

LGT BANK AG

HONG KONG BRANCH

Financial Information Disclosure Statements (Unaudited)
for the six months ended 30 June 2016

LGT BANK AG, Hong Kong Branch

Section A : Branch Information

I Income Statement Information

(in thousands of Hong Kong Dollars)

		Period ended 30 Jun 2016	Period ended 30 Jun 2015
Interest income		79,589	42,299
Interest expenses		(36,256)	(22,919)
Other operating income			
Gains less losses arising from trading in foreign currencies		23,197	23,621
Gains less losses from other trading activities		7,134	7,935
Net fees and commission income			
Gross fees and commission income	352,222		374,810
Gross fees and commission expenses	<u>(36,732)</u>	315,490	<u>(40,636)</u>
Others		<u>47,358</u>	<u>40,994</u>
Operating income		436,512	426,104
Operating expenses			
Staff and rental expenses	(307,090)		(287,039)
Other expenses	<u>(107,758)</u>	(414,848)	<u>(389,563)</u>
Provisions for loans and receivables		<u>(1,700)</u>	<u>(250)</u>
Profit before taxation		19,964	36,291
Tax expense		<u>(3,590)</u>	<u>(6,049)</u>
Profit after taxation		<u><u>16,374</u></u>	<u><u>30,242</u></u>

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II Balance Sheet Information

(in thousands of Hong Kong Dollars)

	30 Jun 2016	31 Dec 2015
Assets		
Due from Exchange Fund	673,045	1,022,379
Cash and balances with banks	2,954,172	2,677,378
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	1,933	-
Amount due from overseas offices of the institution	8,632,575	7,500,850
Certificates of deposit held	-	183,476
Investment securities	1,114,987	100,000
Loans and receivables	7,800,333	7,612,713
Fixed assets	15,177	18,325
Total assets	<u>21,192,222</u>	<u>19,115,121</u>
Liabilities		
Deposits and balances from banks	33,956	14,523
Deposit from customers		
Demand deposits and current accounts	6,678,914	6,316,130
Time, call and notice deposits	7,517,709	5,923,167
Amount due to overseas offices of the institution	6,574,632	6,331,635
Other liabilities	387,011	529,666
Total liabilities	<u>21,192,222</u>	<u>19,115,121</u>

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III Additional Balance Sheet Information

(in thousands of Hong Kong Dollars, except ratios)

(1) Loans and receivables	30 Jun 2016	31 Dec 2015
Loans and advances to customers	7,395,607	6,429,494
Loans and advances to banks	97,372	874,001
Accrued interest and other accounts	313,954	314,118
Provisions for loans and receivables		
Collective provision	(6,600)	(4,900)
	<u>7,800,333</u>	<u>7,612,713</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 2016 and 31 Dec 2015.

(2) The breakdown of gross amount of loans and advances to customers by industry sectors	30 Jun 2016	31 Dec 2015
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
Financial concerns	51,311	21,302
Stockbrokers	-	3,500
Individuals		
Others	926,519	847,235
Loans and advances for use outside Hong Kong	<u>6,417,777</u>	<u>5,557,457</u>
	<u>7,395,607</u>	<u>6,429,494</u>

Balance of loans and advances covered by collateral or other security as of 30 Jun 2016 was HK\$7,389,608 (31 Dec 2015: HK\$6,423,798).

(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 2016	31 Dec 2015
British Virgin Islands	2,449,767	1,945,795
Hong Kong	<u>2,442,708</u>	<u>2,684,294</u>
	<u>4,892,476</u>	<u>4,630,089</u>

The above geographical analysis is based on the location of the counterparty after taking into account any recognized risk transfer as defined in Section 98 of the Banking (Disclosure) Rules.

(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 2016 and 31 December 2015.

(5) There were no overdue loans and advances to customers and banks as at 30 June 2016 and 31 December 2015.

(6) There were no repossessed assets, and no rescheduled loans and advances to customers and banks as at 30 June 2016 and 31 December 2015.

(7) There were no overdue other assets at the Branch as at 30 June 2016 and 31 December 2015.

