VALUES WORTH SHARING

Annual Report 2018

LGT Group

Detail of the stucco ceiling of the First White and Gold Room on the first floor piano nobile of the Liechtenstein City Palace

A look inside the Princely Collections: The images in this publication show the great attention to detail that went into designing the Princely palaces. This can be seen in the elaborate stucco ceilings and the terrazzo and parquet floors. Michael Thonet, who invented the world-renowned bentwood furniture, also applied his patented bentwood technique to the intarsia parquet in the City Palace. Thanks to painstaking restoration, it has now returned to its former splendor.

For more than 400 years, the Princes of Liechtenstein have been passionate art collectors. The Princely Collections include key works of European art stretching over five centuries and are now among the world's major private art collections. The notion of promoting fine arts for the general good enjoyed its greatest popularity during the Baroque period. The House of Liechtenstein has pursued this ideal consistently down the generations. We make deliberate use of the works of art in the Princely Collections to accompany what we do. For us, they embody those values that form the basis for a successful partnership with our clients: a long-term focus, skill and reliability.

Cover image: Detail of the inlaid parquet floor in the Ballroom on the second floor piano nobile of the Liechtenstein City Palace, executed by Michael Thonet

www.liechtensteincollections.at

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“With the support of our
dedicated employees,
our stable ownership structure
and our long-term strategy,
we want to make further
progress on our growth path.”

H.S.H. Prince Max von und zu Liechtenstein, CEO LGT

LGT at a glance

LGT is a leading international Private Banking and Asset Management Group that has been fully controlled by the Liechtenstein Princely Family for over 80 years. As per 31 December 2018, LGT managed assets of CHF 198.2 billion (USD 201.2 billion) for wealthy private individuals and institutional clients. LGT employs over 3400 people who work out of more than 20 locations in Europe, Asia, the Americas and the Middle East.

Business areas

LGT Private Banking

Wealth management services for private clients, including:

- Investment advice and portfolio management
- Trading advice and execution
- Loan and credit facilities
- Philanthropy services and impact investing

LGT is present in Liechtenstein, Switzerland, Austria, the United Kingdom, Hong Kong, Singapore and Dubai. These platforms have the principal focus of addressing the specific needs of wealthy private clients and offer access to state-of-the-art investment services. LGT also manages the financial investments of the Liechtenstein Princely Family.

LGT Asset Management

Discretionary investment management of institutional client mandates and investment funds (operating under the brand of LGT Capital Partners)

LGT Capital Partners is a global leader in managing alternative investments and multi-asset products with an excellent track record spanning over 20 years. An international team of over 450 specialists manages the assets of more than 500 institutional investors including pension funds, insurance companies, sovereign wealth funds, banks and foundations. In addition to its headquarters in Pfäffikon, Switzerland, LGT Capital Partners has offices in New York, London, Paris, Dublin, Dubai, Hong Kong, Tokyo, Beijing, Sydney and Vaduz.

Long-term strategy and corporate philosophy

LGT's private ownership and efficient governance facilitate quick and independent decision-making based on a long term perspective with regard to corporate strategy and development.

For more than 20 years, LGT has pursued two strategic priorities: the international expansion and diversification of its private banking business, as well as the establishment of an outstanding global investment capacity to serve the needs of the Liechtenstein Princely Family and of institutional and private clients. To maximize the alignment of interests among LGT's clients, employees and the shareholder, it has been an important part of LGT's philosophy that the Princely Family and employees co-invest in a substantial manner alongside clients. In a world of growing social and environmental pressures, LGT is looking to create shared value between business and society – ideally increasing growth and profits while at the same time creating a positive impact for the principal stakeholder, society and the environment.

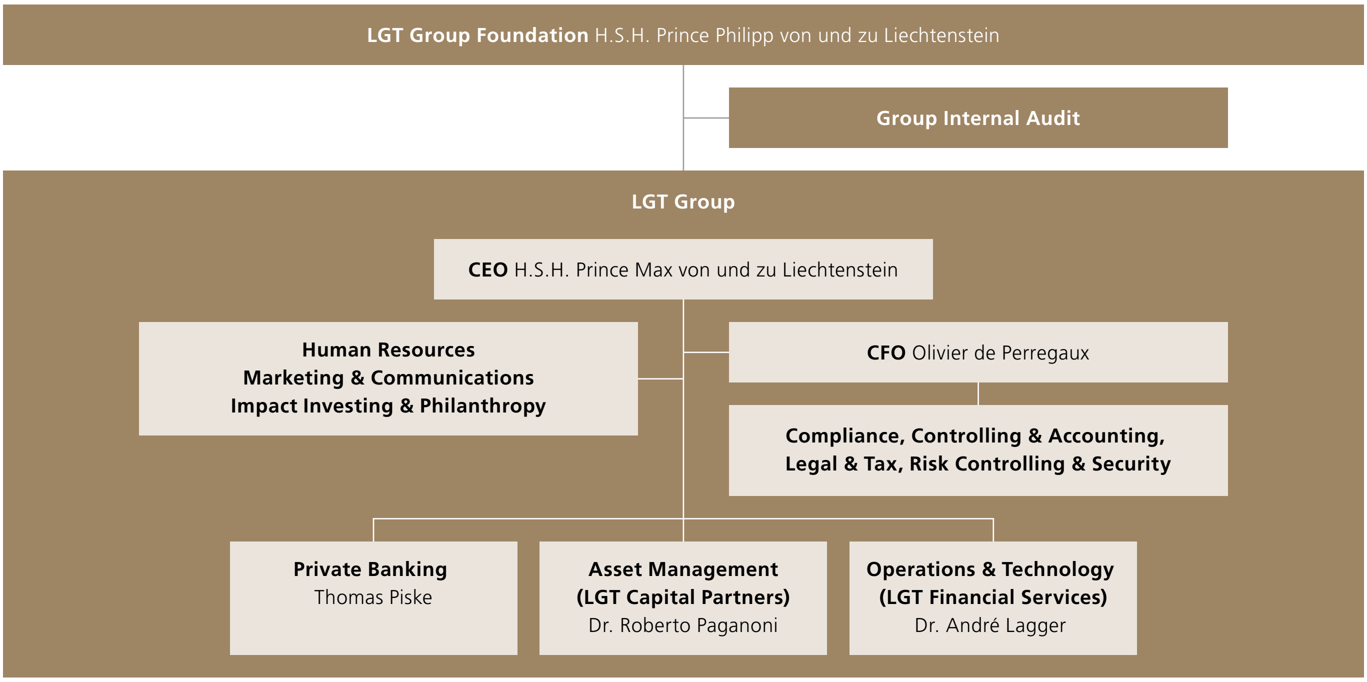
Thinking and acting sustainably has always been a top priority for LGT. As a company, LGT believes it is responsible for the social and environmental impact of its business activities. As an intermediary between investors and capital-seeking businesses and organizations, it strives to ensure that capital is invested sustainably from both an environmental and a social perspective. LGT also makes responsible use of the resources needed to conduct its business and encourages its suppliers to manufacture their products in a sustainable manner.

Conservative balance sheet – financial stability

LGT has a healthy balance sheet, a high level of liquidity and is very well capitalized. Its equity capital is substantially above the regulatory requirements and reflects the financial strength of the company in international comparison. LGT Bank Ltd. is one of the world's few international private banks to have its credit rating assessed by independent rating agencies such as Standard & Poor's (A+) and Moody's (Aa2).

Further information on sustainability at LGT and the latest sustainability report, which also applies for LGT Bank Ltd., Vaduz, can be found at **www.lgt.li/en/commitment/sustainability**

Organizational structure



Foundation Board	H.S.H. Prince Philipp von und zu Liechtenstein, Chairman[1] Dr. Rodolfo Bogni[1, 2] Juan Bosch[2] K B Chandrasekar[3, 4] Dr. Phillip Colebatch[1, 2, 4] Mark Jordy[3] Prof. Dr. Conrad Meyer[3, 4]
Senior Management Board	H.S.H. Prince Max von und zu Liechtenstein, CEO LGT Dr. André Lagger, CEO LGT Financial Services Dr. Roberto Paganoni, CEO LGT Capital Partners Olivier de Perregaux, CFO LGT Thomas Piske, CEO LGT Private Banking
Internal Audit	Daniel Hauser, Head Group Internal Audit
External Audit	PricewaterhouseCoopers AG, Zurich

[1] Member of the HR Nomination Committee
[2] Member of the HR Compensation Committee
[3] Member of the Audit Committee
[4] Member of the Risk Committee

Financial highlights

		2018	2017	2016	2015	2014
Assets under administration	**CHF m**	**198 243**	**201 782**	**152 101**	**129 341**	**125 786**
Net new assets	**CHF m**	**6 757**	**35 985**	**19 687**	**8 882**	**14 429**
of which net new money	CHF m	6 757	17 684	11 668	8 882	6 755
of which through acquisition	CHF m	0	18 301	8 019	0	7 674
Total operating income[1]	**CHF m**	**1 676**	**1 537**	**1 198**	**1 140**	**1 009**
Group profit	**CHF m**	**314**	**283**	**230**	**211**	**165**
Appropriation of Foundation earnings and dividends	**CHF m**	**-125**[2]	**-150**	**-100**	**-100**	**-100**
Group equity capital	**CHF m**	**4 112**	**4 113**	**3 643**	**3 314**	**3 354**
Total assets	**CHF m**	**43 444**	**41 893**	**35 752**	**34 239**	**35 533**
Ratios						
Tier 1	%	17.6	18.8	20.2	20.1	18.4
Cost/income ratio[1]	%	74.0	73.8	74.7	71.8	75.4
Liquidity coverage ratio	%	203.3	237.7	191.0	142.7	130.0
Headcount at 31 December		**3 405**	**3 188**	**2 632**	**2 212**	**2 081**
Rating[3]						
Moody's		Aa2	Aa2	Aa2	Aa2	A1
Standard & Poor's		A+	A+	A+	A+	A+

[1] Due to a change in the accounting standard historical figures have been restated. For further information please also see note 1, note 5 and note 8.
[2] Proposed
[3] LGT Bank Ltd., Vaduz

Chairman's report

H.S.H. Prince Philipp von und zu Liechtenstein, Chairman LGT (left) and H.S.H. Prince Max von und zu Liechtenstein, CEO LGT (right)

In a market environment characterized by economic and political uncertainty, LGT remained on a path of profitable growth in the 2018 financial year. The bank benefited from its broad earnings base, which it has expanded systematically in recent years as part of its international growth strategy. Revenues and expenses for the private banking business in Asia and the Middle East acquired from ABN AMRO in May 2017 and for the London and Paris-based private debt manager European Capital Fund Management acquired in June 2017 were included in LGT's results on a full-year basis for the first time in 2018.

LGT's total operating income rose 9 percent in 2018 to CHF 1.68 billion, which reflects further organic growth and the successful integration of acquisitions. As a result of the increased asset base, income from services rose 8 percent to CHF 1.09 billion. Net interest income (incl. credit losses) increased substantially by 20 percent to CHF 277.8 million. The expanded business in Asia made a strong contribution to this result. Income from trading activities and other operating income rose 3 percent to CHF 307.8 million.

The developments on the expense side during the period under review also reflect the higher volume of business. Total operating expenses increased to CHF 1.32 billion, which corresponds to a rise of 9 percent, or 5 percent excluding the positive pension plan effect that resulted in a reduction in the previous year's cost base. Personnel expenses increased to CHF 924.0 million (+8 percent, or +2 percent excluding the pension plan effect), which is mainly due to the rise in head-count. Business and office expenses increased 15 percent to CHF 316.4 million. Depreciation, amortization and provisions remained stable at CHF 84.1 million (+1 percent).

The cost-income ratio remained unchanged at 74 percent. Group profit rose 11 percent to CHF 314.1 million.

LGT is very well capitalized with the tier 1 capital ratio at 17.6 percent as at 31 December 2018; liquidity remained at a high level.

Continued solid net new asset inflows

LGT reported continued solid net new asset inflows in 2018 of CHF 6.8 billion, which corresponds to a growth rate of 3 percent. While net inflows in private banking remained high and well diversified across regions, LGT Capital Partners achieved high inflows in private markets, but was impacted in a number of other segments by the difficult market conditions.

