

LGT BANK AG

HONG KONG BRANCH

Financial Information Disclosure Statements (Unaudited)
for the year ended 31 December 2016

LGT BANK AG, Hong Kong Branch

Section A : Branch Information

I Income Statement Information

(in thousands of Hong Kong Dollars)

	Year ended		Year ended	
	31 Dec 2016		31 Dec 2015	
Interest income		164,052		98,955
Interest expenses		(74,561)		(50,546)
Other operating income				
Gains less losses arising from trading in foreign currencies		52,523		44,641
Gains less losses on securities held for trading purposes		35,332		-
Gains less losses from other trading activities		21,411		14,241
Net fees and commission income				
Gross fees and commission income	676,187		726,821	
Gross fees and commission expenses	<u>(83,290)</u>	592,897	<u>(72,634)</u>	654,187
Others		<u>112,721</u>		<u>83,783</u>
Operating income		904,375		845,261
Operating expenses				
Staff and rental expenses	(649,478)		(592,657)	
Other expenses	<u>(252,059)</u>	(901,537)	<u>(207,358)</u>	(800,015)
Provisions for loans and receivables		<u>(841)</u>		<u>(1,300)</u>
Profit before taxation		1,997		43,946
Tax expense		<u>(474)</u>		<u>(7,473)</u>
Profit after taxation		<u>1,523</u>		<u>36,473</u>

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II Balance Sheet Information

(in thousands of Hong Kong Dollars)

	31 Dec 2016	30 Jun 2016
Assets		
Due from Exchange Fund	1,417,049	673,045
Cash and balances with banks	1,963,525	2,954,172
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	4,498	1,933
Amount due from overseas offices of the institution	10,246,415	8,632,575
Investment securities	2,058,517	1,114,987
Loans and receivables	8,510,265	7,800,333
Fixed assets	14,018	15,177
Total assets	<u>24,214,287</u>	<u>21,192,222</u>
Liabilities		
Deposits and balances from banks	54,010	33,956
Deposit from customers		
Demand deposits and current accounts	6,440,050	6,678,914
Time, call and notice deposits	9,301,951	7,517,709
Amount due to overseas offices of the institution	7,770,775	6,574,632
Other liabilities	647,501	387,011
Total liabilities	<u>24,214,287</u>	<u>21,192,222</u>

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III Additional Balance Sheet Information

(in thousands of Hong Kong Dollars, except ratios)

(1) Loans and receivables	31 Dec 2016	30 Jun 2016
Loans and advances to customers	6,991,484	7,395,607
Loans and advances to banks	1,110,662	97,372
Accrued interest and other accounts	413,860	313,954
Provisions for loans and receivables		
Collective provision	(5,741)	(6,600)
	<u>8,510,265</u>	<u>7,800,333</u>

No provisions for loans and advances or other exposures of LGT Bank AG, Hong Kong Branch ("the Branch") have been set aside or maintained at the overseas head office as at 31 Dec 2016 and 30 Jun 2016.

(2) The breakdown of gross amount of loans and advances to customers by industry sectors	31 Dec 2016	30 Jun 2016
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Financial concerns	55,890	51,311
Individuals		
Others	1,332,675	926,519
Loans and advances for use outside Hong Kong	5,602,919	6,417,777
	<u>6,991,484</u>	<u>7,395,607</u>

Balance of loans and advances covered by collateral or other security as of 31 Dec 2016 was HK\$6,984,730 (30 Jun 2016: HK\$7,389,608).

(3) The table shows loans and advances to customers by major countries, amounting to not less than 10% of the aggregate loans and advances to customers:

	31 Dec 2016	30 Jun 2016
British Virgin Islands	2,637,334	2,449,767
Hong Kong	2,342,769	2,442,708
	<u>4,980,103</u>	<u>4,892,475</u>

The above geographical analysis is based on the location of the counterparty after taking into account any recognized risk transfer as defined in Section 98 of the Banking (Disclosure) Rules.

(4) Impaired loans and advances are individually assessed loans which exhibit objective evidence of impairment on an individual basis. There were no impaired loans and advances to customers and banks as at 31 December 2016 and 30 June 2016.

