

# Economic environment

The development of a bank is heavily dependent on the economic environment, as its business activities are closely linked to the general economic situation. Here is a look back at the general conditions in the 2023 financial year.

## International perspectives

### USA

The US economy has shown itself to be amazingly resilient in the face of the Federal Reserve's interest rate hikes. Even the turbulence surrounding the regional banking sector during the spring and the dispute over the federal budget in autumn did not have a lasting adverse effect on economic development. However, at the end of 2023, the US still did not have a definite federal budget for the 2023/24 fiscal year.

Private consumption was the main driver of economic performance. It benefitted from continuing robust growth in employment and from savings accumulated during the pandemic. Furthermore, during the first half year, growth was boosted by an improvement in the external contribution, resulting mainly from bilateral trade with China. Whereas US exports to China stagnated during the first half year, imports from China fell by around 25 % compared with the previous year. In the third quarter the build up of inventories, in addition to private consumption, proved to be the most important driver of growth. However, the US economy lost some of its momentum towards the end of the year.

The rise in consumer prices slowed as a result of falling prices for energy and goods. Inflation in the service sector proved to be more stubborn on account of the trend with rental costs. But even here, price pressures have recently eased. Despite the fall in the rate of price increases, the Fed raised the key interest rate in four stages from 4.5 % to 5.5 % up to 26 July. By doing so, it was reacting to the excess demand on the employment market. At the end of the year, the first clear signs pointing to an easing of the situation on the employment market became visible. The expansion in employment slowed, the number of job vacancies fell and even wage growth weakened. It was probably due to this reason that, following the Open Market Committee meeting on 13 December, the Fed held out the prospect of more interest rate cuts for 2024 than the market up to that point had anticipated.

### Euro zone

On the whole, economic growth in 2023 was weak. The drop in real income caused by the energy price shock of 2022 dampened private consumer demand. As a result of the interest rate rises, construction activity almost came to a halt. Weak global trade depressed exports. However, the extent of the downturn in growth differed widely between the individual European countries. Of the key economies, economic development was weakest in Germany, whereas Spain registered strong expansion. Germany suffered above all from the weak global industrial activity and high – in international comparison – electricity prices, which particularly afflicted its energy-intensive sectors.

The European Central Bank (ECB) raised the key refinancing rate in six steps up to mid September from 2.5 % to 4.5 % . The interest rate on deposits held by the ECB climbed from 2 % to 4 % . The ECB justified the interest hikes with the need to counter stubbornly high core inflation. Although economic momentum weakened further towards the end of the year, it continued with its restrictive course not least because of the high collective wage settlements. In December, ECB President Christine Lagarde, was considerably more reserved in her comments about possible interest rate cuts in 2024 than the representatives of the US Federal Reserve.

The Stability and Growth Pact was suspended on account of the corona pandemic and the war in Ukraine until the end of 2023. In December, the finance ministers of the member states of the European Monetary Union agreed to a reform of the Stability and Growth Pact, which will enable a more flexible fiscal framework for the individual states. However, only time will tell to what extent this will facilitate debt reduction. Debt ratios have decreased as a result of the jump in inflation experienced in 2021 / 22. However, this trend will not continue. If the inflation rate falls to within the range of 2 % to 2.5 %, a more restrictive budgetary management will be necessary to at least stabilise the debt ratios.

### Switzerland

The takeover of Credit Suisse by UBS in 2023 meant that Switzerland lost another traditional pillar of its corporate establishment. The merger meant that greater financial turbulence was avoided but at the price of quite substantial financial risks for the state and the national bank. From a regulatory perspective too, the newly created mega-bank should be viewed critically. Caught in the wake of the weak European economic situation, business development in Switzerland slowed, whereby corporate investment was the main victim. The expected job losses, as a result of the merger between UBS and Credit Suisse have not yet materialised to any great degree.

Switzerland is one of the few industrialised countries in which the inflation rate has again fallen to within the central bank's target range. At the end of 2023, the inflation rate stood at 1.7 %. The strength of the Swiss franc played a substantial role in the decline in inflation. As a consequence of this favourable development, the SNB was able to leave the key interest rate unchanged at 1.75 % in September and December.

### Liechtenstein

As a small open economy, Liechtenstein also suffered as a result of the weak global economic situation. For quite some time, the Liechtenstein Institute's economic index has been pointing to below average growth. Recent data showed, however, that the business downturn has slowed. Exports were significantly under the previous year's level but here too, the trend stabilised towards the end of the year. In its annual report, the Financial Market Authority concluded that the financial services sector remains stable and the systemic risks are limited. Although the banking sector continues to be well capitalised, the decrease in core capital will hinder further growth aspirations. Liechtenstein's employment market is still robust but companies are also complaining about the shortage of qualified personnel.

### China

After abandoning its strict zero covid policy, China's economy grew robustly by 2.3 % in the first quarter of 2023. However, the hope expressed by some economists that China could take on the role of the global economic locomotive did not materialise. This was attributable to several reasons. The trade dispute with the US and the weak global industrial activity adversely affected China's export trade. The smoldering crisis on the real estate market also hampered growth.

Both the central bank and the government reacted to the weak economic development by easing monetary and fiscal policy, but there was no noticeable revival in business activity by the end of the year. Many experts believed that the scope of these stimulus measures was not sufficient to kick start the economy. Recently, tensions between China and the US have improved, but since the contentious geopolitical and trade policy issues could not be resolved, this brought no major positive impulse for Chinese exporters.

The weak demand led to a substantial fall in inflation. At the end of the year, the index of consumer prices was even below the previous year's level.

## Bond markets

The price development on the international bond markets in 2023 resembled a roller coaster ride. In expectation of an end to interest rate hikes, prices rose sharply in January. This was followed by a consolidation after the central banks signaled their intention of maintaining their restrictive course. Long-term yields climbed robustly in September and October, especially in the US, largely due to expectations of higher real interest rates. With the exception of Switzerland, the international bond

markets were unable to escape the yield increases in the US and the associated price falls. The Swiss market benefitted from the country's low inflation rates, which had a moderating influence on interest expectations. Once the yield on 10-year US government bonds reached the 5 % mark at the end of October, nominal and real yields began to fall back again. The turnaround in US monetary policy in December gave a renewed boost to bond prices so that the 2023 investment year ended on a conciliatory note.

### Currencies

In 2023, the Swiss franc gained by a trade weighted 8 % to become the strongest of the world's key currencies. The pound sterling and the euro also developed positively, but with lower gains at 4.8 % and 4.2 % respectively. In contrast, the US dollar was not able to benefit from the strength of the US economy, which was adversely influenced by the prospect of falling interest rates towards the end of the year. The dollar fell by a trade weighted 1.3 %. The Japanese yen and the Norwegian krone lost 5.2 % and 3.7 % respectively as a result of the continuing expansive monetary policy and, in the case of Norway, due to weak oil prices. As regards the currencies of developing countries, the Mexican peso and the Brazilian real in particular developed favourably. In contrast, the Turkish lira, the Russian rubel and the South African rand all suffered substantial price falls.