As at 31 December 2018, assets under management totaled CHF 198.2 billion and were 2 percent lower than at the end of the previous year, as positive net new asset inflows were more than offset by negative market and currency effects.

Private banking: initiatives for greater efficiency and further growth

Over the last 20 years, LGT has consistently pursued an international growth and diversification strategy in private banking. With locations in Switzerland, the UK, Singapore, Hong Kong, Liechtenstein, Austria and Dubai, it focuses on the most attractive private banking centers with access to the key growth regions and attractive markets. Several teams were successfully recruited in a number of these locations during the year under review.

In addition to implementing extensive new regulations, particularly in the context of MiFID II, LGT launched a program across its locations to take even greater advantage of economies of scale group-wide and increase operational efficiency. The objective is to strengthen profitability as well as resilience as a measure against potential adverse developments in financial markets. Client-focused initiatives, which target further growth, in particular included the implementation of a new intermediaries strategy for Switzerland and Liechtenstein, the improvement and expansion of the product offering in the sustainability segment as part of the recently introduced Sustainability Strategy 2025 and the roll-out of the "LGT SmartBanking" e-banking platform.

Asset management: further strengthening in the private markets segment

Our asset management business caters to international institutional clients who are mainly invested in alternative asset classes and multi-asset products. During the year under review, LGT Capital Partners celebrated its 20th anniversary and reported continued strong demand for alternative investments from institutional investors, reinforced by good performance in private markets programs and a generally positive market environment. Particularly worthy of mention is the successful launch of the first private debt fund following the integration of European Capital.

The strategic priorities for the future include further increasing investment and product expertise, expanding the geographic reach, also in the private debt segment, further strengthening the global sales organization, particularly in the US, and broadening the investor base.

Strategy and outlook

Over the last few years, we have invested significantly in infrastructure and the implementation of new regulatory requirements. With the IT migration of LGT Bank Austria concluded at the beginning of 2019, all LGT Private Banking booking platforms, with the exception of the UK-based wealth management boutique LGT Vestra, now use Avaloq as their core banking system, which allows for a high level of operational efficiency. As part of our long-term growth strategy, LGT aims to further strengthen its international platforms, make greater use of economies of scale and further tap the possibilities offered by digitalization in order to consistently provide our clients with premium private banking and asset management services.

With the opening of its new onshore location in Bangkok at the beginning of March 2019, LGT is underscoring its successful growth trajectory in Asia and is further expanding its presence in attractive growth markets. LGT Securities (Thailand) Ltd. has received the necessary regulatory approvals and with its team of local and international experts, offers wealth management services for high-net-worth private Thai clients.

We are confident that with its internationally broad-based business and strong position in well-diversified client markets and asset classes, LGT will continue to achieve profitable growth in 2019 even under uncertain market conditions. After the acquisitions made in the last few years and the implementation of many infrastructure- and regulation-related projects, 2018 was a year of consolidation for us. We increased our focus on operational improvements, strategic matters and on further developing our investment expertise in order to optimally prepare for the changing environment. Despite the challenging market conditions, we continued to grow and further increased profitability. With the support of our dedicated employees, our stable ownership structure and our long-term strategy, we want to make further progress on our growth path and create added value for our loyal clientele and for the environment in which we operate.

Corporate governance

LGT and its holding company, LGT Group Foundation, are 100 percent controlled by the Prince of Liechtenstein Foundation (POLF), the beneficiary of which is H.S.H. Reigning Prince Hans-Adam II von und zu Liechtenstein. The POLF names the Foundation Board of LGT Group Foundation. The Group's Foundation Board meets at least four times a year and has constituted four separate committees (HR Compensation Committee, HR Nomination Committee, Risk Committee as well as Audit Committee). The committees assist the Foundation Board in fulfilling its oversight responsibilities by law and internal or external regulations. Each committee is authorized by the Foundation Board to oversee any activity within its terms of reference.

The HR Compensation Committee reviews the compensation guidelines of the Group, discusses and determines amendments to or the creation of compensation plans and proposes the compensation of the Senior Group Management. The compensation system supervised by the HR Compensation Committee consists of a fixed salary component, a yearly bonus and a long-term incentive scheme (LTIS). As a privately held company, LGT has developed an internal LTIS based on an option scheme. Senior management and other key people are entitled to participate in the LTIS. The LTIS is calculated according to a predefined formula which includes, in particular, the result of operating activities, the investment performance of the Princely Portfolio and the Group's cost of capital. LTIS options are granted yearly and can be exercised between three to seven years after grant. In addition to direct compensation, the employees have the possibility to co-invest directly in client products. These co-investments are at the full risk/benefit of the subscribing employee.

The HR Nomination Committee defines and reviews the performance appraisal, development and succession plans of the Senior Group Management, discusses and reviews the talent management situation and development of LGT and reviews the personnel and HR risk reporting of LGT.

The activities of the Risk Committee include a periodic review of the general risk limits, a regular assessment of adequacy of the group wide risk organization, a periodical review of the risk strategy and framework as well as a periodical review of the risk tolerance/appetite.

The activities of the Audit Committee include the review of financial information, monitoring the adequacy of the system of internal controls and of the compliance framework which management and the Board Members have established. It further reviews legal and regulatory matters that may have a material impact on the Group and monitors the qualifications, independence and performance of the external auditors and Group Internal Audit. The external auditors are re-evaluated on a regular basis.

The consolidated LGT is supervised by the Liechtenstein Financial Market Authority (FMA). Companies outside Liechtenstein are supervised by their local authorities.

Although it is a privately held company, LGT aims to follow the standard practices of public companies; therefore LGT applies a transparent and proactive communication policy. LGT Bank Ltd. is rated by Moody's and Standard & Poor's. LGT has applied International Financial Reporting Standards (IFRS) since 1996.

Consolidated financial statements of LGT Group

Report of the statutory auditor

Report of the statutory auditor
to the Foundation Supervisory Board of LGT Group Foundation
Vaduz

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of LGT Group Foundation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 20 to 99) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Liechtenstein law.

Basis for opinion
We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISA) as well as with auditing standards promulgated by the profession in Liechtenstein. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Liechtenstein law and the requirements of the Liechtenstein audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: CHF 41.1 million representing 1% of total equity

We concluded full scope audit work at twelve reporting units in six countries. Our audit scope addressed 85% of the Group's operating profit before tax and 98% of the Group's total assets. In addition, we have performed analytical procedures over the remaining 48 reporting units in 21 countries. In aggregate, these reporting units were immaterial from the Group audit perspective.

As key audit matters the following areas of focus have been identified:

- Impairment of loans and advances to customers
- Goodwill impairment assessment
- Valuation of the provision for operational risk

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	CHF 41.1 million
How we determined it	1% of total equity
Rationale for the materiality benchmark applied	We chose total equity as the benchmark because, in our view, it is the benchmark that best represents the solvency and stability of the Group, which is of major relevance for economic decisions made by the owners, customers and the regulator.

We agreed with the Audit Committee that we would report to them misstatements above CHF 2.1 million. identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers

Key audit matter	*How our audit addressed the key audit matter*
We consider the valuation of loans and advances to customers as a key audit matter because they represent the largest item on the balance sheet. Furthermore, the Foundation Board has significant scope to apply judgement when estimating the present value of future cash flows arising from such loans and advances. As of 31 December 2018, the Group has CHF 19.2 billion of outstanding loans and advances to customers, of which 0.1% were assessed as impaired. We focused our audit on two areas: • The Group's timely identification of impairment events (i.e. the point in time at which an impairment is recognised). • The determination of the amount of the impairment when an impairment event is identified. The impairment event and the determination of the amount of the impairment depend on the type of lending product and customer. *Refer to notes 13 and 14 on pages 29 to 32 (Accounting principles), note 12 on pages 48 to 49 and note 5 on pages 92 to 98 (Risk management).*	We assessed and tested the controls relating to the identification of impaired loans and advances to customers. We tested the IT-based controls in the loan management system. We also tested a sample of loans and advances to customers in order to establish whether the impairment event was identified in a timely manner. Where impairment had been identified, we examined the forecasts of future cash flows prepared by Management to support the calculation of the impairment. In doing so, we challenged the assumptions and compared them with external evidence. We examined a sample of loans and advances to customers for which Management did not identify an impairment event (using the criteria set out on page 30 'Impairment'). We formed our own judgement as to whether the Foundation Board's conclusions were appropriate. Our testing included the use of external evidence regarding the counterparties.

Goodwill impairment assessment

Key audit matter	*How our audit addressed the key audit matter*
We consider the goodwill impairment assessment as a key audit matter because the Foundation Board has significant scope for judgement in estimating the value of the cash-generating units (CGU), in general, and the client asset multiple to be applied, in particular. Goodwill of CHF 526.8m is allocated to the CGUs "Business Unit Private Banking" (CHF 494.0m) and "Business Unit Asset Management" (CHF 32.8m). *Refer to note 11.1 on page 28 (Accounting principles) and note 17 on page 53.*	We assessed whether the Group's approach to identifying the CGUs was appropriate and that the Group correctly allocated goodwill to each of these CGUs. We benchmarked the assumptions applied by Management, for example, by comparing its client asset multiples with the client asset multiples of comparable listed organisations. In addition, we estimated independently an appropriate control premium based on recent transactions comparable with the CGUs concerned. We performed sensitivity analyses on the above assumptions to determine the extent of the change required in them, either individually or collectively, that would cause the goodwill to be impaired.

Valuation of the provision for operational risks

Key audit matter	*How our audit addressed the key audit matter*
We focused on this area because the Group operates in a regulatory and legal environment that exposes it to litigation arising from claims and disputes, as well as to regulatory proceedings. The Foundation Board has significant scope for judgement in estimating the provision required for the settlement of claims and disputes and for regulatory proceedings against the Group. As of 31 December 2018, the Group has a provision for operational risks in the amount of CHF 46.6 million. *Refer to note 21 on page 34 (Accounting principles) and note 24 on page 57.*	We examined the analyses performed by the Group that form the basis for its judgement in estimating the provision required for the settlement of claims and disputes and for regulatory proceedings, together with the relevant supporting evidence, such as correspondence with external parties and legal opinions obtained. Further, we applied our understanding of the business and our reading of the relevant correspondence to challenge the completeness of the exposures identified and the need for a provision. With regard to unidentified risks, we tested a sample of customer complaints by reading correspondence with customers to understand whether there were indicators of the existence of systemic issues for which a provision may need to be recognised in the consolidated financial statements. We also considered externally available information and assessed its potential implications for the Group.

Other information in the annual report

The Foundation Board is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the chairman's report, the stand-alone financial statements of LGT Group Foundation and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Foundation Board for the consolidated financial statements

The Foundation Board is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Liechtenstein law, and for such internal control as the Foundation Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Foundation Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Foundation Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Liechtenstein law , with ISAs and with auditing standards promulgated by the profession in Liechtenstein will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Liechtenstein law and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Foundation Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Foundation Board or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Foundation Board or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Foundation Board or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on other legal and regulatory requirements

The chairman's report (pages 8 to 9) is in accordance with the consolidated financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Roman Berlinger
Auditor in charge

Roman Schnider

Zurich, 25 April 2019

Detail of the inlaid parquet floor in the Great Kurbari Room of the second floor piano nobile of the Liechtenstein City Palace, executed by Michael Thonet

Consolidated income statement

Consolidated income statement (TCHF)	Note	2018	2017[1]	Change absolute	Change %
Interest earned		627 122	460 257	166 865	36
Interest expense		-345 702	-235 442	-110 260	47
Net interest income	1	**281 420**	**224 815**	**56 605**	**25**
Credit loss expense/recovery	2	-3 618	7 364	-10 982	-149
Net interest income after credit losses		**277 802**	**232 179**	**45 623**	**20**
Income from services	3	1 090 216	1 005 148	85 068	8
Income from trading activities	4	272 901	249 497	23 404	9
Other operating income	5	34 883	49 745	-14 863	-30
Total operating income		**1 675 802**	**1 536 570**	**139 232**	**9**
Personnel expenses	6	-923 989	-858 367	-65 622	8
Business and office expenses	7	-316 352	-274 980	-41 372	15
Depreciation, amortization and provisions	8	-84 149	-83 142	-1 008	1
Total operating expenses		**-1 324 490**	**-1 216 489**	**-108 002**	**9**
Operating profit before tax		**351 312**	**320 081**	**31 231**	**10**
Tax expense	9	-37 201	-36 685	-516	1
Profit for the year		**314 111**	**283 397**	**30 714**	**11**
Attributable to:					
Equity holders of the parent entity		314 118	283 387	30 731	11
Non-controlling interests		-7	10	-16	-167

The accompanying notes form an integral part of the consolidated financial statements.

