

LGT Bank in Liechtenstein AG

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LGT Bank in Liechtenstein AG

Major Rating Factors

Strengths:

- Sound risk profile, based on low credit and interest rate risk.
- Strong liquidity and funding position.
- Good international wealth management franchise.
- Sound capitalization.

Counterparty Credit Rating

A+/Stable/A-1

Weaknesses:

- Weakened growth prospects of international wealth management in general and offshore financial center Liechtenstein in particular.
- Earnings sensitivity to capital market conditions.
- Substantial market risk, owing to holdings in the princely portfolio.
- Sizable operational and reputation risk in line with private banking peers.

Rationale

The ratings on LGT Bank in Liechtenstein AG (LGTBIL), the largest private bank in the Principality of Liechtenstein (AAA/Stable/A-1+) in terms of assets under management (AUM), are based on the creditworthiness of its parent group, the LGT Group Foundation (LGT). The ratings reflect, in Standard & Poor's Ratings Services' view, the sound risk profile inherent in the private banking business model as well as LGT's low credit and interest rate risk, and strong funding and liquidity position. These factors, together with what we consider to be the group's sound capitalization, mitigate the considerable sensitivity of LGT's earnings to unfavorable capital market conditions, sizable market risks linked to holdings in the princely portfolio, and substantial operational risk.

Difficult capital market and economic conditions as well as considerable uncertainties about the future development of banking secrecy legislation worldwide have, in our view, weakened the growth prospects for international wealth management. Consequently, we expect LGT's new business and operating results for 2009 and in 2010 to fall significantly short of the record performance achieved in 2007, but to remain at a level commensurate with the current rating.

Lower AUM, weaker client money inflows compared with LGT's peer group of mainly Swiss midsize private banks, reduced customer activities, and a more conservative asset composition in the clients' portfolios will weigh on profitability, in our view. Cost-cutting efforts and higher contributions from interest income will likely only partly compensate for a substantial decline in commission income.

At midyear 2009, LGT recorded client money outflows of about Swiss franc (CHF) 1.6 billion, representing 2% of total AUM. In the short term, we expect LGT's net outflows to continue, mainly because of weaker conditions in its core market Liechtenstein and remaining reputation issues from the theft of its clients' data, revealed in 2008, from a former Liechtenstein subsidiary. However, we believe LGT's good international wealth management franchise should gradually strengthen the group's ability to attract new client money and stabilize still generally favorable AUM margins. Helped by the recent acquisition of Dresdner Bank (Suisse), LGT focuses on onshore markets, such

as neighboring Germany and Switzerland, and Asia, where it continues to expand moderately.

In 2009, Liechtenstein bowed to massive international pressure to modify and soften its strict legal framework regarding banking secrecy. Together with almost all the main international offshore financial centers Liechtenstein accepted the Organization for Economic Cooperation and Development's (OECD) minimum standards on data sharing, which aim for a greater exchange of client data with foreign tax authorities in cases of tax evasion. In our view, this development might result in a level playing field, where service quality is the main differentiator among competing private banks. In addition, innovative deal structures such as those incorporated in a recent agreement between Liechtenstein and the British government, which provides incentives for customers to reveal untaxed wealth to British tax authorities via Liechtenstein-based banks, could help improve the Principality's relatively weak reputation. Consequently, in our base scenario we expect LGT to gradually improve its operating performance in the medium term, based on its increasingly diversified international franchise, good brand recognition, and expertise in high-margin services such as alternative investments.

We regard LGT's capital strength, reflected in our risk-adjusted capital (RAC) ratio of about 12%, as sound. In our view, this level of capitalization provides a significant buffer against substantial operational risks typical of private banking businesses and high market risk from LGT's CHF2.1 billion participation in the princely portfolio, a sizable proportion of which is in investments with limited liquidity, such as hedge funds and private equity.

Outlook

The stable outlook reflects our expectation that LGT's risk profile will remain resilient during a potentially prolonged period of difficult capital market and economic conditions and against continued pressure on Liechtenstein to change its banking secrecy legal frameworks. We also expect LGT's operating financial performance to stabilize at the current lower level, owing to tightened cost controls and intense efforts to expand in onshore markets, which in the medium term should allow new client money growth in line with midsize private banking peers.

