

LGT BANK AG

HONG KONG BRANCH

(incorporated in Liechtenstein with limited liability)

Financial Information Disclosure Statements (Unaudited)
for the year ended 31 December 2019

LGT BANK AG, Hong Kong Branch

Section A : Branch Information

I Income Statement Information

(in thousands of Hong Kong Dollars)

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
Interest income	1,222,108	953,116
Interest expenses	(857,876)	(650,721)
Other operating income		
Gains less losses arising from trading in foreign currencies	170,081	128,723
Gains less losses on securities held for trading purposes	209,453	139,379
Gains less losses from other trading activities	77,880	79,239
Net fees and commission income		
Gross fees and commission income	999,699	1,002,720
Gross fees and commission expenses	(197,653)	(175,086)
Others	232,652	183,591
Operating income	1,856,344	1,660,961
Operating expenses		
Staff and rental expenses	(1,054,065)	(1,096,811)
Other expenses	(661,586)	(475,755)
Release / (charge) for other provisions	448	(437)
Change in allowances for expected credit losses	783	2,504
Profit before taxation	141,924	90,462
Tax expense	(44,536)	(16,149)
Profit after taxation	97,388	74,313

LGT BANK AG, Hong Kong Branch

II Balance Sheet Information

(in thousands of Hong Kong Dollars)

	31 Dec 2019	30 Jun 2019
Assets		
Due from Exchange Fund	374,645	403,284
Cash and balances with banks	5,764,726	6,385,898
Amount due from overseas offices of the institution	27,312,098	30,917,072
Investment securities	4,883,385	5,091,735
Loans and receivables	19,341,858	19,715,676
Fixed assets	504,045	584,829
Intangible assets	1,274,457	1,308,025
Total assets	<u>59,455,214</u>	<u>64,406,519</u>
Liabilities		
Deposits and balances from banks	100,763	179,626
Deposit from customers		
Demand deposits and current accounts	7,880,324	9,681,604
Time, call and notice deposits	39,585,297	39,238,494
Amount due to overseas offices of the institution	10,022,102	13,871,801
Provision for commitments and contingent liabilities	-	4
Other liabilities	1,866,728	1,434,990
Total liabilities	<u>59,455,214</u>	<u>64,406,519</u>

LGT BANK AG, Hong Kong Branch

III Additional Balance Sheet Information

(in thousands of Hong Kong Dollars)

(1) Cash and balances with banks

	31 Dec 2019	30 Jun 2019
Cash and balances with banks	5,766,067	6,387,120
Less: Allowances for expected credit losses	(1,341)	(1,222)
	<u>5,764,726</u>	<u>6,385,898</u>

(2) Loans and receivables

	31 Dec 2019	30 Jun 2019
Loans and advances to customers	18,337,943	18,966,796
Loans and advances to banks	316,510	159,522
Less:		
Allowances for expected credit losses	(628)	(6,296)
	<u>18,653,825</u>	<u>19,120,022</u>
Accrued interest receivables	65,366	81,128
Unrealized gains on derivative instruments	476,768	367,065
Other accounts	145,899	147,461
	<u>688,033</u>	<u>595,654</u>
	<u>19,341,858</u>	<u>19,715,676</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:

	31 Dec 2019		30 Jun 2019	
	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	631,492	631,482	886,260	885,430
Individuals				
Others	4,646,456	4,640,093	4,227,413	4,195,349
Loans and advances for use outside Hong Kong	13,059,995	13,026,351	13,853,123	13,535,439
	<u>18,337,943</u>	<u>18,297,926</u>	<u>18,966,796</u>	<u>18,616,218</u>

LGT BANK AG, Hong Kong Branch

III Additional Balance Sheet Information (continued)

(in thousands of Hong Kong Dollars)

- (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:

	31 Dec 2019
British Virgin Islands	6,145,351
Hong Kong	6,249,503
	<u>12,394,854</u>
	30 Jun 2019
British Virgin Islands	6,081,169
Hong Kong	6,296,774
	<u>12,377,943</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 for loans and advances or other exposures of LGT HK have been set aside or maintained at the overseas head office as at 31 December 2019 and 30 June 2019.
- (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 31 December 2019 and 30 June 2019.
- (7) There were no overdue loans and advances to customers and banks, balances with banks as at 31 December 2019 and 30 June 2019.
- (8) There were no repossessed assets, and no rescheduled loans and advances to customers and banks, balances with banks as at 31 December 2019 and 30 June 2019.
- (9) There were no overdue other assets at LGT HK as at 31 December 2019 and 30 June 2019.

