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# LGT Bank AG

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# LGT Bank AG

| SACP | a+ |
|---|---|
| Anchor | a- |
| Business Position | Strong, +1 |
| Capital and Earnings | Strong, +1 |
| Risk Position | Adequate, 0 |
| Funding | Average, 0 |
| Liquidity | Adequate, 0 |

+

| Support | 0 |
|---|---|
| ALAC Support | 0 |
| GRE Support | 0 |
| Group Support | 0 |
| Sovereign Support | 0 |

+

| Additional Factors | 0 |
|---|---|

| Issuer Credit Rating |
|---|
| A+/Stable/A-1 |

| Resolution Counterparty Rating |
|---|
| AA-/--/A-1+ |

## Credit Highlights

| Overview | |
|---|---|
| **Key strengths** | **Key risks** |
| Well-established international private banking business model. | Intense competition and margin pressure in private banking. |
| Strong brand name and a stable ownership and management structure. | Market risk in the Princely Portfolio and inherent legal and reputational risks from private banking activities. |
| Sound liquidity position covering the deposit-driven funding profile. | |

***The ongoing carve out of asset management and impact investment activities will likely contribute to more focused operations and reduced complexity.*** LGT Group, with total assets of CHF49.9 billion as of end-2020, derives about 75% of its operating earnings from private banking and about 25% from asset management. The current reorganization will carve-out its asset management and impact investment businesses, which together represent reported assets under management (AUM) of about CHF62 billion, from the newly formed private banking group in 2021. After the reorganization, each of these three business lines will fall under separate entities owned directly by the Prince of Liechtenstein Foundation. The AUM and related fee income at the rated banking entity will decrease following the carve-out. However, we do not expect this will have an impact on our rating on LGT Bank. We will continue to base our rating on the consolidated financials of LGT Group and we do not believe the carve-out will materially impair the strong private banking franchise and solid profitability.

***LGT Bank continues to use its strong capitalization for M&A activity, which enhances its franchise.*** In 2020, LGT decided to acquire the wealth management business of UBS in Austria, adding some Swiss franc (CHF)4.5 billion in AUM, and also acquired the remaining stake in LGT Vestra in the U.K. These acquisitions will further strengthen LGT's local presence. In July 2021, LGT announced it would acquire a minority stake in Germany-based digital wealth manager LIQID. While LGT will contribute to the development of products and investment strategies, it will also gain valuable insight into the future trend of digital wealth management, which is not the focus of LGT itself. We expect LGT will continue its mergers and acquisitions (M&A) strategy to broaden its customer base within existing countries.

In addition, LGT also stated its interest in reentering the German market.

***Future MREL requirements could lead to an increasing buffer of subordinated debt to protect senior unsecured creditors in case of resolution.*** We expect Liechtenstein's Financial Market Authority to communicate its framework for minimum requirement for own funds and eligible liabilities (MREL) and bank-specific requirements over 2022. Depending on the MREL requirements for LGT, including the volume and subordination level, we could consider including a one notch uplift for its additional loss-absorbing capacity (ALAC).

However, without details on the calibration and requirements we cannot assess the level of additional protection toward senior creditors. Once requirements are communicated, we will also look into LGT's issuance plan to meet these.

## Outlook: Stable

The stable outlook reflects our view that elevated asset prices will support LGT's revenue streams over the coming 12-24 months. During that period, we expect to gain more clarity on the local MREL requirements and the implications for LGT Bank's issuance plans.

### Downside scenario

We could take a negative rating action on LGT Bank if a plunge in asset prices triggered a strong reduction in the value of the Princely portfolio and AUM, weakening LGT's earnings capacity and risk-adjusted capitalization.

While more remote, we could also consider a downgrade if lower earnings retention or larger acquisitions hindered the bank from maintaining a strong capitalization or if the contemplated reorganization had unexpected negative implications for the business.

### Upside scenario

We could consider a positive rating action if we expected LGT to accumulate bail-in-able capital or improved capitalization beyond our current expectations, resulting in an ALAC buffer above the adjusted threshold of 5.5% of S&P Global Ratings risk-weighted assets. This buffer would protect the bank's senior unsecured creditors should the bank become nonviable.

However, we would consider an upgrade only if our comprehensive view of LGT were comparable with that of peers at the 'AA-' level, which is currently only a small group of global banks.