### Stock markets

With the exception of the Swiss market, 2023 turned out to be an exceptionally good stock market year. On 14 December, the German DAX index climbed to more than 17'000 points, an all-time high that it was not, however, able to maintain up to the end of the year. In view of the stagnating economy, the good performance of the European markets was somewhat surprising. Stock prices probably benefitted from the imminent end of interest rate rises and from favourable valuations. In the US, technology stocks posted the biggest gains. The Nasdaq index climbed by around 44 %. The prospect of falling interest rates, the good performance of the US economy and high profit gains provided an especially strong boost for the prices of technology stocks.

In 2023, the Swiss market was unable to benefit from its defensive character. At 7.1 %, the performance of the Swiss Market Index was significantly lower than the key indices in Europe and the US. As a result of its poor performance, the Swiss market is once again favourably valued.

# Retail & Corporate Banking

Our clients have high expectations of us: personal service, functionality and fair conditions. To fulfil these expectations, we consistently strive to improve ourselves and our services. Personal advisory services, excellent investment competence and digital innovation are characteristics of our Retail and Corporate Banking.

## Strong ties with the region

Liechtensteinische Landesbank (LLB), founded in 1861, is the longest established financial institute in Liechtenstein. We have been the market leader in retail and corporate banking for many years and thus also performed an important role in the domestic economy. We are the only bank in Liechtenstein having an extensive network of branches and cash machines. LLB is regarded as the Liechtensteiners' bank with many clients also being our shareholders at the same time (see chapter [Economic value creation](#)).

LLB Schweiz (formerly Bank Linth), with headquarters in Uznach, can also look back on a long tradition. It has close ties with the Linth and upper Lake Zurich regions of Switzerland. At the end of 2022, all the former Bank Linth shares were taken over by the LLB Group and the bank was delisted from the Swiss exchange. Since September 2023, all our Group companies and subsidiaries operate under the uniform "LLB" brand. Operating under its new name strengthens the affiliation of LLB Schweiz with our corporate group (see [LLB brand](#)). For clients nothing changes – the essence of "their" bank is preserved. And they continue to benefit from an attractive range of products and services.

The client advisers at LLB and LLB Schweiz live in their respective market regions and are trusted by local people and businesses (see chapter [Employees](#)).

## Personal banking

As a universal bank, we have a clear vision: to be the number one in Liechtenstein and the region. For this purpose, we will continue on our growth trajectory, improve efficiency and make further progress on our path to climate neutrality. To enable us to bundle resources and exploit synergies, the client segments "Retail and Corporate Banking" and "Private Banking" in Liechtenstein and the region, were amalgamated in 2022. This has considerably improved the new segment's closeness to clients.

We see further broad potential in continuing to enhance clients' banking experience. Here we want to focus on five objectives:

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

## Competence and trust

The focus of the Retail and Corporate Banking Market Division lies on the domestic markets Liechtenstein, Switzerland and Austria, as well as on the traditional cross-border markets Germany and Italy.

Retail and corporate banking business encompasses the deposits and financing business in Liechtenstein and Switzerland. But LLB is also the bank of choice for many cross-border workers from the neighbouring Austrian province of Vorarlberg. As the banking partners of small and medium-sized enterprises (SMEs), LLB and LLB Schweiz are traditionally of great importance in Liechtenstein and eastern Switzerland. In local, regional and international private banking, the LLB Group convinces with its stability and security. Our clients trust in our extensive experience, in the quality of our services and in the good investment performance of our asset managers.

### **Growth in Germany and Switzerland**

In recent years, we have noted a steadily increasing demand for our services from German clients. Since we see further potential in Europe's largest private banking market, we are establishing a business presence in 2024 in the financially strong regions of Munich, Frankfurt and Düsseldorf. This will enable us in future to care for our German clients, especially in private and institutional banking, in place in Germany.



Urs Müller, Head Retail & Corporate Banking

**“Our new business locations in Germany put us in a position to offer financial services, tailored to suit the needs of German clients, on the spot in Germany. This enables us to work closely with our clients to support them in achieving their financial goals.”**

We also want to push ahead with our growth plans in Switzerland. During the 2024 business year we are opening business locations in Zurich und St. Gallen. Above all, we shall build on the business base established by LLB Schweiz to expand our business activities in private banking and with corporate clients.

## Growth in the Swiss market



### Partners for business

Recent years have placed great demands on companies. Challenges such as the covid 19 pandemic, supply chain problems, a shortage of skilled labour, inflation and high energy prices have made doing business significantly more difficult. Precisely such challenging times clearly show the extent of LLB's support for business. Since 2016, we have been collaborating with the Liechtenstein Chamber of Commerce, another example of our strong sense of responsibility for the local economy. We offer all members of the Chamber preferential conditions with foreign exchange transactions and favoured status for our "SME-box" product package.

### Products and services

LLB stands for competence. We create added value for our clients with our products and services and we enjoy the trust of the business community, society and institutions. The fact that we are among the most secure and best capitalised banks represents a key aspect of our success (see chapter [Finance and risk management](#)).

### Payments and savings

LLB is the acknowledged leader in Liechtenstein in payment transfers and account management business. Almost every resident keeps an account at the Landesbank. With our new "LLB Daily" product packages (Light, Flex and Pro) we cover all the requirements of daily banking business and individual client situations. Regardless of whether their focus is in on digital payment transactions, cash withdrawals or foreign currencies for their daily banking requirements, our clients will find that we have a suitable solution for them offering the best price / performance ratio. As the first bank in Liechtenstein, we are also abolishing booking fees for private clients with these new product offers. In addition, clients having several accounts at LLB benefit from corresponding partner rebates.

#### LLB Daily – Our package offers for your everyday banking transactions



#### LLB Pro

Limitless – your all-round feel-good package



#### LLB Flex

Carefree – pay flexibly where and how you like



#### LLB Light

Cashless – your digital companion in everyday life

### Investing / Private banking

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

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

### Loans and mortgages

Lending business is an important source of earnings for LLB. In our lending activities, we pursue a prudent policy focused on affordability and creditworthiness (see chapter [Finance and risk management](#)). With a market share of 50 per cent, LLB is the leader in providing mortgages and construction loans in Liechtenstein. We offer individual financing possibilities in the form of flexible and transparent models; these range from the variable basic mortgage, the money market flexible or fixed-rate mortgage to the environmental mortgage. The latter enables LLB and LLB Schweiz to support environmentally friendly construction in Liechtenstein and Switzerland. A Lombard loan represents another flexible financing solution for individual and corporate clients and for comprehensive asset planning.

### Retirement and financial planning

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

### Corporate clients

With a market share of over 70 per cent, LLB is the market leader in this segment in Liechtenstein. And LLB Schweiz in one of the largest providers in eastern Switzerland. The personal care and provision of advice to corporate clients in all financing and banking business have a long tradition at LLB. Our care and service concept is based on the life cycle approach, in line with which we cover the whole life cycle with a broad range of products and services adapted to suit the individual case. Companies and entrepreneurs especially appreciate our close attention and innovative flair.