LGT BANK AG, Hong Kong Branch

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:

	Banks	Official Sector	Non-bank financial institution	Non-bank private sector Non-financial private sector	Total
31 Dec 2019					
Developed countries	39,080,123	628,191	1,607,102	1,068,121	42,383,537
of which					
- Liechtenstein	32,346,852	-	42,715	22,809	32,412,376
	Banks	Official Sector	Non-bank financial institution	Non-bank private sector Non-financial private sector	Total
30 Jun 2019					
Developed countries	43,519,580	622,877	1,475,463	964,962	46,582,882
of which					
- Liechtenstein	36,352,735	-	61,320	32,199	36,446,254

LGT BANK AG, Hong Kong Branch

V Mainland Activities

(in thousands of Hong Kong Dollars, except ratios)

The Non-bank Mainland Exposures are as follows:

31 Dec 2019	On-balance sheet exposures	Off-balance sheet exposures	Total
Type of Counterparties			
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	631,520	3,454	634,974
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	127,168	2,344	129,512
Total	758,688	5,798	764,486
Total assets after provision	59,455,214		
On-balance sheet exposures as percentage of total assets	1.28%		
30 Jun 2019	On-balance sheet exposures	Off-balance sheet exposures	Total
Type of Counterparties			
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	690,171	11,217	701,388
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	142,973	1,424	144,397
Total	833,144	12,641	845,785
Total assets after provision	64,406,515		
On-balance sheet exposures as percentage of total assets	1.29%		

LGT BANK AG, Hong Kong Branch

VI Currency Risk

(in thousands of Hong Kong Dollars)

	USD	
31 Dec 2019		
Spot assets	35,057,304	
Spot liabilities	(35,061,082)	
Forward purchases	10,380,873	
Forward sales	(10,316,512)	
Net options position	-	
Net long (or net short) position	60,583	
	USD	CHF
30 Jun 2019		
Spot assets	34,011,646	1,555,377
Spot liabilities	(34,000,881)	(1,571,687)
Forward purchases	7,765,908	1,108,460
Forward sales	(7,759,531)	(1,086,205)
Net options position	-	-
Net long (or net short) position	17,142	5,945

At 31 Dec 2019, USD (30 Jun 2019, USD and CHF) constitute 10% or more of the total net position in all foreign currencies. There were no foreign currency net structural positions as at 31 Dec 2019 and 30 Jun 2019.

Net options position is calculated on the basis of delta-weighted positions of all foreign exchange options contracts.

LGT BANK AG, Hong Kong Branch

VII Off-Balance Sheet Exposures

(in thousands of Hong Kong Dollars)

	31 Dec 2019	30 Jun 2019
Contingent Liabilities and Commitments		
Contractual Amount		
Direct credit substitutes	510,062	25,802
Transaction-related contingent items	3,792	403,974
Amount owing on partly paid shares and securities	499,131	275,029
Other commitments	25,546,785	26,628,516

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

	31 Dec 2019	30 Jun 2019
Derivatives		
Contractual / Notional Amount		
Exchange rate and gold contracts	42,082,588	38,284,085
Interest rate contracts	1,143,761	1,020,824
Equity contracts	8,561,911	6,139,366
Others	1,727,840	1,364,789
	<u>53,516,100</u>	<u>46,809,064</u>

	31 Dec 2019		30 Jun 2019	
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Exchange rate and gold contracts	276,599	268,279	236,152	230,638
Interest rate contracts	15,609	15,031	16,316	15,892
Equity contracts	157,400	157,400	100,872	100,872
Others	27,160	27,137	13,725	13,725
	<u>476,768</u>	<u>467,847</u>	<u>367,065</u>	<u>361,127</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.

LGT BANK AG, Hong Kong Branch

VIII Liquidity

(1) Liquidity Maintenance Ratios

	For the quarter ended	
	31 Dec 2019	31 Dec 2018
Average liquidity maintenance ratio ("LMR")	61.20%	56.93%

The average LMR is calculated based on the arithmetic mean of the Branch's average LMR for each calendar month in that quarter, as reported in the liquidity position return submitted to the Hong Kong Monetary Authority.

(2) Liquidity Risk Management

Governance

Liquidity risk is the risk that LGT HK may not be able to fund increases in assets and meet obligations as they fall due without incurring unacceptable losses.