A negative rating action could arise if LGT's business profile were to deteriorate materially as a result of continued net client-asset outflows and further worsening conditions in the global wealth management business, which would ultimately substantially weigh on the group's long-term earnings capacity. The ratings could also be adversely affected if the competitiveness of LGT's still dominant home market, Liechtenstein, were to diminish relative to other international offshore financial centers. We would also consider a negative rating action if LGT were to suffer significant losses from its principal investments, which would erode its capitalization and risk-bearing resources.

A positive rating action is remote as long as capital markets remain unfavorable. Ratings upside could follow if we perceive a significant and sustainable strengthening of LGT's onshore wealth management franchise, resulting in a considerably positive impact on the group's profitability.

Profile: The Largest Private Bank In Liechtenstein

With AUM of CHF79 billion (including double-counted investment funds) as of June 30, 2009, LGT is the largest private bank in Liechtenstein. The group's main entity, LGTBIL, operates as an offshore private bank, mainly for high-net-worth individuals, and as an onshore private bank for Liechtenstein's residents and an increasing number of clients in various international markets. It also serves as a universal bank, providing mostly short-term and

mortgage financing to local inhabitants.

LGT is a holding company that has banking subsidiaries in Liechtenstein, Switzerland, Austria, Germany, Ireland, Singapore, and the Cayman Islands, as well as two subsidiaries specialized in asset management and alternative assets. LGT's recent acquisition of private bank Dresdner Bank (Suisse) will increase its AUM by more than CHF8 billion and about double the AUM it manages in Switzerland. In the first half of 2009, LGT sold its subsidiary LGT Treuhand AG--the entity where the loss of client data occurred in 2008--and consequently no longer offers trusts or foundations, which are under suspicion of having facilitated tax evasion in the past.

Table 1

LGT Group--Assets Under Management*	As of June 30		--Year ended Dec. 31--			
	2009	2008	2007	2006	2005	2004
(Bil. CHF)						
Total assets under management	65.9	64.6	82.8	70.1	60.9	50.6
Of which						
Client assets with management mandate	27.1	27.3	36.3	30.8	25.9	20.3
Other client assets	36.8	35.2	43.6	36.6	32.6	28.5
Princely portfolio	2.1	2.1	2.9	2.7	2.4	1.8
Net new asset inflow	(0.8)	0.0	10.4	5.8	3.6	2.1

*Net of double counting. ¶Data not annualized. CHF--Swiss franc.

In response to pressure to change its banking secrecy legislation and to restore its weakened reputation, the Principality has accepted the OECD's minimum standards for a greater exchange of client data with foreign authorities in tax fraud issues and cases of tax evasion. Liechtenstein aims to more actively influence the international development of new standards regarding collaboration in tax matters. This is underlined by a recent agreement between the Principality and the British government, which provides incentives for customers to reveal untaxed wealth to British tax authorities via Liechtenstein-based banks. An agreement with the U.S. on the exchange of information for tax purposes becomes effective in 2010.

The automatic exchange of tax-relevant client data is already established within the EU, except for Austria, Belgium, and Luxembourg. With soaring sovereign indebtedness, global financial centers, including Switzerland, remain under strong pressure to go beyond OECD standards over the coming years. Therefore, because of the dominance of the banking secrecy issue, Liechtenstein's other competitive advantages might lose importance, such as its liberal tax legislation, special legal company structures (foundations), and its membership of the European Economic Area (EEA), which provides an "EU passport" for the distribution of investment funds. Since the Principality joined the EEA in 1995, it has passed legislation on penalties for offences such as insider trading and money laundering and on legal assistance in criminal matters in line with international best practices. The Principality's banks are required to perform extensive due-diligence checks on all client relationships, including identification of the beneficial owners of assets deposited with them.

In February 2008, LGT's reputation suffered a blow when an employee of former subsidiary LGT Treuhand unlawfully disclosed client data. The material, apparently stolen in 2002, was sold to the German government and reportedly allowed tax authorities in Germany and other countries to detect instances of high-profile tax evasion. Tax evasion is a criminal offence in most foreign jurisdictions, but was not previously considered a felony in Liechtenstein or Switzerland. Because of the stolen data, which were based on previous regulatory regimes and

different business practices, LGT became the target of an investigation by U.S. authorities; it is alleged that LGT engaged in practices that in some instances have resulted in tax evasion and other misconduct by American clients. We understand that LGT is cooperating with Liechtenstein's regulatory body, the Financial Market Authority (FMA), which is conducting an investigation into whether LGT Treuhand's business practices conformed to applicable laws and provisions.