As the leading universal bank in Liechtenstein and the adjacent region, we offer companies a product package with transparent benefits and conditions in the form of our “SME Box”. These are supplemented by the “SME Menu”, which provides a range of services in the following areas:

- ◆ Accounts and payments
- ◆ Investing and financing
- ◆ Retirement and succession
- ◆ Additional services

We also offer a comprehensive service in relation to the processing of financial transactions at home and abroad. Small and medium-sized companies also benefit from LLB and LLB Schweiz’s made-to-measure solutions for the financing of investments.

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

### Individual pension fund solutions

We are the only bank in Liechtenstein to offer SMEs individual pension fund solutions through the LLB Pension Fund Foundation for Liechtenstein (LVST). Founded in 2005, in the meantime the LVST is – measured in terms of its balance sheet total – the largest collective foundation in the country and the only pension fund offering members the choice between two investment strategies. Following the strong growth experienced in 2020, the foundation continued to achieve solid organic growth. At the end of the report year, it administered assets of CHF 1.26 billion. (31.12.2022: CHF 1.15 billion). The pension savings capital for actively and passively insured participants stood at CHF 1.23 billion (31.12.2022: CHF 1.18 billion). The LVST counted 905 affiliated companies (31.12.2022: 856) having a total of 7'860 actively insured persons (31.12.2022: 7'691). The consolidated coverage ratio of LVST stood at almost 100 per cent at the end of 2023 (31.12.2022: 94.5 %).

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

### Closeness to clients

Personally, digitally or a hybrid form of both? Our clients decide themselves how they want to communicate with us. However, the focus is always on providing them with the best possible care and advice.

### Digitalisation of banking

The LLB Group has been successful in expanding its position as a modern, innovative bank. For this purpose, we have made substantial investments in our digital services and channels.

Following its successful start in 2022, our LLB.ONE digitalisation programme is now in the middle of the implementation phase (see chapter [Corporate Center](#)). This encompasses numerous initiatives such as basic banking products (account management and payment transfers), financing with the emphasis on mortgages, the advisory centre of the future and a new customer relationship management system.

### E-Channels

LLB is one of the few banks to have independently developed its own digital offering. We have been revising and remodelling our Online and Mobile Banking programmes as a top priority since the beginning of 2023. A key point in the process concentrates on the flexible design and technical modernisation of the programmes.

Our mortgage loan clients can now extend their money market mortgages online. If desired, they can change products and benefit from self-service discounts. During the pilot phase, they can also call on digitally supported financial advisory services.

### Digitalisation of payment systems

One trend that has accelerated in recent years is the digitalisation of payment services. Both the payment and issuing of invoices function simply, clearly and efficiently. For several years already, we have been offering our clients various digital payment methods such as LiPay, LLB's own payment app, QR billing, which enables invoices to be conveniently scanned and paid, and eBill for the direct depiction of invoices in LLB Online Banking.

In addition, in the 2023 business year we introduced the most widely used mobile payment solutions: Apple Pay, Google Pay and Samsung Pay. All that is required of customers with these mobile payment systems is for them to deposit the appropriate credit card in the wallet app of their smart phones. This provides our clients with even more convenience and comfort when making daily payments:



- ◆ Worldwide acceptance in stores, in the internet and phone apps
- ◆ Simple payments with smart devices
- ◆ Secure payment procedure; the protection of privacy and personal data is safeguarded

### Modern bank branches

Within the scope of the digital transformation, our bank branches are being given a new and extremely important function. They are to be venues for the provision of personal advisory services – the face of LLB, so to speak, where focusing on clients and their needs is the key priority. Since 2022, all our bank branches in Liechtenstein and Switzerland have been remodelled and redesigned to provide a unique client experience and individual service. Here too, the digitalisation of our processes plays an important role, ensuring that the branch advisers have available all the tools and digital services they need. All our client advisers complete a certification program in accordance with the standards of the Swiss Association for Quality (SAQ) (see chapter Employees).

In addition, our bank branches should be places where stakeholders and other persons can meet and exchange ideas and views. As an example, at our offices in Liechtenstein we are holding events as a part of our “Financial Coaching” initiative. The aim of the events is to increase the awareness of primary school children in their final year for financial subjects and to support them in dealing properly with money. The coaching events are designed to suit the age and needs of the children in collaboration with the Liechtenstein Education Department.



**“In today’s world, being able to recognise and understand financial interrelationships, as well as the correct way of dealing with money, are more important than ever. The risk of indebtedness, retirement provisioning or sustainable investments are just a few key words here. We are convinced that through our initiative we can make an important contribution to improving the general standard of financial competence.”**

Edi Zorc, Head Direct Clients

The “Financial Coaching” initiative is supported by the Liechtenstein Bankers Association. The feedback we received from students and teachers was very positive.

### Direct service and advice

For around 100’000 clients, the LLB’s Direct Service team is the efficient interface and first-class point of contact between online and offline services for clients of the entire LLB Group. The team members offer a comprehensive service for all banking transactions and first level support for questions in relation to our digital channels. In 2023, in about 800 contacts per day via phone, e-mail and bank messaging, the team responded to our clients’ enquires and questions.

The demands made on our Direct Service team steadily continue to rise because our clients are faced with many different regulatory requirements. In future therefore an additional team will be put in place to actively support and provide specific expertise to our Direct Clients team on a case by case basis. We are continually striving to optimise our processes using the latest technical systems. Here we do not lose sight of the goal of being able to offer our clients fast and efficient, but nevertheless personal support and advice.

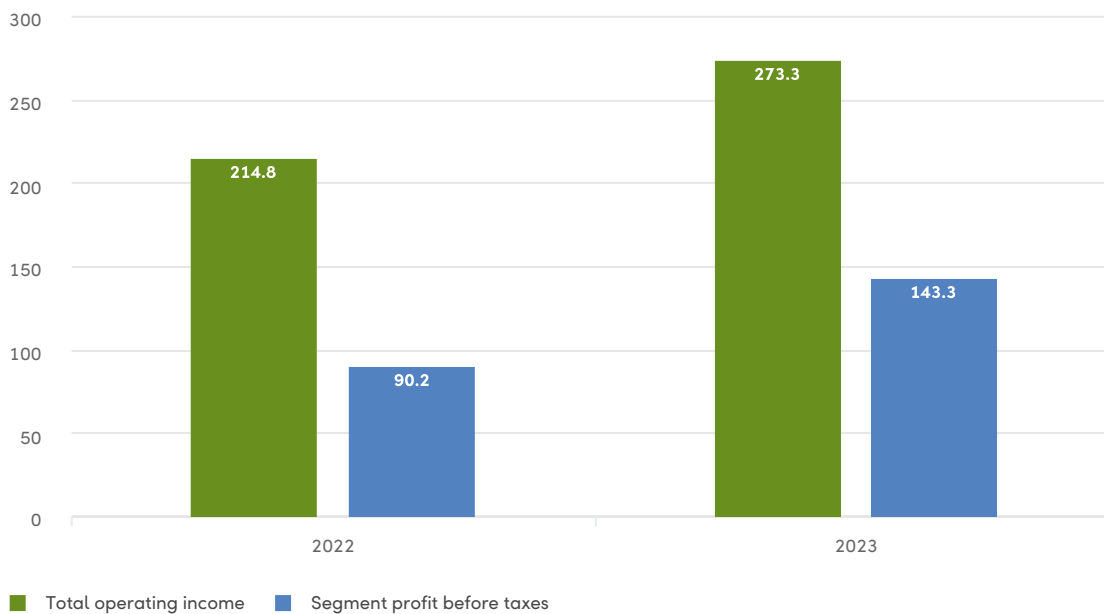
### Business segment result

The segment profit before taxes rose by 58.8 per cent to CHF 143.3 million. Interest differential business, which comprises the largest proportion of earnings in the Retail & Corporate Banking Division, posted a 45.9 per cent increase. This was attributable to the continual growth of mortgage lending business and higher interest rates. Fee and commission income developed positively and at CHF 89.5 million exceeded the result for the equivalent period in the previous year. In contrast

