financing society's long-term needs, as well as to strengthen financial stability by requiring environmental, social and governance (ESG) factors to be taken into account in investment decisions. This affects LLB AG and LLB Österreich, as well as other institutions in Liechtenstein and Switzerland. The background to this is the progressive tightening of requirements in the European Economic Area (EEA), efforts to secure EU market access for Swiss financial service providers and the growing expectations of all market participants. The LLB Group is following developments closely and taking the steps that are necessary to meet the new requirements.

Deposit guarantee schemes and investor compensation (DGSD)

The DGSD requires EEA member states to recognise at least one national guarantee scheme that is responsible for the implementation of the deposit guarantee scheme at banks. All banks must belong to a deposit guarantee scheme which is supervised by a national authority. In Liechtenstein, this function is assumed by the Financial Market Authority. The new Deposit Guarantee and Investor Compensation Act (DGICA) entered into force in 2019.

In the event of a compensation case, the Deposit Guarantee and Investor Compensation Foundation PCC (EAS) would ensure that the financial consequences for depositors and investors are at least mitigated by covering depositor claims from eligible deposits up to CHF 100'000 and investor claims up to a maximum of CHF 30'000. Eligible deposits are all kinds of account balances as well as call money and time deposits.

Recovery and resolution planning (RRA)

With the Bank Recovery and Resolution Directive (BRRD), European legislators have introduced minimum requirements for the recovery and resolution of credit institutions. The BRRD was transposed in Liechtenstein through the Recovery and Resolution Act (RRA). Through it, a statutory mechanism is available to counteract the "too big to fail" risk of large, systemically important banks in a crisis.

Systemically important banks in Liechtenstein, of which LLB AG is one, are required to draw up a recovery plan. The recovery plan contains an outline of the measures and escalation processes available to the institution in the event of a financial crisis. Model analyses show that these measures are suitable for restoring the financial soundness of the institution in crisis scenarios.

On 1 January 2017, the Liechtenstein Financial Market Authority (FMA) created an operationally independent organisational unit acting as a resolution authority. Its primary objectives are to avoid significant adverse effects on the stability of the Liechtenstein financial market and to protect client funds and client assets in the event of the failure of an institution. Minimum requirements for own funds and eligible liabilities (MREL) are set by the regulator in order to strengthen the capital available for write-down or conversion in the event of resolution (bail-in capital). This should increase the resolution capacity and reduce the risk of having to resort to public funds for resolving banks. Within the framework of the BRRD II, which is part of the current EU banking package, the regulations on resolution and MREL are being updated and expanded. The implementation of the BRRD II and the definition of the MREL is expected in Liechtenstein by mid-2023 (RRA II).

Economic value creation

LLB AG is firmly rooted in its three home markets of Liechtenstein, Switzerland and Austria: it is positioned as the most important universal bank in Liechtenstein, as a leading asset management bank in Austria and as the largest regional bank in eastern Switzerland. Through economic value creation, it creates stability and sustainable, profitable growth for itself as well as for the financial centres of Liechtenstein, Austria and eastern Switzerland.

Contribution to the State of Liechtenstein

The LLB Group makes a contribution through, among other things, dividends and direct taxes to the economic development of the country of Liechtenstein. Not only the State of Liechtenstein as the majority shareholder of LLB AG, the remaining shareholders and Bank Linth but, indirectly, other stakeholders – the employees and business partners as well as the local communities – also benefit from the distribution of profits and increase in value. In its investment strategy, the Liechtenstein Government sets out the expectation that the corporate value of LLB AG will increase over the long run. With this in mind, the latter must set medium-term targets for growth and cost and capital efficiency. Furthermore, the Liechtenstein Government expects that LLB consciously accepts the risks associated with the activities of a universal bank and manages them prudently. Against this background, it requires that the governing bodies of Liechtensteinische Landesbank AG also consider in particular the bank's economic significance to the country and its reputation. Further, corporate governance must take adequate account of ethical and ecological aspects. Operating profit is monitored on a monthly basis using budget versus actual comparisons. Regular discussions are held with the Liechtenstein Government to provide an update on the level of dividends and tax.

Stability

Liechtenstein is one of only eleven countries worldwide with an AAA rating. As part of its half-yearly review of country ratings, the international rating agency Standard & Poor's (S&P) reaffirmed its top AAA rating with a stable outlook for the country in its Research Update from 25 November 2022. In its report, it anticipates somewhat of a slowdown in the Liechtenstein economy due to the widening impact of the Russia-Ukraine conflict. Inflation is expected to be higher and foreign demand lower, as is likely to be the case in other European economies. Liechtenstein is nevertheless assumed to have the necessary flexibility to be able to respond appropriately. S&P notes in this connection its highly diversified economy, which allows Liechtenstein to stand out among other small nations and puts it into a position to rapidly adapt to changing conditions. The rating agency sees Liechtenstein's stable outlook supported by its strong budgetary position as well as its high policy effectiveness and prudent regulatory framework. What's more, being awarded the highest rating in the country ratings underlines Liechtenstein's reliability in these uncertain times.

For the LLB Group, having a very solid capital base is part of its identity. We significantly exceed the core capital ratio of 13.7 per cent required by the Basel regulations in the Principality of Liechtenstein (see chapter "[Finance and risk management](#)").

The LLB share

The LLB share is a worthwhile investment. Investors have continued to profit from a sustainably attractive dividend yield for years.

Market capitalisation

The LLB share has been listed on the Swiss stock market, SIX Swiss Exchange, since 1993 under the symbol LLBN (security number: 35514757) and assigned to the "International Reporting Standard" segment. In 2022, around 2.1 million LLB shares (2021: 2.7 million) were traded, corresponding to 6.8 per cent (2021: 8.7 %) of total shares issued. With 30.8 million registered shares issued, the market capitalisation of Liechtensteinische Landesbank AG stood at CHF 1.7 billion as at 31 December 2022 (2021: CHF 1.6 billion). The LLB share had been listed in the MSCI World Small Cap Index since 2018, but was delisted with effect from 31 May 2022.

Shareholder structure

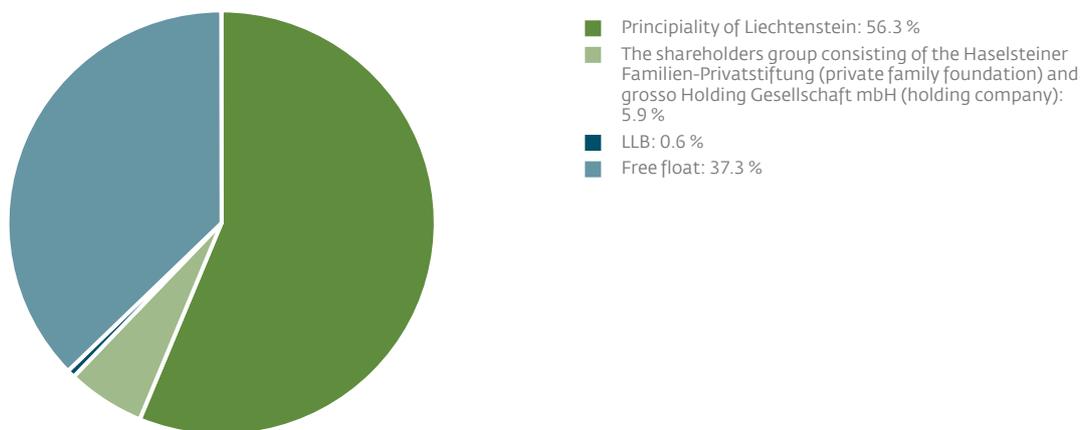
The Principality of Liechtenstein held 17'336'215 LLB shares, or 56.3 per cent of the share capital, as at the end of the reporting year. On 27 January 2022, LLB published an advance notice announcing its public tender offer to acquire outstanding Bank Linth shares. The shareholders had a free choice between a partial exchange offer into LLB shares with a cash component and a full cash settlement. On 18 May 2022, LLB successfully settled the offer. As part of the partial exchange offer with a cash component, 363'785 LLB shares accrued to the former Bank Linth shareholders, corresponding to 1.2 per cent of all outstanding LLB shares. LLB had acquired these shares from its majority shareholder, the Principality of Liechtenstein, on 13 May 2022. This reduced the Principality of Liechtenstein's stake in LLB from 57.5 per cent to 56.3 per cent. Under the ownership strategy (www.llb.li/en/investors/llb-share) it adopted in 2011, the Liechtenstein Government explicitly supports the stock exchange listing of LLB and retains a majority stake of at least 51 per cent.

5.9 per cent of the shares were owned by the Haselsteiner Familien-Privatstiftung and the grosso Holding Gesellschaft mbH, both of which are domiciled in Austria, as at 31 December 2022 (see chapter "Corporate governance").

LLB held 0.6 per cent (2021: 0.8 %) of its own shares as at the end of the reporting year. The remaining registered shares were in free float, whereby none of the other shareholders held more than 3 per cent of the share capital.

Overall 89.0 per cent of the 30.8 million total registered shares were entered in LLB AG's share register at the end of 2022. 11.0 per cent, or 3'374'273 shares, were not registered.

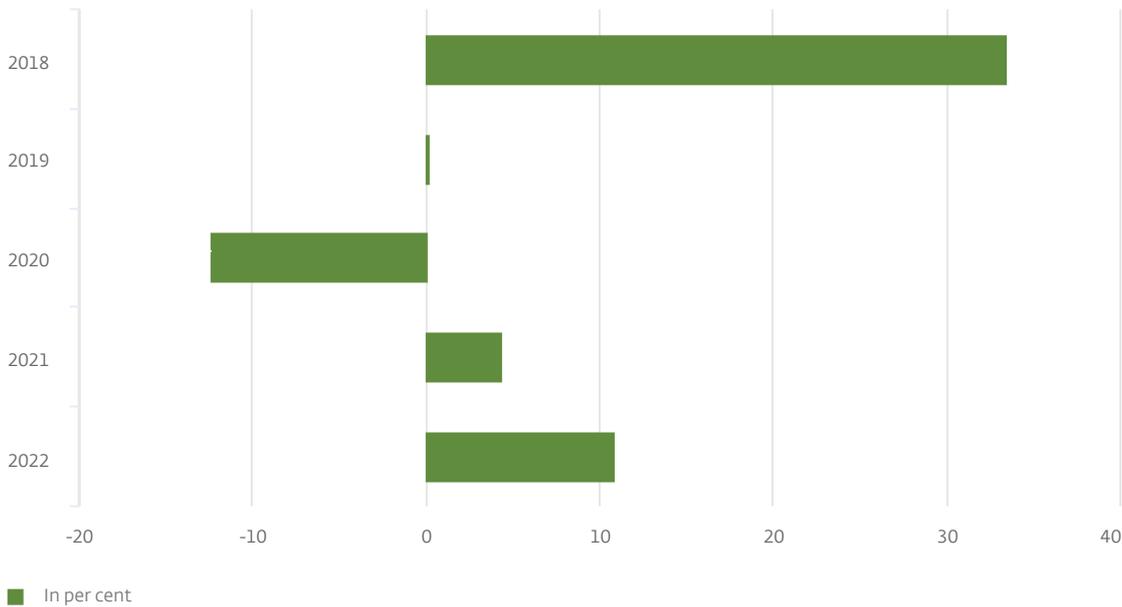
Shareholder structure in per cent



Share price performance

2022 will be remembered for a long time. Record-high inflation prompted central banks to quickly tighten monetary policy. This led to big losses in the financial markets, for both bonds and equities. Measured by the Swiss Performance Index (SPI), shares listed on the Swiss stock exchange lost 16.5 per cent. In contrast to the SPI, shares in the Swiss SWX Banks Index rose. After ending in negative territory in 2021, it registered a gain of 10.4 per cent in 2022. The LLB share produced a total return of 10.8 per cent for the reporting year. It traded as high as CHF 58.90 and as low as CHF 49.55.