Support And Ownership: Fully Owned By The Princely Family

LGT has the status of a foundation and is wholly and privately owned by the Prince of Liechtenstein Foundation, which represents the interests of Liechtenstein's princely family. LGT is a key asset for the princely family, both through the dividends provided by its operational activities and the direct management of the family's princely portfolio. Although we do not consider the group's ties to the princely family to be a significant rating factor, we believe this relationship enhances the group's stability, given its importance to the principality's economic fabric.

LGTBIL operates as a bank under Liechtenstein's banking law. The FMA monitors the conduct of banks operating in Liechtenstein. Because of the Principality's monetary union with neighboring Switzerland, central bank functions are carried out by the Swiss National Bank (SNB), and banks in Liechtenstein benefit from the SNB's role as lender of last resort.

Strategy: Pressure On Revenues From Core Wealth Management Activities Makes Cost Containment More Important And Acquisitions More Likely

In our view, the ongoing international discussion on banking secrecy standards in offshore financial centers is making it difficult for LGT to further strengthen its wealth management franchise in onshore markets, while maintaining an adequate level of profitability. This is because of the high cost of the strategically important regional expansion and pressure on revenues owing to market conditions and competition. We believe that customer transactions and new-business volumes are unlikely to return to previous years' levels, but outflows from LGT's Liechtenstein-based offshore operations could continue in the medium term. We therefore expect LGT to increase its focus on cost containment in the coming years.

We believe the testing environment and more attractive valuations of private banks open up opportunities that could help LGT achieve these objectives through acquisitions of smaller players or subsidiaries of larger groups. Generally, we regard the takeover of Dresdner Bank (Suisse) as a strategic fit because a significant share of LGT's customers originate from target markets such as the Middle East, Central and Eastern Europe, and Latin America. However, in our view, LGT needs to demonstrate its long-term ability to integrate the acquired franchise under the LGT brand without a defection of clients and key personnel, often a detrimental factor in takeovers of private banks.

Strategically, LGT intends to:

- Restore its weakened reputation and capability to attract new client assets by further strengthening and diversifying its global presence, particularly in onshore markets; and
- Place particular emphasis on customer satisfaction and service quality via extensive tailor-made products, for example by exploiting its expertise in providing a wide range of alternative investment products.

Risk Profile And Management: Comparatively Low Risk Profile, But Significant Market Exposure Through The Princely Portfolio

In its operational activities, LGT maintains a comparatively low risk profile, in our view, reflected in what we regard as a strong quality loan portfolio and moderate interest rate risk in the banking book. A strong funding position is inherent in the private banking business model and, in our opinion, LGT manages its excess liquidity adequately. In contrast, however, the princely portfolio, which has sizable investments in alternative products with low liquidity, poses substantial concentration risk, in our view. In line with most private banking peers, operational and reputation risk play a key role.

Enterprise risk management: Adequate and in line with the bank's risk appetite

We regard LGT's enterprise risk management as adequate and in line with the bank's comparatively low risk appetite. LGT regularly uses stress scenarios in its analysis to take into account the impact of unexpected events. We consider LGT's management of market risk from the sizable investment in the princely portfolio satisfactory, given the level of diversification. Nevertheless, we regard its exposure to capital market volatility as material under stress conditions.

Operational risk: Significant sensitivity, typical for private banks

Operational risk is LGT's main source of risk, in our view. This is because any prolonged deterioration of reputation or client perception of service quality could materially affect client money inflows and profitability, causing lasting erosion of LGT's wealth management franchise. LGT aims to limit operational risk and restore the reputation of its private banking activities by steadily updating its advanced information technology to protect sensitive data such as information on clients and beneficial owners, and by monitoring client transactions and performing rigorous checks when hiring employees.

Market risk: Mainly linked to investments in the princely portfolio

We regard market risk in LGT's operational activities as generally low. Trading activities are essentially limited to foreign exchange brokerage for private banking clients and securities. Because the majority of the bank's balance sheet is short dated, interest rate sensitivity is modest compared with higher spread risk on financial investments funded by the sizable deposit surplus. Sensitivity to exchange rate fluctuations is also moderate, in our view, owing to the predominance of Swiss-franc-denominated assets on the balance sheet.