## Key Metrics

**LGT Bank AG--Key Ratios And Forecasts**

| | --Fiscal year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| **(%)** | **2019a** | **2020a** | **2021f** | **2022f** | **2023f** |
| Growth in operating revenue | 8.4 | 2.8 | (1.7)-(2.1) | (24.7)-(30.1) | 1.3-1.6 |
| Growth in customer loans | 8.0 | (18.3) | 7.0-10.0 | 2.0-4.0 | 3.0-5.0 |
| Growth in total assets | 13.8 | (0.6) | 2.4-3.0 | (0.2)-(0.3) | 1.3-1.6 |
| Net interest income/average earning assets (NIM) | 0.8 | 0.6 | 0.6-0.7 | 0.6-0.7 | 0.6-0.7 |
| Cost to income ratio | 78.7 | 75.7 | 74-77 | 76-80 | 76-80 |
| Return on average common equity | 7.1 | 6.2 | 6.7-7.4 | 4.2-4.7 | 4.3-4.7 |
| Return on assets | 0.7 | 0.6 | 0.6-0.8 | 0.4-0.5 | 0.4-0.5 |
| New loan loss provisions/average customer loans | (0.0) | 0.1 | 0.0-0.1 | 0.0-0.1 | 0.0-0.1 |

| LGT Bank AG--Key Ratios And Forecasts (cont.) | | | | | |
|---|---|---|---|---|---|
| | --Fiscal year ended Dec. 31-- | | | | |
| **(%)** | **2019a** | **2020a** | **2021f** | **2022f** | **2023f** |
| Gross nonperforming assets/customer loans | 0.5 | 0.5 | 0.4-0.5 | 0.4-0.4 | 0.3-0.4 |
| Risk-adjusted capital ratio | 10.2 | 9.9 | 10.2-10.7 | 9.4-9.9 | 10.1-10.6 |

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast.

## Anchor: 'a-' For Private Banks Based In Liechtenstein

We use the economic risk and industry risk scores from our Banking Industry Country Risk Assessment (BICRA) to determine a bank's anchor, the starting point in assigning an issuer credit rating. The anchor for a commercial bank operating only in Liechtenstein is 'a-', based on an economic risk score of '2' and an industry risk score of '3'. We view the economic and industry risk trends in the Liechtenstein banking industry as stable.

We estimate economic contraction in 2020 was more pronounced than in the eurozone, due to Liechtenstein's export-driven economy, with a decline in real GDP of about 8%. But we anticipate full recovery over the coming two years. Under this base case, we think economic risk for Liechtenstein's banks remains relatively low in a global comparison. Despite its very small size and concentration and related economic volatility, we view Liechtenstein as a competitive and specialized economy. It has export-oriented industries holding niche positions worldwide and a specialized financial industry focused on wealth management. Liechtenstein's wealth levels are among the highest of any rated sovereign, but household debt is also relatively high at about 130% of GDP. Mirroring trends in neighboring countries such as Switzerland and Germany, house prices in Liechtenstein rose strongly until 2018, but growth rates in house prices and mortgages have since decelerated. At present, we see no material risk of a credit-fueled house-price bubble. Furthermore, we expect credit losses in Liechtenstein's retail and corporate banking will remain low in 2021-2022, despite the economic impact of COVID-19.

In our view, industry risk stems from a business model focused on private banking and wealth management. Although we observe conservative risk cultures, we think that the high confidence sensitivity of the business model exposes the financial industry to reputational risk. At the same time, we acknowledge that Liechtenstein has rapidly implemented international best practices on tax-compliance and information exchange, which has somewhat reduced reputational risks over recent years. In addition, the financial supervisory authority implements banking regulation and supervision in line with EU standards. Owing to the banks' access to ample customer deposits and focus on private banking, we continue to view funding as a neutral factor for Liechtenstein's banking sector.