trading activities slowed, resulting in lower trading income of CHF 18.6 million. Conversely, the gross margin improved to 80 basis points. In total, operating income climbed by over 27 per cent to CHF 273.3 million. At 4.4 per cent, the increase in operating expenses was considerably lower. Higher efficiency levels were reflected in the much improved cost income ratio of 47.6 per cent.

Business growth was very pleasing with a positive net new money inflow of CHF 1.3 billion. Inflows from clients in Germany, as well as increased lending business of CHF 1.0 billion contributed equally to this growth. As a result, the business volume expanded by nearly 8 per cent to CHF 35.6 billion.

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



### Segment reporting

in CHF thousands	2023	2022	+ / - %
Net interest income	163'145	111'820	45.9
Expected credit losses	166	- 4'695	
Net interest income after expected credit losses	163'311	107'126	52.4
Net fee and commission income	89'542	85'010	5.3
Net trading income	18'590	20'806	- 10.6
Other income	1'876	1'845	1.7
<b>Total operating income</b>	<b>273'319</b>	<b>214'786</b>	<b>27.3</b>
Personnel expenses	- 45'430	- 43'974	3.3
General and administrative expenses	- 5'432	- 4'416	23.0
Depreciation	- 56	- 43	32.2
Services (from) / to segments	- 79'127	- 76'130	3.9
<b>Total operating expenses</b>	<b>- 130'046</b>	<b>- 124'563</b>	<b>4.4</b>
<b>Segment profit before tax</b>	<b>143'273</b>	<b>90'223</b>	<b>58.8</b>

### Performance figures

	2023	2022
Gross margin (in basis points) <sup>1</sup>	79.9	67.1
Cost Income Ratio (in per cent) <sup>1</sup>	47.6	57.0
Net new money (in CHF millions) <sup>1</sup>	1'328	1'022
Growth of net new money (in per cent) <sup>1</sup>	6.9	5.1

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

### Additional information

	31.12.2023	31.12.2022	+ / - %
Business volume (in CHF millions) <sup>1</sup>	35'602	33'003	7.9
Assets under management (in CHF millions) <sup>1</sup>	20'952	19'365	8.2
Loans (in CHF millions)	14'650	13'638	7.4
Employees (full-time equivalents, in positions)	273	248	10.1

<sup>1</sup> Definition available under [www.llb.li/investors-qpm](http://www.llb.li/investors-qpm)

# International Wealth Management

At the LLB Group, International Wealth Management means building on our reputation as a secure and sustainable, international private bank. We support wealthy private clients and professional clients in all financial matters. We convince them with our stability and security, superb advisory services, personal care and excellent investment performance.

At the LLB Group, we build on our strength as one of the most stable banks in the world. Accordingly, the International Wealth Management Market Division encompasses international private banking, private banking for Austria and our business activities with institutional clients.

## International private bank

International private banking clients, as well as professional investors and financial intermediaries have exacting demands – rightly so. They expect asset management with sustainable investment performance, competent, long-term contact partners, who ensure stability in business collaboration, as well as professionalism and efficiency in the handling of their financial affairs. Fulfilling these client demands is our prime goal. For this reason, in the International Wealth Management Division we pursue the following six major objectives:

- ◆ Strengthening of our intermediary business in Liechtenstein, Switzerland, Austria and Germany;
- ◆ Expanding of our position as a leading wealth management bank in Austria;
- ◆ Further growth as a unique investment fund powerhouse in the German-speaking region;
- ◆ Successfully establishing ourselves as a powerhouse for external asset managers;
- ◆ Targeted expansion of our private banking business in the growth markets of Central and Eastern Europe, as well as the Middle East;
- ◆ Consistent, sustainable investments according to ESG guidelines.

## Stability and security

As the longest established financial institution in Liechtenstein, we have a long tradition as a private bank. Wealthy private clients, companies and financial intermediaries count on this experience and financial stability. They know that LLB is one of most secure and best capitalised banks in the world. Since 2016, and every year since then, the rating agency Moody's has assigned the Liechtensteinische Landesbank a deposits rating of Aa2 (see chapter [Finance and risk management](#)). This means we are in the top cohort of banks and rank well above the average of European financial institutions. Moreover, with the Principality of Liechtenstein as our majority shareholder, we have a very stable ownership structure. Liechtenstein is one of the very few countries in the world to be awarded an AAA rating by Standard & Poor's and thus the highest financial standing. The combination arising from the sovereign rating and our institutional rating creates a unique attribute, which underlines our excellent positioning as one of the most trustworthy banks in the world. On account the increased geopolitical uncertainties and tensions these values have become even more significant in recent years.

## Strong local ties – International presence

Professional clients of the LLB Group can call on three booking centres. In the modern financial centres Liechtenstein, Switzerland and Austria we are represented by a bank in each country: Liechtensteinische Landesbank AG, LLB (Österreich) AG and LLB (Schweiz) AG. All maintain strong local ties while at the same time being internationally active. We care for our international clientele from our representative offices in Geneva, Zurich and Abu Dhabi, as well as from our branches in the DIFC in Dubai and Vaduz, and from our bank in Vienna.

### Locations of the LLB Group



### Three successful domestic markets

Our domestic markets, Liechtenstein, Switzerland and Austria are ideal locations for professional investors, who wish to invest their assets securely and would like efficient, personal advisory services. Liechtenstein is a specialised and, at the same time, an internationally networked financial centre. Operating from out of this centre, thanks to the EEA agreement and the customs treaty with Switzerland, the LLB Group has unrestricted access to two economic areas: the EU single market and to Switzerland. The latter being one of the key financial centres. Thanks to targeted sales and marketing efforts, we are expanding our position as a leading wealth management bank in our target markets.

### Traditional cross-border markets

For us as a private bank, selected Western European markets traditionally play a key role. We benefit from our extensive experience as a wealth manager, from our high service quality and from our proven investment performance. Germany, Europe's largest private banking market, in particular, is steadily increasing in importance for the LLB Group. Since we envisage further substantial development potential in Germany, we have sharply intensified our business activities in the country. Since January 2024, for the first time in the history of the LLB Group, we are represented by a branch office in Germany. In Switzerland too, we are resolutely pursuing our growth ambitions. In 2024, LLB (Schweiz) AG will open two further business locations in Zurich and St. Gallen.

