

LGT BANK AG

HONG KONG BRANCH

Financial Information Disclosure Statements (Unaudited)
for the six months ended 30 June 2018

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 2018		30 Jun 2017
Interest income	430,050		162,153
Interest expenses	(280,674)		(93,759)
Other operating income			
Gains less losses arising from trading in foreign currencies	59,225		54,852
Gains less losses on securities held for trading purposes	76,518		35,243
Gains less losses from other trading activities	48,476		23,530
Net fees and commission income			
Gross fees and commission income	515,716	366,060	
Gross fees and commission expenses	(96,933)	(52,958)	313,102
Others	94,977		62,077
Operating income	847,355		557,198
Operating expenses			
Staff and rental expenses	(547,679)	(403,467)	
Other expenses	(230,078)	(178,731)	
Release for other provisions	11	-	(582,198)
Change in allowances for expected credit losses	1,454		N/A
Provisions for loans and receivables	N/A		(6,133)
Losses from disposal of fixed assets	-		(13)
Profit /(loss) before taxation	71,063		(31,146)
Tax (expense)/income	(11,516)		2,214
Profit/(loss) after taxation	59,547		(28,932)

LGT Bank AG, HK Branch ("LGT HK")'s total operating income for the period amounted to HK\$847million, 52% higher than the same period in 2017. It was the result of solid organic growth and the successful integration of the acquisition of the ABN AMRO private banking business in HK.

The total operating expenses rose 34% to HK\$778million 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 2018 31 Dec 2017

Assets

Due from Exchange Fund	1,180,456	1,270,747
Cash and balances with banks	4,280,225	4,236,100
Amount due from overseas offices of the institution	22,182,123	18,572,697
Investment securities	4,855,976	4,858,599
Loans and receivables	25,083,172	23,187,143
Fixed assets	24,403	20,926
Intangible assets	1,375,161	1,408,728
Total assets	58,981,516	53,554,940

Liabilities

Deposits and balances from banks	190,853	46,625
Deposit from customers		
Demand deposits and current accounts	9,432,920	10,672,373
Time, call and notice deposits	27,220,755	23,549,366
Amount due to overseas offices of the institution	21,201,576	18,511,189
Other liabilities	935,412	775,387
Total liabilities	58,981,516	53,554,940

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III Additional Balance Sheet Information

(in thousands of Hong Kong Dollars)

(1) Cash and balances with banks

	30 Jun 2018	31 Dec 2017
Cash and balances with banks	4,281,086	4,236,100
Less: Allowances for expected credit losses	(861)	N/A
	<u>4,280,225</u>	<u>4,236,100</u>

(2) Loans and receivables

	30 Jun 2018	31 Dec 2017
Loans and advances to customers	23,731,484	21,861,914
Loans and advances to banks	788,730	876,947
Accrued interest and other accounts	565,899	467,354
Less:		
Allowances for expected credit losses	(2,941)	N/A
Provisions for loans and receivables - collective provision	N/A	(19,072)
	<u>25,083,172</u>	<u>23,187,143</u>

(3) 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 2018		31 Dec 2017	
	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	1,691,040	1,691,036	1,190,338	1,190,277
Individuals				
Loans for the purchase of other residential properties	17,000	17,000	17,000	17,000
Others	4,662,526	4,662,526	5,142,910	5,141,193
Loans and advances for use outside Hong Kong	17,360,918	17,360,918	15,511,666	15,491,057
	<u>23,731,484</u>	<u>23,731,480</u>	<u>21,861,914</u>	<u>21,839,527</u>

(4) 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 2018
British Virgin Islands	8,384,568
China	2,574,016
Hong Kong	8,069,367
	<u>19,027,951</u>
	31 Dec 2017
British Virgin Islands	7,712,426
China	2,680,858
Hong Kong	7,946,251
	<u>18,339,535</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 ("BDR"). The transfer of risk applies when an advance is guaranteed by a party in a country which is different from that of the counterparty.

(5) No allowances/provisions for loans and advances or other exposures of LGT HK have been set aside or maintained at the overseas head office as at 30 Jun 2018 and 31 Dec 2017.

(6) Impaired financial assets are individually assessed assets which exhibit objective evidence of impairment on an individual basis. There were no impaired loans and advances to customers and banks, balances with banks as at 30 June 2018 and 31 December 2017.

(7) There were no overdue loans and advances to customers and banks, balances with banks as at 30 June 2018 and 31 December 2017.

(8) There were no repossessed assets, and no rescheduled loans and advances to customers and banks, balances with banks as at 30 June 2018 and 31 December 2017.

(9) There were no overdue other assets at LGT HK as at 30 June 2018 and 31 December 2017.

