

LGT BANK AG

HONG KONG BRANCH

Financial Information Disclosure Statements (Unaudited)
for the six months ended 30 June 2017

LGT BANK AG, Hong Kong Branch

Section A : Branch Information

I Income Statement Information

(in thousands of Hong Kong Dollars)

	Period ended		Period ended
	30 Jun 2017		30 Jun 2016
Interest income	162,153		79,618
Interest expenses	(93,759)		(36,256)
Other operating income			
Gains less losses arising from trading in foreign currencies	54,852		23,197
Gains less losses on securities held for trading purposes	35,243		-
Gains less losses from other trading activities	23,530		7,134
Net fees and commission income			
Gross fees and commission income	366,060		352,222
Gross fees and commission expenses	(52,958)	313,102	(36,732)
Others		62,077	47,373
Operating income		557,198	436,556
Operating expenses			
Staff and rental expenses	(403,467)		(307,090)
Other expenses	(178,731)	(582,198)	(107,758)
Provisions for loans and receivables		(6,133)	(1,700)
Losses from disposal of fixed assets		(13)	-
(Loss)/profit before taxation		(31,146)	20,008
Tax income/(expense)		2,214	(3,597)
(Loss)/profit after taxation		(28,932)	16,411

LGT Bank AG, HK Branch ("LGT HK")'s total operating income for the period amounted to HK\$557million, 28% higher than the same period in 2016. It was driven by the organic growth in net interest income and the net gains arising from trading activities, as well as in organic growth arising from the acquisition of the ABN AMRO private banking business in HK.

The total operating expenses rose 40% to HK\$582million compared to the same period last year, which is attributable to the organic and acquisition-related expansion of the business.

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II Balance Sheet Information

(in thousands of Hong Kong Dollars)

30 Jun 2017 31 Dec 2016

Assets

Due from Exchange Fund	1,033,080	1,417,049
Cash and balances with banks	3,958,473	1,963,525
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	312,476	4,498
Amount due from overseas offices of the institution	21,398,559	10,246,415
Investment securities	4,755,193	2,058,313
Loans and receivables	19,307,672	8,510,299
Fixed assets	22,672	14,018
Intangible assets	1,354,090	-
Total assets	52,142,215	24,214,117

Liabilities

Deposits and balances from banks	169,855	54,010
Deposit from customers		
Demand deposits and current accounts	15,046,456	6,440,050
Time, call and notice deposits	19,329,204	9,301,951
Amount due to overseas offices of the institution	16,993,766	7,770,775
Other liabilities	602,934	647,331
Total liabilities	52,142,215	24,214,117

LGT completed the acquisition of private banking business of ABN AMRO in Hong Kong, Singapore and Dubai on 30 April 2017. LGT HK's financial information included the assets of HK\$8,425million and liabilities of HK\$17,920million transferred from ABN AMRO Hong Kong.

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III Additional Balance Sheet Information

(in thousands of Hong Kong Dollars, except ratios)

(1) Loans and receivables	30 Jun 2017	31 Dec 2016
Loans and advances to customers	18,101,700	6,991,484
Loans and advances to banks	707,828	1,110,662
Accrued interest and other accounts	510,018	413,894
Provisions for loans and receivables		
Collective provision	(11,874)	(5,741)
	<u>19,307,672</u>	<u>8,510,299</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 30 Jun 2017 and 31 Dec 2016.

- (2) The breakdown of gross amount of loans and advances to customers by industry sectors and the corresponding balances covered by collateral or other security:

	30 Jun 2017		31 Dec 2016	
	Outstanding balance	Balance covered by collateral	Outstanding balance	Balance covered by collateral
Loans and advances for use in Hong Kong				
Industrial, commercial and financial				
Financial concerns	1,257,862	1,257,025	55,890	55,889
Individuals				
Others	3,834,777	3,825,382	1,332,675	1,332,675
Loans and advances for use outside Hong Kong	13,009,061	12,941,904	5,602,919	5,596,166
	<u>18,101,700</u>	<u>18,024,311</u>	<u>6,991,484</u>	<u>6,984,730</u>

- (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:

	30 Jun 2017
British Virgin Islands	5,531,627
China	2,049,667
Hong Kong	6,928,446
	<u>14,509,740</u>
	31 Dec 2016
British Virgin Islands	2,637,334
Hong Kong	2,342,769
	<u>4,980,103</u>

The above geographical analysis is based on the location of the counterparty after taking into account the recognized risk transfer as defined in Section 98 of the Banking (Disclosure) Rules. The transfer of risk applies when an advance is guaranteed by a party in a country which is different from that of the counterparty.

- (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 30 June 2017 and 31 December 2016.
- (5) There were no overdue loans and advances to customers and banks as at 30 June 2017 and 31 December 2016.
- (6) There were no repossessed assets, and no rescheduled loans and advances to customers and banks as at 30 June 2017 and 31 December 2016.
- (7) There were no overdue other assets at the Branch as at 30 June 2017 and 31 December 2016.