### Private Banking International

At the Private Banking International Business Area we focus on selected markets in Central and Eastern Europe (CEE), as well as in the Middle East. In addition to stability and security, we offer our clients close personal support in realising their financial goals. For this purpose, we employ regionally adapted business concepts.

In order to best fulfil our clients' requirements, stay close to the market and actively manage risks, we recruit employees who possess a deep knowledge and clear understanding of the markets and who have close ties with the various regions. We care for our clients in the CEE region from our headquarters in Vaduz, from Vienna and from our representative offices in Geneva and Zurich. Our clients in the United Arab Emirates (UAE) and the Middle East are looked after from our DIFC branch in Dubai and our representative office in Abu Dhabi.

### Specialised on professional clients

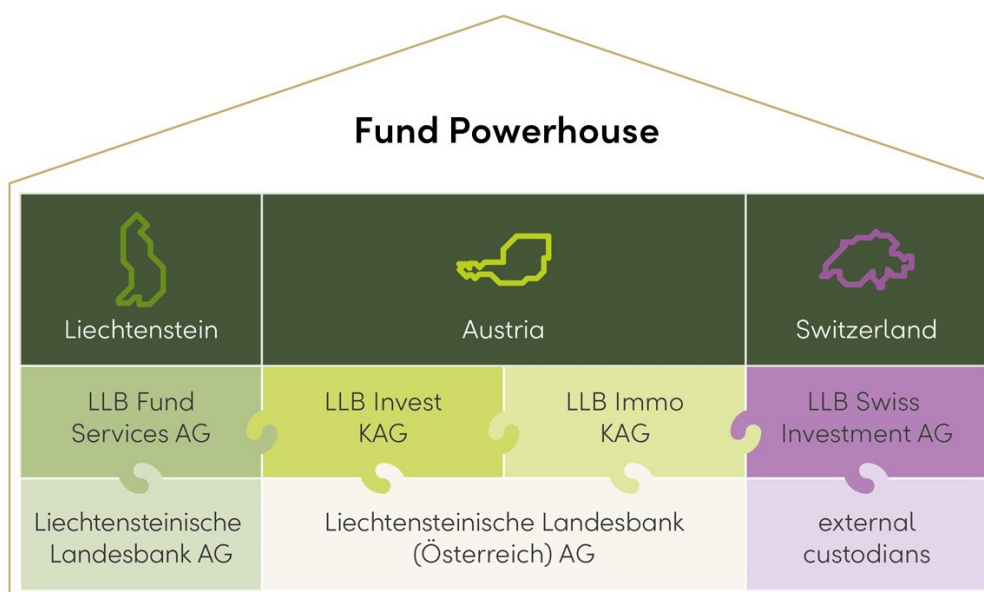
Fiduciaries, asset managers, fund promoters, family offices, insurance companies, pension funds and public institutions – no matter how different their business models may be, they all have one thing in common: they want to manage and increase the capital entrusted to them in the best possible way. As their business partner, the LLB Group offers them ideal prerequisites for this purpose. Our highly specialised and experienced personnel ensure they receive professional advisory services and dialog on an equal footing. These are supplemented by modern, efficient processing platforms and digital interfaces. Our client advisers have all completed a certification program according to the standards of the Swiss Association for Quality (SAQ) and are regularly recertified (see chapter [Employees](#)).

### Fund powerhouse

With four investment fund companies in our three domestic markets, we are among the most versatile fund vendors in Europe. Around 700 managed funds testify to our powerful position as a fund service provider for professional clients, who wish to take advantage of the possibilities offered by investment fund structuring.

In line with the "one-stop shop" concept, the LLB Group offers a full range of products and services in its domestic markets. This provides us with the maximum flexibility to meet client wishes. We plan and set up made-to-measure investment funds for our clients. We also structure and administer them, as well as ensuring modern risk management.

At our business locations in Vaduz and Zurich, we complement our services by acting as a representative for foreign funds. In Liechtenstein and Austria, we take over the function of custodian bank / depository. In 2023, we intensified our sales and marketing efforts for the fund powerhouse.



On account of the changed market environment, the funds volume administered by the LLB Group declined to CHF 38.7 billion. (2022: CHF 38.9 billion). The net new money outflow amounted to CHF 1.3 billion (2022: net new money inflow of CHF 1.8 billion). Here too, the decrease was largely attributable to market-related factors. In view of the sharp rise in interest rates, for the first time in years, investments in interest-bearing asset classes were again attractive. Furthermore, direct investments in real estate lost a great deal of their appeal as an asset class, which resulted in a marked net outflow from our open public real estate funds.

### Common fund platform

The LLB Group also intends to grow in the investment funds sector. The foundation for this is provided by a uniform, modern fund platform, which standardises, digitalises and automates our entire investment fund business. This state-of-the-art solution is based on the XENTIS software, which we employ successfully in Switzerland and, since mid 2023, also in Austria. The platform is to be introduced in Liechtenstein and numerous features are to be added so that the entire project should be completed in 2026.

This new common fund platform will provide our clients with a premium quality IT application. The XENTIS system includes a broad scope of functions in relation to the direct entering of orders and, in addition, a set of key portfolio and risk reference figures, it also offers a range of reporting options. XENTIS enables us to manage funds using standardised processes, provides uniform data and price quotes, as well as a centralised IT operation, without any loss of flexibility in implementing individual solutions. As a result, the strategic goals of growth and efficiency are coupled with each other while costs and complexity are reduced.



**“The new groupwide fund platform enables us to bring together three different systems at three different fund locations while retaining the advantages of the individual locations – a huge amount of added value, both for our clients and for us as service providers. XENTIS therefore represents a solid foundation for the fund powerhouse of the LLB Group.”**

Natalie Flatz, Head International Wealth Management

### Private label funds

Private label fund solutions (known in Austria as “Special funds”), are an extremely important product in the offering of the LLB Group’s investment fund companies. External managers and institutional investors frequently utilise private label funds tailored to suit their specific requirements which, depending on their structure, can be distributed throughout the EU. Family offices and wealthy

private clients are also increasingly showing interest in these made-to-measure fund solutions. These funds are structured according to Liechtenstein, Swiss or EU law, and enjoy the same investor protection as funds licensed for public distribution. They enable large volumes of assets to be efficiently managed and individually structured.

### **Liechtenstein and Switzerland**

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

Since April 2018, the LLB Group has also been actively represented in the Swiss investment funds market. Through LLB Swiss Investment AG, it offers clients tailor-made fund solutions according to Swiss law. This jurisdiction is ideal for large institutional investors or family office structures in order, for example, to set up funds with investments which are subject to withholding tax (including Swiss equities). In 2023, with its fund services business in Liechtenstein and Switzerland, the LLB Group experienced a net new money outflow of CHF 337.4 million (2022: net new money inflow of CHF 1.5 billion). On account of market-related factors, the book volume increased to CHF 23.4 billion (2022: CHF 22.8 billion).