Total return on the LLB share

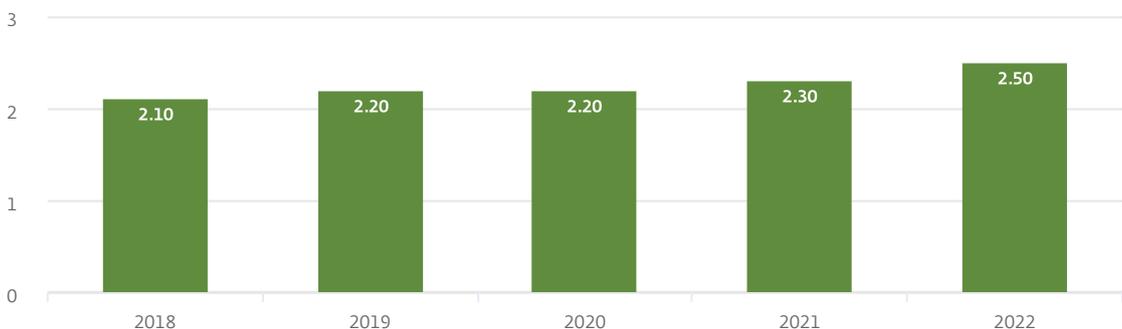


Dividend policy

Liechtensteinische Landesbank pursues an attractive, long-term-oriented dividend policy for the benefit of its shareholders. Furthermore, the LLB Group is committed to safeguarding its financial security and stability (see chapter “[Strategy and organisation](#)”). Under the ACT-26 strategy, it intends to keep risk-bearing capital at a tier 1 ratio of over 16 per cent in accordance with Basel III. LLB will maintain a sustainable and attractive dividend policy. The payout ratio should be more than 50 per cent. Continuous dividend development is also being strived for (see chapter “[Strategy and organisation](#)”).

The Board of Directors will propose an increase in the dividend to CHF 2.50 (2021: CHF 2.30) per share at the 31st Ordinary General Meeting of Shareholders on 5 May 2023. Based on the share price as at the end of 2022, this corresponds to a dividend yield of 4.5 per cent. Total dividends to be paid out amount to CHF 76.6 million (2021: CHF 70.3 million). This represents a payout ratio of 51.2 per cent for 2022 (2021: 51.0%).

Dividend per share (2018–2022¹ in CHF)



¹ The Board of Directors will propose a dividend increase to CHF 2.50 for the year 2022 at the Annual General Meeting on 5 May 2023.

Analysts' recommendations

In August 2022, Michael Klien, the Zürcher Kantonalbank analyst responsible for monitoring the LLB share, wrote: "The bank continues to enjoy good growth and to exercise cost discipline. The new strategy is still in its infancy but has got off to a good start." The LLB share continues to be rated "overweight".

Research Partners AG has been covering the LLB share since mid-2016. In his latest report, analyst Rainer Skierka confirmed his buy recommendation. He above all emphasised the positive position it is in. At the Group level, LLB has a diversified income structure made up of three pillars: net interest, investment and trading. The Cost Income Ratio is already within the range set out in the ACT-26 strategy, attesting to the steady gains in efficiency and high cost awareness at the LLB Group. The twelve-month price target was adjusted to CHF 69.00 (2021: CHF 77.00) and is based, according to Skierka, on the Gordon Growth Model (dividend growth model).

Communication with the capital market

The LLB Group publishes its annual and interim financial results (see chapter "Responsibilities for the economy, society and environment"). Normally, we hold a media and analyst conference on the annual results in Zurich. As in the previous year, it could not take place physically in 2022 due to the coronavirus pandemic. Instead there was a conference call for analysts, investors and the media – like we have for the interim financial results. Most importantly, the annual and interim reports are prepared in accordance with legal requirements. For several years now, the LLB Group has ranked among the companies with the best results in the overall rating category of the Swiss Annual Report Rating, underscoring the high quality of our information policy.

Also at the General Meetings of Shareholders, the Board of Directors and the Board of Management inform transparently about the course of business. Both in 2020 and 2021, these had to be held without shareholders being physically present due to COVID-19. Because the pandemic made planning difficult for so long, the Annual General Meeting took place again in 2022 without the personal participation of shareholders. In order to preserve their rights, shareholders were able to exercise their voting rights by post or electronically.

We also hold regular discussions with investors, provide information at roadshows and are represented at specialist conferences for financial analysts and investors. During the reporting year, we took part in three virtual roadshows and in the Investora event in Zurich.

All publicly accessible information about the LLB Group can be obtained from our website at www.llb.li. Anyone interested is welcome to register at www.llb.li/registration to receive price-relevant information about the LLB Group electronically. Additionally, we publish our information via our social media channels such as Facebook and Twitter. We publish the annual and interim financial reports in a comprehensive online version. The Annual Report 2022 in German can be accessed online at gb2022.llb.li and in English at ar2022.llb.li.

The LLB share: facts and figures

in CHF thousands	31.12.2022	31.12.2021
Total of registered shares issued (fully paid up)	30'800'000	30'800'000
Number of shares eligible for dividend	30'620'119	30'567'065
Free float (number of shares)	11'478'904	11'062'065
Free float (in per cent)	37.3	35.9
Year's high (15 February 2022 / 9 April 2021)	58.90	55.70
Year's low (23 May 2021 / 23 February 2021)	49.55	50.00
Year-end price	55.80	52.60
Total return LLB share (in per cent)	10.8	4.3
Performance SPI (in per cent)	- 16.5	23.4
Performance SWX Banking Index (in per cent)	10.4	- 4.2
Average trading volume (number of shares)	8'028	10'272
Market capitalization (in CHF billions)	1.72	1.62
Basic earnings per share attributable to the shareholders of LLB (in CHF)	4.82	4.25
Dividend per LLB share (in CHF)	2.50 ¹	2.30
Payout ratio (in per cent)	51.2	51.0
Dividend yield at year-end price (in per cent)	4.5	4.4
Return on equity attributable to the shareholders of LLB (in per cent)	7.2	6.3
Eligible capital per LLB share (in CHF)	54.3	58.6

1 Proposal of the Board of Directors to the General Meeting of Shareholders on 5 May 2023

Sustainability in banking

Since its establishment around 160 years ago, sustainability has been firmly rooted in Liechtensteinische Landesbank's DNA. The new ACT-26 strategy lends even more relevance to the topic. Sustainability is one of its three core elements. The LLB Group intends to play a pioneering role in the area of sustainability, with its range of products and services front and centre.

Sustainability as a core element of the strategy

Based on the conviction that it is doing the right thing, the LLB Group further strengthened its efforts on the sustainability front during the reporting year. We intend to keep up our efforts. Indeed, with the implementation of the new ACT-26 corporate strategy we have set ourselves ambitious sustainability goals. By 2040 at the latest, we – and this includes our product range – aim to be completely climate-neutral (see chapter "[Strategy and organisation](#)"). This is ten years earlier than foreseen by the Paris climate agreement and in line with the UN's ambitious 1.5°C target (see chapter "[Responsibilities for the economy, society and environment](#)").

Transparent implementation

As we work towards our sustainability goals, we will ensure maximum transparency. In October 2022, we therefore published our first-ever TCFD report based on the internationally recognised standards of the Task Force on Climate-related Financial Disclosures (TCFD). In it, the LLB Group disclosed a catalogue of measures to achieve its climate goals. It also contains information on where it stands on them, as well as how it deals with climate-related risks and what opportunities it sees. Reporting will be on an annual basis.

Sustainable products and services

The LLB Group wants in future to play a pioneering role in the field of sustainable finance. By steering investment in and granting loans to companies that offer innovative technologies, products and services to combat social and ecological challenges and advance sustainable development, we can make a positive contribution to the environment and society. It is therefore important to the LLB Group to integrate **ESG** criteria, i.e. relating to the environment, society and corporate governance aspects, into its investment process.

LLB Asset Management AG is responsible for the classical and the sustainable investment processes. The aim is to develop a range of products that satisfies both regulatory requirements and client demand. Classical and sustainable investment guideline implementation is assessed by the Investment Compliance department as well as internal and external auditors. The dynamic nature of this topic means that we periodically need to review our approach and adapt it further as appropriate.

Introduction of the ESG+ approach

In addition to the existing ESG sustainability approach, where investment is primarily made in products in the "light green" category under Article 8 of the EU Sustainable Finance Disclosure Regulation (SFDR), LLB has, since the 2022 reporting year, also offered its clients the ESG+ approach. Under this approach, a substantial part of any investment is made in products in the "dark green" category in accordance with Article 9 of the EU SFDR (see section "[Sustainable investment approach](#)"). All private client asset management mandates and all LLB strategy funds have been duly changed over to ESG or ESG+. Consequently, we already offer our clients only sustainable asset management and advisory mandates as standard.

Following the introduction of ESG+, we launched two dark green LLB Impact Climate funds in accordance with Article 9 of the EU SFDR. CHF 580 million has meanwhile been invested in the LLB Impact Climate Aktien Global Passiv Fund, which is aligned with the Paris climate goals, and CHF 135 million in the LLB Impact Climate Obligationen Global Fund, a green bond fund.

New investment app

We also want to be able to offer our clients a variety of sustainable investing options to suit their particular preference. With this mind, we introduced a purely digital asset management solution, among other things, in autumn 2022. Available in Switzerland, Liechtenstein and Germany, the wiLLBe app consistently implements the Sustainable Development Goals (SDGs) of the UN. Investors can invest in seven topics such as, for instance, education and equal opportunities, climate and environmental protection and clean energy. Investment experts at LLB identify companies that are particularly suitable for sustainably investing in and exert the biggest impact in the selected topic.

ESG integration in asset management

For the LLB Group, sustainability in asset management means adopting a responsible approach to investing that meets high ethical, social and environmental standards. Furthermore, looking at sustainability aspects brings an additional perspective to risk assessment and as such supports long-term value creation for our clients. As a member of the UN Principles for Responsible Investment (PRI) Finance Initiative, we are committed to responsible investment management. In this way we can contribute to meeting the UN's SDGs. We expect broadly diversified, sustainable investments to yield returns comparable to those from traditional investments.