[1] Comparative figures differ from those published in the 2017 annual report. Credit losses are recorded under credit loss expense/recovery instead of under depreciation, amortization and provisions. In addition, dividends from investment securities are reflected in other operating income and are no longer part of net interest income. This is due to a change in the accounting standard. Group profit remains unchanged.

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income (TCHF)	Note	2018	2017	Change absolute	Change %
Profit for the year		**314 111**	**283 397**	**30 714**	**11**
Other comprehensive income					
Other comprehensive income that may be reclassified to the income statement					
Changes in foreign currency translation		-12 371	25 598	-37 970	-148
Changes in investments in associates	25	0	174 763	174 763	-100
Changes in available-for-sale securities	25	–	13 719	-13 719	-100
Changes in debt instruments at fair value through other comprehensive income	25	-6 503	–	-6 503	–
Changes in cash flow hedge	25	401	893	-492	-55
Total other comprehensive income that may be reclassified to the income statement		**-18 473**	**214 973**	**-233 446**	**-109**
Other comprehensive income that may not be reclassified to the income statement					
Actuarial gains/losses on defined benefit plans, net of tax	25	-53 556	50 346	-103 902	-206
Changes in equity instruments at fair value through other comprehensive income	25	-110 900	–	-110 900	–
Total other comprehensive income that may not be reclassified to the income statement		**-164 456**	**50 346**	**-214 802**	**-427**
Total comprehensive income for the year		**131 182**	**548 716**	**-417 534**	**-76**
Attributable to:					
Equity holders of the parent entity		131 189	548 706	-417 517	-76
Non-controlling interests		-7	10	-16	-167

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated balance sheet

Consolidated balance sheet (TCHF)	Note	2018	2017	Change absolute	Change %
Assets					
Cash in hand, balances with central banks	10	6 126 084	4 938 942	1 187 142	24
Loans and advances to banks	11	4 759 167	3 986 775	772 391	19
Loans and advances to customers	12	19 196 288	19 984 006	-787 718	-4
Securities held for trading purposes	13	1 548 650	264	1 548 386	
Derivative financial instruments	30	778 083	681 865	96 218	14
Investment securities at fair value	14	9 398 998	7 739 867	1 659 131	21
Investments in associates	15	0	2 969 087	-2 969 087	-100
Property and equipment	16	139 997	165 023	-25 026	-15
Intangible assets	17	795 435	823 946	-28 511	-3
Prepayments and accrued income		169 490	163 637	5 853	4
Deferred tax assets	9	79 536	76 451	3 085	4
Other assets	18	452 266	362 872	89 394	25
Total assets		**43 443 994**	**41 892 734**	**1 551 260**	**4**
Liabilities					
Amounts due to banks	19	1 439 871	1 086 523	353 348	33
Amounts due to customers	20	33 383 900	32 402 771	981 129	3
Derivative financial instruments	30	801 335	687 193	114 142	17
Financial liabilities designated at fair value	21	345 682	470 734	-125 052	-27
Certificated debt	22	2 064 007	2 021 083	42 924	2
Accruals and deferred income		90 916	89 730	1 186	1
Current tax liabilities		21 223	17 250	3 972	23
Deferred tax liabilities	9	36 680	29 614	7 066	24
Other liabilities	23	1 080 494	880 244	200 251	23
Provisions	24	67 714	94 925	-27 211	-29
Total liabilities		**39 331 824**	**37 780 067**	**1 551 757**	**4**
Equity					
Foundation capital		339 044	339 044	0	0
Retained earnings		2 800 731	2 341 798	458 933	20
Foreign currency translation		-48 483	-36 112	-12 372	34
Other reserves	25	1 020 403	1 467 593	-447 190	-30
Total equity and reserves attributable to LGT's equity holder		**4 111 694**	**4 112 323**	**-629**	**-0**
Non-controlling interests		477	344	132	38
Total equity		**4 112 170**	**4 112 667**	**-497**	**-0**
Total liabilities and equity		**43 443 994**	**41 892 734**	**1 551 260**	**4**

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

Consolidated statement of changes in equity (TCHF)	Foundation capital[1]	Retained earnings	Foreign currency translation	Other reserves	Total attributable to LGT's equity holders	Non-controlling interests	Total
1 January 2018	**339 044**	**2 341 798**	**-36 112**	**1 467 593**	**4 112 323**	**344**	**4 112 667**
Changes on initial application of IFRS 9	0	-2 480	0	31 233	28 753	0	28 753
Restated balance at 1 January 2018	**339 044**	**2 339 318**	**-36 112**	**1 498 826**	**4 141 076**	**344**	**4 141 420**
Profit for the year	**0**	**314 118**	**0**	**0**	**314 118**	**-7**	**314 111**
Other comprehensive income, net of tax							
Changes in foreign currency translation	0	0	-12 371	0	-12 371	0	-12 371
Changes in debt instruments at fair value through other comprehensive income	0	0	0	-6 503	-6 503	0	-6 503
Changes in cash flow hedge	0	0	0	401	401	0	401
Actuarial gains/losses	0	0	0	-53 556	-53 556	0	-53 556
Changes in equity instruments at fair value through other comprehensive income	0	0	0	-110 900	-110 900	0	-110 900
Total other comprehensive income, net of tax	**0**	**0**	**-12 371**	**-170 557**	**-182 929**	**0**	**-182 929**
Total comprehensive income	**0**	**314 118**	**-12 371**	**-170 557**	**131 189**	**-7**	**131 183**
Reclassification within equity due to realisation of equity instruments at fair value through other comprehensive income	0	230 963	0	-230 963	0	0	0
Other changes	0	-8 124	0	-2 446	-10 571	139	-10 432
Transactions with owners							
Appropriation of Foundation earnings and dividends	0	-75 543	0	-74 457	-150 000	0	-150 000
Total transactions with owners	**0**	**-75 543**	**0**	**-74 457**	**-150 000**	**0**	**-150 000**
31 December 2018	**339 044**	**2 800 731**	**-48 483**	**1 020 403**	**4 111 694**	**477**	**4 112 170**

[1] Foundation capital is fully paid and cannot be broken down to units.

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity (TCHF)	Foundation capital[1]	Retained earnings	Foreign currency translation	Other reserves	Total attributable to LGT's equity holders	Non-controlling interests	Total
1 January 2017	**339 044**	**2 089 638**	**-61 710**	**1 276 125**	**3 643 096**	**334**	**3 643 430**
Profit for the year	**0**	**283 387**	**0**	**0**	**283 387**	**10**	**283 397**
Other comprehensive income, net of tax							
Changes in foreign currency translation	0	0	25 598	0	25 598	0	25 598
Changes in investments in associates	0	0	0	174 763	174 763	0	174 763
Changes in available-for-sale securities	0	0	0	13 719	13 719	0	13 719
Changes in cash flow hedge	0	0	0	893	893	0	893
Actuarial gains/losses	0	0	0	50 346	50 346	0	50 346
Total other comprehensive income, net of tax	**0**	**0**	**25 598**	**239 721**	**265 319**	**0**	**265 319**
Total comprehensive income	**0**	**283 387**	**25 598**	**239 721**	**548 706**	**10**	**548 716**
Other changes	0	20 521	0	0	20 521	0	20 521
Transactions with owners							
Appropriation of Foundation earnings and dividends	0	-51 747	0	-48 253	-100 000	0	-100 000
Total transactions with owners	**0**	**-51 747**	**0**	**-48 253**	**-100 000**	**0**	**-100 000**
31 December 2017	**339 044**	**2 341 798**	**-36 112**	**1 467 593**	**4 112 323**	**344**	**4 112 667**

[1] Foundation capital is fully paid and cannot be broken down to units.

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated cash flow statement

Consolidated cash flow statement (TCHF)	Note	2018	2017
Cash flow from operating activities			
Profit after tax		314 111	283 397
Impairment, depreciation, provisions		61 018	75 498
Tax expense	9	37 201	36 685
Changes in accrued income and expenses		-334 637	52 000
Interest and similar income received		613 382	457 858
Interest paid		-276 566	-204 517
Income tax paid		-26 859	-22 428
Cash flow from operating activities before changes in operating assets and liabilities		**387 651**	**678 492**
Loans and advances to banks		-249 768	841 862
Loans and advances to customers		765 844	-7 182 963
Trading securities		-15 192	-264
Financial instruments at fair value through profit or loss		18 930	206 917
Amounts due to banks		353 246	372 895
Amounts due to customers		1 007 663	5 326 729
Other assets and other liabilities		25 081	-113 617
Cash flow from changes in operating assets and liabilities		**1 905 804**	**-548 440**
Net cash flow from operating activities		**2 293 455**	**130 052**
Cash flow from investing activities			
Proceeds from sales of property and equipment	16	549	2 324
Purchase of property and equipment	16	-32 058	-51 965
Purchase of intangible assets	17	-4 034	-351 474
Cash outflow on acquisition of subsidiaries		0	-2 557
Proceeds from sales of investment securities		8 661 027	5 172 436
Purchase of investment securities		-9 251 255	-6 248 107
Net cash flow from investing activities		**-625 771**	**-1 479 342**
Cash flow from financing activities			
Issue of certificated debt	22	97 713	339 971
Repayment of certificated debt	22	-59 113	-344 674
Dividends paid to beneficiary		-1	-2
Net cash flow from financing activities		**38 599**	**-4 705**
Effects of exchange rate changes on cash		1 712	-25 075
Change in cash and cash equivalents		**1 707 995**	**-1 379 070**
At the beginning of the period	10, 11	6 755 362	8 134 431
At the end of the period	10, 11	8 463 356	6 755 362
Change in cash and cash equivalents		**1 707 995**	**-1 379 070**
Cash and cash equivalents comprise:			
Cash in hand, balances with central banks	10	6 126 084	4 938 942
Due from banks at sight	11	2 337 273	1 816 420
Total cash and cash equivalents		**8 463 356**	**6 755 362**

Notes to the consolidated financial statements
Group accounting principles

1. Introduction

LGT Group Foundation, Herrengasse 12, Vaduz, Principality of Liechtenstein, is the holding company of LGT, a global financial services institution. The beneficiary of LGT Group Foundation is the Prince of Liechtenstein Foundation. The beneficiary of the Prince of Liechtenstein Foundation is the reigning Prince of Liechtenstein, H.S.H. Prince Hans-Adam II von und zu Liechtenstein.

The terms “LGT Group”, “LGT” or “Group” mean LGT Group Foundation together with its subsidiary undertakings and the term “Company” refers to LGT Group Foundation.

2. Presentation of amounts

The Group publishes its financial statements in thousand Swiss francs (TCHF) unless otherwise stated.

Due to rounding, the numbers presented in this report may not add up precisely to the totals provided in the tables and text.

3. Accounting principles

The consolidated financial statements for the financial year 2018 are prepared in accordance with International Financial Reporting Standards (IFRS). LGT has applied IFRS rules since 1996. A summary of the principal Group accounting policies is set out below.

The CEO and the CFO of LGT considered the consolidated financial statements on 16 April 2019. They were approved for issue by the Audit Committee of the LGT Group Foundation Board on 24 April 2019. The Foundation Board approved the consolidated financial statements for issue on 25 April 2019. The accounts were presented for approval at the Foundation Meeting to the Foundation Supervisory Board on 25 April 2019. The Foundation Board proposed to the Foundation Meeting of 25 April 2019 the distribution of CHF 125 million to the Prince of Liechtenstein Foundation. The accounts on pages 20 to 99 were approved by the Foundation Board on 25 April 2019 and are signed on its behalf by H.S.H. Prince Philipp von und zu Liechtenstein, Chairman, and Olivier de Perregaux, CFO of LGT.

4. Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Intercompany transactions, balances as well as gains and losses on transactions between Group companies are eliminated. Subsidiaries are deconsolidated from the date that control ceases. A list of the Group’s principal subsidiary undertakings is provided in note 33.

5. Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are recognized in the income statement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

6. Investments in associates

Investments in associates are investments in companies over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. They may also indicate a significant interest in investment funds, which are managed by the Group but in which there are no voting rights. LGT associates are recognized using the equity method, and are initially recognized shown at fair value plus transaction costs. Unrealized gains on transactions between the Group and its associates are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group. The investments in associates are reported in note 15.

The Group’s share of its associates’ post-acquisition profit or loss is recognized in the income statement, or in other reserves. Its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

7. Foreign currencies

7.1. Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”).

The consolidated financial statements are presented in Swiss francs, which is the Group's presentation currency.

7.2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation differences on non-monetary items, such as equity instruments classified as investment securities measured at fair value through other comprehensive income under IFRS 9 or available-for-sale securities under IAS 39, are included in the other reserves in equity.

7.3. Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate on the date of that balance sheet;
- income and expenses for each account of the income statement are translated at average exchange rates;
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on the sale. Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

8. Foreign exchange rates

The foreign exchange rates for the major currencies which have been applied are as follows:

		2018
	Average rate	Year-end rate
CHF per 1 USD	0.9766	0.9853
CHF per 1 EUR	1.1520	1.1266
CHF per 1 GBP	1.3010	1.2559

		2017
	Average rate	Year-end rate
CHF per 1 USD	0.9827	0.9748
CHF per 1 EUR	1.1126	1.1703
CHF per 1 GBP	1.2735	1.3190

9. Income from services

LGT earns revenues by providing various services, which are recognized in accordance with IFRS 15. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized:

1. identify the contract with a customer
2. identify the performance obligations in the contract
3. determine the transaction price
4. allocate the transaction price to the performance obligations in the contract
5. recognize revenue when the Group satisfies a performance obligation

Income from services is measured based on the consideration specified in a legally enforceable contract and can be divided into two categories: Fees for services provided over time (e.g. private banking and investment management services), which constitute by far the largest portion of the Group's fee and commission income, and fees for services provided at a point in time (e.g. brokerage fees).

Investment management and administration fee income is generally based on the average amount of relevant assets under administration during the period when the service is rendered and recognized proportionately in profit or loss over the relevant period. These fees are invoiced on specific dates, usually at the end of a quarter. In the case of variable revenues, such as performance fees, recognition can only take place to the extent that it is highly probable that a significant reversal will not occur. This is generally only the case once all performance criteria have been met. Fees for services provided at a point in time are generally based on the corresponding transaction volume. They are invoiced to the client once the service has been rendered and at the same time, these revenues are recognized in profit or loss.

The adoption of IFRS 15 has not led to any material changes in the recognition of the Group's revenues and there was no need to adapt previous year figures. The disclosure relating to commission and fee income is provided in note 3.

10. Property and equipment

Property and equipment and their subsequent costs are stated at cost less accumulated depreciation and accumulated impairment losses. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Property and equipment are periodically reviewed for impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Depreciation is done on a straight-line basis, from the date of purchase, over the estimated useful life of the asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Estimated asset lives vary in line with the following:

Freehold buildings	50 years
Leasehold improvements	period of lease
IT equipment	3–5 years
Office equipment	5 years
Motor vehicles	4 years

11. Intangible assets

11.1. Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on a business combination of subsidiaries is included in intangible assets. Goodwill on a business combination of investments in associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

11.2. Software

Software acquired by the Group is stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three to ten years.

11.3. Other intangible assets

Other intangible assets are recognized on the balance sheet at cost determined at the date of acquisition and are amortized using the straight-line method over their estimated useful economic life, not exceeding 20 years.

At each balance sheet date other intangible assets are reviewed for indications of impairment or changes in estimated future benefits. If such indication exists, an analysis is performed to assess whether the carrying amount of other intangible assets is fully recoverable. An impairment is charged if the carrying amount exceeds the recoverable amount.

12. Financial instruments

12.1. Measurement methods

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and interest points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income and expense

Interest income and expense are recognized in the income statement for all debt instruments measured at fair value through other comprehensive income or amortized cost using the effective interest method.

Negative interest on assets and liabilities is accrued in the period in which it is incurred and is presented within interest expense or interest earned, respectively.

Initial recognition and measurement
Purchases and sales of financial assets at fair value through profit or loss and at fair value through other comprehensive income are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Immediately after initial recognition, an expected credit loss (ECL) allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

13. Financial assets – IFRS 9

13.1. Classification and subsequent measurement

Starting 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- fair value through profit or loss (FVPL);
- fair value through other comprehensive income (FVOCI); or
- amortized cost.

Debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on the business model for managing the assets and the cash flow characteristics of the asset. Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortized cost:
  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any ECL allowance recognized and measured as described in note 5 (Risk management). Interest income from these financial assets is included in "interest income" using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI):
  Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flow represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in income from investment securities. Interest income from these financial assets is included in interest income using the effective interest method.
- Fair value through profit or loss (FVPL):
  Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement in income from trading activities in the period in which it arises. This category has two sub-categories: financial assets held for trading, and those designated at FVPL at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The Group designates financial assets at FVPL when the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- Solely payment of principal and interest (SPPI):
  Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payment of principal and interest (the SPPI test). In making this assessment, the Group considers whether the contractual cash flows are consistent

with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.
Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

- Business model:
  The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Group's business model for the mortgage loan book is to hold to collect contractual cash flows. Another example is the liquidity portfolio of assets, which is held by the Group as part of liquidity management and is generally classified within the hold to collect and sell business model.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments
Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. The Group subsequently measures all equity investments at FVPL, except where the management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other operating income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in income from trading activities in the statement of profit or loss.

13.2. Impairment

The Group assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognizes an impairment allowance for such losses at each reporting date. The measurement of ECL reflects: an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Note 5 (Risk management) provides more detail of how the ECL allowance is measured.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

13.3. Modification of loans and derecognition

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. A restructuring or modification of a financial asset could lead to a substantial change in the terms and conditions, resulting in the original financial asset being derecognized and a new financial asset being recognized.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

14. Financial assets – IAS 39

Purchases and sales of financial assets at FVPL and available-for-sale are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

14.1. Loans and advances

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and advances to customers and to banks are reported at their amortized cost less allowances for any impairment or losses.

14.2. Impairment on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

In addition to the specific allowances for credit losses, a collective allowance for credit losses according to IAS 39 is established to account for inherent credit risks collectively, i.e. on a portfolio basis. This collective allowance for credit losses is calculated based on prudently estimated default rates for each portfolio, which are based on internal credit ratings that are used for classifying the loans.

14.3. Investment securities

Investment securities are classified as financial assets at FVPL and available-for-sale securities. They are recognized on the balance sheet and initially measured at fair value, which is the cost on the consideration given or received to acquire them. Subsequent to initial recognition, securities are remeasured at fair value. To the extent that quoted prices are not readily available, fair value is based on either internal valuation models or management's estimate of amounts that could be realized, based on observable market data, assuming an orderly liquidation over a reasonable period of time.

14.4. Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at FVPL at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The reasons for the designation of financial assets and liabilities at FVPL have not changed with the transition from IAS 39 to IFRS 9.

14.5. Available-for-sale securities

Available-for-sale securities are those securities that do not properly belong in trading securities or held-to-maturity securities. They are initially recognized at fair value (plus transaction costs). Available-for-sale securities are subsequently remeasured at fair value. Fair values for unlisted equity securities are measured using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in equity. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as income from investment securities.

14.6. Impairment of available-for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below their cost (cost is defined as historical cost). This determination of what is significant or prolonged requires judgment. In making this judgment the Group evaluates the following factors: (i) extent of the decline is substantial (in excess of 20 percent of cost) or, (ii) the fair value is below cost on three balance sheet dates or more in succession (on a semiannual basis). In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

15. Financial liabilities

15.1. Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortized cost, except for financial guarantee contracts and loan commitments as well as financial liabilities at FVPL. The latter classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition.

The Group designates financial liabilities at FVPL when either

- the liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- the liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

IFRS 9 retains the fair value option for financial liabilities, but requires that the amount of change in fair value attributable to changes in the own credit risk of the liability be presented in other comprehensive income without reclassification to the income statement. There were no own credit adjustments on the financial liabilities designated at FVPL, set out in note 21, for the year 2018.

16. Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for an incurred loss because a specified debtor fails to make payments when due in accordance with the terms of a specified debt instrument. LGT issues such financial guarantees to banks, financial institutions and other parties on behalf of clients to secure loans, overdrafts and other banking facilities. For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision.

17. Borrowings

Borrowings are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction cost incurred. Borrowings are subsequently stated at amortized cost, any difference between proceeds net of transaction costs and the redemption value is recognized in the income statement over the period of the borrowing using the effective interest method.

18. Other liabilities

Other liabilities are reported at amortized cost. Interest and discounts are taken to net interest and similar income on an accrual basis.

19. Derivative financial instruments and hedging

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. In the case of hedging transactions involving derivative financial instruments, on the inception of the transaction it is determined whether the specific transaction is

- a hedge of the value of a balance sheet item (a fair value hedge), or
- a hedge of a future cash flow or obligation (a cash flow hedge).

Derivatives categorized in this manner are treated as hedging instruments in the financial statements if they fulfill the following criteria:

- existence of documentation that specifies the underlying transaction (balance sheet item or cash flow), the hedging instrument as well as the hedging strategy/relationship,
- effective elimination of the hedged risks through the hedging transaction during the entire reporting period (high correlation),
- sustained high effectiveness of the hedging transaction.

A hedge is regarded as highly effective if actual results are within a range of 80 to 125 percent.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk are recorded in the income statement, along with the corresponding change in the fair value of the hedged asset or liability that is attributable to that specific hedged risk. The fair value change of the hedged item in a portfolio hedge of interest rate risks is reported separately from the hedged portfolio in other assets or other liabilities as appropriate.

If the hedge no longer meets the criteria for hedge accounting, in the case of interest-bearing financial instruments the difference between the carrying amount of the hedged position at that time and the value that this position would have exhibited without hedging is amortized to net profit or loss over the remaining period to maturity of the original hedge. In the case of non-interest-bearing financial instruments, on the other hand, this difference is immediately recorded in the income statement.

Changes in the fair value of derivatives that have been recorded as a cash flow hedge, that fulfill the criteria mentioned above and that prove to be effective in hedging risk are reported under other reserves in Group equity capital. If the hedged cash flow or the obligation leads to direct recognition in the income statement, the hedging instrument's cumulative gains or losses from previous periods in Group equity capital are included in the income statement in the same period as the hedged transaction.

Certain derivative transactions represent financial hedging transactions and are in line with the risk management principles of the Group. However, in view of the strict and specific guidelines of IFRS, they do not fulfill the criteria to be treated as hedging transactions for accounting purposes. They are therefore reported as trading positions. Changes in value are recorded in the income statement in the corresponding period.

20. Measurement of fair values

For financial instruments traded in active markets, the measurement of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges as well as exchange traded derivatives.

A financial instrument is regarded as quoted on an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For all other financial instruments, fair value is measured using valuation techniques. In these techniques, fair values are measured from observable data in respect of similar financial instruments, using models to measure the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve or FX rates) existing at the consolidated balance sheet dates.

The Group uses widely recognized valuation models for measuring fair values of non-standardized financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter (OTC) market. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The impact on net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in note 29.

The output of a model is always a measure or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

The fair value of OTC derivatives is measured using valuation methods that are commonly accepted in the financial markets, such as present value techniques and option pricing models. The fair value of foreign exchange forwards is generally based on current forward exchange rates.

Private equity investments for which market quotations are not readily available are valued at their fair values as determined in good faith by the respective Board of Directors in consultation with the investment manager. In this respect, investments in other investment companies (fund investments) which are not publicly traded are normally valued at the underlying net asset value as advised by the managers or administrators of these investment companies, unless the respective Board of Directors is aware of good reasons why such a valuation would not be the most appropriate indicator of fair value.