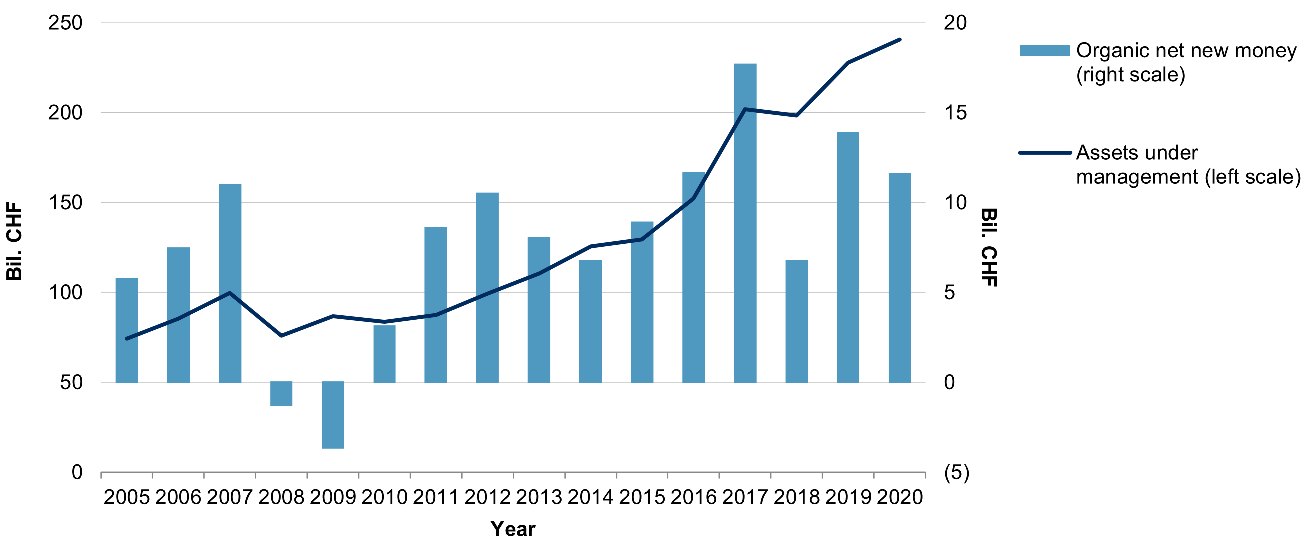
## Business Position: Well-Established International Private Banking Business

We consider that LGT's business position benefits from its standing as the leading financial institution in Liechtenstein, its well-established international franchise, and the resulting stronger-than-peers' operational and financial performances. We also consider that LGT has a loyal client base. LGT has generated strong net asset inflows over the past decade, coping well with Liechtenstein's swift push to tax compliance in international private banking.

In our view, LGT will continue to attract new customers across its private banking operations in Liechtenstein, Switzerland, Austria, the U.K., Hong Kong, Singapore, Dubai, and Bangkok. The group has continuously increased asset gathering and reported assets under administration of CHF240.7 billion as of year-end 2020. The strong growth over the past five years included CHF62 billion from organic growth in addition to the benefits from acquisitions and asset appreciation. This underpins LGT's strong record of net new money generation and the smooth integration of acquisitions.

**Chart 1**

**Strong Organic Net New Money Generation**




CHF--Swiss franc. Source: S&P Global Ratings.



Furthermore, a key feature of LGT's business proposition continues to be the co-investment product known as the Princely Portfolio, a long-term investment strategy that includes a high share of alternative investments. We see this product as an important tool in creating customer loyalty and aligning the bank's interests with those of its clients.

LGT will further invest in its digitalization to improve efficiency and enhance customer experience. This should limit risks to LGT's franchise from increasing competition by robo-advisors and large tech companies, which will likely expand their services to gradually attract wealthy customers.

