Sound financial stability with LGT

August 2022

Successful and stable alignment

In the first half of 2022, LGT generated solid revenues and further expanded its client business despite a market environment characterized by uncertainties. It achieved a group profit to CHF 217.2 million, a year-on-year increase of 20%. LGT remains very well capitalized with the Tier 1 ratio at 18.4%, and maintains a high level of liquidity. Assets under management remained stable at CHF 284.7 billion at the end of June 2022, driven by strong net asset inflows of CHF 6.2 billion (+4% on an annualized basis) and asset growth of CHF 15.6 billion from the acquisition of Crestone Wealth Management.

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 – stable.
- 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, 2022, LGT had a tier 1 ratio of 18.4 percent versus a regulatory minimum of 13 percent.

Comparison of tier 1 ratios in percent (as at 30.06.2022)

LGT	18.4	Deutsche Bank	13.0	JP Morgan	12.2
UBS Group AG	14.2	BNP	12.2	DBS Bank Ltd.	14.2
Société Générale	12.9	ING Bank	13.1	Credit Suisse Group	13.5
Julius Bär Group (31.12.2021)	16.4	Citigroup	11.7	HSBC Bank (31.12.2021)	17.3
ZKB (31.12.2021)	17.0	Vontobel (31.12.2021)	16.6	Lombard Odier (31.12.2021)	28.5

Solid leverage ratio

The introduction of a leverage ratio is a key component of the Basel III framework and its implementation in the European Union (EU). The leverage ratio measures a bank's regulatory tier 1 capital (numerator) to its total business volume (denominator). A low ratio therefore represents a high level of debt relative to tier 1 capital.

Comparison of leverage ratios in percent (as at 30.06.2022)

LGT	8.0	Deutsche Bank	4.3	JP Morgan	5.3
UBS Group AG	5.8	BNP	3.7	DBS Bank Ltd.	6.2
Société Générale	4.0	ING Bank (31.12.2020)	4.4	Credit Suisse Group	6.1
Julius Bär Group (31.12.2021)	4.0	Citigroup	5.6	HSBC Bank (31.12.2021)	4.0
ZKB (31.12.2021)	6.2	Vontobel (31.12.2021)	4.9	Lombard Odier (31.12.2021)	6.4

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 74 percent) and equity capital (currently 10 percent). Client deposits remained high in 2022, with clients attracted by conservatively managed balance sheets such as at LGT.

On June 30, 2022, LGT's liabilities of CHF 57.3 billion were composed as follows:

- CHF 6.0 bn (10.4%) shareholders' funds
- CHF 42.1 bn (73.5%) deposits from clients
- CHF 3.5 bn (6.1%) lending from banks
- CHF 5.7 bn (10.0%) others

High quality assets

On June 30, 2022, LGT's assets of CHF 57.3 billion were invested in the following categories:

- CHF 21.2 bn (37.0%) lending to clients
- CHF 8.5 bn (14.8%) interbank lending
- CHF 8.9 bn (15.5%) current account at central banks
- CHF 12.3 bn (21.4%) financial assets
- CHF 6.4 bn (11.3%) 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 21.2 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 20 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 8.5 bn) and invests into short term money market papers (CHF 3.1 bn). Both asset categories are highly diversified with a large number of mainly European banks of prime quality. Over 62 percent of LGT's money market lending and money market papers exposure have a rating of at least "AA", and over 98 percent have a minimum rating of "A". LGT closely monitors these positions and follows strict criteria when assessing a counterparty's creditworthiness.

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.

Deposit safety

The banks in Liechtenstein offer their clients a deposit protection program comparable to those of Swiss and other European banks.

General risk information

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