We have opted to apply a methodologically comprehensive approach to the sustainable investment process. We consider various sustainability criteria at the individual analysis level and also offer balanced model portfolios for all relevant markets.

With investments that are based on our ESG and ESG+ sustainability approaches, mainly securities with a favourable ESG rating are considered when constructing a portfolio. Furthermore, companies with serious violations of important international norms or with substantial turnover in industries such as tobacco, gambling, nuclear energy or weapons are excluded from the portfolio altogether. Under the ESG investment strategy, a substantial part of the portfolio is invested in products in the "light green" category under Article 8 of the EU SFDR and at least 5 per cent is invested in products in the "dark green" category under Article 9 or in special impact topics such as climate and environmental protection and microfinance. Under the ESG+ approach, dark green products make up at least 45 per cent of the portfolio.

The individual securities and funds are subjected to additional analysis. Here we rely on our internal fund analysis as well as on the ESG expertise of renowned agencies such as MSCI and invest in companies and funds with a high ESG rating.

Sustainable investments

In line with its sustainable investment approach, the LLB Group solely offers its clients sustainable strategy funds and sustainable asset management mandates that are in accordance with ESG and ESG+ criteria (see section "[Sustainable investment approach](#)"). As demand for sustainable products grows, the investment process is being refined ever further. The inclusion of sustainability aspects is also possible for "LLB Invest" investment advisory packages.

Risk-conscious growth in the mortgage lending business

The development of the real estate and mortgage market plays a key role in the economy. In Liechtenstein, LLB has a leadership position in the mortgage lending business with a market share of around 50 per cent. Bank Linth extends mortgages in eastern Switzerland. This makes us an important partner for private individuals and businesses. For the LLB Group, the quality of the mortgage portfolio is key: growth must be sustainable and risk-conscious and in line with the type of property and the development of the market in the region. In 2022, mortgages accounted for 89.2 per cent (2021: 88.7 %) of loans granted by the LLB Group, corresponding to CHF 12.9 billion (2021: CHF 12.2 billion) (see chapter "Finance and risk management").

Sustainable building

The LLB Group supports its clients in their sustainability efforts. We promote passive houses, new builds and renovations with the Minergie or other comparable energy standard through specially tailored mortgages. Our clients benefit from particularly attractive preferential conditions for a five-year term.

Ongoing sustainability training for employees

In autumn 2020, we launched a multi-stage sustainability training programme aimed at our client advisers to help them stay up to date in the face of our growing sustainable product range and associated increased requirements from the clients' side as well as the legislators'. The programme was continued during the reporting year. Its attendance is mandatory for all new employees and client advisers. Some 470 employees have completed the programme since it was introduced. In 2022, a new programme for client advisers on the new client profiling system in accordance with MiFID II was set up. Some 380 employees have now successfully completed the programme.

Customer orientation

Banking as an experience for clients

"Integrity" and "respectfulness" are values that are also paramount in the communication and interaction with our clients. Famously, many emotions are associated with financial transactions. We therefore want to make banking an experience that is innovative and pioneering. Only when clients trust their bank, the staff, the products and the technological services and also understand its offerings, do they feel well looked after and respected. This basic philosophy affects all the points of contact with clients. The client's experience is placed centre stage and an emotional value proposition that creates proximity to the client is defined.

The success of the LLB Group is closely related to client satisfaction. By focusing on our clients, we can be rest assured that our financial products are aligned with their wishes. The challenge is being able to continually evolve our offering to satisfy new client needs in what is a fast-changing environment. For instance, our user figures show that over-the-counter transactions are steadily on the decrease, while the use of digital channels is sharply on the increase. Our aim is to achieve an ideal balance between physical and digital channels, whereby our clients are always central. Our omni-channel strategy therefore entails investing in digital channels on the one hand, and refurbishing our bank branches to accommodate the changed needs of our clients on the other. The classical transaction business is becoming less important and making way for personal services.

Besides its bank branches, LLB also maintains a wide network of ATMs. This makes us the only bank in Liechtenstein to offer this vital service, which is still actively used in spite of digitalisation. Bank Linth also has numerous ATM locations.

Client proximity through systematic surveys

Knowing the needs of clients is the basis for the further development of our channels and offerings. We regularly conduct surveys of clients for this purpose. In the last one, which was held in 2020, our clients gave us top marks for overall satisfaction as well as for willingness to recommend to others and satisfaction with e-banking.

The surveys are part of a client experience concept with which LLB wants to anchor client orientation even more systematically in the company. They are also a means to ensure permanent optimisation and improve client satisfaction. A survey that would have included Bank Linth and LLB Österreich had been planned for the reporting year, but was deferred because of the introduction of wiLLBe. We now plan to carry it out in 2023.

Excellent client advisory services

The LLB Group makes sure that, through continuous training and education, client advisers offer apt products and services during consultations with clients. All employees with client contact in Liechtenstein and Switzerland are certified in accordance with the standards of the Swiss Association for Quality (SAQ); in Austria, certification is based on the European Investment Practitioner (EIP) label, which is recognised throughout the EU.

In a personal consultation, a four-step process ensures that the clients and their situation, needs and goals are analysed in detail and that they are ultimately presented with a solution that is tailored to their profile. For our asset management and investment advisory services, clients can decide for themselves how comprehensively they want to be advised by their client adviser. When it comes to the investment strategy, too, various options ensure that the clients' interests are central. Our approach not only takes account of the applicable EU MiFID II directive, but also the Swiss FinSA regulation.

We also received a particularly good rating from our clients for competence in investment advice and asset management. This extremely positive verdict was also confirmed by external experts. For instance, Liechtensteinische Landesbank performed very well in an independent comparison test conducted by the Fuchs | Richter testing body in the reporting year: in the TOPS 2023 list, LLB Vaduz was placed 9th with 77 points out of a total of 79 banks and asset managers that were tested. On the all-time best list, it ranked 7th; LLB Österreich came in a splendid 3rd with 85 points. Also on the all-time best list of private banking providers in German-speaking regions, LLB can be found among the top players (see chapter "International Wealth Management").

Fair competition

As the bank for the country and the people, being able to offer attractive and innovative price models is important to us. Individual prices and flat-rate price models or on request also performance-dependent conditions underpin our claim to guarantee a fair and transparent tariff structure. For LLB funds, we forego retrocessions (portfolio maintenance commissions), which makes our funds significantly cheaper in comparison to the market. We pass retrocessions received on third-party fund holdings on to our clients in full. Thanks to our simple and easy-to-understand tariff structure, the fees and conditions for clients are visible at a glance.

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

Financial planning for private individuals and entrepreneurs

The challenging geopolitical and economic environment is making it increasingly difficult for private individuals and entrepreneurs to make the right financial decisions. The need for comprehensive, professional advice is therefore continuing to grow. Our answer to this is the "LLB Compass – the 360° advice for your future". Our holistic financial planning highlights all the important topics such as budgeting, asset structuring, pension planning, real estate and financing as well as taxes and estates and provides our clients with a guide on how they can shape their financial future. In the case of entrepreneurs, our advice always takes account of the individual characteristics of the firm.

LLB Pension Fund Foundation for Liechtenstein

With the LLB Pension Fund Foundation, we are the only bank in Liechtenstein with a collective foundation for Liechtenstein SMEs and that since 2005. Owing to its solid financial position, it is gaining popularity. At the end of 2022, Liechtenstein's youngest collective foundation managed CHF 1.10 billion (2021: CHF 1.27 billion). The LLB Pension Fund Foundation thus manages one of the largest amounts of pension fund assets in Liechtenstein, making it an essential pillar of the domestic pension fund market. At the end of 2022, it had 856 affiliated companies (2021: 808) with a total of 7'691 active insured

persons (2021: 7'757) as clients. The liquidity ratio stood at 94 per cent (2021: 110.1 %). The LLB Pension Fund Foundation has a very good structural ratio: for each pensioner there are eleven (2021: twelve) active insured contributors.

In order to be able to actively participate in shaping the legal framework, the LLB Pension Fund Foundation is represented on the Executive Board of the Liechtenstein Pension Scheme Association (LPKV). In this way, it is also instrumental in the expansion of the domestic market.

Risk management

The LLB Group's risk management process ensures that climate risks are appropriately identified, assessed, managed and monitored. The risk strategy, which is aligned with the climate goals of the LLB Group, provides the framework for this (see chapter "[Responsibilities for the economy, society and environment](#)"). Through the strategy we want to promote the transition to a low-emission economy and society and strengthen the robustness of our business strategy against climate risks.

Regulatory development in the context of sustainability

The EU promotes sustainable development of the economic system and is committed to the goals of the Paris climate agreement and those of the UN's Agenda 2030. With its "Action Plan for Financing Sustainable Growth", the EU aims – among other things, through incorporating sustainability into investment advice – to reorient capital flows towards a more sustainable economy. Integrating sustainability aspects into risk management and fostering transparency are key areas of the action plan. Achieving the EU's goal of climate neutrality by 2050 will require a significant reduction in CO₂ emissions, supported by "green" financing.

Various legislative initiatives following this action plan have been started in the EU. Particularly worthy of mention are:

- Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector;
- Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Taxonomy Regulation);
- Delegated Regulation amending Delegated Regulations (EU) 2017/565 and (EU) 2017/593 in the MiFID II context;
- Delegated Regulations amending Delegated Regulations (EU) 231/2013 (AIFM) and 2010/43/EU (UCITS).

The subsidiaries of LLB in Austria (bank and investment companies) are directly affected by the EU regulations. They are also relevant to LLB in Liechtenstein through the European Economic Area (EEA), although the date of application may vary depending on the law.

The LLB Group started work on the implementation of the upcoming legislation in the reporting year, so that the regulatory requirements could be gradually implemented. This includes, for example, applying the sustainability-related disclosure obligations, establishing clients' sustainability preferences, and paying increased attention to sustainability risks both in the bank's own risk management practices and in investment products under the sustainability approach of LLB Asset Management. Along with the expansion of the offering of sustainable investment solutions, we are concerned with providing maximum transparency to our clients on the sustainability classification of products. Courses on our sustainability approach and our sustainability offering, all the while taking into account clients' preferences, were held in 2022.

The LLB Group aims to increasingly integrate the topic of sustainability into its products, its risk management and especially into its client advisory services. We therefore support the efforts of legislators in the area of sustainability to create relevant standards and transparency requirements for sustainable finance.

Employees

Excellent, committed employees are a fundamental prerequisite for the success of a company. For this reason, the LLB Group attaches particular importance to an attractive and modern work environment. We offer a strong corporate culture, interesting tasks, high development potential as well as many opportunities to help shape our common future.

LLB as employer

As at the end of December 2022, the LLB Group had 1'318 employees (2021: 1'229), who together filled 1'116 full-time positions (2021: 1'056). This makes LLB one of the largest employers in Liechtenstein. LLB records these figures for employees only. Our systems cannot currently record workers who are not employees.