## Capital And Earning: Strong But Potentially Volatile Risk-Adjusted Capitalization

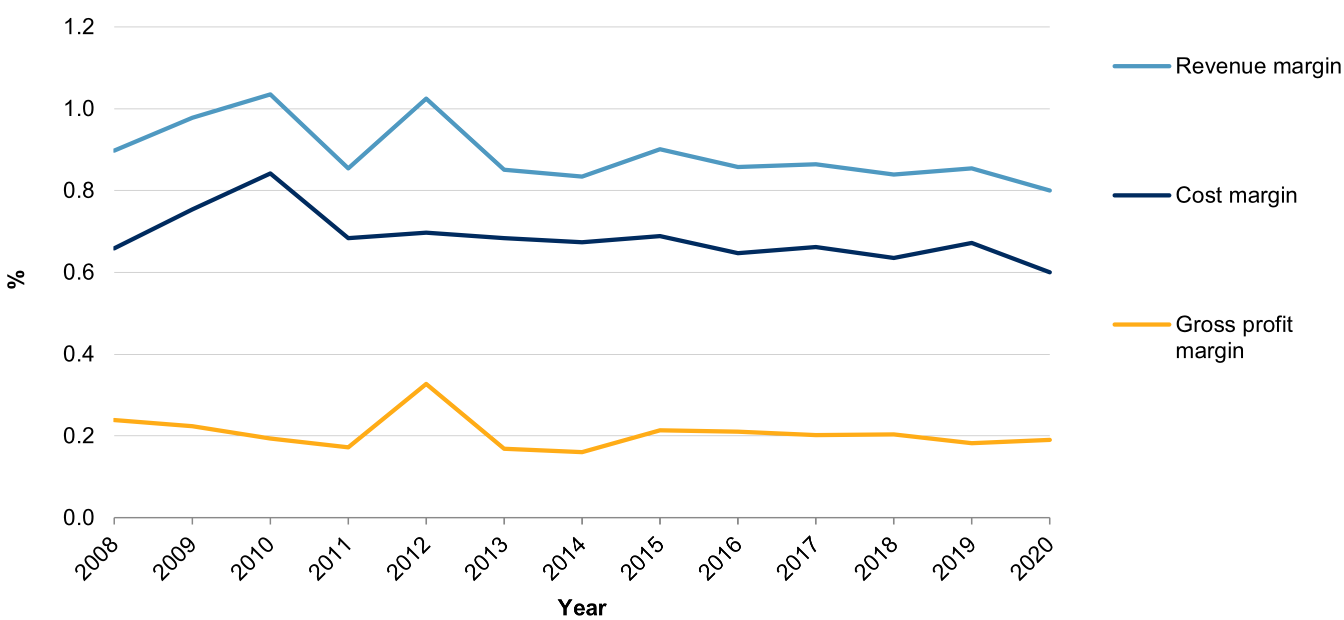
We assess LGT's capital and earnings as a rating strength. We base our assessment mainly on our risk-adjusted capital (RAC) ratio for LGT Group, which was 9.9% as of year-end 2020, slightly down from 10.1% one year earlier, and which we expect will gradually improve toward 11% over the coming 18-24 months. However, we note a comparably high volatility of the RAC ratio, reflecting the bank's on-balance-sheet investment in the Princely portfolio, which consists, to a large extent, of alternative asset classes like private equity and hedge funds and is valued at fair value.

In our calculation of the total adjusted capital (TAC) position, we make a material deduction for the CHF1.6 billion of revaluation reserves, largely reflecting unrealized gains on the Princely Portfolio, which we do not treat as capital. However, we fully acknowledge these unrealized gains in our calculation of the bank's risk-weighted assets (RWAs) that materially reduce the risk-weights for the on-balance-sheet investments. Overall, our lower TAC in the numerator and higher risk-weights for the exposures in the denominator result in a substantial difference between our RAC ratio and the group's regulatory common equity tier 1 ratio of 21.9% as of December 2020, calculated under the standardized approach. This compares with a required minimum regulatory total capital ratio of 13.1%.

In our view, LGT continues to deliver very good financial performance, despite challenging operating conditions due to intense competition in private banking. Nevertheless, should additional downside risks from the COVID-19 pandemic materialize and the economic environment be hampered for longer than expected, lower asset valuations and again lower volumes in Lombard lending could result in lower fee and somewhat reduced interest income. In our base case, we expect annual net income of about CHF350 million and return on equity of about 7% over 2021. For 2022, considering the implications of the asset management carve-out, we expect net income of CHF200 million-CHF250 million and a return on equity of about 4.5%.

**Chart 2**

**LGT Is Largely Able To Defend Its Profit Margin**




Revenue margin--Operating revenues to average AUM. Cost margin--Non-interest expenses to average AUM. Gross profit margin--Preprovision operating income to average AUM. Source: S&P Global Ratings.

## Risk Position: Low Credit Risk With A Conservative Approach To Managing Operational Risks In Private Banking

We view LGT's credit risk as very low, since the loan portfolio is principally highly collateralized and the bank demonstrates an outstanding loan-loss record in comparison with its private bank peers. However, the bank remains exposed to potential reputational risks due to its focus on confidence-sensitive private banking and to market risk in the Princely Portfolio. While we acknowledge a generally favorable performance of this investment, we note the high share of alternative assets and potential volatility in a market downturn.