In estimating the fair value of private equity fund investments, the respective Board of Directors considers all appropriate and applicable factors (including a sensitivity to non-observable market factors) relevant to their value, including but not limited to the following:

- reference to the fund investment's reporting information including consideration of any time lags between the date of the latest available reporting and the balance sheet date of the respective Group entity in those situations where no December valuation of the underlying fund is available. This includes a detailed analysis of exits (trade sales, initial public offerings, etc.) which the fund investments have gone through in the period between the latest available reporting and the balance sheet date of the respective Group entity, as well as other relevant valuation information. This information is a result of continuous contact with the investment managers and, specifically, by monitoring calls made to the investment managers, distribution notices received from the investment managers in the period between the latest available report and the balance sheet date of the respective Group entity, as well as the monitoring of other financial information sources and the assessment thereof;
- reference to transaction prices;
- result of operational and environmental assessments: periodic valuation reviews are made of the valuations of the underlying investments as reported by the investment managers to measure if the values are reasonable, accurate and reliable. These reviews include a fair value estimation using widely recognized valuation methods such as multiple analysis and discounted cash flow analysis;
- review of management information provided by the managers/administrators of the fund investments on a regular basis; and
- mark-to-market valuations for quoted investments held by the managers/administrators of the fund investments which make up a significant portion of the relevant Group entity's net asset value.

If the respective Board of Directors comes to the conclusion upon recommendation of the investment manager after applying the above-mentioned valuation methods, that the most recent valuation reported by the manager/administrator of a fund investment is materially misstated, it will make the necessary adjustments using the results of its own review and analysis. Typically, the fair value of such investments are remeasured based on the receipt of periodic (usually quarterly) reporting provided to the investors in such vehicles by the managers or administrators. For new investments in such vehicles, prior to the receipt of fund reporting, the investments are usually valued at the amount contributed, which is considered to be the best indicator of fair value.

In cases when the fair value of unlisted equity instruments cannot be measured reliably, the instruments are carried at cost less impairment.

21. Provisions

Provisions for restructuring costs, legal claims and other operational risk are recognized, when the Group has a present legal or constructive obligation as a result of past events, when it is more likely than not that an outflow of resources will be required to settle the obligation and when the amount has been reliably estimated.

22. Fiduciary transactions

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

23. Repurchase and reverse repurchase transactions (repo transactions)

Repo transactions are used to refinance and fund money market transactions. They are entered in the balance sheet as advances against collateral and cash contributions or with pledging of securities held in the Group's own account. Securities provided to serve as collateral thus continue to be posted in the corresponding balance sheet positions – securities received to serve as collateral are not reported in the balance sheet. Interest resulting from the transactions is posted as net interest income.

24. Securities lending and borrowing transactions

Securities lending is recorded at the value of cash deposits which have been received or made, including interest accrued.

Securities which have been borrowed or accepted as collateral are only recorded in the balance sheet if the bank gains control of the contractual rights contained in these securities. Securities lent or provided as collateral are only taken off the balance sheet if the bank loses the contractual rights associated with these securities. The market values of the securities which have been either borrowed or lent are monitored daily so that additional collateral can be provided or requested where necessary.

Income arising from securities lending and repurchase transactions, which have been received or paid, are entered as interest income and interest expense.

25. Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Or a contingent liability is a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

26. Leasing

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. The expenses from operating leases are recognized in business and office expenses. LGT is not a lessee in any material finance leases.

27. Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise liquid assets including cash in hand, balances with central banks and due from banks at sight.

28. Taxation

Corporate tax payable is provided on the taxable profits of Group companies at the applicable current rates. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets attributable to time differentials or accountable loss carry forwards are recognized if there is a probability that sufficient taxable profits will be available to offset such differentials of loss carry forwards.

29. Employee benefits

29.1. Short-term benefits

Salaries are recognized in the income statement upon payment. The amount for bonuses is accrued and will be paid at the beginning of the following year. For deferred bonuses the payout is spread over several years.

29.2. Medium-term benefits

Senior management and other key people of the Group are entitled to participate in a long-term incentive scheme. The incentive scheme gives the holder the possibility to participate in the development of the economic value added of the Group. In principle, the economic value added represents the operating profit of the Group and the return on LGT's Princely Portfolio after adjustments for capital and refinancing costs. Options granted under the scheme cannot be exercised for a period of three years from the date of grant of option and are exercisable within three to seven years from the date of grant of option. The annual costs of the scheme are charged to the income statement. The accruals are shown as other liabilities until their realization.

29.3. Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method and takes the specific features of each plan including risk sharing between the employee and employer into account. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets and the effect of the asset ceiling (if any), are recognized immediately in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

For defined contribution plans, the Group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

30. Assets under administration

Assets under administration are stated according to the provisions of the Liechtenstein banking law.

31. Events after the reporting period

There are no events to report that had an influence on the balance sheet and income statement for 2018.

32. Management's judgments

The Group makes estimates and assumptions that affect the amounts reported in the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

32.1. Measurement of the expected credit loss (ECL) allowance

The measurement of the ECL allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL are further detailed in note 5 (Risk management).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing forward-looking scenarios for each type of product and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by LGT in the above areas is set out in note 5 (Risk management).

32.2. Impairment of goodwill

The fair value of goodwill is reviewed annually and management assesses whether an impairment charge needs to be recognized.

32.3. Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets is measured by using valuation techniques. Where valuation techniques (for example models) are used to measure fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them.

Changes in assumptions could affect reported fair value of financial instruments. For example, to the extent that management used a tightening of 20 basis points in the credit spread, the fair value of derivative financial instruments would be measured at TCHF -44 314 (2017: TCHF -18 195) as compared with their reported fair value of TCHF -23 252 (2017: TCHF -5328) on the balance sheet date.

32.4. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

33. Changes in accounting policies, comparability and other adjustments

33.1. Standards and interpretations that have been adopted

The Group applied the following new and revised standards and interpretations for the first time in the financial year beginning on 1 January 2018:

- IFRS 9 Financial Instruments (effective 1 January 2018)
  IFRS 9 replaces IAS 39, "Financial Instruments: Recognition and Measurement". The new standard introduces new classification and measurement requirements for financial assets and financial liabilities, replaces the current rules for impairment of financial assets with the ECL impairment model. The impact on the Group's consolidated financial statement is shown on the pages 38–41 in this report.
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
  The new standard specifies how and when revenue is recognized. IFRS 15 replaces several other IFRS standards and interpretations that currently govern revenue recognition under IFRS and provides a single, principles based five-step model to be applied to all contracts with customers. The adoption of IFRS 15 did not have a significant impact on the Group's consolidated financial statements.

The adoption of the following standards and interpretations has not led to any changes in the Group Accounting Principles and did not have any impact on the reported results or financial position of the Group.

- Amendments to IFRS 2 Share based payments (effective 1 January 2018)
- Amendments to IFRS 15 Revenue from contracts with customers (effective 1 January 2018)
- Amendments to IAS 28 Investment in associates and joint ventures (effective 1 January 2018)
- Amendments to IAS 40 Investment property (effective 1 January 2018)
- IFRIC 22 Foreign currency transactions and advance consideration (effective 1 January 2018)
- Amendments to IFRS 9 Financial instruments – Prepayment features with negative compensation (early adoption effective 1 January 2018)

33.2. Standards and interpretations that have not yet been adopted

New and revised standards and interpretations were published that must be applied for financial years beginning on or after 1 January 2019. The Group has chosen not to adopt these in advance.

The new and revised standards and interpretations that will be relevant to the Group are as follows:

- IFRS 16 Leases
  (effective 1 January 2019, early adoption permitted)
  In January, 2016, the IASB finally issued the new standard on lease accounting. Under IFRS 16 lessees no longer distinguish between a finance lease (on balance sheet) and an operating lease (off balance sheet). Instead, for virtually all lease contracts the lessee recognizes a lease liability reflecting future lease payments and a right-of-use asset. LGT expects to report an increase in assets and liabilities from adoption as of 1 January 2019, in the amount of approximately CHF 245 million, which is in line with its disclosure of undiscounted operating lease commitments as set out in note 40. LGT will adopt the standard on a modified retrospective basis that does not require comparatives to be restated. Instead, the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of retained earnings. The transition adjustment will not be material.

Other new and revised standards and interpretations:
Based on initial analyses, the following new and revised standards and interpretations which have to be applied for financial years beginning on or after 1 January 2019 are not expected to have any significant impact on the reported results or financial position of the Group:

- IFRIC 23 Uncertainty over income tax treatments (effective 1 January 2019, early adoption permitted)
- Amendments to IAS 28, Investment in associates (effective 1 January 2019, early adoption permitted)
- Amendments to IAS 19, Employee benefits – Plan amendment, curtailment or settlement (effective 1 January 2019, early adoption permitted)
- Amendments to IFRS 3 Business combination (effective 1 January 2019 and 1 January 2020)
- Amendments to IFRS 11 Joint arrangements (effective 1 January 2019)
- Amendments to IAS 12 Income taxes (effective 1 January 2019)
- Amendments to IAS 23 Borrowing costs (effective 1 January 2019)
- IFRS 17 Insurance contracts (effective 1 January 2021, early adoption permitted)

Changes in accounting policies, comparability and other adjustments

Implementation of IFRS 9, Financial Instruments

As at 1 January 2018, LGT Group adopted IFRS 9, Financial Instruments, which replaces the International Accounting Standard IAS 39, Financial instruments: Recognition and Measurement. The new standard introduces expected credit loss (ECL) requirements that change the accounting and reporting for the majority of the Group's credit exposures. Moreover, IFRS 9 imposes new classification and measurement guidelines that require a consideration of the contractual cash flow characteristics of financial assets and the associated business models. The Group elected to continue to apply the hedge accounting requirements of IAS 39. In addition, LGT early adopted the Amendment to IFRS 9, Prepayment Features with Negative Compensation, issued in October 2017, in order to ensure that the Group can apply amortized cost accounting to private mortgages and corporate loans that provide for two-way compensation if a prepayment occurs.

As permitted under IFRS 9, LGT does not restate prior periods and therefore, recognized the difference between carrying amounts as of 31 December 2017 and those on adoption of IFRS 9 on 1 January 2018 directly in equity. The impact from the adoption of IFRS 9 of TCHF 28 753 was recognized as increase in the consolidated equity as of 1 January 2018 and will have no material impact on the Group's capital ratios.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in the sections below.

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

Classification and measurement of financial assets (TCHF) **Financial assets**	IAS 39 Measurement category	IAS 39 Carrying amount 31 December 2017	IFRS 9 Measurement category	IFRS 9 Carrying amount 1 January 2018
Cash in hand, balances with central banks	Amortized cost (Loans and receivables)	4 938 942	Amortized cost	4 938 942
Loans and advances to banks	Amortized cost (Loans and receivables)	3 986 775	Amortized cost	3 985 342
Loans and advances to customers	Amortized cost (Loans and receivables)	19 984 006	Amortized cost	19 984 346
Securities held for trading purposes	FVPL (held for trading)	264	Trading	264
Derivative financial instruments	FVPL	681 865	FVPL mandatory	681 865
Investment securities at fair value	FVPL (designated)	2 104 956	FVPL designated	2 104 044
Investment securities at fair value	FVPL (designated)	0	FVPL mandatory	912
Investment securities at fair value	FVOCI (Available-for-sale debt)	9 691	FVPL mandatory	9 691
Investment securities at fair value	FVOCI (Available-for-sale equity)	83 272	FVPL mandatory	83 272
Investment securities at fair value	FVOCI (Available-for-sale debt)	3 995 631	FVOCI debt	3 995 631
Investment securities at fair value	FVOCI (Available-for-sale equity)	1 546 317	FVOCI equity	1 546 317
Other assets	Cost	538	FVOCI equity	30 467

There were no changes to the classification and measurement of financial liabilities.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

IFRS 9 requires all financial assets, except equity instruments, to be classified at amortized cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL), based on the business model for managing the respective assets and their contractual cash flow characteristics. The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Reconciliation of balances from IAS 39 to IFRS 9 (TCHF) **Financial assets**	Reference	IAS 39 Carrying amount 31 December 2017	Reclassifi-cations	Remeasure-ments	IFRS 9 Carrying amount 1 January 2018
Amortized cost					
Cash in hand, balances with central banks					
Opening balance		4 938 942			
Closing balance					4 938 942
Loans and advances to banks					
Opening balance		3 986 775			
Remeasurement: ECL allowance				-1 433	
Closing balance					3 985 342
Loans and advances to customers					
Opening balance		19 984 006			
Remeasurement: ECL allowance				340	
Closing balance					19 984 346
Total financial assets measured at amortized cost		**28 909 723**		**-1 093**	**28 908 630**
Fair value through profit or loss (FVPL)					
Securities held for trading purposes					
Opening balance		264			
Closing balance					264
Derivative financial instruments					
Opening balance		681 865			
Closing balance					681 865
Investment securities – FVPL designated					
Opening balance		2 104 956			
To mandatory FVPL	A		-912		
Closing balance					2 104 044
Investment securities – FVPL mandatory					
Opening balance		–			
From available-for-sale	B		92 963		
From designated at FVPL	A		912		
Closing balance					93 875
Total financial assets measured at FVPL		**2 787 085**	**92 963**		**2 880 047**

Financial assets	Reference	IAS 39 Carrying amount 31 December 2017	Reclassifi-cations	Remeasure-ments	IFRS 9 Carrying amount 1 January 2018
Fair value through other comprehensive income (FVOCI)					
FVOCI – debt					
Opening balance		–			
From available-for-sale	C		3 995 631		
Closing balance					3 995 631
FVOCI – equity					
Opening balance		–			
From available-for-sale	D		1 546 317		
From other assets	E		538	29 929	
Closing balance					1 576 784
Available-for-sale					
Opening balance		5 634 911			
To FVPL – mandatory	B		-92 963		
To FVOCI – debt	C		-3 995 631		
To FVOCI – equity	D		-1 546 317		
Closing balance					–
Total financial assets measured at FVOCI		**5 634 911**	**-92 425**	**29 929**	**5 572 415**

In reference to the table above, the following sections explain how applying the new classification requirements of IFRS 9 led to changes in the classification of certain financial assets held by the Group.