LGT HK aims for a conservative and prudent approach to liquidity risk management that is proportionate to the nature, size and complexity of its business activities.

LGT HK establishes risk tolerance limits to monitor and control the nature and level of liquidity and funding risk. The risk tolerance limits are in line with the risk appetite set by the Foundation Board. The management of liquidity is carried out both at Head Office level as well as on branch level. Head Office requires LGT HK 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. Head Office will provide full financial support to LGT HK if required.

The liquidity and funding risk management is primarily undertaken locally and LGT HK ensures compliance with the limits set by the Assets and Liabilities Committee ("ALCO") of LGT HK.

The lines of authority, responsibilities and reporting structures of relevant parties are well defined in LGT HK's Liquidity Policy. ALCO of LGT HK oversees the liquidity risk management by formulating and reviewing LGT HK's Liquidity Policy. Trading & Treasury of the Group manages day-to-day and intraday liquidity position, funding requirements and maturity profile for LGT HK. HK Finance is responsible for reporting of key liquidity indicators on a daily basis (i.e. LMR ratio, Liquid Asset ratio, Loan to Deposit ratio and FX Net Open Position) and performing LMR stress testing on a weekly basis and highlighting any incidents that reach the internal limits of indicators for remedial actions.

The reporting on LGT HK's liquidity and funding risks are summarized in periodic reports prepared by HK Finance and Group Risk & Security ("GRS") and presented to ALCO of LGT HK on a monthly basis. It includes key liquidity indicators for measuring and managing liquidity risk, on- and off-balance sheet items broken down into maturity bands with repricing gaps, the size and composition of LGT HK's funding sources and liquidity cushion, and internal liquidity stress-testing results which involves comparing the liquidity reserve consisting of unencumbered high quality liquid assets with anticipated stressed contractual and contingent outflows under a variety of stress scenarios.

LGT HK's liquidity policy serves as a mean of communicating the LGT HK's liquidity risk strategy, policies and practices across business lines. It articulates LGT HK's liquidity risk management approach including how to identify, measure, monitor and control liquidity risk. It has also laid out protocol for event related to any loan drawdown, overdraft or payment of significant amounts for assessment of impact on all relevant ratios and limits.

The policy is reviewed and approved annually by the ALCO of LGT HK and endorsed by Board of Directors of LGT Bank AG to ensure that it remains valid and in compliance with all relevant external and internal requirements.

Funding Strategy

The Group adopts a centralized funding strategy. The objective is to ensure that liabilities can be met at all times as they fall due and maintain sufficient resources to fund the business on a permanent basis. Access to funding should be adequately diversified, as to both source and tenor. LGT HK ensures its local funding strategy is in line with the Group's for a diversified, longer term and stickier liabilities. ALCO of LGT HK monitors and reviews the level of concentration of funding from major counterparties on at least a monthly basis.

LGT BANK AG, Hong Kong Branch

VIII Liquidity (continued)

(2) Liquidity Risk Management (continued)

Liquidity Risk Mitigation

As main mitigation measure for liquidity risk LGT HK maintains a cushion of unencumbered, liquid and readily marketable assets as an insurance against liquidity shortfalls. Assets are considered to be liquid assets if they can be easily and immediately converted into cash at no or little cost via outright sale or via simple repurchase transactions, even in times of stress in the banking sector.

LGT HK aims to maintain an appropriate mix of high quality liquid assets as a source of liquidity for meeting emergency funding needs. The type, size and tenor of liquid assets to be acquired allow LGT HK to meet funding needs under severe stress scenarios. The liquid asset portfolio consists of cash, claims on Exchange Fund, Nostro account balances, bank placements and marketable debt securities.

The potential mitigating measures include the increase of holdings of liquid assets, diversification of liabilities emphasizing stickier and / or longer-term liabilities and reducing the average maturity of the lending business.

Liquidity Stress Testing

LGT Group adopts a cash-flow approach in stress-testing to monitor its liquidity positions regularly based on severe but plausible scenarios to identify potential sources of liquidity strain under stressed conditions covering the impacts of LGT's specific stress and market-wide stress and a combination of both. GRS conducts stress tests and monitors the adherence to the defined limits for all entities of the Group including LGT HK. The result enables LGT HK to assess its ability to generate sufficient liquidity from both sides of the balance sheet to meet funding needs under adverse conditions and the risk tolerance level. Stress testing results for LGT HK are presented in the monthly ALCO meeting.

