Sound financial stability with LGT

August 2018

Successful and stable focus

In a challenging market environment, LGT increased its revenues and profits significantly in the first half of 2018. LGT's business performance benefited from a broad earnings base, which was further strengthened last year by the acquisition of ABN AMRO's private banking business in Asia and the Middle East and the acquisition of the private debt manager European Capital Fund Management. LGT once again reported solid net asset inflows of CHF 5.0 billion, which corresponds to an increase of assets under management to CHF 206.0 billion as of 30 June 2018. Group profit rose 15 percent to CHF 174.8 million. With a tier 1 capital ratio of 18.7 percent as at 30 June 2018, LGT remains very well capitalized and has a high level of liquidity.

Current positioning

LGT is also well positioned and protected against potential negative developments in the euro area. The Group has banks in Liechtenstein, Switzerland, Austria, Singapore and Hong Kong. These five financial centres have all received top ratings from Standard & Poor's (BICRA 2 and 3).

Strong credit ratings

LGT Bank Ltd. is one of the few pure private banks whose credit quality is rated by both Moody's and Standard & Poor's. The creditworthiness of its parent group, LGT Group Foundation, is fundamental for the rating. The strong ratings are based on both the solidity of LGT's balance sheet and earnings strength.

	Moody's	**Standard & Poor's**
Long term rating	Aa2	A+
Short term rating	P-1	A-1

- Outlook: Moody's – stable; Standard & Poor's – positive.
- The Moody's rating was first accorded in 1996, S&P has rated LGT Bank since January 1997.
- Moody's short term rating of P-1 is the highest possible while the S&P rating of A-1 reflects the second highest possible.
- LGT Bank is the largest Bank in the Principality of Liechtenstein, which itself enjoys the highest possible sovereign rating of AAA (S&P).
- Based on these excellent ratings the magazine Global Finance named LGT in 2017 as one of the 50 safest banks worldwide, LGT being one of four banks from Switzerland and Liechtenstein on the list.

Strong tier 1 ratio

Tier 1 ratio is a core measure of the bank's financial strength from a regulator's point of view and is based on the guidelines of the Basel Committee on Banking Supervision. As of June 30, 2018, LGT had a tier 1 ratio of 18.7 percent versus a regulatory minimum of 13 percent.

Comparison of tier 1 ratios as at 30.06.2018 in percent

LGT	18.7	Deutsche Bank	13.7	JP Morgan	11.9
UBS Group AG	13.4	BNP	11.5	DBS Bank Ltd.	13.6
Société Générale	11.1	ING Bank (31.12.2017)	13.1	Credit Suisse Group	12.8
Julius Bär Group	13.7	Citigroup	12.1	HSBC Bank	13.3

Sound, client-based refinancing

The structure of LGT's liability side of the balance sheet has been constant for many years, with most of the Bank's refinancing coming from client deposits (currently 79 percent) and equity capital (currently 10 percent). Client deposits remained high in 2018, with clients attracted by conservatively managed balance sheets such as at LGT.

On June 30, 2018, LGT's liabilities of CHF 41.4 billion were composed as follows:

- CHF 4.2 bn (10.1%) shareholders' funds
- CHF 32.5 bn (78.5%) deposits from clients
- CHF 1.0 bn (2.4%) lending from banks
- CHF 3.7 bn (9.0%) others

High quality assets

On June 30, 2018, LGT's assets of CHF 41.4 billion were invested in the following categories:

- CHF 20.6 bn (49.8%) lending to clients
- CHF 4.2 bn (10.1%) interbank lending
- CHF 3.6 bn (8.7%) current account at central banks
- CHF 8.9 bn (21.5%) financial assets
- CHF 4.1 bn (9.9%) others

LGT's assets have always been managed in a disciplined and conservative way which is reflected in the current strong quality of LGT's asset base.

- LGT applies a prudent lending policy to clients (CHF 20.6 bn). In fact, LGT practically only grants collateralized loans ("Lombard loans") against pledging of custody accounts and mortgages focused on residential properties mainly in Liechtenstein and Switzerland in combination with private banking assets. Thanks to strict lending guidelines credit losses have always been very low.
- LGT's Princely Portfolio has a strong track record of more than 15 years in terms of risk and return and is considered as a long term investment by the Princely House of Liechtenstein.
- In order to manage its liquidity, LGT grants uncommitted short term lendings within the interbank market (CHF 4.2 bn) and invests into short term money market papers (CHF 1.7 bn). Both asset categories are highly diversified with a large number of mainly European banks of prime quality. Over 50 percent of counterparties had a rating of at least "AA," and over 95 percent a rating of at least "A". LGT is closely monitoring these positions and applies strict criteria in order to assess whether or not a bank qualifies for lending.
- LGT places surplus liquidity primarily in fixed-interest bonds that are eligible for repurchase transactions with the Swiss National Bank and thus represent an additional source of liquidity. Over 74 percent of the bonds had a rating of at least "Aa/AA," with over 95 percent being rated at least "A."

Strong liquidity, conservative asset and liability management

Due to its sound refinancing base and the high quality of its assets, LGT Bank's liquidity ratio is significantly above the regulatory required minimum. LGT's extremely prudent balance sheet management is based on conservative maturity gaps between its assets and liabilities. As a general principle, LGT has never taken any significant bets on FX or interest rates.

Deposit safety and diversification

LGT Bank offers its clients the choice of both time deposits and fiduciary deposits:

- Time deposits are on LGT's own balance sheet and thus benefit from the financial strength outlined above.
- Fiduciary deposits are generally placed with selected at least "A"-rated counterparties (other counterparties only at the explicit request of the client). Such deposits allow clients to diversify among different banks.
- The banks in Liechtenstein offer their clients a deposit protection program comparable to those of Swiss and other European banks.