A Investment in debt securities previously designated at FVPL
The Group holds a portfolio of debt securities which had previously been designated at FVPL as the securities were managed on a fair value basis. These debt instruments failed to meet the "solely payments of principal and interest" (SPPI) requirement under IFRS 9. Therefore, this portfolio is required to be classified as FVPL, instead of designated FVPL.

B Debt instruments previously classified as available-for-sale but which fail the SPPI test or equity instruments at FVPL
The Group holds several debt instruments that failed to meet the SPPI requirement under IFRS 9. Other additions to this category relate to equity instruments where the Group has decided not to elect the other comprehensive income (OCI) option.

C Debt instruments previously classified as available-for-sale and now classified as measured at FVOCI
For securities, which meet the SPPI requirement under IFRS 9, the Group did an assessment of its business model. The business model of all investment securities in this category is hold to collect the contractual cash flows and sell.

D Election to measure equity instruments at FVOCI
All instruments in this category are non-trading equity securities. The Group has elected the OCI option to measure these financial assets as instruments at FVOCI. The changes in fair value of such securities will no longer be reclassified to profit and loss when they are disposed of.

E Investments previously classified as other assets and now classified as equity instruments at FVOCI
The Group has elected for a portfolio of three non-trading equity securities, which were carried at cost less impairment, to designate these investments as equity instruments at FVOCI. The remeasurement gain of CHF 29.9 million is mainly due to the revaluation of the SIX investment to fair value. On 30 November 2018, SIX and Worldline entered into a strategic partnership in the cards business under which SIX transferred its existing cards business to Worldline, which resulted in a substantial positive one-off gain for SIX. The Group recognized a gain of CHF 30.1 million in other reserves in the fourth quarter 2018.

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018.

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9 (TCHF) Measurement category	Loans loss allowance under IAS 39/ Provision under IAS 37 31 December 2017	Remeasurements	Loans loss allowance under IFRS 9 1 January 2018
Loans and receivables IAS 39/Amortized cost IFRS 9			
Loans and advances to banks	0	1 433	1 433
Loans and advances to customers	26 618	-340	26 278
Total	**26 618**	**1 093**	**27 711**
Available-for-sale IAS 39/Financial assets at FVOCI IFRS 9			
Investment securities	4 040	229	4 270
Loan commitments and guarantees			
Provisions (commitments and guarantees given)	8	84	91

Further information on the measurement of the impairment allowance under IFRS 9 can be found in note 5 (Risk management).

Detail of the original terrazzo floor in the transitional room to the former Bastion Pavilion on the second floor piano nobile of the Liechtenstein City Palace

Details on the consolidated income statement

1 Net interest income (TCHF)[1]	2018	2017
Interest earned		
Banks	216 597	181 351
Customers	350 292	246 781
Interest income from investment securities at fair value through other comprehensive income	60 233	32 125
Total interest earned	**627 122**	**460 257**
Interest expense		
Banks	-123 175	-119 230
Customers	-202 720	-94 450
Interest on certificated debt	-19 807	-21 762
Total interest expense	**-345 702**	**-235 442**
Net interest income[2]	**281 420**	**224 815**

[1] Comparative figures differ from those published in the 2017 annual report, as dividend income from investment securities in the amount of TCHF 12 375 (2017: TCHF 3599) is no longer shown under interest income. This is due to a change in the accounting standard. For further details, please see also note 5.

[2] Negative interest paid TCHF 32 570 (2017: TCHF 40 218), negative interest received TCHF 11 611 (2017: TCHF 11 984).

2 Credit loss expense/recovery (TCHF)	2018	2017
Credit loss expense	-4 477	-3 633
Recovery of credit loss	1 265	10 997
Expected credit loss expense/recovery	-406	–
Total credit loss expense/recovery	**-3 618**	**7 364**

3 Income from services (TCHF)	2018	2017
Commission income from securities and investment business		
Investment management fees	631 104	588 089
thereof performance fees	54 184	49 652
Brokerage fees	171 281	172 662
Administration fees and other income from investment business	276 928	239 158
Total commission income from securities and investment business	**1 079 313**	**999 909**
Commission income from other services		
Lending business	6 687	6 680
Accounts and clearing business	24 176	21 668
Total commission income from other services	**30 862**	**28 348**
Commission expenses	-19 959	-23 109
Total income from services	**1 090 216**	**1 005 148**

4 Income from trading activities (TCHF)	2018	2017
Foreign exchange, precious metals	151 639	131 137
Interest and dividend income	48 176	50 553
Profit/loss on securities trading	76 110	65 659
Profit/loss on financial instruments designated at fair value	-1 082	7 437
Profit/loss on financial instruments mandatorily at fair value	-489	–
Other trading activities	-1 452	-5 289
Total income from trading activities	**272 901**	**249 497**

5	Other operating income (TCHF)[1]	2018	2017
	Income from investment securities		
	Dividends on equity investment securities measured at fair value through other comprehensive income	12 375	3 599
	thereof related to investments derecognised during the reporting period	727	0
	thereof related to investments held at the end of the reporting period	11 648	3 599
	Realized net result on available-for-sale securities	–	21 282
	Total income from investment securities	**12 375**	**24 880**
	Other	22 508	24 865
	Total other operating income	**34 883**	**49 745**

[1] Comparative figures differ from those published in the 2017 annual report, as dividend income from investment securities in the amount of TCHF 12 375 (2017: TCHF 3599) is no longer shown under interest income. This is due to a change in the accounting standard.

6	Personnel expenses (TCHF)	Note	2018	2017
	Personnel expenses before long-term incentive scheme			
	Salaries		438 549	398 174
	Bonuses		326 132	317 665
	Social security costs		60 133	53 457
	Pension costs[1]		38 742	-2 500
	Other personnel expenses		42 682	37 903
	Total personnel expenses before long-term incentive scheme		**906 238**	**804 699**
	Long-term incentive scheme	38	17 751	53 668
	Total personnel expenses		**923 989**	**858 367**
	Headcount at 31 December		3 405	3 188

[1] Thereof TCHF 50 222 gain from amendment of pension plan in 2017.

7	Business and office expenses (TCHF)	2018	2017
	Rents and office expenses	63 870	56 486
	IT expenses	69 893	57 250
	Information and communication expenses	40 222	34 884
	Travel and entertainment expenses	28 745	25 580
	Legal and professional expenses	35 083	39 495
	Advertising expenses	45 930	32 519
	General expenses	32 609	28 766
	Total business and office expenses	**316 352**	**274 980**

8	Depreciation, amortization and provisions (TCHF)[1]	Note	2018	2017
	Depreciation on property and equipment	16	28 602	25 525
	Amortization of intangible assets	17	53 675	45 032
	Other depreciation		4 020	3 713
	Total depreciation, amortization and impairment		**86 297**	**74 270**
	Provision for operational risks	24	4 520	2 151
	Other provisions	24	-10 226	1 872
	Total changes in provisions		**-5 706**	**4 023**
	Other operating expenses		3 559	4 849
	Total depreciation, amortization and provisions		**84 149**	**83 142**

[1] Comparative figures differ from those published in the 2017 annual report, as credit losses/recoveries in the amount of TCHF -3618 (2017: TCHF 7364) are shown as separate line item in the consolidated income statement and are therefore no longer shown under depreciation, amortization and provisions.

9	Taxation (TCHF)	2018	2017
	Income tax expense		
	Current income tax expense	30 925	23 316
	Deferred income tax expense	6 276	13 369
	Total income tax expense	**37 201**	**36 685**
	Reconciliation between the expected and the effective income tax expense		
	Profit before tax	351 312	320 081
	Income tax expense calculated at a tax rate of 12.5%[1] (2017: 12.5%)	43 914	40 010
	Applicable tax rates differing from assumed tax rate	3 765	2 324
	Use of tax losses carried forward	-9 426	-3 246
	Income not subject to tax and expenses not deductible for tax purposes	-4 798	-8 688
	Other impacts	3 746	6 285
	Total income tax expense	**37 201**	**36 685**

[1] The rate used is the domestic tax rate in Liechtenstein.

		2018	2017
	Deferred income tax expense comprises the following temporary differences		
	Losses available for offset against future taxable income	8 761	6 246
	Accelerated depreciation for tax purposes	-681	-884
	Provisions	257	-461
	Financial instruments	-2 109	-64
	Pensions	1 319	7 519
	Intangible assets	-285	520
	Other temporary differences	-986	492
	Total deferred income tax expense	**6 276**	**13 369**

	2018	2017
Deferred income tax assets and liabilities relate to the following items		
Deferred income tax assets		
Losses available for offset against future taxable income	18 673	27 738
Accelerated depreciation for tax purposes	4 657	4 047
Provisions	1 388	1 619
Financial instruments	2 767	732
Pensions	50 765	41 552
Other temporary differences	1 286	763
Total deferred income tax assets	**79 536**	**76 451**
Deferred income tax liabilities		
Accelerated depreciation for tax purposes	91	0
Provisions	59	194
Financial instruments	8 435	904
Intangible assets	27 977	28 158
Other temporary differences	117	358
Total deferred income tax liabilities	**36 680**	**29 614**
Movement on the deferred income tax assets and liabilities is as follows		
At 1 January	-46 838	-58 247
Income statement charge	6 276	13 369
Investment securities measured at fair value through other comprehensive income – debt instruments	885	–
Investment securities measured at fair value through other comprehensive income – equity instruments	6 721	–
Available-for-sale securities	–	-451
Actuarial gains/losses on defined benefit plans	-10 531	9 012
Other changes	238	-10 041
Foreign currency translation	394	-479
At 31 December	**42 856**	**-46 838**

Income tax on other comprehensive income			2018			2017
	Before tax	Tax expense/ tax benefit	Net of tax	Before tax	Tax expense/ tax benefit	Net of tax
Foreign currency translation	-12 371	0	-12 371	25 598	0	25 598
Changes in investments in associates	0	0	0	174 763	0	174 763
Changes in available-for-sale securities	–	–	–	13 268	451	13 719
Changes in debt instruments at fair value through other comprehensive income	-5 618	-885	-6 503	–	–	–
Changes in cash flow hedge	401	0	401	893	0	893
Actuarial gains/losses on defined benefit plans	-64 088	10 531	-53 556	59 358	-9 012	50 346
Changes in equity instruments at fair value through other comprehensive income	117 621	-6 721	110 900	–	–	–
Other comprehensive income	**35 945**	**2 925**	**38 871**	**273 880**	**-8 561**	**265 319**

There are losses available for offset against future income which are currently not shown in the balance sheet, as the utilization of the carry forward losses is uncertain.