Market risk from principal investments is high, in our view. The princely portfolio is invested in a closed-end fund and generally consists of all asset classes. At present, more than 25% is in equities, hedge funds, and fixed income, and about 20% in private equity. Each asset class is broken down into several investment strategies and then into multiple mutual funds and funds of funds. In 2008, the princely portfolio showed its worst performance in absolute and relative terms since its inception in 1998, a 24% loss.

Credit risk: Very strong asset quality

We assess LGT's management of its lending activities as conservative, so we expect LGT's credit risk profile to remain strong throughout the economic cycle. LGT's loan book is well collateralized, in our view, and other assets are mostly liquid, high-investment-grade exposures.

LGT's loan portfolio is stable, in our view, and mainly comprises highly secured Lombard loans (securities-based lending) and mortgage loans. More than 70% of the mortgage portfolio consists of lower-risk residential loans at

loan-to-value ratios of about 60%, followed by commercial and industrial mortgages, all located in Liechtenstein. On Lombard loans, LGT applies strict criteria to the type of collateral it accepts and it also marks down the collateral values via haircuts. LGT's credit risk track record is strong, reflected in only marginal loan losses over the past few years.

LGT's interbank assets are concentrated in high-investment-grade banks located in OECD countries. We therefore expect value mark-downs, owing to credit-spread widening during the capital market dislocation, to be fully reversed. The securities portfolio is primarily composed of liquid eligible-for-repurchase bonds and money market products.

Funding and liquidity risk: A very sound structure, inherent to the business profile

LGT's liquidity and funding structure is very sound, in our view, given the liability-led nature of private banking. Healthy client deposits are sufficient to finance what we see as LGT's modest lending activity, and the reinvestment of excess resources in interbank markets contributes to a strong liquidity profile, in our opinion. With a typical duration of about six months, the banking securities portfolio is almost exclusively categorized as "available for sale" and is solely used for liquidity management. The small remainder consists primarily of long-dated investments in highly rated, mainly European entities.

Profitability: Satisfactory Core Profitability, Despite A High Cost Base

We expect LGT's operating performance after risk in 2009 and 2010 to remain significantly lower, by about one-third, than the record results reported in 2007. Still, we believe LGT's operating results should demonstrate a certain degree of resilience in the difficult capital market environment.

Continued pressure on commission income reflects lower average AUM volumes and weaker new business, as well as margin pressure from the changed composition of clients' investments, which now contain a higher proportion of lower-risk assets, such as cash. We believe that LGT's customers will maintain their cautious investment behavior, potentially leading to lower margins in wealth management in the medium term. Rising interest income from higher customer deposits and cost-containment measures will, in our view, be insufficient to offset lower fee income. In the absence of volatile trading operations and major risk-provisioning needs, recurring profitability should stabilize at the 2009 level in the coming years, however. The main risk factors to this base scenario are a renewed capital market dislocation and the failure of LGT and the financial center of Liechtenstein to restore their reputations, potentially resulting in substantially lower AUM and fee revenues.

Given our expectation of a more level playing field among global wealth management centers in the future, we expect in our base case that LGT will gradually broaden its operations in major onshore private banking markets where growth prospects are still generally better, such as Asia; emerging markets in general; and large mature markets such as Germany. The costs incurred for strategically necessary geographic expansion will likely limit the effectiveness of LGT's cost containment measures. However, we believe LGT might become more open to inorganic growth, as demonstrated by its acquisition of Dresdner Bank (Suisse) in 2009.

To adapt to the weaker environment in offshore private banking, LGT is likely to adjust its headcount, which has increased significantly in recent years, but also has the scope to adjust performance-based personnel costs. Bonuses and long-term incentive schemes, which historically represented about 40% of total staff payments and 30% of total operating costs, provide some unused flexibility to align expenses to reduced revenues in case of a prolonged market

downturn.

Capital: Sound, After Accounting For Significant Operational Risk And Market Exposure From The Princely Portfolio

We consider LGT's capitalization to be sound and in line with the bank's comparatively low risk profile. Our RAC ratio of 12.2% as of Dec. 31, 2008, after the impact from geographic, business, and risk-type diversification (11.9% before diversification adjustments), is significantly lower than the 16.5% regulatory Tier 1 ratio as of the same date. The main reasons for this deviation are our higher risk charge for operational risk and LGT's CHF2.1 billion investment in the princely portfolio. LGT's regulatory capital includes unrealized gains of about CHF0.5 billion on this portfolio, with a haircut of just 20%. However, we assign much higher risk weightings because of the potentially high volatility of the assets, a large proportion of which comprise less liquid and, in our view, higher-risk private equity, public equity, and hedge funds.