Well anchored in the region

We are very keen that our managers understand the mindset and concerns of our clients. And for this reason, almost 100 per cent of the managers and the majority of employees in the main business locations have their roots in their respective region. As a result, they are highly dedicated to the company and have a high level of integrity. They also take a longer-term view, which is very much appreciated by the clients.

To meet the demand for skilled employees, LLB relies on commuters who come every day from Switzerland (348; 2021: 287) and the Austrian state of Vorarlberg (105; 2021: 93) to Liechtenstein. This makes LLB a major regional employer in the Rhine Valley. Bank Linth recruits almost all of its professionals from the Swiss regions of Lake Zurich, Sarganserland and Winterthur.

Communicating with employees

A clear, consistent and transparent approach when addressing employees is essential for successful corporate management. During the reporting year, the repercussions of the corona pandemic continued to be felt and many employees chose to take up the offer of home office working. Internal communication thus assumed special relevance once again.

Clear, transparent communication is imperative to gaining trust and commitment from employees. Here, LLB is guided by the values of "integrity" and "respectfulness". Through it, we increase the acceptance of change processes. LLB fosters the corporate culture and motivates the employees to contribute to the implementation of the ACT-26 strategy, so that its goals as well as the achievement of intermediate steps are clearly visible to those on the outside.

The main instrument for internal communication is LLB's intranet, which was launched in 2021. The modernised version (SharePoint) offers an array of collaboration tools such as, for example, the comment function. These tools enable employees to engage in interactive dialogue – much like on other social platforms. Continual further training takes place as part of Workspace 4.0.

In accordance with the Group directive "Corporate communications", employee communications is anchored in Group Corporate Communications. The Head of Group Corporate Communications periodically reports to the Group CEO and discusses key internal and external announcements with him. The Group CEO regularly addresses employees at all Group companies with video messages on ongoing projects as well as on new developments via the intranet. At least once a year, he invites all employees to the Group Forum, an internal information event, which is broadcast by livestream to all business locations. The event for 2022 was postponed to the beginning of January 2023. In future, the Group

Forum will be held as an annual kick-off event. If circumstances permit, there is also an annual Group Night, where the Group CEO addresses the staff but which is primarily a social gathering. An important internal communication channel is the "InSight" staff magazine, which is published four times a year.

The main focus of internal communication in 2022 was the ACT-26 strategy – and there were many narratives on the topics of sustainability, growth, efficiency and digitalisation that accompanied it. Through this project, video production has become increasingly important within the LLB Group.

Attractive work environment

It is getting more and more important for companies to position themselves in the market as a highly attractive employer in order to exert a special appeal to potential applicants and to retain existing employees. Against this backdrop, we continue to implement measures to improve the work environment. Here, we focus in particular on health promotion in the workplace, raising job quality and flexibility of working hours and location. In this way, the LLB Group can influence the creation of an employee-friendly work location in Liechtenstein through example.

As a universal bank, the LLB Group offers a greater level of job diversity and a wider range of subject areas. To attract and retain talent, it relies on a humane corporate culture that is characterised by partnership-based cooperation. The targeted development of employees and a modern compensation system also act as motivators. Through the use of staff turnover analysis, we want to understand the reasons and motives behind employees leaving their jobs and, based on this, come up with measures to improve the terms of employment and to reduce staff turnover and the costs that go along with it. The staff turnover rate at the LLB Group was 13.44 per cent in the reporting year (2021: 14.5 %). The staff turnover rate is collected monthly and collated quarterly for a qualitative evaluation of the reasons for the departures. The LLB Group surveys its employees, as a rule, every three years to get an idea of their opinions and their needs. In the last survey of 2020, we repeated our very good results in the main criteria of commitment, satisfaction and evaluation of the company as an employer (also see section "[High employee satisfaction](#)"). Liechtensteinische Landesbank and Bank Linth were honoured once again with the Swiss Employer Awards for this achievement.

Flexible work environment

Mobile working is now well up the list of priorities for jobseekers. In recent years, the LLB Group has responded to this development and ramped up its home office capacities. The corona pandemic has sharply accelerated this process. Since the autumn of 2020, almost all employees have been able to work from home. Modern home office regulations for the post-corona era were drawn up already in 2021 and came into effect during the reporting year. These provide that employees may work from home for up to 40 per cent of their workload, if their job duties permit it and the legal framework conditions allow it. The measures taken are in line with the Group's strong commitment to sustainability as defined in its new corporate strategy: after all, fewer days in the office reduces commuter traffic. The feedback on these regulations has largely been very positive.

Compatibility of work and life situation

A high degree of compatibility between work and private life makes for an attractive employer. In recent years, therefore, we have pushed ahead with projects offering greater flexibility of working hours and location. Most employees work under the trust-based working time model. Under this model, they determine, in consultation with their manager, exactly how their working time is to be structured and different workloads managed. A reduction of working hours is, in consultation with their manager, possible as well – this also applies to management positions.

In addition, employees can increase their holiday entitlement by five or ten days and forego a corresponding amount of pay in return. This "FreiZeit-Kauf" (purchase leisure time) scheme is highly valued: in the reporting year, 125 employees (2021: 105) purchased a total of 783 additional leave days (2021: 745).

Compatibility of work and life situation is an important criterion when choosing an employer – particularly for mothers. We have launched a special programme to facilitate their return to work after childbirth. For example, the workload can be reduced to 60 per cent in the first year if a mutual commitment is made to subsequently increase this to 80 per cent. In other instances, individual arrangements to take extended leave after childbirth or a smaller workload are made (also see section “Family-friendly company”).

We also support paternity leave and permit our employees care leave in the case of a family emergency. The “Villa Wirbelwind” crèche in Vaduz, which was set up in co-operation with the Liechtenstein Bankers Association, is open to the children of all Liechtenstein bank employees.

Long-service employees are rewarded with a sabbatical. 54 employees (2021: 45) with long-service anniversaries of ten, twenty, thirty or forty years went on a sabbatical for up to four weeks in 2022.

Family-friendly company

In 2021, LLB AG was recognised by the Liechtenstein Government with the “Familienfreundliches Unternehmen” (Family-Friendly Company) award, which is presented every two years.



(Source: Liechtenstein government / IKR)

Over 50 domestic companies submitted their entry and were assessed and evaluated for their commitment to the compatibility of work and family life. An employee survey had been conducted internally in advance of the awards in 2021; for LLB, it revealed the following findings:

- ♦ A family-friendly environment is very important to our staff.
- ♦ Compared to the benchmark, our employees enjoy coming to work more than average and are more satisfied with the general conditions of work. More education, training and career development programmes are on offer than at other companies that took part in the survey.
- ♦ The compatibility of work and private life is very important and challenging for parents and carers.

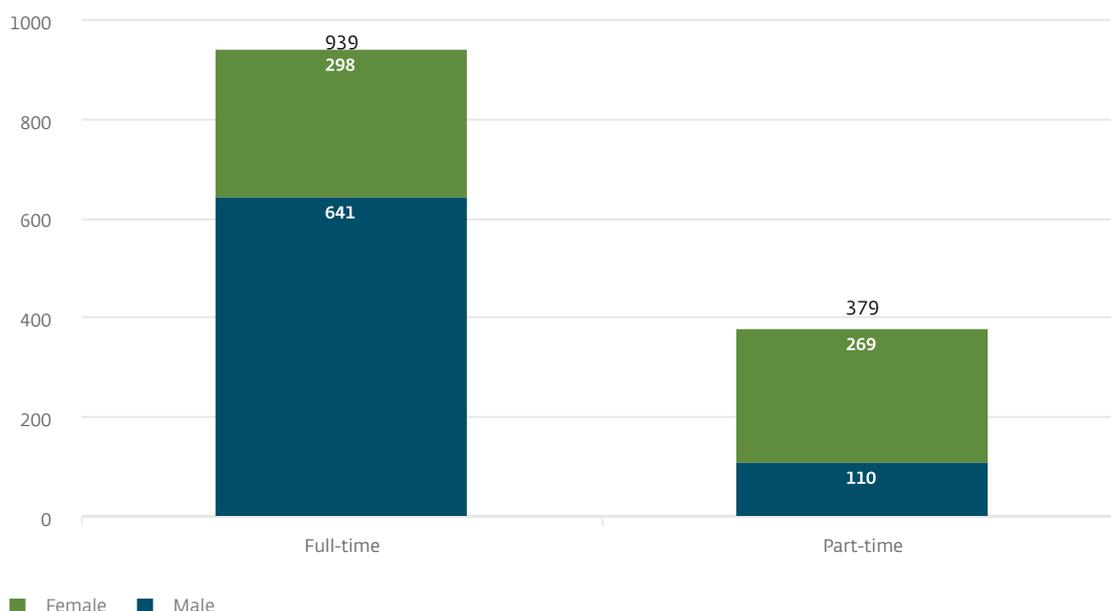
These topics all play a central role in our new HR strategy. The formulation of associated goals and measures is already underway.

Fair and performance-oriented compensation

The LLB Group offers attractive employment conditions. It spent CHF 196.1 million (2021: CHF 190.0 million) on salaries and social contributions in 2022.

We have a modern compensation system that is considered exemplary in the banking sector. For the majority of employees, it includes a variable remuneration component. We set great store by fair compensation that explicitly recognises skills and performance. Women and men in the same position and at the same performance level are in the same pay scale and wage model.

Breakdown by employment type ¹



¹ Including permanent and temporary employees

In 2013, we decided to introduce the Market-Adjusted Performance Indicator (MAPI) so as to be able to make a careful and objective evaluation of the management’s performance (see chapter “[Compensation report](#)”). The model was developed in conjunction with FehrAdvice & Partners AG, Zurich, and is based on the results of behavioural economics research carried out by Professor Ernst Fehr from the University of Zurich.

During the reporting year, the LLB Group disclosed the wage ratio for the first time; it stood at 11.13. Calculations for the whole LLB Group were performed in Swiss francs (conversion rates for EUR and AED as at 31 December 2022). The calculation was based on 100 per cent of total target compensation as at 31 December 2022. Neither the group of young talent employees nor hourly paid employees are included in the calculation.

High employee satisfaction

Employee satisfaction is an indicator of whether it is possible to retain motivated, high-achieving employees in the company. To understand where we stand in this respect, we regularly conduct in-depth employee surveys at the companies of the LLB Group. In the last survey of 2020, we repeated our very good results in the main criteria of commitment, satisfaction and evaluation of the company as an employer. As a result, Liechtensteinische Landesbank and Bank Linth repeated their success in the Swiss Employer Awards in the category of 250 to 999 employees. A glance at the last three employee surveys to be conducted is also encouraging: both banks scored above the average for the sector or achieved the Swiss Employer Awards average in all relevant points. The next survey is scheduled for 2023.