Details on the consolidated balance sheet

10 Cash in hand, balances with central banks (TCHF)	2018	2017
Cash in hand	21 012	22 520
Balances with central banks	6 105 072	4 916 421
Total cash in hand, balances with central banks	**6 126 084**	**4 938 942**

11 Loans and advances to banks (TCHF)	2018	2017
Due from banks at sight	2 337 273	1 816 420
Due from banks fixed term	2 423 553	2 170 356
Loss allowance banks	-1 659	0
Total loans and advances to banks	**4 759 167**	**3 986 775**

12 Loans and advances to customers (TCHF)			2018			2017
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Mortgage-backed	4 762 334	-14 740	4 747 594	4 822 257	-12 983	4 809 273
Other collateral	13 601 225	-2 709	13 598 517	14 426 180	-7 201	14 418 979
Without collateral	859 575	-9 398	850 177	762 187	-6 434	755 753
Total loans and advances to customers	**19 223 135**	**-26 847**	**19 196 288**	**20 010 624**	**-26 618**	**19 984 006**

Impairment allowance customers				2018
	Mortgage-backed	Other collateral	Without collateral	Total
At 1 January	12 983	7 201	6 434	26 618
Changes on initial application of IFRS 9	849	-1 944	755	-340
Restated balance at 1 January	13 832	5 256	7 189	26 278
Charges to allowance	4 659	503	1 209	6 371
Release of allowance	-1 274	-1 008	-784	-3 066
Allowance utilized	-2 465	0	-6	-2 471
Reclassifications	2	-1 997	1 995	0
Currency translation	-16	-46	-204	-266
At 31 December	**14 740**	**2 709**	**9 398**	**26 847**

Specific allowance for impairment	Mortgage-backed	Other collateral	Without collateral	2017 Total
At 1 January	7 984	3 999	14 251	26 234
Charges to allowance	396	411	375	1 183
Release of allowance	-1 488	-110	-9 118	-10 717
Allowance utilized	0	-1 560	-111	-1 671
Reclassifications	-369	369	0	0
Currency translation	62	29	480	571
At 31 December	**6 585**	**3 137**	**5 878**	**15 600**
Portfolio allowance customers				
At 1 January	6 409	2 274	220	8 903
Charges to allowance	272	1 842	336	2 450
Release of allowance	-280	0	0	-280
Currency translation	-3	-52	0	-55
At 31 December	**6 398**	**4 064**	**556**	**11 018**
Total allowance for impairment				**26 618**

	2017
Additional information on credit risks	
Non-performing customers' loans	56 136

Additional information about loans and advances is shown separately in note 5 (Risk management).

13 Securities held for trading purposes (TCHF)[1]	2018	2017
Total securities held for trading purposes	**1 548 650**	**264**
thereof listed	1 358 300	0

[1] The Group maintains actively managed portfolios, which are acquired principally for the purpose of selling in the short term. In 2018, a specific bond portfolio in the amount of TCHF 1 533 194 which was previously designated at FVPL has been reclassified as held for trading.

14 Investment securities at fair value (TCHF)	2018	2017
Investment securities mandatorily measured at fair value through profit or loss	69 071	–
Investment securities designated at fair value through profit or loss[1]	429 112	2 104 956
thereof securities designated at fair value to match financial liabilities through profit or loss	345 682	470 734
Investment securities measured at fair value through other comprehensive income – debt instruments	4 903 403	–
Investment securities measured at fair value through other comprehensive income – equity instruments	3 997 413	–
Available-for-sale securities	–	5 634 911
Total investment securities at fair value	**9 398 998**	**7 739 867**

[1] The Group maintains actively managed portfolios, which are acquired principally for the purpose of selling in the short term. In 2018, a specific bond portfolio in the amount of TCHF 1 533 194 which was previously designated at FVPL has been reclassified as held for trading.

Equity instruments at fair value through other comprehensive income (FVOCI)

LGT has elected the FVOCI option for equity instruments, because these investments were made for strategic purposes. The dividends recognized during the period are disclosed under note 5.

LGT's major equity instrument at FVOCI is:	2018 Fair value
Financial Investments SPC	3 769 207

Further the Group has various smaller equity instruments at FVOCI. The fair value of those instruments amounts to TCHF 228 206.

The following investments were derecognised during the period:	2018 Fair value at the date of derecognition	2018 Cumulative gain or loss on disposal
Co-investments in investment companies	2 307	69
Strategic investments in investment companies	100 184	27 059

15 Investments in associates (TCHF)

Investments in associates (TCHF)	2018	2017
At 1 January	2 969 087	2 894 321
Additions	0	0
Disposals	0	0
Dividends	0	-99 998
Revaluation through other comprehensive income	0	174 763
Reclassification due to change in control	-2 969 087	0
At 31 December	**0**	**2 969 087**

Details of investments in associates	
Fixed-income	645 457
Real estate investment trusts	168 271
Equities	1 027 809
Hedge fund investments	534 593
Private equity investments	488 261
Cash	104 697
Total investments in associates	**2 969 087**

LGT's investments in associates at 31 December 2017

Name	Principal activity
Financial Investment SP, Grand Cayman[1]	Investment company

[1] Since there is no LGT representation on the Board of Financial Investment SPC, Grand Cayman, significant influence no longer exists. Consequently, the investment had to be reclassified from investments in associate to financial instruments in 2018. The Group has elected to measure this strategic equity investment at FVOCI.

16

Property and equipment (TCHF)	Freehold buildings	Leasehold improvements	IT/Office equipment	Motor vehicles	Total
Cost					
At 1 January 2018	207 059	65 396	133 138	418	406 010
Currency translation	0	-450	-669	0	-1 119
Additions	870	7 084	23 837	267	32 058
Disposals	0	-1 489	-15 428	-260	-17 177
Reclassifications	0	0	-27 392	0	-27 392
At 31 December 2018	**207 929**	**70 541**	**113 486**	**425**	**392 380**
Accumulated depreciation					
At 1 January 2018	126 249	36 394	77 977	368	240 987
Currency translation	0	-176	-428	0	-604
Depreciation	5 710	7 299	15 518	74	28 602
Disposals	0	-1 356	-15 012	-260	-16 628
Reclassifications	0	0	26	0	26
At 31 December 2018	**131 960**	**42 161**	**78 081**	**182**	**252 383**
Net book value at 31 December 2018	**75 969**	**28 380**	**35 405**	**243**	**139 997**

Property and equipment	Freehold buildings	Leasehold improvements	IT/Office equipment	Motor vehicles	Total
Cost					
At 1 January 2017	206 572	55 557	96 622	386	359 137
Currency translation	1	454	349	1	805
Additions	710	11 359	39 868	29	51 965
Disposals	-224	-1 974	-3 756	0	-5 954
Reclassifications	0	0	0	3	3
Additions from change in the scope of consolidation	0	0	55	0	55
At 31 December 2017	**207 059**	**65 396**	**133 138**	**418**	**406 010**
Accumulated depreciation					
At 1 January 2017	120 768	31 517	66 013	342	218 640
Currency translation	4	118	329	0	451
Depreciation	5 702	5 261	14 539	24	25 525
Disposals	-224	-501	-2 904	0	-3 630
Reclassifications	0	0	0	3	3
Additions from change in the scope of consolidation	0	0	0	0	0
At 31 December 2017	**126 249**	**36 394**	**77 977**	**368**	**240 987**
Net book value at 31 December 2017	**80 810**	**29 002**	**55 162**	**50**	**165 023**

Insurance value of tangible assets	2018	2017
Insurance value	392 293	377 644

17 Intangible assets (TCHF)	Goodwill	Software	Other intangible assets	Total
Cost				
At 1 January 2018	554 990	146 532	367 408	1 068 931
Currency translation	-4 886	0	-1 843	-6 730
Additions	0	3 439	595	4 034
Disposals	0	0	0	0
Reclassification	0	27 418	0	27 418
At 31 December 2018	**550 104**	**177 389**	**366 160**	**1 093 653**
Accumulated amortization and impairment				
At 1 January 2018	23 312	129 407	92 266	244 985
Currency translation	18	0	-461	-442
Amortization	0	17 182	36 493	53 675
Disposals	0	0	0	0
At 31 December 2018	**23 330**	**146 589**	**128 299**	**298 218**
Net book value at 31 December 2018	**526 774**	**30 800**	**237 861**	**795 435**

Intangible assets	Goodwill	Software	Other intangible assets	Total
Cost				
At 1 January 2017	364 399	146 171	200 626	711 196
Currency translation	4 632	-1	1 628	6 259
Additions[1]	185 959	362	165 153	351 474
Disposals	0	0	0	0
At 31 December 2017	**554 990**	**146 532**	**367 408**	**1 068 931**
Accumulated amortization and impairment				
At 1 January 2017	23 383	114 761	61 635	199 778
Currency translation	-71	-2	247	174
Amortization	0	14 648	30 384	45 032
Disposals	0	0	0	0
At 31 December 2017	**23 312**	**129 407**	**92 266**	**244 985**
Net book value at 31 December 2017	**531 678**	**17 125**	**275 142**	**823 946**

Goodwill

Goodwill is allocated to the following organizational units (cash-generating units; CGUs) based on the anticipated synergies:	2018	2017
Private Banking	494 011	498 916
Asset Management	32 763	32 763
Total	**526 774**	**531 678**

The two organizational units represent the level at which the goodwill is monitored for internal management purposes.

The calculation of the realizable amount of the units was based on the respective fair value less cost to sell. The value of client assets was determined based on the market prices of companies with similar business activities. The multiples applied for asset management are in the range of 4 to 8% and for private banking in the range of 1 to 4%.
An additional calculation of the realizable amount of the two organizational units based on the fair value in use was lower than the value of client assets. The higher of both values is used to determine whether an impairment is required.

[1] Mainly due to acquisition of ABN AMRO Private Banking in Asia and the Middle East as of May 2017

18 Other assets (TCHF)	2018	2017
Precious metals	392 380	296 234
Other	59 886	66 638
Total other assets	**452 266**	**362 872**

19 Amounts due to banks (TCHF)	2018	2017
Deposits on demand	835 830	764 816
Time deposits	604 042	321 707
Total amounts due to banks	**1 439 871**	**1 086 523**

20 Amounts due to customers (TCHF)	2018	2017
Deposits on demand	16 606 841	18 278 963
Time deposits	15 450 899	12 806 128
Savings deposits	1 326 160	1 317 680
Total amounts due to customers	**33 383 900**	**32 402 771**

21 Financial liabilities designated at fair value (TCHF)	2018	2017
Certificate issues designated at fair value	345 682	470 734
Total financial liabilities designated at fair value	**345 682**	**470 734**

Certificate issues designated at fair value at 31 December

Product	Date of issue	Interest rate %	Maturity[9]	Fair value 2018	Fair value 2017
LGT GIM Index Certificates[1]	continuously	0.0	28.02.2022	43 665	50 815
LGT GIM Index Certificates II[2]	continuously	0.0	30.06.2019	114 249	127 098
LGT GIM Index Certificates II/2[3]	continuously	0.0	31.03.2021	21 661	24 693
LGT GIM Index Certificates III[4]	continuously	0.0	31.07.2021	75 666	87 532
Crown Absolute Return Index Certificates[5]	continuously	0.0	30.11.2023	2 510	3 810
Crown Alternative SV Index Certificates[6]	continuously	0.0	30.06.2022	0	78 418
LGT GATS Index Certificates[7]	continuously	0.0	30.09.2019	33 183	37 870
LGT M-Smart Allocator Index Certificates[8]	continuously	0.0	31.08.2022	54 748	60 498
Total certificate issues designated at fair value at 31 December				**345 682**	**470 734**

[1] Linked to the performance of LGT Premium Strategy GIM (EUR) index with a duration from 2002 to 2022, index sponsor LGT Capital Partners Ltd.
[2] Linked to the performance of LGT Premium Strategy GIM II (EUR) index with a duration from 2004 to 2019 incl. one 5-year extension option, index sponsor LGT Capital Partners Ltd.
[3] Linked to the performance of LGT Premium Strategy GIM II (EUR) index with a duration from 2006 to 2021 incl. one 5-year extension option, index sponsor LGT Capital Partners Ltd.
[4] Linked to the performance of LGT Premium Strategy GIM III (EUR) index with a duration from 2006 to 2021 incl. one 5-year extension option, index sponsor LGT Capital Partners Ltd.
[5] Linked to the Crown Absolute Return (EUR) index with a duration from 2003 to 2023, index sponsor LGT Capital Partners Ltd.
[6] Linked to the Crown Alternative SV (EUR) index, index sponsor LGT Capital Partners Ltd., were fully redeemed with respect to the termination date of 31 March 2018.
[7] Linked to the performance of LGT Premium Strategy GATS (EUR) index with a duration from 2004 to 2019, index sponsor LGT Capital Partners Ltd.
[8] Linked to the LGT M-Smart Allocator (EUR) index with a duration from 2007 to 2022 incl. one 5-year extension option, index sponsor LGT Capital Partners Ltd.
[9] Maturity represents the earliest possible notice.