### **Austria**

In 2023, LLB Invest KAG administered around 300 funds, including public funds, large investor funds, special funds, multi-manager funds and alternative investment funds, and is therefore the top ranked investment company on the Austrian market. Its clients include over eighty domestic and international asset managers, banks and family offices, which appreciate the expertise of LLB Invest KAG.

LLB Immo KAG manages a large public fund as well as three products for institutional investors. The management invests directly in real estate, exclusively in Austria and Germany. It pays special attention to sustainability criteria in managing real estate funds. On account of the substantial rise in interest rates, 2023 was a challenging year for real estate investments. Large outflows from the LLB Semper Real Estate public fund forced LLB Immo KAG in October to temporarily suspend the redemption of units for the protection of investors. Nevertheless, we are still convinced that real estate represents an important component in the long-term diversification of portfolios. This applies particularly to funds administered by LLB Immo KAG, whose products are managed with great expertise and are of very high quality.

In 2023, the Institutional Banking Austria business segment posted a net new money outflow of CHF -707.5 million (2022: net new money inflow of CHF 465.2 million). As at December 2023, the business volume stood at CHF 21.8 billion (31.12.2022: CHF 21.9 billion). At the end of 2023, a total of 363 funds (31.12.2022: 365) were managed or held in custody.

### **High level of service quality**

Wealthy private clients and professional clients attach great importance to solid investment expertise, fair and transparent conditions, as well as individual and forward-looking investment solutions coupled with modern technologies. For us at the LLB Group, this is a part of our self-image. Furthermore, our clients can count on us as the bank partner to identify opportunities, open new perspectives and encourage the professional education and training of our employees. Moreover, they benefit from our networks and our knowledge in the areas of cross-border banking, compliance, risk management and sustainability.

### **Innovative wealth management**

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



Our client advisers work closely with our investment specialists. Using continual monitoring and optimisation of portfolios, they ensure the security of investments and a performance in line with the selected strategy. They are supported in their work by the latest technology.

### **EAM powerhouse**

Starting in 2024, our clients who are professional external asset managers will benefit from our newly created EAM powerhouse.

Thanks to closer collaboration in institutional business in the markets Liechtenstein, Switzerland, Austria and Germany, our clients will have smooth access to the three booking venues in Liechtenstein, Switzerland and Austria, coupled with the customary individual care and high quality from one source. Together with our new digital onboarding concept for end clients (see paragraph [Digital transformation](#)) we can offer external asset managers an ideal complete package to enable them to enhance efficiency and quality for their clients.

In future, the interaction between the EAM powerhouse and the fund powerhouse will be intensified and expanded throughout the Group. As a result, both our clients and our market business locations with their client advisers will be able to benefit from the many synergies.

### **Digital transformation**

In the report year, we made further good progress in the digital transformation of the LLB Group (see chapter [Corporate Center](#)), ensuring that we are not just faster and more efficient, but also focused even more closely on our clients. New digital tools enable us to better fulfil modern client needs.

With our Mobile and Online Banking our clients can conveniently and digitally transact numerous banking activities at any time and from anywhere. The use of technology ideally complements our personal advisory services and boosts their quality to a new level.

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

During 2024, we will introduce a completely digital onboarding process for EMA end clients. This will enhance the effectiveness of work processes both at the external asset manager and at LLB, creating more time for what is really important: more productive time for caring for our mutual clients.

### **Group Business Compliance**

In accordance with international regulations, combating money laundering, organised criminal activity and the financing of terrorism have a high priority in Liechtenstein (see chapter [Finance and risk management](#)). The regulatory requirements in this area are continually becoming stricter and will bind many resources in the next few years. For the Liechtenstein financial institutions the observance of the various sanctions represents an important part of their control and monitoring activity. Finally, because of the war in the Ukraine, the observance of sanctions has drawn even more attention. Regulatory provisions and the fact that they can be implemented at any time place great demands on our client advisers, intermediaries and, not least, on our clients. Several years ago, the LLB Group recognised that setting up a central hub for all the individual stakeholders was the correct way to meet and master these challenges. The Group Business Compliance Department was set up for this purpose. Experience gained over the last few years confirms that, thanks to the efforts of Group Business Compliance, duplication of work can be avoided and loss of resources reduced while safeguarding efficient collaboration. Our clients tell us that this service is much appreciated.

**“At Group Business Compliance we are able to fulfil regulatory requirements at the highest professional level and ensure the best service quality for our clients at the same time.”**



Stefanie Habicher, Head Group Business Compliance

### Fair and transparent pricing models

We believe in partner-like collaboration as the key to long-term client relationships. This includes fair and transparent pricing models. The LLB tariff structures are simple and clear, costs are visible at a glance (see chapter [Environmental and social responsibility in banking](#)). We employ performance-related fees with various asset management and investment advisory mandates, which are only payable if a positive return is achieved.

### Networking and transfer of knowledge

Sound knowledge is vital for achieving success in financial matters. This is the only way that investors can make well balanced decisions, manage risk and attain long-term goals. We therefore provide wealthy clients with access to the expertise of our investment specialists and to our investment solutions. In addition, we support professional investors through networking and a transfer of knowledge. For many years therefore the LLB Group has made available its “LLB Xpert Views” online platform to financial intermediaries to enable them to have an overview of current developments in the financial services industry. We encourage the personal exchange of views and experience several times a year in the form of exclusive round-table discussions.

Above all, our clients appreciate our high level of professional competence, our service quality and the personal collaboration.

### Memberships

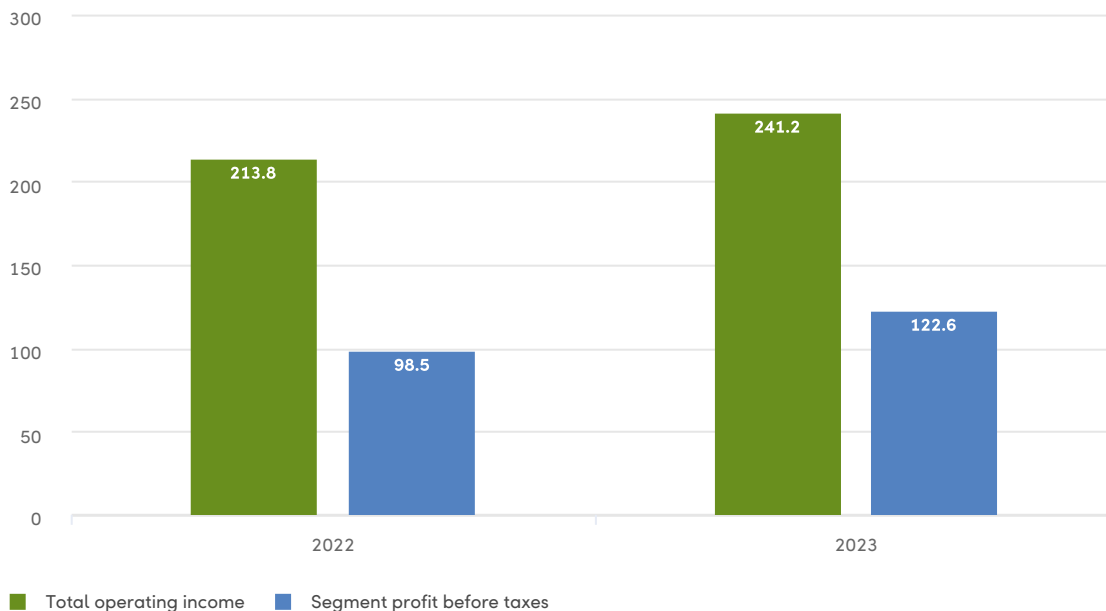
The LLB Group is a member of the most important professional associations and bodies. This ensures that we are closely networked and always well informed about which themes and issues will be significant in the future. Furthermore, these memberships offer us the possibility of actively participating in shaping the framework conditions, which determine our business model.