Initiative for employees 50+

Rapid digital developments and growing complexity are affecting the workplace, making job profiles more demanding. Staying motivated and up-to-date is a challenge – especially for people who have been in professional life for a long time. At our Liechtenstein location, 27 per cent of employees are over the age of 50. To ensure they remain fit for the working world of the future, we have a special programme available for them. It includes, among other things, offerings to strengthen personal, professional and methodological competence. Our courses for employees turning 50, namely an analysis of their financial position, and for those over 56 of regular progress meetings are actively used and much appreciated. And the “Skills 4.0” course from a leading centre of excellence for future-oriented learning in Switzerland provides further education training to meet the needs specifically of the 50+ age group. Two courses from the Liechtenstein Chamber of Commerce and Industry – one on looking at where they stand in life at age 50+ and the other on consciously entering a new stage of life – which we actively recommend to our employees, are also very well received.

Health and safety

Gaining the “Friendly Work Space” label from Gesundheitsförderung Schweiz (Swiss Health Promotion) in 2020 has made us truly top of class in this metric. In 2021 and 2022, we followed this initial success through with action. Besides our very broad health-focused offering, which formed the basis for this award, we dedicated our attention during the reporting year to further developing procedural topics and to mental fitness. Pilot events were also held such as “Healthy leadership” for supervisors and “Stress fit” for employees. Following very good feedback, we will be rolling out these training courses more widely over the next few years. We have expanded our offering with a variety of online events on various health topics as well as with weekly yoga lessons and a back fitness programme over lunchtime.

We want to reduce the absenteeism rate, which indicates the incidence of accidents and long-term illnesses, and improve employee health and satisfaction through these and other measures. We were again able to meet our target of a maximum of 2.5 per cent in the reporting year: in 2022, we registered 137 absences (2021: 143), corresponding to a rate of 2.3 per cent (2021: 1.9 %).

Support at difficult times

Our aim is to reduce short- and long-term absences and to facilitate the return to work. Mental stress can often result in physical illness and vice versa. Our employees are therefore able to gain free and anonymous access to psychological counselling should they find themselves in difficult professional or life situations. We also offer support to employees returning to work after a long absence and to those with serious health problems. Providing practical support enables employees to maintain or regain their productivity.

Diversity of employees and managers

Productivity and innovation are key drivers of a company's success. Studies show that teams that are highly diverse are more likely to question existing processes and thought patterns as well as to develop and advance innovative ideas. A broad-based workforce where everyone is afforded equal opportunities ensures that LLB has a talent pool in which different experiences and expertise complement each other. Treating all employees the same, alongside other preventative measures, also helps reduce discrimination in the workplace. Group Human Resources (GHR) is the body to turn to in case of any dispute. In 2022, there were no cases of discrimination reported at LLB.

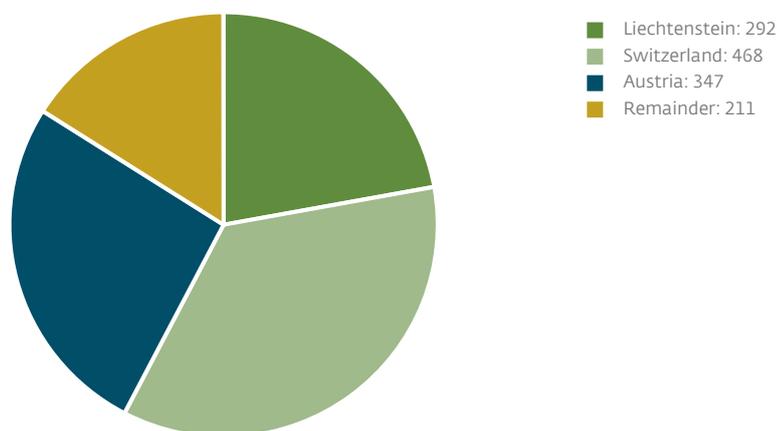
The LLB Group has long since stated its commitment to diversity among its employees and at all levels of management. The Board of Directors and management support teams that embrace cultural diversity. While we have no specific programme to promote diversity, creating diversity and equal opportunities are an intrinsic part of our recruitment process. When we fill positions we look for an ideal complement to the team as well as an appropriate balance in terms of gender, nationality and age. The LLB Group has special programmes designed to promote young talent and employees over the age of 50.

Further, the LLB Group 2020, together with the University of St. Gallen (HSG), analysed pay equality between men and women. The results from the analysis presented in 2021 confirmed that there is no statistically significant disadvantaging of women at LLB. Based on this, Liechtensteinische Landesbank received the “We pay fair” certificate. This is the highest possible award. Bank Linth similarly complies with the legal framework with its wage differential.

Since 2015, a Group Human Resources concept has been implemented with the aim of enhancing the LLB Group's profile as an attractive employer for men and women. Various measures have been introduced as a result: for example, the crèche in Vaduz for the children of all Liechtenstein bank employees to promote the compatibility of work and family life. Modern, attractive home office regulations for the post-corona era were developed during the reporting year. These provide that employees may work from home for up to 40 per cent of their workload, if their job duties permit it and the legal framework conditions allow it. In addition, the "Freizeit-Kauf" (purchase leisure time) project enables employees to increase their holiday entitlement by five or ten days by foregoing a corresponding amount of pay in return. The LLB Group offers part-time work opportunities.

In 2022, 22 per cent (2021: 23 %) of our employees were Liechtenstein nationals, 36 per cent (2021: 36 %) Swiss nationals and 26 per cent (2021: 26 %) were Austrian nationals. All in all, people from 39 nations (2021: 38 nations) are employed at the LLB Group. We are committed to ensuring that our client base is reflected in our employee mix. This also applies to our traditional cross-border markets in Germany and the rest of Western Europe as well as to the growth markets of Central and Eastern Europe and the Middle East.

Breakdown by nationality ²



² Including permanent and temporary employees.

The proportion of women working for the LLB Group is relatively high at 43 per cent (2021: 43 %), though they are still under-represented in leadership positions. The first woman was appointed to the Group Executive Board in 2016 (see chapter "Corporate governance").

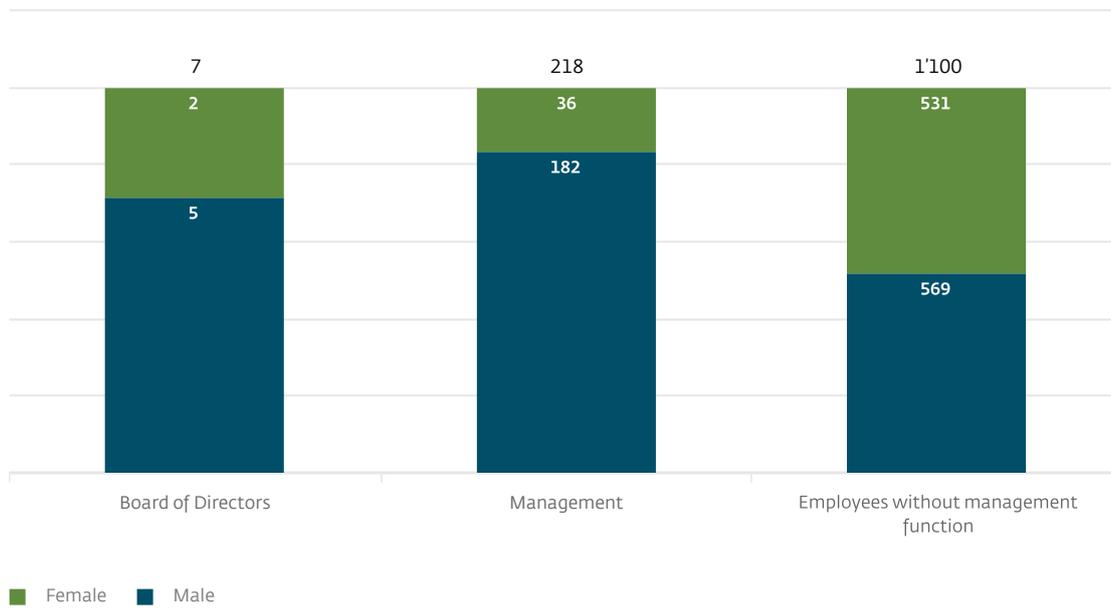
Women in management positions:

- ♦ Executive management: 4 men, 1 woman
- ♦ Senior management: 22 men, 2 women

The Board of Directors of LLB, which is publicly listed, has been characterised by an above-average proportion of women in 2014. At the end of 2022, with two out of the seven members women, they represented 29 per cent of the board members (see chapter "Corporate governance").

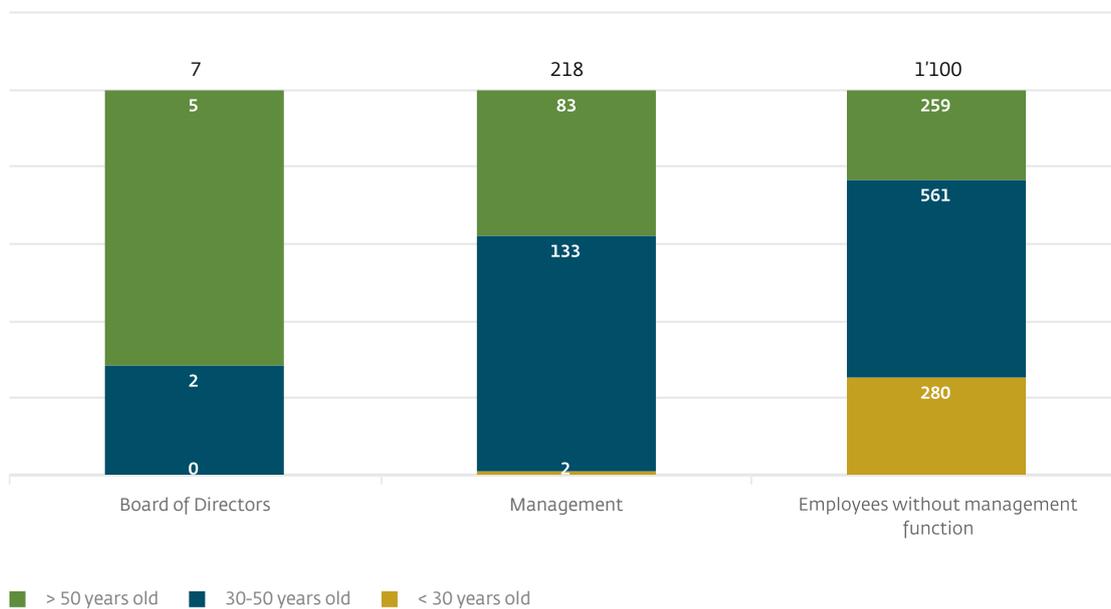
78 employees were assigned to the "Potential Pools", from which, among other things, future managers are recruited internally; of these, 29 were female.

Breakdown by gender ³



³ Including permanent and temporary employees.

Breakdown by age group ⁴



⁴ Including permanent and temporary employees.

Training as a main pillar of a company's success

For the LLB Group, training and professional education are important instruments for increasing its competitiveness. They can also enhance the professional and personal skills of current and potential employees. Moreover, this not only has a positive effect on the level of qualifications of LLB employees but also on the overall level of qualifications in Liechtenstein's labour market.