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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 Banking (Disclosure) Rules, amounting to not less than 10% of the aggregate International claims:

	Banks	Official Sector	Non-bank private sector Non-bank financial institution	Non-financial private sector	Total
30 Jun 2016					
Developed countries of which	12,242,382	993,567	557,726	578,213	14,371,888
- Liechtenstein	10,327,347	-	1,082	15,653	10,344,082
- United States	1,307,259	992,763	318,203	287,229	2,905,454
Offshore centres of which	1,709,078	7,044	95,752	2,462,424	4,274,298
- Hong Kong	1,393,909	-	59,492	1,707,158	3,160,559

	Banks	Official Sector	Non-bank private sector Non-bank financial institution	Non-financial private sector	Total
31 Dec 2015					
Developed countries of which	9,703,706	11,715	395,475	977,133	11,088,029
- Liechtenstein	8,678,932	-	1,232	7,636	8,687,800
Offshore centres of which	1,865,630	43,615	192,346	2,224,775	4,326,366
- Hong Kong	1,367,960	41,166	80,653	1,445,831	2,935,610

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V Mainland Activities

(in thousands of Hong Kong Dollars)

The Non-bank Mainland Exposures are as follows:

30 Jun 2016	On-balance sheet exposure	Off-balance sheet exposure	Total
Type of Counterparties			
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	23,319	-	23,319
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	421,416	172	421,588
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	106,115	108	106,223
Total	550,850	280	551,130
Total assets after provision	21,192,222		
On-balance sheet exposures as percentage of total assets	2.60%		

31 Dec 2015	On-balance sheet exposure	Off-balance sheet exposure	Total
Type of Counterparties			
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	319,812	15,596	335,408
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	104,222	-	104,222
Total	424,034	15,596	439,630
Total assets after provision	19,115,121		
On-balance sheet exposures as percentage of total assets	2.22%		

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VI Currency Risk

(in thousands of Hong Kong Dollars)

	USD	EUR	Total
30 Jun 2016			
Spot assets	13,011,700	2,334,019	15,345,719
Spot liabilities	(13,015,208)	(2,332,460)	(15,347,668)
Forward purchases	4,352,139	1,468,711	5,820,850
Forward sales	(4,346,431)	(1,469,566)	(5,815,997)
Net options position	-	-	-
Net long (or net short) position	<u>2,200</u>	<u>704</u>	<u>2,904</u>

	USD	AUD	Total
31 Dec 2015			
Spot assets	11,381,773	380,285	11,762,058
Spot liabilities	(11,389,848)	(378,973)	(11,768,821)
Forward purchases	5,860,921	736,091	6,597,012
Forward sales	(5,850,237)	(735,997)	(6,586,234)
Net options position	-	-	-
Net long (or net short) position	<u>2,609</u>	<u>1,406</u>	<u>4,015</u>

At 30 Jun 2016, USD and EUR (31 Dec 2015: USD and AUD) 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 2016 and 31 Dec 2015.

Net options position was 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 2016	31 Dec 2015
Contingent Liabilities and Commitments		
Direct Credit Substitutes	10,659	9,007
Transaction-related contingent items	72,083	59,679
Other commitments	9,305,790	7,493,889

For contingent liabilities and commitments, the contract amounts represent the amount at risk should the contract be fully drawn upon and the client default.

	30 Jun 2016	31 Dec 2015
Derivatives		
Contractual / Notional Amount		
Exchange rate and gold contracts	11,779,626	18,762,053
Interest rate contracts	429,396	427,997
Others	2,710,272	1,477,827
	<u>14,919,294</u>	<u>20,667,877</u>

	30 Jun 2016		31 Dec 2015	
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Exchange rate and gold contracts	154,031	151,626	154,835	152,514
Interest rate contracts	2,243	2,096	656	521
Others	49,684	49,665	59,639	59,639
	<u>205,958</u>	<u>203,387</u>	<u>215,130</u>	<u>212,674</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 contracts amounts and fair values of the above derivatives as at 30 June 2016 and 31 December 2015 are shown on a gross basis with no offsetting presentation due to bilateral netting agreements.

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VIII Liquidity

	30 Jun 2016	30 Jun 2015
Average liquidity maintenance ratio ("LMR") for the six months period	61.83%	58.00%

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 policy 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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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 2015	31 Dec 2014
Capital adequacy ratio	20.1%	18.4%
Shareholders' funds	3,313,873	3,354,387

The Capital ratios of LGT Group are based on the guidelines of the Basle Committee on Banking Supervision (Basle III) for 2015 ((Basle II) for 2014) and its implementation in the legislation of the European Union and of the Liechtenstein Government

II Other Financial Information

	31 Dec 2015	31 Dec 2014
Total assets	34,239,235	35,533,241
Total Liabilities	30,925,362	32,178,854
Total loans and advances	19,150,659	15,049,514
Total customer deposits	25,492,928	26,182,580
	31 Dec 2015	31 Dec 2014
Pre-tax profit	219,844	192,618