(5) There were no overdue loans and advances to customers and banks as at 31 December 2016 and 30 June 2016.

(6) There were no repossessed assets, and no rescheduled loans and advances to customers and banks as at 31 December 2016 and 30 June 2016.

(7) There were no overdue other assets at the Branch as at 31 December 2016 and 30 June 2016.

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IV International Claims

(in thousands of Hong Kong Dollars)

The table shows International claims by major countries or geographical segments, after taking into account any recognized risk transfer as defined in section 98 of the Banking (Disclosure) Rules, amounting to not less than 10% of the aggregate International claims:

	Banks	Official Sector	Non-bank private sector Non-bank financial institution	Non-financial private sector	Total
31 Dec 2016					
Developed countries	13,257,701	1,994,289	582,225	986,887	16,821,102
of which					
- Liechtenstein	11,909,623	-	1,324	15,521	11,926,468
- United States	579,830	1,994,128	201,735	334,313	3,110,006
Offshore centres	1,438,821	13,229	56,458	2,148,587	3,657,095
of which					
- Hong Kong	1,127,089	-	46,764	1,325,427	2,499,280

	Banks	Official Sector	Non-bank private sector Non-bank financial institution	Non-financial private sector	Total
30 Jun 2016					
Developed countries	12,242,382	993,567	557,726	578,213	14,371,888
of which					
- Liechtenstein	10,327,347	-	1,082	15,653	10,344,082
- United States	1,307,259	992,763	318,203	287,229	2,905,454
Offshore centres	1,709,078	7,044	95,752	2,462,424	4,274,298
of which					
- Hong Kong	1,393,909	-	59,492	1,707,158	3,160,559

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V Mainland Activities

(in thousands of Hong Kong Dollars)

The Non-bank Mainland Exposures are as follows:

31 Dec 2016	On-balance sheet exposure	Off-balance sheet exposure	Total
Type of Counterparties			
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	22,220	-	22,220
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	307,576	-	307,576
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	83,459	2	83,461
Total	413,255	2	413,257
Total assets after provision	24,214,287		
On-balance sheet exposures as percentage of total assets	1.71%		

30 Jun 2016	On-balance sheet exposure	Off-balance sheet exposure	Total
Type of Counterparties			
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	23,319	-	23,319
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	421,416	172	421,588
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	106,115	108	106,223
Total	550,850	280	551,130
Total assets after provision	21,192,222		
On-balance sheet exposures as percentage of total assets	2.60%		

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VI Currency Risk

(in thousands of Hong Kong Dollars)

	USD	EUR	CHF	Total
31 Dec 2016				
Spot assets	15,575,841	1,835,023	669,890	18,080,754
Spot liabilities	(15,582,723)	(1,831,701)	(678,918)	(18,093,342)
Forward purchases	4,520,575	1,544,708	717,974	6,783,257
Forward sales	(4,507,613)	(1,547,253)	(712,920)	(6,767,786)
Net options position	-	-	-	-
Net long (or net short) position	<u>6,080</u>	<u>777</u>	<u>(3,974)</u>	<u>2,883</u>

	USD	EUR	Total
30 Jun 2016			
Spot assets	13,011,700	2,334,019	15,345,719
Spot liabilities	(13,015,208)	(2,332,460)	(15,347,668)
Forward purchases	4,352,139	1,468,711	5,820,850
Forward sales	(4,346,431)	(1,469,566)	(5,815,997)
Net options position	-	-	-
Net long (or net short) position	<u>2,200</u>	<u>704</u>	<u>2,904</u>

At 31 Dec 2016, USD, EUR and CHF (30 Jun 2016: USD and EUR) constitute 10% or more of the total net position in all foreign currencies. There were no foreign currency net structural positions as at 31 Dec 2016 and 30 Jun 2016.

Net options position was calculated on the basis of delta-weighted positions of all foreign exchange options contracts.

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VII Off-Balance Sheet Exposures

(in thousands of Hong Kong Dollars, except ratios)

	31 Dec 2016	30 Jun 2016
Contingent Liabilities and Commitments		
Contractual Amount		
Direct Credit Substitutes	10,834	10,659
Transaction-related contingent items	73,996	72,083
Other commitments	10,450,672	9,305,790

The contractual amounts represent the amount at risk should the contract be fully drawn upon and the client default.