The organisational unit Group Human Resources is responsible for implementing a uniform personnel and social policy in accordance with the corresponding Group directives. The employees receive regular appraisals of their performance and their career development.

The LLB Group has two uniform appraisal processes – the "Performance Management Process" (PMP) and the "People Development Process" (PDP) – to support the systematic development of its employees. For employees with above-average potential, so-called "Potential Pools" are created. Those talent who exhibit good performance and impeccable conduct are systematically developed. Our electronic portal eMap allows all employees to create a profile containing personal information. It also provides them with an overview of available courses and of any training they have completed or are planning to undertake. And via the Jam social learning platform, they can network on HR-related topics. The Group-wide training and education programmes are reviewed every year. LLB also draws on employee surveys, which are carried out regularly, to improve its offering.

In the reporting year, we invested a total of CHF 1.5 million (2021: CHF 1.5 million) in the targeted development of managers, talent and competences. By doing so, we were able to fill 69 per cent (2021: 76 %) of management positions that became vacant internally. In the "Career Planning" project, developmental intentions and perspectives were discussed with interested employees using a system-based process and with the aid of competence-oriented job profiles.

Digital learning

In the age of digitalisation, learning is increasingly taking place online. Digital learning formats are opening up new possibilities for acquiring knowledge. Many of our internal training courses now use webinars to deliver content.

Since 2021, all LLB Group employees have enjoyed access to LinkedIn's entire e-learning offering. LinkedIn Learning provides expert-led practical courses that enable them to acquire or deepen specific skills. Greater flexibility is another advantage of e-learning: employees can learn at any time or place, according to their individual needs. LinkedIn Learning is therefore also an essential component of our Group-internal management training.

Client adviser certification

With mandatory SAQ client adviser certification, we are ensuring the outstanding advisory competence of the LLB Group for the long term according to uniform quality criteria. In 2022, some 55 employees with client contact started certification. The recertification catalogue had new training topics added, both in the online and in-person formats. Around 40 employees needing recertification in 2022 were able to extend their SAQ certificate for another three years. The SAQ certification also complies with the regulatory requirements arising from the European Markets in Financial Instruments Directive (MiFID II) and the Swiss Financial Services Act (FinSA). In 2022, we invested around CHF 220'000 (2021: CHF 198'000) in training programmes in accordance with the standards of the Swiss Association for Quality (SAQ).

Management development

The success of a strategy requires a thorough understanding of the goals and intentions as well as of the corporate culture. Just as important, however, is an individual's attitude towards the changes that are coming. In autumn 2021, shortly after launching the new ACT-26 corporate strategy, the LLB Group therefore kicked off the "Leading to success III" training course. It enables management to develop the content of the strategy and subsequently implement it in their teams. By June 2022, all our managers had gone through the training. It was rated extremely highly with a net promoter score of 48. Among the feedback was the following comment: "Inspiring and tangible results, very practical, and valuable to the work we do every day."

Professional training

Liechtensteinische Landesbank is one of the largest providers of training in Liechtenstein. In the reporting year, the LLB Group trained a total of 25 apprentices (2021: 34) in the fields of IT and commerce. These young adults benefit from high-quality dual vocational education and training. The traditional apprenticeship remains the main pillar of the development programme for our junior employees. We believe that the provision of a broad education is a key task, especially as through the Federal Vocational Baccalaureate (FVB) it allows young adults to keep their options open to go to a university of applied sciences or a traditional university.

Bachelor, work and study, and master programmes

The LLB Group focuses strongly on university graduates. There are three different programmes available for candidates:

- ♦ practical-based direct entry for graduates (2022: 4 participants);
- ♦ a work and study programme for postgraduates in the final phase of their studies (2022: 2 participants);
- ♦ and a trainee programme for postgraduates (2022: 6 participants) in the areas of general and relationship management.

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

The LLB Group continues to have a high demand for employees with a higher education. To enhance our profile as an attractive employer, we are regularly visibly present at both online and physical events at the Universities of Liechtenstein and St. Gallen, FHS St. Gallen University of Applied Sciences and Zurich University of Applied Sciences (ZHAW) in Winterthur. This is bearing fruit: the level of qualifications of new entrant employees and managers remained constant in the reporting year compared to 2021. At the end of 2021, 62 per cent of newly recruited employees had graduated from a university or a university of applied sciences or completed higher professional training. The exact figures were not updated for 2022.

Measuring the success of staff development

The LLB Group has established various processes in recent years to support the systematic further development of its staff and internal pool of specialists and experts. Based on regular assessments of performance and development potential as well as strategic staffing needs within the Group, concrete action plans can be developed and implemented for all employees. There are, among other things, so-called "Potential Pools". Some 78 individuals, or 8.9 per cent of employees (2021: 87 individuals; 8.9 %), were assigned to one of five pools in 2022.

Digitalisation of personnel management

The LLB Group has had a digital portal for some years now that offers employees and managers a uniform platform for a variety of different HR applications, ranging from tools for learning management to onboarding new employees. At the same time, two management-intensive processes (performance management and people development) were also system supported and automated, improving and facilitating performance measurement and employee development. The HR portal also enables employees to network more closely internally over a collaboration platform.

We are increasingly using digital tools for recruitment purposes, too. The focus is on recruiting via our social media channels, i. e. LinkedIn, Instagram and Xing.

Representation of Employees

As a fair and responsible employer, it is important to us that employees have a body to whom they can turn should they encounter problems at work and which represents their interests vis-à-vis the Group Executive Board. The Representation of Employees (Arbeitnehmervertretung) at LLB's parent bank holds a regular dialogue with the Group Executive Board. The former has a say in various issues such as staff pension plans, rationalisation projects and staff retrenchment. It also represents the viewpoint of the employees in working groups such as the Mobility Commission and the Working Atmosphere and

Health Commission. The Group Executive Board is obliged to inform the Representation of Employees of all matters that are relevant to employees. The Group CEO and the Head of Group Human Resources alternate this task on a quarterly basis. 19.3 per cent of LLB Group employees are covered by collective employment contracts.

Personnel Pension Fund Foundation

In the reporting year, 795 employees of our corporate Group who work in Liechtenstein were covered by the retirement, life and disability insurance plans of the autonomous Personnel Pension Fund Foundation of Liechtensteinische Landesbank (PVS LLB). The pension fund and its defined contribution scheme offer three attractive savings plans that go beyond the requirements of the law (Occupational Pension Act (OPA)). In addition, LLB's contributions as an employer amount to two-thirds of the financing of the fund.

2022 was a very eventful year – for global financial markets, too. This left its mark on PVS LLB's investment results. Net performance was minus 12.3 per cent, mainly due to the equity and bond asset classes. Directly held real estate had a positive impact on results. The rise in interest rates means that a return to much higher performance can be expected over the long term.

The sharp rise in interest rates prompted the Board of Trustees to raise the technical interest rate from 1.5 per cent to 1.75 per cent in a first step. If interest rates remain at this level over the longer term, further interest rate steps are possible.

In view of the negative return on assets, the Board of Trustees set the interest rate on the retirement assets at 0 per cent as at the end of 2022. Taking last year's rate of 4 per cent into account still gives an average of 2 per cent.

The liquidity ratio decreased as at the end of 2022 to 101.3 per cent (2021: 113.3 %). The fluctuation reserve amounted to CHF 4.5 million (2021: CHF 46.7 million). The target value for the fluctuation reserve remains unchanged at 118.0 per cent.

LLB Group headcount statistics

	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Employees					
Number of employees (full-time equivalents)	1'116	1'056	1'064	1'077	1'086
Full-time employees	939	903	918	930	953
of which Apprentices	24	27	30	34	33
of which Young talents ¹	25	17	10	9	13
Part-time employees	379	326	307	304	280
Employee retention					
Staff turnover rate in per cent	13.0	14.5	11.5	12.0	10.9
Average length of service in years	9	9	9	9	9
Average age in years	41	41	41	41	41
Diversity and equal opportunities					
Number of nations	39	38	36	38	38
Share of women in per cent	43	42	43	42	43
Training and professional education					
Training costs in CHF thousands	1'772	1'500	1'400	1'655	1'802
of which SAQ certification costs in CHF thousands	220	198	176	318	410

¹ Includes all working students in master's studies, trainees with master's degree and direct entrants with bachelor's degree. All young talents have temporary employment contracts.

Corporate environmental and climate protection

As a responsibly operating company, it is important to us to contribute to environmental and climate protection and to the conservation of natural resources. As such, we aim to fulfil our responsibility through a reduction in Scope 1 and Scope 2 emissions in our own operational locations, through our sustainable financial products and services as well as through our climate-related risk management. With our new ACT-26 corporate strategy, we also demonstrate our commitment to the quantitative targets of the Paris climate agreement.

Climate-neutral bank

The LLB Group's banking operations have been certified as climate-neutral by Swiss climate foundation "myclimate" since 2021. Initially, this has been achieved primarily through the purchase of climate certificates. Here, we solely finance environmental protection based projects where carbon dioxide is absorbed from the atmosphere – so-called carbon-removal projects (see chapter "[Responsibilities for the economy, society and environment](#)"). We intend to continue to proceed resolutely down this path in the future, too. Parallel to the certificates, we will implement additional measures to further reduce CO₂ emissions within the LLB Group. These include using regenerative energy sources, installing photovoltaic systems, increasing energy efficiency and promoting economical use of resources.

We aim to achieve complete climate neutrality, i.e. net zero CO₂ emissions, both in our banking operations and with our products by 2040. By reducing our CO₂ footprint and by identifying and managing climate-related risks, we are not only making our contribution to climate protection, but also protecting our business operations from damage and safeguarding our services for all of our stakeholders.

New sustainability governance

The LLB Group has set up a new governance structure, with effect from 2022, to ensure that sustainability concerns, including climate management, are addressed at all levels of the hierarchy. It enables decision makers and employees alike to take climate-related risks and opportunities into account and to include them in strategic and operational considerations (see section "[Sustainability governance of the LLB Group](#)"). Furthermore, climate risks are integrated into the LLB Group's regular risk management structure (see section "[Governance in risk management](#)").

Transparent reporting

We, as the LLB Group, are committed to open and transparent reporting. That is why in 2022 we went over and above the regulatory requirements and by measuring Scope 1, 2 and 3¹ (excluding bank products and own investments) determined all material emission factors for our banking operations. Doing so allows us to identify and compare many more emission sources.

We have provided information on Scope 3 emissions from bank products and own investments in our [TCFD report](#), which was published for the first time in autumn 2022 and is based on the internationally recognised standards of the Task Force on Climate-related Financial Disclosures.

¹ Emissions are grouped into so-called Scopes:
 Scope 1 includes all direct emissions caused by combustion.
 Scope 2 includes emissions caused by purchased energy (electricity, district heating).
 Scope 3 includes emissions caused by purchased inputs and third-party services.