We expect that LGT's RAC ratio will remain sensitive to the development of these investments. A reduction or increase in this portfolio could significantly affect capitalization, as measured by S&P Global Ratings. Over 2020, LGT's total investment securities increased by 11% to CHF 11.4 billion, predominantly from additional investments, explaining the slight drop in our RAC ratio.

LGT's loan portfolio declined to CHF17.7 billion as of year-end 2020, consisting primarily of Lombard lending and, to a lesser extent, mortgage loans. This was in line with our expectation of a drop in Lombard volumes over 2020 from customer deleveraging, given the COVID-19 pandemic. LGT conducts the Lombard lending as part of its private banking offering, and we expect volumes will generally increase further in line with new customers. The bank monitors the portfolio daily in accordance with prudent criteria, and the collateral portfolio shows high quality. The mortgage loan portfolio of CHF4.6 billion as of December 2020 is mainly concentrated in Liechtenstein and Switzerland and shows very conservative loan-to-value ratios. We don't expect any changes in LGT's conservative underwriting standards. LGT's cost of risk was only 3 basis points (bps) on average over the past five years and we expect it to continue to compare favorably with that of private bank peers in Liechtenstein and Switzerland.

As a private bank, LGT remains sensitive to legal risks, including those related to money laundering. We reflect the risk largely in our starting point for the rating, as we see this as an industrywide characteristic. We think that LGT's increasing international presence will require greater management and control resources, but expect it will continue to prepare itself via material investments in managing legal, operational, and reputational risks in international operations.

Overall, we believe that our RAC framework conservatively captures LGT's market and operational risk, as seen in the elevated market and operational risk charges, which constitute as much as 59% of our total RWAs as of December 2020.

## Funding And Liquidity: Funding Profile Based On Customer Deposits And Ample Liquidity

LGT's balance sheet is largely driven by its deposit base and the use of Lombard loans by clients, with excess deposits held in cash and diversified investment securities. Wholesale funding is mainly used to manage the bank's liquidity needs over the short to medium term and to provide a buffer to varying client activity.

LGT's strong deposit base (90% of funding base) and relatively limited loan activity will, in our view, continue to support favorable stable funding and loan-to-deposit ratios in the future. Respectively, these were 193% and 48% at end-2020. The bank's funding profile continues to compare favorably with that of most financial institutions, reflecting LGT's business profile.

Despite strong metrics, our assessment of the bank's funding and liquidity is neutral to the rating. Given the short maturities of large parts of its assets and liabilities, funding and liquidity metrics dilute some risks inherent to the business model. We see the bank's cautious funding and liquidity approach as a necessity given that private banking deposits are generally more confidence sensitive and potentially more volatile than those of retail banks. We envisage higher volatility in customer deposits of private banks, since we observe less granularity, volumes often in excess of deposit insurance limits, and that large parts are cash positions within the customers' asset allocations. In our view, LGT is addressing these liquidity risks properly by holding a large buffer of cash, money market instruments, and investment securities, while the size of the buffer is informed by liquidity stress testing for different scenarios.

## Environmental, Social, And Governance

We consider environmental, social, and governance (ESG) factors for LGT as broadly in line with those of industry and domestic peers. We expect the bank to continue benefiting from investors increasing focus on ESG-related topics.

LGT was an early adopter and already launched sustainable bond and equity funds in 2009. It has constantly refined its ESG strategy, including its investment approach and sustainable corporate development, with specific goals defined in its current Sustainability Strategy 2025.

At the same time, the private ownership by the Princely House of Liechtenstein via LGT Group Foundation may raise questions on the independence of the supervisory board and management. Ownership decisions on the size of the Princely Portfolio investments on LGT's balance sheet and decisions on unexpected capital distributions could have an impact on LGT's creditworthiness. While being aware of tail risks, we think that governance is nevertheless a neutral factor to the rating. We expect the stable corporate development will continue.

Social factors remain neutral for our credit assessment of LGT.

## External Support: No Uplift Absent Details On The Domestic MREL Framework

We assess that LGT has a high systemic importance in Liechtenstein, owing to its strong brand reputation associated with the Liechtenstein financial center, its leading market position in Liechtenstein, and its ownership by the princely family of Liechtenstein.