Contingency Funding Plan

LGT HK maintains a contingency funding plan ("CFP") that sets up the strategies, process and the roles and responsibilities for addressing potential liquidity shortfalls in emergency situations. It includes identification of early indicators of stress scenarios, monitoring and escalation procedures, actions to be taken in the event of crisis and process for effective communication. The CFP is updated and reviewed at least annually.

(3) Concentration limits on collateral pool

The concentration risk of collateral pool is governed by the counterparty limit and individual security limit.

The largest exposure in term of counterparty among the collateral pool

31 Dec 2019

Inter-American Development Bank

25.87%

31 Dec 2018

US Government

28.12%

The largest exposure in term of individual security among the collateral pool

31 Dec 2019 31 Dec 2018

US Treasury Bills

12.76% 15.63%

(4) Concentration limit on sources of funding

LGT HK's funding sources are primarily non-bank customer deposits and borrowing from Head Office. Limit for the top 10 non-bank third-party customer deposits is set in the Liquidity Policy.

Significant funding instruments

	31 Dec 2019	31 Dec 2018
	As % of total liabilities	As % of total liabilities

Deposits from non-bank customers

79.90% 71.01%

Borrowing from head office

16.89% 26.51%

LGT BANK AG, Hong Kong Branch

VIII Liquidity (continued)

(5) Liquidity Gap

The table below shows the on- and off-balance sheet items, broken down into maturity buckets of LGT HK as at 31 December 2019:

31 Dec 2019 <i>(in millions of Hong Kong Dollars)</i>	Total	Up to 7 Days	8 Days up to 1 Month	Over 1 Month up to 3 Months	Over 3 Months up to 6 Months	Over 6 Months up to 1 Year	Over 1 Year up to 5 Years	Over 5 Years	Balancing Amount
On-balance sheet assets:									
Currency notes and coins	-	-	-	-	-	-	-	-	-
Amount receivable arising from derivative contracts	463	246	191	8	8	12	39	7	-
Due from Exchange Fund	375	375	-	-	-	-	-	-	-
Due from banks	33,439	19,913	7,738	3,834	1,350	582	22	-	-
Investment securities held	4,883	4,883	-	-	-	-	-	-	-
Loans and advances to non-bank customers	18,348	9,471	7,920	584	301	68	4	-	-
Other assets	1,925	-	36	-	-	-	36	-	1,853
Total on-balance sheet assets	59,433	34,888	15,885	4,426	1,659	662	101	7	1,853
On-balance sheet liabilities:									
Deposits from non-bank customers	47,505	34,597	7,131	3,869	1,304	582	22	-	-
Amount payable arising from derivative contracts	454	237	191	8	8	12	38	7	-
Due to banks	10,137	3,313	5,125	551	1,076	68	4	-	-
Other liabilities	1,090	5	61	22	415	69	376	-	142
Capital and reserves	255	-	97	-	-	-	-	-	158
Total on-balance sheet liabilities	59,441	38,152	12,605	4,450	2,803	731	440	7	300
Off-balance sheet obligations:									
Irrevocable loan commitments or facilities granted	3,549	3,549	-	-	-	-	-	-	-
Other off-balance sheet obligations	1,013	1,013	-	-	-	-	-	-	-
Total off-balance sheet obligations	4,562	4,562	-	-	-	-	-	-	-
Contractual Maturity Mismatch		(7,826)	3,280	(24)	(1,144)	(69)	(339)	-	
Cumulative Contractual Maturity Mismatch		(7,826)	(4,546)	(4,570)	(5,714)	(5,783)	(6,122)	(6,122)	

The below table shows information on the LGT HK's estimated cash flows arising from selected items based on behavioural assumptions:

<i>(in millions of Hong Kong Dollars)</i>	Total	Up to 7 Days	8 Days up to 1 Month	Over 1 Month up to 3 Months	Over 3 Months up to 6 Months	Over 6 Months up to 1 Year	Over 1 Year up to 5 Years	Over 5 Years	Balancing Amount
Demand, savings and current account deposits - according to the lowest month-end balance recorded in past 12 months	1,903								1,903
Off-balance sheet obligations:									
Irrevocable loan commitments or facilities granted	3,549	224	541	1,033	1,041	710	-	-	-
Other off-balance sheet obligations	1,013	-	-	-	-	-	-	-	1,013