Development of CO₂ emissions

CO₂ emissions rose by almost 12 per cent in 2022 compared to 2021. This rise was due to the gradual return of commuter and business travel, which had declined sharply in the previous two years under COVID-19 restrictions. Measures taken to reduce Scope 1 and 2 emissions (Scope 1: –44 %; Scope 2: –7 %) – including energy savings through the use of target heating temperatures, the swap to LED lights and the switch from conventional gas to biogas – could not fully offset the rise in 2022. (See [table](#) below.)

CO₂ footprint within the LLB Group

At 70 per cent, the vast majority of our emissions in 2022 were attributable to LLB AG and its subsidiaries in Liechtenstein, with LLB Österreich and Bank Linth roughly splitting the other 30 per cent. As expected, in 2022, Scope 3 emissions (not including products and own investments) far exceeded the CO₂ emissions generated by the emissions captured in Scope 1 and 2.

Main sources of CO₂ emissions

Mobility is the biggest driver of emissions in the LLB Group's banking operations. In 2022, it was responsible for about two thirds of total CO₂ emissions. Commuting by employees accounted for about 80 per cent and business travel for about 20 per cent of these emissions.

There are, however, clear differences across the individual business units. While LLB AG and its subsidiaries in Liechtenstein produce an average of 3.4 t/CO₂ per employee (FTE), Bank Linth and LLB Österreich produce considerably less, namely 2.7 t/CO₂ and 1.9 t/CO₂ respectively. Emissions were significantly lower in 2021 due to the said one-off effects, but the uneven distribution of emissions remained unchanged. The reasons for this are the longer commuting distances to Liechtenstein, which employees from neighbouring countries often do using their own vehicle, as well as greater business travel activity at the Group's headquarters.

Measures set

As part of the new ACT-26 corporate strategy, the LLB Group has committed itself for the first time to quantitative targets that are in line with the Paris climate agreement and has conducted a thorough analysis of its ecological footprint. It has nevertheless taken significant measures in previous years to reduce CO₂ emissions, ranging from employee mobility to building management.

Corporate mobility management

The LLB Group is committed to keeping the environmental pollution caused by business and commuter traffic as low as possible. We have an incentive scheme at our locations in Liechtenstein to encourage our staff to use public or non-motorised transport or form car pools to get to work. Here, on the one hand, we subsidise the cost of season tickets on public transport and offer a bonus in return for foregoing a parking space. While, on the other hand, we levy parking charges – there are four charge bands and the charge levied depends on the distance to work. We promote the use of non-motorised transport by providing changing facilities and showers with towel services as well as company bicycles at our business locations. We also contribute CHF 50.00 towards the purchase of a bicycle helmet and motivate our employees to take part in the competition run by the Verkehrs-Club Liechtenstein (VCL)

“Radfahren für Ihre Gesundheit” (Cycling for your health) and the one by the Liechtenstein Chamber of Commerce and Industry (LCCI) “Mit dem Rad zur Arbeit” (Cycling to work).

These measures are having an effect: out of all LLB employees in Liechtenstein, 365 (2021: 355) now come to work by bus, bike or on foot; this corresponds to 48 per cent. We have installed nine electric charging points in all at six locations in Liechtenstein. They are primarily available for use by staff, but can also be used by our clients.



Numerous measures have already been taken in recent years to reduce CO₂ emissions within the LLB Group. For example, the LLB Group uses renewable energy sources whenever possible. Projects for the in-house production of electricity are also planned. In addition, great emphasis is placed on increasing energy efficiency and the economical use of resources.

Climate-conscious energy supply

The organisational unit Facility Management identifies potential energy savings and evaluates the effect of efficiency measures. Again in 2022, efforts were made to increase the efficiency of the facilities where possible. LLB also expects further savings from its preparations for power shortages. The parent bank managed to reduce its electricity consumption by 2.6 per cent, or 84'327 kWh, in the reporting year compared to 2021. LLB AG and LLB Österreich have already completely switched over to green electricity; at 93 per cent, Bank Linth has largely completed its switchover. We have also installed photovoltaic systems at our locations in Uznach and Eschen. In 2023, we plan to install another two systems, namely at the Haus Wuhr Ost and at the Haus Äule.

The LLB buildings that used natural gas were fully switched to biogas from 1 July 2022. As a result, gas consumption at LLB in Liechtenstein was 24.7 per cent lower in 2022 than in 2021. Bank Linth had undergone the switch back in 2021.

Energy consumption and greenhouse gas emissions LLB Group

	2022	2021	2020
Energy consumption (in MWh)	5'874.9	6'781.5	6'497.5
Electricity	4'308.1	4'701.8	4'361.0
District heating	320.1	436.3	581.7
Total heating fuels	988.8	1'215.8	1'030.6
Heating oil	128.2	136.2	126.3
Natural gas ¹	405.2	719.6	904.3
Biogas ¹	455.4	360.1	n. A.
Total motor fuels	257.9	427.6	524.2
Diesel	187.7	152.5	211.1
Petrol (vehicles) ²	63.6	272.1	313.1
Electric vehicles ³	6.6	3.0	n. A.
Hybrid vehicles ⁴	0.0	25.3	n. A.
CO₂ emissions (in tCO₂ e)⁵	3'401.1	3'042.1	3'319.0
Scope 1 total ⁶	173.3	308.8	365.6
Heating fuels	111.9	175.4	208.9
Motor fuels	58.4	105.6	122.7
Volatile gases (refrigerants) ⁷	2.9	27.8	34.1
Scope 2 total ⁸	140.1	150.2	471.0
Electricity ⁹	103.0	102.0	417.8
District heating	37.1	46.7	53.2
Scope 3 total	3'087.8	2'583.1	2'482.4
Purchased goods and services	331.3	321.1	315.6
Capital goods	132.3	154.1	298.6
Fuel and energy-related activities	206.9	263.0	322.7
Transports	51.5	59.0	54.0
Operational waste	27.5	25.0	26.5
Business trips	436.0	259.1	215.4
Commute employees	1'902.2	1'501.8	1'249.6

1 Increased utilisation of biogas alongside natural gas from 2021.

2 Since 2022, only business trips are reported. In previous years the use of vehicles for private purposes was also included.

3 Data collection from 2021

4 Since 2022, the consumption of energy with hybrid vehicles is reported in petrol consumption.

5 Greenhouse gas emissions were calculated in accordance with the guidelines of the Greenhouse Gas Protocol.

6 Greenhouse gas emissions from own heating boilers, fuels and air conditioning systems

7 Since 2022, the actual replenishment requirement is reported. In previous years assumptions were made for this requirement.

8 Greenhouse gas emissions resulting from the production of purchased electricity and district heating. The statement is prepared using a "market-based approach" in accordance with Greenhouse Gas Protocol Scope 2 guidance.

9 Emissions from the use of electric vehicles are also included here. Reported according to the "market-based approach" of the Greenhouse Gas Protocol Scope 2 Guidance.

Industry initiatives and corporate citizenship

The legal performance mandate of LLB defines the promotion of Liechtenstein as a workplace as its core task. The LLB Group is further committed, as part of various industry initiatives, to a sustainable banking centre and supports various ecological, social and cultural projects (see section “[Sponsoring](#)”). We contribute in this way actively to the prosperity of the population and to the sustainable development of Liechtenstein (see chapter “[Retail and Corporate Banking](#)”).

Economic contribution

The LLB Group bases its business policy on market conditions and strives to generate a reasonable profit, all the while respecting ethical and ecological principles. It plays an important role in Liechtenstein's economy: its contribution – dividends and direct taxes – amounted to CHF 55.4 million in 2022 (2021: CHF 43.8 million). LLB receives no financial support for its banks or Group companies in Liechtenstein, Switzerland and Austria from any government. As a bank of systemic importance, it is subject to particularly strict financial market regulation and high capital adequacy requirements. With the implementation of the Capital Requirements Directive (CRD IV) and the establishment of the Deposit Guarantee and Investor Compensation Foundation (EAS), Liechtenstein has a modern guarantee system, which guarantees an adequate equity base and protection of client deposits (see chapter “[Values and corporate management](#)”).

Major employer in the region

It is important to the LLB Group that its managers understand the mindset and concerns of its clients. And for this reason, almost all of the managers and the majority of employees in the main business locations have their roots in their respective region. As a result, they are highly dedicated to the company and have a high level of integrity. They also take a longer-term view, which is very much appreciated by the clients.

To meet the demand for skilled employees, LLB AG relies on commuters who come every day from eastern Switzerland and the Austrian state of Vorarlberg to Liechtenstein. This makes LLB a major regional employer in the Rhine Valley. Bank Linth recruits almost all of its professionals from the Swiss regions of Lake Zurich, Sarganserland and Winterthur.

Participation in industry initiatives

The LLB Group derives from its corporate values and its guiding principles a strong commitment to responsible banking. By participating in various industry initiatives, we bring our ideals to the financial industry and, in doing so, also help advance our goals. This applies not least to the area of sustainability.

As an active member of the Liechtenstein Bankers Association (LBA), LLB AG is committed to making Liechtenstein a sustainable financial centre. It has long worked within the framework of the LBA towards making sustainable finance an important pillar of the banking centre's strategy. Behind this is the understanding that the financial industry is crucial in the transformation towards a more sustainable economy.

Moved by conviction to do the right thing, we joined the UN Net-Zero Banking Alliance in 2021. We became a member of both The Climate Pledge and the UN Global Compact in 2022. Following our membership in summer 2020 of the UN Principles for Responsible Investment Finance Initiative, we are also committed to responsible investment management. Social and ecological issues are central to this (see chapter “Responsibilities for the economy, society and environment”). And last but not least, its membership of the Principles for Responsible Banking initiative, which the LLB Group assumed in 2020, underlines its increased commitment to sustainability and climate protection.

							
Consideration of ESG aspects in investment decisions	Alignment of business strategies with SDGs and Paris climate agreement	Credit / investment portfolios by 2050 to net zero	Consideration of universal ethics standards in corporate governance	Commitment to early attainment of Paris climate goals before 2040	Accounting method to determine/report GHG in asset categories	Largest sustainability network in Switzerland	State-of-the-art climate reporting standard
Year joined	2020	2021	2021	2021	2022	2022	2022

Sponsoring

When it comes to the positioning and visibility of the LLB Group, the area of sponsoring and events plays an important role. The aim of our sponsoring strategy is to gain stakeholders as brand ambassadors. We observe thereby the following principles:

- We want our four values (integrity, respectfulness, excellence and pioneering) to be experienced on an emotional and professional level through our activities.
- We strengthen and enable platforms and partnerships which fit us best.
- We explain what the LLB Group stands for simply, using topic pyramids.
- We coordinate partnerships and our own events Group-wide using a management tool.