However, since the implementation of the European Union Bank Recovery and Resolution Directive (BRRD) into national law in 2017, we consider the likelihood of extraordinary government support for banks in Liechtenstein to be uncertain and no longer include uplift for government support in our ratings on systemic banks.

We consider the country's bank resolution framework to be effective, which generally allows us to include uplift for

ALAC in our ratings on individual systemically important banks. However, the Liechtenstein Financial Market Authority has not yet communicated on the eligible liabilities or any bank-specific requirements, and we expect it will do so only in 2022.

Upon receiving clarity on the requirements, we will assess the bank's plan to achieve the targets. Given the limited amount of LGT's outstanding MREL instruments and uncertainty regarding its future MREL maturity profile, there could be a higher level of future maturity concentrations than for larger peers. We therefore apply a higher ALAC threshold (up 50 bps), namely 5.5% of our risk-weighted assets metric, for an uplift.

## Issue Ratings

We rate LGT Bank's senior nonpreferred notes, which contractually rank below its senior unsecured debt, at 'A', one notch below the bank's stand-alone credit profile, reflecting the subordination risk over preferred senior unsecured debt. In addition, we believe that the senior nonpreferred notes would be subject to a possible conversion or write-down only in a resolution.

## Resolution Counterparty Ratings (RCRs)

Our 'AA-' long-term resolution counterparty rating (RCR) on LGT is one notch above the long-term issuer credit rating on this entity. The RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default through an effective bail-in resolution process for the issuing financial institution.

## Key Statistics

**Table 1**

**LGT Bank AG--Key Figures**

| | --Year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| **(Mil. CHF)** | **2020** | **2019** | **2018** | **2017** | **2016** |
| Adjusted assets | 49,143.7 | 48,654.1 | 42,620.2 | 41,068.8 | 35,241.0 |
| Customer loans (gross) | 17,671.7 | 20,753.2 | 19,223.1 | 20,010.6 | 12,821.1 |
| Adjusted common equity | 2,405.7 | 2,223.2 | 2,124.3 | 1,671.1 | 1,755.9 |
| Operating revenues | 1,870.4 | 1,820.1 | 1,679.4 | 1,529.2 | 1,206.2 |
| Noninterest expenses | 1,415.4 | 1,433.1 | 1,270.8 | 1,171.5 | 911.1 |
| Core earnings | 379.0 | 349.0 | 367.8 | 328.4 | 261.6 |

CHF--Swiss franc.

**Table 2**

**LGT Bank AG--Business Position**

| | --Year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| **%** | **2020** | **2019** | **2018** | **2017** | **2016** |
| Total revenues from business line (currency in millions) | 1,870.4 | 1,820.1 | 1,679.4 | 1,529.2 | 1,206.2 |
| Retail banking/total revenues from business line | 74.6 | 76.0 | 78.2 | 76.3 | 77.4 |

**Table 2**

## LGT Bank AG--Business Position (cont.)

| | --Year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| **%** | **2020** | **2019** | **2018** | **2017** | **2016** |
| Commercial and retail banking/total revenues from business line | 74.6 | 76.0 | 78.2 | 76.3 | 77.4 |
| Asset management/total revenues from business line | 24.5 | 26.8 | 24.6 | 25.3 | 26.7 |
| Other revenues/total revenues from business line | 0.9 | (2.8) | (2.8) | (1.6) | (4.0) |
| Return on average common equity | 6.2 | 7.1 | 7.6 | 7.3 | 6.6 |

**Table 3**

## LGT Bank AG--Capital And Earnings

| | --Year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| **%** | **2020** | **2019** | **2018** | **2017** | **2016** |
| Tier 1 capital ratio | 21.9 | 19.9 | 17.6 | 18.8 | 20.2 |
| S&P Global Ratings' RAC ratio before diversification | 9.9 | 10.2 | 10.5 | 8.7 | 10.0 |
| S&P Global Ratings' RAC ratio after diversification | 9.2 | 9.7 | 10.1 | 8.1 | 9.4 |
| Adjusted common equity/total adjusted capital | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Net interest income/operating revenues | 13.3 | 15.8 | 16.8 | 14.7 | 14.1 |
| Fee income/operating revenues | 63.4 | 63.9 | 64.9 | 65.7 | 68.3 |
| Market-sensitive income/operating revenues | 22.3 | 18.7 | 16.2 | 17.7 | 16.3 |
| Noninterest expenses/operating revenues | 75.7 | 78.7 | 75.7 | 76.6 | 75.5 |
| Preprovision operating income/average assets | 0.9 | 0.8 | 1.0 | 0.9 | 0.8 |
| Core earnings/average managed assets | 0.8 | 0.8 | 0.9 | 0.8 | 0.7 |

RAC--Risk-adjusted capital.