### Business segment result

The segment result before taxes of the International Wealth Management Division amounted to CHF 122.6 million. In comparison with the equivalent period in the previous year, this represents an increase of 24.4 per cent. Operating income expanded by CHF 27.4 million to CHF 241.2 million. Income from interest differential business doubled to CHF 102.6 million. In the previous year, fee and commissions business benefitted from exceptionally high earnings from real estate transactions in Austria. On account of higher interest rate levels, this business field is declining leading to substantially lower earnings from real estate business in the business year under report. Moreover, average holdings of client assets under management decreased partly as a result interest rate driven outflows. The gross margin improved by 5.8 basis points. Operating expenses rose to CHF 118.6 million, partly due to the higher headcount in line with corporate strategy.

During the reporting period, the segment regrettably registered outflows of over CHF 299 million. On account of the changed situation with interest rates, which had a particularly adverse impact on real estate investment funds, outflows were experienced in investment fund business. In other areas, such as international private banking and institutional business in Liechtenstein, positive inflows were achieved. On account of the positive market performance, the business volume expanded by 1.4 per cent to CHF 66.1 billion.

### Business segment result: International Wealth Management (in CHF millions)



### Segment reporting

in CHF thousands	2023	2022	+ / - %
Net interest income	102'632	51'173	100.6
Expected credit losses	- 321	1'994	
Net interest income after expected credit losses	102'311	53'167	92.4
Net fee and commission income	125'184	138'287	- 9.5
Net trading income	18'448	22'350	- 17.5
Other income	- 4'749	4	
<b>Total operating income</b>	<b>241'194</b>	<b>213'808</b>	<b>12.8</b>
Personnel expenses	- 47'801	- 44'107	8.4
General and administrative expenses	- 6'357	- 11'274	- 43.6
Depreciation	- 346	- 391	- 11.5
Services (from) / to segments	- 64'133	- 59'549	7.7
<b>Total operating expenses</b>	<b>- 118'637</b>	<b>- 115'321</b>	<b>2.9</b>
<b>Segment profit before tax</b>	<b>122'557</b>	<b>98'487</b>	<b>24.4</b>

### Performance figures

	2023	2022
Gross margin (in basis points) <sup>1</sup>	37.0	31.2
Cost Income Ratio (in per cent) <sup>1</sup>	49.1	52.0
Net new money (in CHF millions) <sup>1</sup>	- 299	2'463
Growth of net new money (in per cent) <sup>1</sup>	- 0.5	3.4

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

### Additional information

	31.12.2023	31.12.2022	+ / - %
Business volume (in CHF millions) <sup>1</sup>	66'130	65'194	1.4
Assets under management (in CHF millions) <sup>1</sup>	65'287	64'214	1.7
Loans (in CHF millions)	843	980	- 14.0
Employees (full-time equivalents, in positions)	268	246	9.3

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

# Corporate Center

The Corporate Center plays a key role in the LLB Group. In a similar manner to the central nervous system, it monitors and steers important groupwide functions and provides the necessary information for efficient operations. The Corporate Center also makes a major contribution to the implementation of the corporate strategy, especially in relation to the digital transformation.

## Service provider and enabler

The Corporate Center encompasses the Group CEO (see chapter [Strategy and organisation](#)), Group CFO (see chapter [Finance and risk management](#)) and Group CDO Divisions. All the organisational units, which coordinate, support and monitor groupwide business activities, processes and risks are integrated in this segment. In addition, it contains departments such as Marketing and Human Resources. In total, the Corporate Center bundles fourteen central business areas of the LLB Group:

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



The Corporate Center is focused completely on the requirements of the market divisions and thereby makes a direct contribution to the value added by the LLB Group.

## Digital transformation

The ACT-26 corporate strategy envisages that the LLB Group will become more digital, more agile and more scalable in the coming years. The LLB.ONE program was set up specifically for this purpose. During the current strategy period, over CHF 100 million will be invested in digitalisation measures via this platform (see paragraph [LLB.ONE](#)).

The Corporate Center plays a key role in realising digital transformation. It ensures that the transformation is in line with the corporate strategy, that the correct resources are available and that

both clients and employees are involved and properly supported. The Group CDO Division is the driver of the project. All the most important resources for the comprehensive change process are bundled in this division. The Group Digital Transformation Department, which was set up specifically for this purpose, is responsible for implementing these changes.

### Shared Service Centers

The digital transformation is also facilitated and supported by Group shared services. The LLB Group's Shared Service Center can call on an extensive range of professional and process competences. Thanks to the systematic centralisation of various operative services and the harmonisation of processes in the individual companies and business areas, synergy potentials can be exploited and efficiency enhanced. This applies equally for the maintenance of client master data and to the payment transfer process, as well as to foreign currency and securities transactions. As further examples, in 2023 LLB introduced groupwide standard processes for written and verbal payment orders, simplified the client life cycle and digitalised the processing of client mail. In response to the increasing volume and complexity of transaction administration, as well as the corresponding regulatory requirements, the Operational & Regulatory Service Department was set up in the reporting year. This restructuring of operations enables a sharper focus on automation and specialisation. All the initiatives undertaken by the Shared Service Center were guided by the same principle: to ensure the highest level of operative stability coupled with flawless quality in spite of increasing complexity.

LLB has recently become a member of the International Securities Services Association (ISSA). Membership of this organisation enables us to keep up to date with developments in the areas of financial market infrastructure and to actively shape these activities. LLB employees are represented in various ISSA project groups.