	31 Dec 2016	30 Jun 2016
Derivatives		
Contractual / Notional Amount		
Exchange rate and gold contracts	13,874,809	11,779,626
Interest rate contracts	450,842	429,396
Others	4,218,619	2,710,272
	<u>18,544,270</u>	<u>14,919,294</u>

	31 Dec 2016		30 Jun 2016	
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Exchange rate and gold contracts	234,328	231,918	154,031	151,626
Interest rate contracts	1,902	1,719	2,243	2,096
Others	69,394	69,386	49,684	49,665
	<u>305,624</u>	<u>303,023</u>	<u>205,958</u>	<u>203,387</u>

The contractual / notional amounts of derivatives indicate the volume of transactions outstanding at the balance sheet date; they do not represent amount at risk.

The contractual amounts and fair values of the above derivatives as at 31 Dec 2016 and 30 Jun 2016 are shown on a gross basis with no offsetting presentation due to bilateral netting agreements.

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VIII Liquidity

	31 Dec 2016	31 Dec 2015
Average liquidity maintenance ratio ("LMR") for the twelve months period	64.12%	68.61%

Average LMR is the arithmetic mean of the average value of the LMR for each calendar month as reported in the liquidity position return submitted for the reporting period.

Liquidity Risk Management

Liquidity risk is the risk that the Branch will be unable to meet a financial commitment to a customer, creditor or investor in whatever currency. The management of liquidity is carried out both at Head Office level as well as on branch level. Head Office requires the Branch to manage the liquidity structure of its assets, liabilities and commitments so that cash flows are approximately balanced and all funding obligations are met when due.

The management of liquidity and funding is therefore, primarily undertaken locally in the Branch to ensure compliance with policy and limits set by the Assets and Liabilities Committee ("ALCO").

The Branch maintains an appropriate mix of high quality liquid assets as a source of liquidity for meeting emergency funding needs. The Branch's funding sources include customer deposits and intra-group borrowings. The ALCO review the customer deposits concentration and loan growth on a monthly basis to prevent undue liquidity pressure. All off-balance sheet items are also reviewed monthly by the ALCO to assess the potential liquidity requirements.

The Branch calculates the liquidity-related regulatory ratios and trend analysis on a daily basis for liquidity monitoring.

Liquidity risk management begins at the Branch level and extends globally as sources of liquidity are regularly reviewed by Group Treasury to maintain a wide diversification by currency, geography, providers, product and term.

Overall, the Branch has established the Internal Control System and Procedures in accordance with the requirements set out in the Supervisory Policy Manual (LM2- Sound Systems and Controls for Liquidity Risk Management) issued by HKMA and they are being adhered to strictly.

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IX Acquisition

On 6 December, 2016, LGT announced that it has reached an agreement with ABN AMRO to acquire its private banking business in Hong Kong, Singapore and Dubai with approx. USD 20 billion in assets under management. The acquisition by way of an asset purchase agreement marks a major step in the implementation of LGT's growth strategy and will further enhance its strong footprint in Asia and the Middle East. The transaction is envisaged to be completed in the second quarter of 2017, subject to regulatory approval.

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Section B: Group Information (Consolidated Basis)

(in thousands of Swiss Francs, except ratios)

Financial Highlights of LGT Group (Consolidated Basis):

I Capital and Capital Adequacy

	31 Dec 2015	31 Dec 2014
Capital adequacy ratio	20.1%	18.4%
Shareholders' funds	3,313,873	3,354,387

The Capital ratios of LGT Group are based on the guidelines of the Basle Committee on Banking Supervision (Basle III) for 2015 ((Basle II) for 2014) and its implementation in the legislation of the European Union and of the Liechtenstein Government

II Other Financial Information

	31 Dec 2015	31 Dec 2014
Total assets	34,239,235	35,533,241
Total Liabilities	30,925,362	32,178,854
Total loans and advances	19,150,659	15,049,514
Total customer deposits	25,492,928	26,182,580
	31 Dec 2015	31 Dec 2014
Pre-tax profit	219,844	192,618