The focus of our sponsoring commitments is on the thematic areas of sports, culture and competence. In these areas, we support various projects and organisations. A particular highlight this year was our participation at the Liechtenstein Industry, Trade and Commerce Exhibition (LIHGA). LLB was the official financial partner and an exhibitor at Liechtenstein's largest trade fair. And in co-operation with the Association of Gardeners and Florists we embraced the topic of sustainability and transformed the outdoor area into an oasis – the LIHGArten. We were able to present ourselves to the visitors as a key financial service provider and, at the same time, position ourselves sustainably in line with our ACT-26 strategy. As part of a long-standing partnership, we continue to provide backing to the junior talent of FC Vaduz. As a partner to the Liechtenstein Olympic Committee, we are the main sponsor of the “LLB Nacht des Sports” (Night of Sports), at which the “LLB Sport Award” is also presented. And we are a presenting partner at the “Olympic Day”, a sporting event held annually for all fourth- and fifth-grade school classes in Liechtenstein. To emphasise our strong links to the local economy, we present the “LLB SME Award” in co-operation with the Liechtenstein Chamber of Commerce. This award is normally presented every two years and supports small and medium-sized enterprises. This reporting year we could go ahead again as planned with the Business Day for Women in Vaduz. The “LLB Business Day Award” was presented at the event, which had sustainability as its main theme. Clarissa Steurer, an entrepreneur from Vorarlberg, managed to beat the competition with her unconventional label ClarissaKORK.

Bank Linth also supports a range of organisations, with a similar focus on the three thematic areas of sports, culture and competence. It has sponsoring agreements with the Kulturtreff Rotfarb (a cultural centre) in Uznach, Knie's Kinderzoo in Rapperswil-Jona, the Flumserberg mountain lifts and the Unihockey Club HC Rychenberg in Winterthur.

LLB Österreich makes donations to numerous organisations engaged in the areas of art, culture and community service. It is also a member of various friends or supporters associations, including those of the Burgtheater, the Leopold Museum and the Albertina. In 2022, the bank once again supported and targeted donations at local Austrian institutions (including the Vienna Boys' Choir) and traditional companies.

The charitable nature of sponsoring undertaken by the LLB Group is placed to the fore. The projects and institutions supported are independent in terms of content and organisation. In 2022, LLB made awards worth CHF 146'500.– (2021: CHF 335'000.–) in Liechtenstein, and Bank Linth awards worth around CHF 330'000.– (2021: CHF 350'000.–) in Switzerland. LLB Österreich spent around EUR 218'000.– (2021: EUR 110'000.–) on donations, membership and sponsoring fees in Austria.

Through our many commitments, we contribute significantly to the implementation of the sustainability strategy of the LLB Group.

The non-profit Future Foundation

The "Zukunftsstiftung der Liechtensteinischen Landesbank AG" (the Future Foundation of Liechtensteinische Landesbank AG), which was founded in 2011 as part of our 150th anniversary celebrations, supports commitment to social and ecological sustainability in everyday life. We support organisations and non-profit projects that improve living and working conditions and promote self-responsibility. We also promote projects dedicated to environmental protection. We focus on innovations in the areas of knowledge transfer as well as the integration and implementation of social entrepreneurship.

Trust, responsibility and reliability are important to the LLB Group. The company is closely connected to the people as well as the economy of Liechtenstein and our other home markets. In addition to project-specific contributions amounting to CHF 45'000.–, the Future Foundation contributed to society by donating a total of CHF 88'500.– to 24 social organisations in 2022. The Future Foundation is a member of the network of the "Vereinigung liechtensteinischer gemeinnütziger Stiftungen" (Association of Liechtenstein Non-Profit Foundations), which aims to promote the idea of entrepreneurial philanthropy.

Projects in 2022

Through its annual donations to a set circle of social institutions in Liechtenstein, the Future Foundation helps to maintain healthy social structures in the country. Providing additional funding to individual projects helps innovative ideas in the area of social and ecological development in the LLB Group's market regions to be realised in practice.

Over the past twelve years, the Future Foundation has made over 210 donations and contributions to over 60 projects, in all totalling around CHF 1.6 million. The projects receiving funding contributions are targeted and located in the market regions of LLB and Bank Linth (Liechtenstein and eastern Switzerland) as well as LLB Österreich. Projects that in 2022 the Future Foundation supported or considered for a donation for the first time included:

- ♦ **Verein Ackerschaft:** With its public post-harvest campaign, the Ackerschaft association wants to put an end to vegetables being left behind in the field after conventional harvesting. Through its actions it is creating linkages between agriculture and consumers. Having received funding in the previous year, the Ackerschaft association was supported with a donation for the first time in 2022.
- ♦ **pepperMINT:** The MINT Initiative Liechtenstein is a social foundation that offers children and young people the chance to experience and learn mathematics, computer science, natural science and technology in a fun way.
- ♦ **Stiftung Lebenswertes Liechtenstein:** The foundation's aim is to promote the long-term healthy social, ecological and economic development of the Principality of Liechtenstein, creating a positive national and international appeal and impact.



CONTENT INDEX
ESSENTIALS SERVICE

2023

GRI Content Index

Liechtensteinische Landesbank has reported in accordance with the GRI Standards for the period from 1 January 2022 to 31 January 2022. For the Content Index – Essentials Service, GRI Services reviewed that the GRI content index is clearly presented, in a manner consistent with the Standards, and the references for disclosures 2-1 to 2-5, 3-1 and 3-2 are aligned with the appropriate sections in the body of the report. This service was provided for the German version of the report. Liechtensteinische Landesbank publishes a sustainability report on an annual basis. This report was published on 23 March 2023. Any questions or comments regarding this report can be sent by e-mail (ir@llb.li) to Dr Cyrill Sele, Head Group Corporate Communications & Sustainability at Liechtensteinische Landesbank AG (headquartered in Vaduz, Liechtenstein).

The Annual Report includes all companies with a 100 per cent equity interest as well as Bank Linth LLB AG, unless explicitly noted otherwise.

If a new presentation, calculation method or optimised data collection has led to different results for the previous years for individual GRI disclosures, then this is noted under the respective statements.

Non-financial information and data has not been externally assured.

Find here [Facts and figures highlighting the LLB Group's commitment to the environment, society and corporate governance \(PDF\)](#).

Universal standards

GRI Standard	Disclosure	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 1: Foundation 2021		
GRI 2: General Disclosures 2021		
The organization and its reporting practices		
		Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 2: General Disclosures 2021	<ul style="list-style-type: none"> 2-1 Organizational details 2-2 Entities included in the organization's sustainability reporting 2-3 Reporting period, frequency and contact point 2-4 Restatements of information 2-5 External assurance 	
Activities and workers		
		Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 2: General Disclosures 2021	<ul style="list-style-type: none"> 2-6 Activities, value chain and other business relationships 2-7 Employees 2-8 Workers who are not employees 	
Governance		
		Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 2: General Disclosures 2021	<ul style="list-style-type: none"> 2-9 Governance structure and composition 2-10 Nomination and selection of the highest governance body 2-11 Chair of the highest governance body 2-12 Role of the highest governance body in overseeing the management impacts 2-13 Delegation of responsibility for managing impacts 2-14 Role of the highest governance body in sustainability reporting 2-15 Conflicts of interest 2-16 Communication of critical concerns 2-17 Collective knowledge of the highest governance body 2-18 Evaluation of the performance of the highest governance body 2-19 Remuneration policies 2-20 Process to determine remuneration 2-21 Annual total compensation ratio 	
Strategy, policies and practices		
		Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 2: General Disclosures 2021	<ul style="list-style-type: none"> 2-22 Statement on sustainable development strategy 2-23 Policy commitments 2-24 Embedding policy commitments 2-25 Processes to remediate negative impacts 2-26 Mechanisms for seeking advice and raising concerns 2-27 Compliance with laws and regulations 2-28 Membership associations 	

Stakeholder engagement

		Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 2: General Disclosures 2021	2-29 Approach to stakeholder engagement	
	2-30 Collective bargaining agreements	

GRI 3: Material Topics 2021

Disclosures on material topics

GRI 3: Material Topics 2021	3-1 Process to determine material topics	
	3-2 List of material topics	

Topic-specific standards

GRI 200 – Economic topics

Topic-specific Standards

Economic performance		
	GRI Standards and Disclosures	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 3: Material Topics 2021	3-3 Management of material topics	
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed 201-3 Defined benefit plan obligations and other retirement plans 201-4 Financial assistance received from government	
Responsible corporate management		
	GRI Standards and Disclosures	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 3: Material Topics 2021	3-3 Management of material topics	
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	
Compliance		
	GRI Standards and Disclosures	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 3: Material Topics 2021	3-3 Management of material topics	
GRI 205 Anti-corruption 2016	205-1 Operations assessed for risks related to corruption 205-2 Communication and training about anti-corruption policies and procedures 205-3 Confirmed incidents of corruption and actions taken	
GRI 205 Anti-competitive behaviour 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	
Risk and reputation management		
	GRI Standards and Disclosures	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 3: Material Topics 2021	3-3 Management of material topics	
Digitalisation and innovative strength		
	GRI Standards and Disclosures	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 3: Material Topics 2021	3-3 Management of material topics	
Customer orientation		
	GRI Standards and Disclosures	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 3: Material Topics 2021	3-3 Management of material topics	
Sustainable financial services		
	GRI Standards and Disclosures	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 3: Material Topics 2021	3-3 Management of material topics	

GRI 300 – Environmental topics

Climate protection and climate risk management		
	GRI Standards and Disclosures	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 3: Material Topics 2021	3-3 Management of material topics	
GRI 302 Energy 2016	302-1 Energy consumption within the organization	
	302-4 Reduction of energy consumption	
GRI 305 Emissions 2016	305-1 Direct (Scope 1) GHG emissions	
	305-2 Energy indirect (Scope 2) GHG emissions	
	305-5 Other indirect (Scope 3) GHG emissions	

GRI 400 – Social topics

Employer of choice		
	GRI Standards and Disclosures	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 3: Material Topics 2021	3-3 Management of material topics	
GRI 401 Employment 2016	401-1 New employee hires and employee turnover	
GRI 403 Occupational health and safety 2018	403-1 Occupational health and safety management system	
	403-4 Worker participation, consultation, and communication on occupational health and safety	
	403-5 Worker training on occupational health and safety	
	403-6 Promotion of worker health	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	403-9 Work-related injuries	
	403-10 Work-related ill health	
Recruitment and talent development		
	GRI Standards and Disclosures	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 3: Material Topics 2021	3-3 Management of material topics	
GRI 404 Training and education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	
	404-3 Percentage of employees receiving regular performance and career development reviews	
Diversity, equal opportunity and inclusion		
	GRI Standards and Disclosures	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 3: Material Topics 2021	3-3 Management of material topics	
GRI 405 Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	
GRI 406 Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	
Economic role and regional employer		
	GRI Standards and Disclosures	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 3: Material Topics 2021	3-3 Management of material topics	
GRI 203: Indirect economic impacts 2016	203-2 Significant indirect economic impacts	
GRI 413 Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	
Data protection and cyber security		
	GRI Standards and Disclosures	Omission (Requirements omitted (RO), Reason (R), Explanation (E))
GRI 3: Material Topics 2021	3-3 Management of material topics	
GRI 418 Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	