### LLB.ONE

The further development of our products and services is one of the major goals of the LLB Group's digital transformation, whereby the highest efficiency of processes and maximum client focus are the priority. The LLB.ONE program is the platform which will drive these profound changes within the LLB Group. We utilise the latest technology to enhance interaction with our clients. In future, our clients can decide themselves when and through which channels they want to receive the LLB Group's services. In addition, we are working on simplifying, standardising and automating our internal core processes. We take an agile and flexible approach in order to be able to react appropriately to our clients' changing requirements. This means that existing procedures have to be critically analysed and, where required, adjusted and adapted. Up to the end of the current strategy period in 2026, CHF 100 million is to be invested in the programme. In the 2023 business year, the LLB Group reached the following milestones in its digital transformation:

- ◆ The expansion of our willBe product offer to include call money in EUR, CHF and USD enables us to offer attractive savings conditions. As a result, in the second half of 2023, we gained thousands of new clients (see paragraph [wiLLBe](#)).
- ◆ The introduction of mobile payments (Apple Pay, Google Pay und Samsung Pay) brings added convenience for our clients when making payment transactions. For clients in Switzerland, we have added a further, attractive payment possibility with Twint (see chapter [Retail & Corporate Banking](#)).
- ◆ Three new account packages have been developed for "LLB Daily" for implementation in 2024. As a result, our product offer is substantially clearer and better suited to client requirements (see chapter [Retail & Corporate Banking](#)).
- ◆ Our digital mortgage lending option was significantly expanded. Client advisers now have the possibility of creating digital offers, and clients can independently extend and adjust their mortgages online.
- ◆ We have extensively re-engineered our mobile banking program to enhance our clients' experience in all channels and to reduce development costs at the same time. Starting in 2024, clients will be successively relocated to the new program.
- ◆ In taking the decision to introduce a new customer relationship management system (CRM), we have set a new course for the future. Starting in 2024, the system will initially be installed in our advisory centre and subsequently expanded to other areas of the bank.

- ◆ At the same time, we have converted our working methods to agile and flexible value streams to achieve even sharper client focus in the development process and closer collaboration between the divisions.

### wiLLBe

In 2023, we added more options to our wiLLBe app. In addition to enabling responsible investing in accordance with the sustainability objectives of the United Nations, this purely digital asset management app now offers a savings option for three different currencies (CHF / EUR / USD) at attractive interest rates in a call money account.

Furthermore, wiLLBe acts as a driver of technological innovation and cultural transition within the LLB Group (see also the interview on this topic).



**“Within the LLB Group the wiLLBe investment app represents the spearhead of our digitalisation activities. It has provided us with large scope for learning in the field of modern technologies. This will ensure that we can continue to gain important experience in the future.”**

Patrick Furer, Group CDO

Starting in the 2024 business year, the hybrid platform introduced in connection with wiLLBe will also be incorporated in our Mobile Banking program. New technologies, such as digital identification, are to be successively deployed in existing business areas. The same applies to the knowledge, tools and strategies that have proved effective in the successful marketing of wiLLBe.

### Digital Workplace

At the LLB Group, the digital transformation involves not just the digitalisation of client experiences, processes and products, but also the work activities of our employees. Within the Group, we are driving forward the team@work Group project to renew the digital work infrastructure and to optimise work processes. During the 2023 business year, the priority was to accelerate the cloud transformation of digital tools and to provide our employees with expanded access to personal data via smart devices. The telephone system was converted to Microsoft Teams. The main priorities in the current business year include the further development of various performance measures and the extension of collaboration possibilities both within the LLB Group and with external partners.

Another goal of the team@work project is to simplify mobile working. In recent years, the working from home capacity was greatly expanded. The working from home regulations specify that employees can spend up to 40 per cent of their working time working from home (see chapter [Employees](#)).

### New, modern office building in Vaduz

The dynamic growth of the LLB group means that more work space is required. As a result, a new office building – known as “Campus Giessen” – is under construction at the Group’s headquarters in Vaduz. This will provide office accommodation for around 250 employees and enable a centralisation of work places, which are currently dispersed in various, in some cases rented, buildings.



Every stage of construction of the four-storey building, from the planning and building phase through commissioning and start of regular business operations is strictly monitored to fulfil sustainability criteria. As a so-called green building, "Campus Giessen" will be awarded an LEED GOLD certification and the Minergie P-Eco standard.

The symbolic ground-breaking ceremony was held in August 2023. Completion of the building project and the move into the new offices are planned for the third quarter of 2025.

### Responsible and sustainable investment products

The financial services industry plays an important role in the ongoing transition to a climate-friendly economy. At the LLB Group, Asset Management has attached a high priority to responsible and sustainable investing for many years. We offer sustainable asset management services both for individual securities and investment fund portfolios. Since 1 August 2022, the LLB Group's investment advisory and asset management services have been fully aligned with responsible and sustainability criteria. We have also expanded our product range to include two new funds focussing on climate protection - so-called impact funds - which are considered sustainable investments within the meaning of the EU Sustainable Finance Disclosure Regulation (SFDR). The goal is to develop investment products and services, which generate returns as well as meeting high ecological, social and ethical criteria, and therefore contribute to cushioning the impact of climate change. We underline our efforts to attain greater sustainability through our membership of the UN's most important financial initiatives to protect the climate (see chapter Industry initiatives and corporate citizenship).

To enable our client advisors to keep up to date with these developments, since October 2020 we offer them an extensive range of sustainability training programmes. We also enable our staff to keep pace with sustainability issues by providing them with specific information briefings, such as industry updates, and with tutorials at focus meetings.

### **Sustainable investment approach**

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

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

For many years our investment products have achieved top positions in industry-wide comparisons and competitions. In 2023, the LLB Group again received several awards. For example, the LLB Inflation Protect (CHF) fund in the category "Mixed Umbrella Funds Bond-Focused - Dynamic" was ranked first by the Austrian "GELD-Magazin" and the "LLB Strategy Balanced ESG (EUR)" fund in the category "Mixed Umbrella Funds Balanced - Dynamic" was ranked in third place.

### **Asset management**

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

The volume of assets under management at the end of 2023 stood at CHF 9.1 billion. (31.12.2022: CHF 9.0 billion).

### **Business segment result**

The LLB Group reports the structural contribution from interest business, the value of interest rate hedging instruments and income from financial investments under the Corporate Center. In comparison with the previous year, operating income fell to CHF 27.3 million. The decrease was attributable primarily to interest business. On the one hand, due to treasury measures, earnings shifted into trading business, on the other, higher interest income in the market divisions was also a factor. Conversely, the structural contribution to the Corporate Center decreased. However, income from financial investments was higher. On account of further targeted investments in the ACT-26 strategy, operating expenses climbed, as expected, by 12.9 per cent to CHF 99.7 million.



## Segment reporting

in CHF thousands	2023	2022	+ / - %
Net interest income	- 101'384	- 10'746	843.5
Expected credit losses	- 45	- 17	159.3
Net interest income after expected credit losses	- 101'429	- 10'763	842.4
Net fee and commission income	- 14'681	- 12'350	18.9
Net trading income	136'133	92'994	46.4
Net income from financial investments	7'262	- 933	
Other income	- 30	5'650	
<b>Total operating income</b>	<b>27'255</b>	<b>74'597</b>	<b>- 63.5</b>
Personnel expenses	- 116'232	- 108'067	7.6
General and administrative expenses	- 88'147	- 80'327	9.7
Depreciation	- 38'603	- 35'632	8.3
Services (from) / to segments	143'260	135'679	5.6
<b>Total operating expenses</b>	<b>- 99'722</b>	<b>- 88'347</b>	<b>12.9</b>
<b>Segment profit before tax</b>	<b>- 72'467</b>	<b>- 13'749</b>	<b>427.1</b>

## Additional information

	31.12.2023	31.12.2022	+ / - %
Employees (full-time equivalents, in positions)	671	622	7.8