

March 2021



## Strong market position and a long-term approach

LGT reported broad-based growth in the 2020 financial year, which was characterized by the coronavirus pandemic, and generated a group profit of CHF 291.5 million. Following the negative impact of market turbulence during the first half of 2020, net asset inflows accelerated significantly during the second half of the year, and amounted to CHF 11.6 billion for the full year (+5 percent). Assets under management increased to CHF 240.7 billion. With its decision to separate the three business units in private banking, asset management and impact investing, LGT has set an important course for the future. In addition, it further invested in its business operations. LGT is very well capitalized with the tier 1 capital ratio at 21.9 percent, and has a high level of liquidity.

## Current positioning

LGT is also well positioned and protected against potential negative developments in the euro area. The Group has banks in Liechtenstein, Switzerland, Austria, Singapore and Hong Kong. These five financial centres have all received top ratings from Standard & Poor's (BICRA 2 and 3).

## Strong credit ratings

LGT Bank Ltd. is one of the few pure private banks whose credit quality is rated by both Moody's and Standard & Poor's. The creditworthiness of its parent group, LGT Group Foundation, is fundamental for the rating. The strong ratings are based on both the solidity of LGT's balance sheet and earnings strength.

	Moody's	Standard & Poor's
Long term rating	Aa2	A+
Short term rating	P-1	A-1

- Outlook: Moody's – stable; Standard & Poor's – positive.
- The Moody's rating was first accorded in 1996, S&P has rated LGT Bank since January 1997.
- Moody's short term rating of P-1 is the highest possible while the S&P rating of A-1 reflects the second highest possible.
- LGT Bank is the largest Bank in the Principality of Liechtenstein, which itself enjoys the highest possible sovereign rating of AAA (S&P).
- Based on these excellent ratings the magazine Global Finance named LGT in 2017 as one of the 50 safest banks worldwide, LGT being one of four banks from Switzerland and Liechtenstein on the list.

## Strong tier 1 ratio

Tier 1 ratio is a core measure of the bank's financial strength from a regulator's point of view and is based on the guidelines of the Basel Committee on Banking Supervision. As of December 31, 2020, LGT had a tier 1 ratio of 21.9 percent versus a regulatory minimum of 13 percent.

### Comparison of tier 1 ratios in percent (as at 31.12.2020)

LGT	21.9	Deutsche Bank	13.6	JP Morgan	13.1
UBS Group AG	13.8	BNP	12.8	DBS Bank Ltd.	13.9
Société Générale	13.4	ING Bank (31.12.2019)	13.1	Credit Suisse Group	12.9
Julius Bär Group	14.9	Citigroup	11.7	HSBC Bank	14.7
ZKB	17.4	Vontobel	13.8	Lombard Odier (30.06.2020)	29.7

## Solid leverage ratio

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

### Comparison of leverage ratios in percent (as at 31.12.2020)

LGT	8.2	Deutsche Bank	4.7	JP Morgan	6.9
UBS Group AG	5.4	BNP	4.9	DBS Bank Ltd.	6.8
Société Générale	4.7	ING Bank (31.12.2019)	4.2	Credit Suisse Group	6.4
Julius Bär Group	4.0	Citigroup	7.0	HSBC Bank	3.8
ZKB	6.2	Vontobel	4.6	Lombard Odier (30.06.2020)	9.8

## Sound, client-based refinancing

The structure of LGT's liability side of the balance sheet has been constant for many years, with most of the Bank's refinancing coming from client deposits (currently 75 percent) and equity capital (currently 10 percent). Client deposits remained high in 2020, with clients attracted by conservatively managed balance sheets such as at LGT.

On December 31, 2020, LGT's liabilities of CHF 49.9 billion were composed as follows:

- CHF 4.8 bn (9.7%) shareholders' funds
- CHF 37.2 bn (74.5%) deposits from clients
- CHF 2.5 bn (5.0%) lending from banks
- CHF 5.4 bn (10.8%) others

## High quality assets

On December 31, 2020, LGT's assets of CHF 49.9 billion were invested in the following categories:

- CHF 17.6 bn (35.4%) lending to clients
- CHF 5.3 bn (10.6%) interbank lending
- CHF 10.5 bn (21.0%) current account at central banks
- CHF 11.1 bn (22.3%) financial assets
- CHF 5.4 bn (10.7%) others

LGT's assets have always been managed in a disciplined and conservative way which is reflected in the current strong quality of LGT's asset base.

- LGT applies a prudent lending policy to clients (CHF 17.6 bn). In fact, LGT practically only grants collateralized loans ("Lombard loans") against pledging of custody accounts and mortgages focused on residential properties mainly in Liechtenstein and Switzerland in combination with private banking assets. Thanks to strict lending guidelines credit losses have always been very low.
- LGT's Princely Portfolio has a strong track record of more than 15 years in terms of risk and return and is considered as a long term investment by the Princely House of Liechtenstein.
- In order to manage its liquidity, LGT grants uncommitted short term lendings within the interbank market (CHF 5.3 bn) and invests into short term money market papers (CHF 2.5 bn). Both asset categories are highly diversified with a large number of mainly European banks of prime quality. Over 58 percent of counterparties had a rating of at least "AA," and over 95 percent a rating of at least "A". LGT is closely monitoring these positions and applies strict criteria in order to assess whether or not a bank qualifies for lending.

## Strong liquidity, conservative asset and liability management

Due to its sound refinancing base and the high quality of its assets, LGT Bank's liquidity ratio is significantly above the regulatory required minimum. LGT's extremely prudent balance sheet management is based on conservative maturity gaps between its assets and liabilities.

## Deposit safety

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

### **General risk information**

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