Table 2

LGT Group--Risk-Adjusted Capital Data*						
(CHF 000s)	Exposure at default	Basel II risk-weighted assets (RWA)	Average Basel II risk weight (RW) (%)	Standard & Poor's RWA	Average S&P RW (%)	
Credit risk						
Government and Central banks	948,758	61,963	6.5	39,471	4.2	
Institutions	10,678,525	3,919,625	36.7	2,994,251	28.0	
Retail	9,819,533	4,018,763	40.9	1,855,678	18.9	
Of which mortgage	2,063,605	1,085,025	52.6	451,247	21.9	
Other assets	13,010	161,175	1,238.9	4,994	38.4	
Credit risk total	21,459,827	8,161,525	38.0	4,894,394	22.8	
Market risk						
Equity in the banking book ¹	1,755,413	2,601,400	148.2	5,380,575	306.5	
Trading book market risk	--	587,588	--	881,381	--	
Market risk total	--	3,188,988	--	6,261,956	--	
Operational risk						
Operational risk RWA	--	1,340,900	--	3,477,343	--	
				Basel II RWA	Standard & Poor's RWA	Percent of S&P RWA
Total before diversification						
RWA before diversification		12,691,413		14,633,693	100.0	
Diversification and concentration adjustments						
Total RWA adjustment		--		(346,882)	(2.4)	
Total after diversification						
RWA after diversification		12,691,413		14,286,811	97.6	

Table 2

LGT Group--Risk-Adjusted Capital Data* (cont.)				
	Tier 1 capital	Tier 1 ratio	Total adjusted capital	S&P RAC ratio
Capital ratio				
Capital ratio before adjustments	2,088,168	16.5	1,738,000	11.9
Capital ratio after adjustments§	2,088,168	16.5	1,738,000	12.2

*As of Dec. 31, 2008. ¶Equity exposure includes the minority equity holdings in financial institutions. §For Tier 1 ratio, adjustments are additional regulatory requirements such as transitional floor or Pillar 2 add-ons. CHF--Swiss franc.

In 2008, the princely portfolio departed from its good historical track record compared with major benchmark indices, reporting a 24% loss. We believe that sizable operational risks are not adequately reflected in the regulatory capital ratios under the Basel II basic indicator approach. Despite what we consider to be significant shortcomings of regulatory capitalization, LGT's RAC ratio compares very well with the 6.7% average RAC ratio of 45 major global banks at midyear 2009 (see "S&P Ratio Highlights Disparate Capital Strength Among The World's Biggest Banks," published on Nov. 30, 2009, on RatingsDirect). For this sample, the average Tier 1 ratio was more than three percentage points higher than our RAC ratio.

In our base case, LGT's lower profitability remains sufficient to pay regular dividends and cover the rise in risk assets in operational activities and principal investments.

Related Research

S&P Ratio Highlights Disparate Capital Strength Among The World's Biggest Banks, Nov. 30, 2009

Table 3

LGT Group--Profitability Ratios	--Year-ended Dec. 31 --				
	2009*	2008	2007	2006	2005
(%)					
Net interest income/average earning assets	2.3	0.7	0.5	0.6	N/A
Net interest income/revenues	25.5	15.5	9.6	10.4	10.3
Fee income/revenues	53.0	74.4	77.3	77.0	79.0
Market-sensitive income/revenues	21.5	9.2	8.7	12.3	10.3
Personnel expense/revenues	49.0	46.1	50.4	53.8	52.0
Noninterest expenses/revenues	68.5	73.4	67.7	71.8	72.2
New loan loss provisions/revenues	4.9	1.1	0.1	0.2	0.0
Net operating income before loan loss provisions/loan loss provisions	649.2	2,439.9	62,266.4	11,997.2	185,853.9
Net operating income after loan loss provisions/revenues	26.7	25.5	32.3	27.9	27.8
Pretax profit/revenues	26.7	25.4	32.3	27.9	27.8
Tax/pretax profit	10.8	15.1	6.1	5.3	8.3
Core earnings/revenues	23.8	21.6	30.3	26.5	25.5
Core earnings/average adjusted assets	0.8	0.8	1.4	1.2	N/A
Noninterest expenses/average adjusted assets	2.3	2.6	3.1	3.1	N/A
Core earnings/average risk-weighted assets	N.A.	2.2	1.9	1.6	1.3