**Table 4**

## LGT Bank AG--Risk-Adjusted Capital Framework Data

| (CHF 000s) | Exposure* | Basel III RWA | Average Basel III RW(%) | S&P Global Ratings RWA | Average S&P Global Ratings RW (%) |
|---|---|---|---|---|---|
| **Credit risk** | | | | | |
| Government and central banks | 14,732,279.8 | 250,321.0 | 1.7 | 228,915.7 | 1.6 |
| Of which regional governments and local authorities | 1,664,960.1 | 142,405.9 | 9.0 | 131,770.0 | 8.0 |
| Institutions and CCPs | 8,968,135.8 | 1,620,171.1 | 18.1 | 1,174,736.7 | 13.1 |
| Corporate | 4,616,862.8 | 1,703,714.5 | 36.9 | 1,967,259.1 | 42.6 |
| Retail | 15,236,431.4 | 5,038,844.8 | 33.1 | 5,508,819.0 | 36.2 |
| Of which mortgage | 4,330,841.0 | 1,628,828.6 | 37.6 | 1,099,678.3 | 25.4 |
| Securitization§ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other assets† | 867,536.9 | 1,204,674.8 | 138.9 | 1,083,303.6 | 124.9 |
| Total credit risk | 44,421,246.7 | 9,817,726.2 | 22.1 | 9,963,034.1 | 22.4 |
| **Credit valuation adjustment** | | | | | |
| Total credit valuation adjustment | -- | 205,345.5 | -- | 0.0 | -- |

**Table 4**

## LGT Bank AG--Risk-Adjusted Capital Framework Data (cont.)

| | | | | | |
|---|---|---|---|---|---|
| **Market risk** | | | | | |
| Equity in the banking book | 5,010,026.5 | 5,287,447.5 | 105.5 | 8,408,473.9 | 167.8 |
| Trading book market risk | -- | 1,399,775.0 | -- | 2,099,662.5 | -- |
| Total market risk | -- | 6,687,222.5 | -- | 10,508,136.4 | -- |
| **Operational risk** | | | | | |
| Total operational risk | -- | 3,341,654.3 | -- | 3,813,467.2 | -- |

| | Exposure | Basel III RWA | Average Basel II RW (%) | S&P Global Ratings RWA | % of S&P Global Ratings RWA |
|---|---|---|---|---|---|
| **Diversification adjustments** | | | | | |
| RWA before diversification | -- | 20,051,948.4 | -- | 24,284,637.7 | 100.0 |
| Total diversification/concentration adjustments | -- | -- | -- | 1,973,832.6 | 8.1 |
| RWA after diversification | -- | 20,051,948.4 | -- | 26,258,470.4 | 108.1 |

| | Tier 1 capital | Tier 1 ratio (%) | Total adjusted capital | S&P Global Ratings RAC ratio (%) |
|---|---|---|---|---|
| **Capital ratio** | | | | |
| Capital ratio before adjustments | 4,399,463.0 | 21.9 | 2,405,666.0 | 9.9 |
| Capital ratio after adjustments‡ | 4,399,463.0 | 21.9 | 2,405,666.0 | 9.2 |

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CHF--Swiss franc. Sources: Company data as of Dec. 31, 2020, S&P Global Ratings.

**Table 5**

## LGT Bank AG--Risk Position

| | --Year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| **%** | **2020** | **2019** | **2018** | **2017** | **2016** |
| Growth in customer loans | (14.8) | 8.0 | (3.9) | 56.1 | 8.0 |
| Total diversification adjustment/S&P Global Ratings' RWA before diversification | 8.1 | 5.3 | 4.3 | 7.8 | 6.5 |
| Total managed assets/adjusted common equity (x) | 20.7 | 22.2 | 20.5 | 25.1 | 20.4 |
| New loan loss provisions/average customer loans | 0.1 | (0.0) | 0.0 | (0.0) | 0.1 |
| Net charge-offs/average customer loans | 0.0 | (0.0) | (0.0) | (0.1) | (0.0) |
| Gross nonperforming assets/customer loans + other real estate owned | 0.5 | 0.5 | 0.4 | 0.3 | 0.5 |
| Loan loss reserves/gross nonperforming assets | 31.3 | 29.5 | 38.1 | 47.4 | 49.8 |

RWA--Risk-weighted assets.