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V Mainland Activities

(in thousands of Hong Kong Dollars)

The Non-bank Mainland Exposures are as follows:

30 Jun 2017	On-balance sheet exposures	Off-balance sheet exposures	Total
Type of Counterparties			
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	22,982	-	22,982
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	844,248	17,588	861,836
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	657,882	1,082	658,964
Total	1,525,112	18,670	1,543,782
Total assets after provision	52,142,215		
On-balance sheet exposures as percentage of total assets	2.92%		

31 Dec 2016	On-balance sheet exposures	Off-balance sheet exposures	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	24,214,117		
On-balance sheet exposures as percentage of total assets	1.71%		

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VI Currency Risk

(in thousands of Hong Kong Dollars)

	USD	EUR	CNY	AUD	JPY
30 Jun 2017					
Spot assets	26,859,707	4,340,079	641,675	1,574,075	2,241,059
Spot liabilities	(26,864,101)	(4,339,417)	(643,487)	(1,574,907)	(2,240,907)
Forward purchases	12,808,454	3,257,077	411,214	616,969	3,458,301
Forward sales	(12,798,699)	(3,256,282)	(410,977)	(618,568)	(3,457,869)
Net options position	-	-	-	-	-
Net long (or net short) position	<u>5,361</u>	<u>1,457</u>	<u>(1,575)</u>	<u>(2,431)</u>	<u>584</u>
	USD	EUR	CHF		
31 Dec 2016					
Spot assets	15,575,841	1,835,023	669,890		
Spot liabilities	(15,582,723)	(1,831,701)	(678,918)		
Forward purchases	4,520,575	1,544,708	717,974		
Forward sales	(4,507,613)	(1,547,253)	(712,920)		
Net options position	-	-	-		
Net long (or net short) position	<u>6,080</u>	<u>777</u>	<u>(3,974)</u>		

At 30 Jun 2017, USD, EUR, CNY, AUD, JPY (31 Dec 2016: USD, EUR, CHF) constitute 10% or more of the total net position in all foreign currencies. There were no foreign currency net structural positions as at 30 Jun 2017 and 31 Dec 2016.

Net options position is 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)

	30 Jun 2017	31 Dec 2016
Contingent Liabilities and Commitments		
Contractual Amount		
Direct Credit Substitutes	129,300	10,834
Transaction-related contingent items	114,008	73,996
Other commitments	23,853,549	10,450,672

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

	30 Jun 2017	31 Dec 2016
Derivatives		
Contractual / Notional Amount		
Exchange rate and gold contracts	39,116,986	13,874,809
Interest rate contracts	670,899	445,057
Equity contracts	6,402,526	3,481,292
Others	1,610,415	743,112
	<u>47,800,826</u>	<u>18,544,270</u>

	30 Jun 2017		31 Dec 2016	
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Exchange rate and gold contracts	272,667	265,200	234,328	231,918
Interest rate contracts	1,931	1,649	1,798	1,615
Equity contracts	96,245	96,245	58,539	58,539
Others	12,106	12,062	10,959	10,951
	<u>382,949</u>	<u>375,156</u>	<u>305,624</u>	<u>303,023</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 are shown on a gross basis with no offsetting presentation due to bilateral netting agreements.

Certain comparative figures have been re-presented to conform to current period presentation.

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VIII Liquidity

	30 Jun 2017	30 Jun 2016
Average liquidity maintenance ratio ("LMR") for the six months period	63.34%	61.83%

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 policies 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 agreed to acquire the private banking business of ABN AMRO in Hong Kong, Singapore and Dubai. The transaction was completed on 30 April 2017. The results of private banking business acquired from ABN AMRO have been reflected in LGT's financial statements starting from May 2017.

The cash consideration of HK\$1,365 million paid by LGT HK for the transaction was recorded as intangible assets. The amount on the balance sheet represented the balance after amortization. The finalisation of the intangible asset amount is expected to be completed by end of September 2017.

LGT HK received cash of HK\$9,495 million, being the difference between the assets and liabilities transferred from ABN AMRO Hong Kong.

X Accounting basis

Starting from 2017, LGT HK adopted International Financial Reporting Standard ("IFRS") instead of Lichtenstein's General Accepted Accounting Principles ("GAAP"). Certain comparative figures have been restated to conform to such changes.

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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 2016	31 Dec 2015
Capital adequacy ratio	20.2%	20.1%
Shareholders' funds	3,643,430	3,313,873

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

II Other Financial Information

	31 Dec 2016	31 Dec 2015
Total assets	35,752,449	34,239,235
Total Liabilities	32,109,019	30,925,362
Total loans and advances	17,447,494	19,150,659
Total customer deposits	27,065,323	25,492,928
	31 Dec 2016	31 Dec 2015
Pre-tax profit	255,256	219,844