Table 3

LGT Group--Profitability Ratios (cont.)					
Core earnings/average adjusted common equity	9.1	9.7	15.4	11.6	9.4
Pretax profit/average common equity (%)	8.1	6.7	8.9	7.2	N/A

*Data as of June 30. N.A.--Not available. N/A--Not applicable.

Table 4

LGT Group--Capital Ratios					
	--Year-ended Dec. 31 --				
(%)	2009*	2008	2007	2006	2005
Adjusted common equity/risk assets	N.A.	N.A.	11.6	12.8	14.2
Tier 1 capital ratio	17.7	16.5	17.8	18.6	20.9
Adjusted total equity/adjusted assets	9.8	8.8	11.2	12.3	12.8
Adjusted total equity/managed assets	9.8	8.7	11.1	12.2	12.7
Adjusted total equity plus loan loss reserves (specific)/customer loans (gross)	N.A.	40.3	41.9	44.0	43.4
Common dividend payout ratio	N.A.	46.1	58.9	55.3	69.2

*Data as of June 30. N.A.--Not available.

Table 5

LGT Group--Summary Balance Sheet					
	--Year-ended Dec. 31 --				
(Mil. CHF)	2009*	2008	2007	2006	2005
Assets					
Cash and money market instruments	N.A.	540.9	122.5	142.1	521.9
Securities	N.A.	6,471.4	7,094.5	5,502.7	3,303.7
Trading securities (marked to market)	N.A.	25.9	76.0	15.5	32.4
Nontrading securities	N.A.	6,445.5	7,018.4	5,487.2	3,271.2
Loans to banks (net)	N.A.	5,973.9	3,761.4	3,552.5	3,573.5
Customer loans (gross)	N.A.	4,987.5	5,728.5	5,019.0	4,653.2
Loan loss reserves	N.A.	27.0	27.2	27.8	30.9
Customer loans (net)	N.A.	4,960.6	5,701.3	4,991.3	4,622.3
Earning assets	N.A.	17,432.9	16,584.3	14,074.3	11,853.4
Equity interests/participations (nonfinancial)	N.A.	2,117.7	2,882.4	2,659.2	2,410.1
Intangibles (nonservicing)	N.A.	253.2	157.0	128.2	112.3
Fixed assets	N.A.	124.2	117.5	106.5	103.7
Derivatives credit amount	N.A.	2,126.1	1,292.6	636.3	799.1
Accrued receivables	N.A.	125.2	143.5	113.3	94.8
All other assets	N.A.	102.1	96.5	54.1	53.3
Total assets	24,400.0	22,795.4	21,369.2	17,886.1	15,594.7
Intangibles (nonservicing)	N.A.	253.2	157.0	128.2	112.3
Adjusted assets	24,400.0	22,542.2	21,212.2	17,757.9	15,482.4
Liabilities					
Total deposits	N.A.	15,290.3	12,692.0	10,860.7	8,899.7
Noncore deposits	N.A.	622.2	1,691.3	1,894.2	1,113.0
Core/customer deposits	N.A.	14,668.1	11,000.6	8,966.5	7,786.7

Table 5

LGT Group--Summary Balance Sheet (cont.)					
Other borrowings	21,767.0	2,460.0	3,395.1	2,891.8	2,524.2
Other other borrowings	21,767.0	1,196.8	1,918.4	1,286.8	879.0
Other liabilities	N.A.	2,484.4	1,886.9	1,110.6	1,518.1
Total liabilities	21,767.0	20,234.7	17,973.9	14,863.1	12,942.0
Total equity	2,633.0	2,560.7	3,395.3	3,023.0	2,652.7
Minority interest-equity	N.A.	8.1	12.0	12.4	7.7
Common shareholders' equity (reported)	2,633.0	2,552.6	3,383.3	3,010.6	2,645.0
Share capital and surplus	N.A.	339.0	339.0	339.0	339.0
Revaluation reserve	N.A.	495.2	1,316.0	1,101.1	820.6
Retained profits	N.A.	162.7	254.9	180.8	144.6
Other equity					
Total liabilities and equity	24,400.0	22,795.4	21,369.2	17,886.1	15,594.7

*Data as of June 30. CHF--Swiss franc. N.A.--Not available.