**Table 6**

## LGT Bank AG--Funding And Liquidity

| | --Year ended Dec. 31-- | | | | |
|---|---|---|---|---|---|
| **%** | **2020** | **2019** | **2018** | **2017** | **2016** |
| Core deposits/funding base | 86.8 | 89.8 | 89.7 | 90.1 | 89.5 |
| Customer loans (net)/customer deposits | 47.8 | 54.2 | 57.5 | 61.7 | 47.2 |

**Table 6**

| LGT Bank AG--Funding And Liquidity (cont.) | | | | | |
|---|---|---|---|---|---|
| | --Year ended Dec. 31-- | | | | |
| **%** | **2020** | **2019** | **2018** | **2017** | **2016** |
| Long-term funding ratio | 93.0 | 94.9 | 94.9 | 95.2 | 97.5 |
| Stable funding ratio | 193.1 | 163.0 | 160.3 | 139.4 | 149.0 |
| Short-term wholesale funding/funding base | 7.6 | 5.5 | 5.6 | 5.3 | 2.8 |
| Broad liquid assets/short-term wholesale funding (x) | 7.9 | 8.9 | 8.6 | 7.2 | 15.0 |
| Net broad liquid assets/short-term customer deposits | 60.9 | 49.0 | 47.6 | 36.5 | 43.5 |
| Short-term wholesale funding/total wholesale funding | 57.7 | 54.1 | 54.1 | 53.1 | 26.6 |
| Narrow liquid assets/three-month wholesale funding (x) | 8.8 | 10.0 | 9.9 | 8.3 | 13.2 |

## Related Criteria

- General Criteria: Group Rating Methodology, July. 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Liechtenstein; May 31, 2021
- Banking Industry Country Risk Assessment: Liechtenstein, March 2, 2021
- Research Update: LGT Bank Outlook Revised To Stable From Positive Amid COVID-19 Related Economic Downturn; 'A+/A-1' Ratings Affirmed, May 12, 2020
- Full Analysis: LGT Bank AG; Aug. 3, 2020

## Anchor Matrix

| Industry Risk | Economic Risk | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | **2** | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1 | a | a | a- | bbb+ | bbb+ | bbb | - | - | - | - |
| 2 | a | a- | a- | bbb+ | bbb | bbb | bbb- | - | - | - |
| **3** | a- | **a-** | bbb+ | bbb+ | bbb | bbb- | bbb- | bb+ | - | - |
| 4 | bbb+ | bbb+ | bbb+ | bbb | bbb | bbb- | bb+ | bb | bb | - |
| 5 | bbb+ | bbb | bbb | bbb | bbb- | bbb- | bb+ | bb | bb- | b+ |
| 6 | bbb | bbb | bbb- | bbb- | bbb- | bb+ | bb | bb | bb- | b+ |
| 7 | - | bbb- | bbb- | bb+ | bb+ | bb | bb | bb- | b+ | b+ |
| 8 | - | - | bb+ | bb | bb | bb | bb- | bb- | b+ | b |
| 9 | - | - | - | bb | bb- | bb- | b+ | b+ | b+ | b |
| 10 | - | - | - | - | b+ | b+ | b+ | b | b | b- |

## Ratings Detail (As Of August 23, 2021)*

| | |
|---|---|
| **LGT Bank AG** | |
| Issuer Credit Rating | A+/Stable/A-1 |
| Resolution Counterparty Rating | AA-/--/A-1+ |
| Senior Subordinated | A |
| Senior Unsecured | A+ |
| Senior Unsecured | A-1 |
| **Issuer Credit Ratings History** | |
| 12-May-2020 | A+/Stable/A-1 |
| 17-May-2018 | A+/Positive/A-1 |
| 02-Mar-2017 | A+/Stable/A-1 |
| 09-Dec-2016 | A+/Watch Neg/A-1 |
| **Sovereign Rating** | |
| Liechtenstein | AAA/Stable/A-1+ |

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.