The information of above tables is extracted from the HKMA Return on Liquidity Monitoring Tools (Form MA(BS)23)

LGT BANK AG, Hong Kong Branch

VIII Liquidity (continued)

(5) Liquidity Gap (continued)

The table below shows the on- and off-balance sheet items, broken down into maturity buckets of LGT HK as at 31 December 2018:

31 Dec 2018 <i>(in millions of Hong Kong Dollars)</i>	Total	Up to 7 Days	8 Days up to 1 Month	Over 1 Month up to 3 Months	Over 3 Months up to 6 Months	Over 6 Months up to 1 Year	Over 1 Year up to 5 Years	Over 5 Years	Balancing Amount
On-balance sheet assets:									
Currency notes and coins	1	1	-	-	-	-	-	-	-
Amount receivable arising from derivative contracts	655	179	434	22	9	21	46	9	-
Due from Exchange Fund	433	433	-	-	-	-	-	-	-
Due from banks	32,328	16,212	9,835	4,083	1,249	949	-	-	-
Investment securities held	5,008	5,008	-	-	-	-	-	-	-
Loans and advances to non-bank customers	16,637	5,773	9,953	626	136	129	20	-	-
Other assets	1,505	1	23	-	-	-	36	-	1,445
Total on-balance sheet assets	56,567	27,607	20,245	4,731	1,394	1,099	102	9	1,445
On-balance sheet liabilities:									
Deposits from non-bank customers	40,182	26,442	7,525	4,059	1,248	908	-	-	-
Amount payable arising from derivative contracts	651	175	434	22	9	21	46	9	-
Due to banks	15,091	3,588	9,730	648	149	169	700	107	-
Other liabilities	564	3	42	-	380	3	13	-	123
Capital and reserves	86	-	88	-	-	-	-	-	(2)
Total on-balance sheet liabilities	56,574	30,208	17,819	4,729	1,786	1,101	759	116	121
Off-balance sheet obligations:									
Irrevocable loan commitments or facilities granted	3,345	3,345	-	-	-	-	-	-	-
Other off-balance sheet obligations	1,046	1,046	-	-	-	-	-	-	-
Total off-balance sheet obligations	4,391	4,391	-	-	-	-	-	-	-
Contractual Maturity Mismatch		(6,992)	2,426	2	(392)	(2)	(657)	(107)	
Cumulative Contractual Maturity Mismatch		(6,992)	(4,566)	(4,564)	(4,956)	(4,958)	(5,615)	(5,722)	

The below table shows information on the LGT HK's estimated cash flows arising from selected items based on behavioural assumptions:

<i>(in millions of Hong Kong Dollars)</i>	Total	Up to 7 Days	8 Days up to 1 Month	Over 1 Month up to 3 Months	Over 3 Months up to 6 Months	Over 6 Months up to 1 Year	Over 1 Year up to 5 Years	Over 5 Years	Balancing Amount
Demand, savings and current account deposits - according to the lowest month-end balance recorded in past 12 months	2,311								2,311
Off-balance sheet obligations:									
Irrevocable loan commitments or facilities granted	3,345	238	582	959	904	662	-	-	-
Other off-balance sheet obligations	1,046	-	-	-	-	-	-	-	1,046

The information of above tables is extracted from the HKMA Return on Liquidity Monitoring Tools (Form MA(BS)23)

LGT BANK AG, Hong Kong Branch

IX Disclosure on Remuneration

With reference to HKMA Supervisory Policy Manual CG-5, "Guideline on a sound remuneration system", remuneration information is disclosed by LGT Bank AG, hence it is not separately disclosed by LGT HK. For details on LGT Bank AG remuneration information, please refer to its Annual Report.

LGT BANK AG, Hong Kong Branch

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 2019	31 Dec 2018
Capital adequacy ratio	19.9%	17.6%
Shareholders' funds	4,618,965	4,112,170

The Capital ratios of LGT Group are based on the guidelines of the Basel Committee on Banking Supervision (Basel III) and its implementation in the legislation of the European Union and of the Liechtenstein Government.

II Other Financial Information

	31 Dec 2019	31 Dec 2018
Total assets	49,437,590	43,443,994
Total liabilities	44,818,624	39,331,824
Total loans and advances	27,638,242	23,955,455
Total customer deposits	38,253,931	33,383,900

	31 Dec 2019	31 Dec 2018
Pre-tax profit	353,804	351,312