Table 6

LGT Group--Equity Reconciliation Table					
--Year-ended Dec. 31 --					
(Mil. CHF)	2009*	2008	2007	2006	2005
Common shareholders' equity (reported)	2,633.0	2,552.6	3,383.3	3,010.6	2,645.0
Plus minority interest (equity)	N.A.	8.1	12.0	12.4	7.7
Minus dividends (not yet distributed)	N.A.	(75.0)	(150.0)	(100.0)	(100.0)
Minus revaluation reserves	N.A.	(495.2)	(1,316.0)	(1,101.1)	(820.6)
Minus nonservicing intangibles	N.A.	(253.2)	(157.0)	(128.2)	(112.3)
Adjusted common equity	2,633.0	1,737.3	1,772.3	1,693.7	1,619.8
Plus unrealized gains	N.A.	245.3	598.5	488.0	367.1
Adjusted total equity	2,633.0	1,982.5	2,370.8	2,181.7	1,986.9

*Data as of June 30. CHF--Swiss franc. N.A.--Not available.

Table 7

LGT Group--Profit And Loss					
--Year-ended Dec. 31 --					
(Mil. CHF)	2009*	2008	2007	2006	2005
Net interest income	100.3	122.5	84.2	75.4	61.3
Interest income	100.3	470.7	434.5	329.2	244.4
Interest expense	N.A.	348.1	350.2	253.8	183.1
Operating noninterest income	292.9	665.7	794.6	651.3	533.2
Fees and commissions	208.2	586.4	679.5	559.7	469.7
Trading gains	84.7	73.0	58.6	88.7	59.4
Other market-sensitive income	N.A.	(0.1)	17.6	1.1	1.8
Equity in earnings of unconsolidated subsidiaries	N.A.	0.0	37.0	0.0	0.0
Other noninterest income	N.A.	6.4	1.9	1.9	2.3
Operating revenues	393.2	788.3	878.8	726.7	594.5
Noninterest expenses	269.2	579.0	594.9	521.9	429.1

Table 7

LGT Group--Profit And Loss (cont.)					
Personnel expenses	192.5	363.4	442.5	391.2	309.0
Other general and administrative expense	76.7	197.6	134.3	114.6	102.6
Net operating income before loss provisions	124.0	209.3	283.9	204.8	165.4
Credit loss provisions (net new)	19.1	8.6	0.5	1.7	0.1
Net operating income after loss provisions	104.9	200.7	283.5	203.1	165.3
Amortization of intangibles	N.A.	0.5	0.0	0.0	0.0
Pretax profit	104.9	200.3	283.5	203.1	165.3
Tax expense/credit	11.3	30.2	17.3	10.8	13.8
Net income (before minority interest)	93.6	170.1	266.2	192.3	151.5
Minority interest in consolidated subsidiaries	N.A.	7.3	11.3	11.5	6.9
Net income before extraordinaries	93.6	162.7	254.9	180.8	144.6
Net income after extraordinaries	93.6	162.7	254.9	180.8	144.6

*Data as of June 30. CHF--Swiss franc. N.A.--Not available.

Table 8

LGT Group--Core Earnings Reconciliation Table					
--Year-ended Dec. 31 --					
(Mil. CHF)	2009*	2008	2007	2006	2005
Net income (before minority interest)	93.6	170.1	266.2	192.3	151.5
Core earnings	93.6	170.5	266.2	192.3	151.5

*Data as of June 30. CHF--Swiss franc.

Ratings Detail (As Of March 5, 2010)*

LGT Bank in Liechtenstein AG

Counterparty Credit Rating	A+/Stable/A-1
Senior Unsecured (7 Issues)	A+
Short-Term Debt (1 Issue)	A-1

Counterparty Credit Ratings History

22-Sep-2008	A+/Stable/A-1
19-Feb-2008	AA-/Negative/A-1+
19-Jun-2001	AA-/Stable/A-1+

Sovereign Rating

Liechtenstein (Principality of)	AAA/Stable/A-1+
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*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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