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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 BDR, amounting to not less than 10% of the aggregate International claims:

	Non-bank private sector				Total
	Banks	Official Sector	Non-bank financial institution	Non-financial private sector	
30 Jun 2018					
Developed countries	31,013,170	4,308,898	851,040	1,169,817	37,342,925
of which					
- Liechtenstein	26,886,836	-	2,687	26,926	26,916,449
- United States	779,610	4,308,677	381,364	492,511	5,962,162
Offshore centres	697,223	-	367,933	5,324,434	6,389,590
Developing Asia-Pacific	903,188	6,881	408,653	6,000,527	7,319,249
of which					
- China	442,296	-	377,656	5,193,959	6,013,911

	Non-bank private sector				Total
	Banks	Official Sector	Non-bank financial institution	Non-financial private sector	
31 Dec 2017					
Developed countries	25,230,170	4,308,839	778,716	999,017	31,316,742
of which					
- Liechtenstein	23,160,117	-	2,406	17,117	23,179,640
- United States	695,926	4,308,752	391,403	371,279	5,767,360
Offshore centres	2,581,818	-	218,304	3,882,226	6,682,348
of which					
- Hong Kong	2,579,903	-	57,350	2,366,451	5,003,704
Developing Asia-Pacific	1,697,745	5,854	401,304	5,647,320	7,752,223
of which					
- China	1,016,841	-	358,313	4,879,235	6,254,389

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V Mainland Activities

(in thousands of Hong Kong Dollars, except ratios)

The Non-bank Mainland Exposures are as follows:

30 Jun 2018	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)	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	989,121	17,893	1,007,014
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	864,024	81	864,105
Total	1,853,145	17,974	1,871,119
Total assets after provision	58,981,516		
On-balance sheet exposures as percentage of total assets	3.14%		
31 Dec 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)	23,967	-	23,967
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,284,548	18,908	1,303,456
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	803,922	45	803,967
Total	2,112,437	18,953	2,131,390
Total assets after provision	53,554,940		
On-balance sheet exposures as percentage of total assets	3.94%		

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VI Currency Risk

(in thousands of Hong Kong Dollars)

	USD	
30 Jun 2018		
Spot assets	29,966,963	
Spot liabilities	(29,976,511)	
Forward purchases	7,176,921	
Forward sales	(7,154,346)	
Net options position	-	
Net long (or net short) position	<u>13,027</u>	
	USD	EUR
31 Dec 2017		
Spot assets	26,959,462	4,593,227
Spot liabilities	(26,958,139)	(4,585,112)
Forward purchases	7,048,034	1,948,663
Forward sales	(7,032,681)	(1,955,134)
Net options position	-	-
Net long (or net short) position	<u>16,676</u>	<u>1,644</u>

At 30 Jun 2018, USD (31 Dec 2017: USD, EUR) 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 2018 and 31 Dec 2017.

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)

	30 Jun 2018	31 Dec 2017
Contingent Liabilities and Commitments		
Contractual Amount		
Direct Credit Substitutes	240,312	144,348
Transaction-related contingent items	85,013	116,210
Other commitments	23,552,153	23,258,061

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

	30 Jun 2018	31 Dec 2017
Derivatives		
Contractual / Notional Amount		
Exchange rate and gold contracts	31,069,265	25,045,706
Interest rate contracts	791,494	672,815
Equity contracts	7,425,450	7,918,252
Others	1,206,271	1,128,174
	<u>40,492,480</u>	<u>34,764,947</u>

	30 Jun 2018		31 Dec 2017	
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Exchange rate and gold contracts	216,300	213,680	171,273	167,937
Interest rate contracts	5,970	5,508	1,885	1,614
Equity contracts	164,325	164,325	116,853	116,853
Others	12,581	12,557	9,537	9,520
	<u>399,176</u>	<u>396,070</u>	<u>299,548</u>	<u>295,924</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.

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VIII Liquidity

	For the quarters ended ⁽¹⁾		For the six months ended ⁽²⁾
	30 Jun 2018	31 Mar 2018	30 Jun 2017
Average liquidity maintenance ratio ("LMR")	45.26%	44.77%	63.34%

(1) 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 three months quarterly reporting period.

(2) 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 six months reporting period.

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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 2017	31 Dec 2016
Capital adequacy ratio	18.8%	20.2%
Shareholders' funds	4,112,667	3,643,430

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 2017	31 Dec 2016
Total assets	41,892,734	35,752,449
Total Liabilities	37,780,067	32,109,019
Total loans and advances	23,970,781	17,447,494
Total customer deposits	32,402,771	27,065,323
	31 Dec 2017	31 Dec 2016
Pre-tax profit	320,081	255,256