22 Certificated debt (TCHF)

22 Certificated debt (TCHF)	2018	2017
Bond issues (net book value)[1]	1 753 302	1 748 812
Other cash bonds (fixed-rate medium term notes)	135 784	145 426
Shares in bond issues of the Swiss mortgage lending institution	174 922	126 845
Total certificated debt	**2 064 007**	**2 021 083**

[1] Net book value of bond issues is calculated using the effective interest method. Bonds held by LGT companies are eliminated.

Bond issues

Issuer	Date of issue	Nominal value		Interest rate %	Maturity	Net book value 2018	Net book value 2017
LGT Bank Ltd.	02.07.2012	TCHF	250 000	2.000	02.07.2019	238 409	234 468
LGT Bank Ltd.	10.02.2014	TCHF	300 000	1.500	10.05.2021	292 790	293 587
LGT Bank Ltd.	08.02.2013	TCHF	300 000	1.875	08.02.2023	297 124	296 034
LGT Bank Ltd.	25.11.2015	TCHF	300 000	0.625	25.11.2025	299 005	298 778
LGT Bank Ltd.	12.10.2016	TCHF	350 000	0.200	12.10.2026	349 561	349 362
LGT Bank Ltd.	12.05.2017	TCHF	275 000	0.500	12.05.2027	276 414	276 583
Total bond issues at 31 December						**1 753 302**	**1 748 812**

	Bond issues	Subordinated cash bonds	Other cash bonds	Shares in bond issues of the Swiss mortgage lending institution	Total
At 1 January 2018	**1 748 812**	**0**	**145 426**	**126 845**	**2 021 083**
Changes arising from cash flows					
Issues	0	0	49 636	48 076	97 713
Redemptions	0	0	-59 113	0	-59 113
Total changes arising from cash flows	**0**	**0**	**-9 477**	**48 076**	**38 600**
Non-cash changes					
Currency translation	0	0	-166	0	-166
Other changes	4 490	0	0	0	4 490
Total non-cash changes	**4 490**	**0**	**-166**	**0**	**4 325**
At 31 December 2018	**1 753 302**	**0**	**135 784**	**174 922**	**2 064 007**

	Bond issues	Subordinated cash bonds	Other cash bonds	Shares in bond issues of the Swiss mortgage lending institution	Total
At 1 January 2017	**1 719 915**	**20**	**185 494**	**119 858**	**2 025 287**
Changes arising from cash flows					
Issues	278 776	0	54 208	6 987	339 971
Redemptions	-249 879	-20	-94 775	0	-344 674
Total changes arising from cash flows	**28 897**	**-20**	**-40 566**	**6 987**	**-4 703**
Non-cash changes					
Currency translation	0	0	499	0	499
Total non-cash changes	**0**	**0**	**499**	**0**	**499**
At 31 December 2017	**1 748 812**	**0**	**145 426**	**126 845**	**2 021 083**

23 Other liabilities (TCHF)	2018	2017
Amounts due to long-term incentive scheme	153 818	168 224
Amounts due for bonus payments	381 316	357 701
Post-employment benefit obligations	303 593	247 057
Other	241 767	107 262
Total other liabilities	**1 080 494**	**880 244**

24 Provisions (TCHF)	Operational risk	Commit-ments and guarantees given	Other	2018 Total	Operational risk	Other	2017 Total
At 1 January	64 687	0	30 237	94 925	66 926	23 356	90 282
Changes on initial application of IFRS 9	0	91	-8	84	0	0	0
Restated balance at 1 January	64 687	91	30 229	95 009	66 926	23 356	90 282
Current year expenses	12 107	147	0	12 255	26 126	20 074	46 200
Provisions released	-7 587	0	-10 226	-17 813	-23 976	-18 202	-42 177
Provisions utilized	-20 338	0	-417	-20 755	-1 090	-1 996	-3 086
Reclassification	-1 328	0	1 328	0	-7 000	7 000	0
Currency translation	-981	1	-0	-981	3 701	5	3 706
At 31 December	**46 561**	**239**	**20 914**	**67 714**	**64 687**	**30 237**	**94 925**

Provisions for operational risk

In the normal course of business, the Group is involved in various legal proceedings. The Group builds provisions for pending and threatened legal proceedings if the management is of the opinion that such proceedings are more likely than not to result in a financial obligation or loss and if the amount of such obligation or loss can already be reasonably estimated.

A business relationship with a client was opened in 2010. In the same year three payment orders were executed and the amounts were transferred to other banks. The client claimed in 2014 that the last transfer was not duly approved by the client and that it should not have been executed by LGT Bank (Switzerland) Ltd.

Provisions for commitments and guarantees given

These provisions relate to the expected credit losses according to IFRS 9. The Group calculates expected credit losses on off-balance sheet positions primarily for financial guarantees.

25 Other reserves (TCHF)	2018	2017
Revaluation reserves – investments in associates	0	1 492 619
Revaluation reserves – available-for-sale securities	–	112 087
Revaluation reserves – debt instruments at fair value through other comprehensive income	-1 034	–
Revaluation reserves – cash flow hedge	401	0
Revaluation reserves – actuarial gains/losses	-190 669	-137 113
Revaluation reserves – equity instruments at fair value through other comprehensive income	1 211 704	–
Total other reserves	**1 020 403**	**1 467 593**
Revaluation reserves – investments in associates		
At 1 January	1 492 619	1 366 109
Gains/losses from change in fair value	0	174 763
Appropriation of Foundation earnings and dividends	0	-48 253
Reclassification due to change in control	-1 492 619	0
At 31 December	**0**	**1 492 619**
Revaluation reserves – available-for-sale securities		
At 1 January	112 087	98 367
Changes on initial application of IFRS 9	-112 087	–
Restated balance at 1 January	–	98 367
Disposals	–	-21 282
Fair value hedge adjustment	–	5 252
Gains/losses from change in fair value	–	29 298
Deferred income tax	–	451
At 31 December	**–**	**112 087**
Revaluation reserves – debt instruments at fair value through other comprehensive income		
At 1 January	0	–
Changes on initial application of IFRS 9	5 636	–
Restated balance at 1 January	5 636	–
Disposals	0	–
Fair value hedge adjustment	-14 213	–
Gains/losses from change in fair value	8 595	–
Deferred income tax	-885	–
Other changes	-167	–
At 31 December	**-1 034**	**–**
Revaluation reserves – cash flow hedge		
At 1 January	0	-892
Gains/losses from change in fair value	401	-89
Other changes	0	981
At 31 December	**401**	**0**

	2018	2017
Revaluation reserves – actuarial gains/losses		
At 1 January	-137 113	-187 459
Gains/losses on defined benefit pension plans	-64 088	59 358
Deferred income tax	10 532	-9 012
At 31 December	**-190 669**	**-137 113**
Revaluation reserves – equity instruments at fair value through other comprehensive income		
At 1 January	0	–
Changes on initial application of IFRS 9	137 684	–
Restated balance at 1 January	137 684	–
Disposals	0	–
Gains/losses from change in fair value	-104 179	–
Deferred income tax	-6 721	–
Reclassification due to change in control	1 492 619	–
Reclassification to retained earnings	-230 963	–
Appropriation of Foundation earnings and dividends	-74 457	–
Other changes	-2 279	–
At 31 December	**1 211 704**	**–**

26 Contingent liabilities, commitments and fiduciary transactions (TCHF)

	2018	2017
Contingent liabilities		
Credit guarantees and similar instruments	264 091	267 955
Other contingent liabilities	52 592	62 510
Total contingent liabilities	**316 683**	**330 465**
Committed credit lines and other commitments	**1 476 944**	**951 362**
of which irrevocable commitments	1 300 124	798 688
Fiduciary transactions	**3 847 260**	**4 621 461**
of which fiduciary investments	3 847 260	4 621 461

Information about derivative financial instruments is shown separately in note 30.

27 Pledged and assigned assets/assets subject to reservation of ownership, which are used to secure own liabilities (TCHF)[1]	2018	2017
Book value of pledged and assigned assets (as collateral)	603 676	577 446
of which available-for-sale securities	–	305 762
of which investment securities at fair value through other comprehensive income – debt instruments	223 047	–
of which financial assets designated at fair value	1 038	0
of which mortgages	379 591	271 684
Actual commitments	550 380	514 016

[1] There are no assets subject to reservation of ownership.
The assets are pledged for commitments in respect of Lombard limits at central banks, for loans from Swiss mortgage lending institution, for securities deposits relating to SIX X-Clear/SIX Swiss Exchange and limits for cash settlement of securities transactions with EUROCLEAR BANK SA.

28 Lending transactions and pension transactions with securities (TCHF)[1]	2018	2017
Claims from cash deposits in connection with securities borrowing and reverse repurchase transactions	1 168 097	1 076 346
Liabilities from cash deposits in connection with securities lending and repurchase transactions	297 954	342 506
Own securities lent or provided as collateral within the scope of securities lending or borrowing transactions, as well as own securities transferred from repurchase transactions	172 170	150 408
of which capable of being resold or further pledged without restrictions	172 170	150 408
Securities borrowed or accepted as collateral within the scope of securities lending or borrowing transactions, as well as securities received from reverse repurchase transactions, which are capable of being resold or further pledged without restrictions	2 027 412	1 583 560
of which resold or further pledged	573 234	439 088

[1] These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the bank acts as an intermediary.

29 Fair value measurement (TCHF)

Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. In measuring fair value, the Group utilizes various valuation approaches and applies a hierarchy for prices and inputs that maximizes the use of observable market information, where available.

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which the instrument is classified in its entirety is based upon the lowest level input that is significant to the position's fair value measurement.

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges, exchange traded derivatives and precious metals.

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes investments in hedge funds, mutual funds, the majority of OTC derivative contracts and structured debt.

Level 3

Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes mainly private equity investments, issued structured debt as well as equity investments with significant unobservable components.

Valuation governance

LGT's fair value measurement and model governance framework includes controls that are intended to ensure an adequate quality of fair value measurements reported in the consolidated financial statements. Responsibility for the ongoing measurement of financial and non-financial instruments at fair value resides with Trading and Treasury, but is validated by Group Risk Controlling, which is independent of Trading and Treasury. In carrying out their valuation responsibility, Trading and Treasury is required to consider the availability and quality of external market information and to provide justification and rationale for their fair value estimates.

Independent price verification is undertaken by Group Risk Controlling. The objective of the independent price verification process is to validate the business's estimates of fair value against available market information and other relevant data. By benchmarking the business's fair value estimates with observable market prices and other independent sources, the degree of valuation uncertainty embedded in these measurements is assessed and managed as required in the governance framework.

Valuation techniques

Valuation techniques are used to value positions for which a market price is not available from market sources. This includes in principle all derivatives transacted in the OTC market. LGT uses widely recognized valuation techniques for determining fair values that are not actively traded and quoted. The most frequently applied valuation techniques include discounted value of expected cash flow and option pricing methodologies.

Discounted value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these flows using a discount rate or discount margin that reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a "present value". When using such valuation techniques, expected future cash flows are estimated using an observed or implied market price for the future cash flows or by estimating the expected future cash flows using industry standard cash flow projection models. The discount factors within the calculation are generated using industry standard yield curve modeling techniques and models.

Option pricing models incorporate assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The resulting probability-weighted expected payoff is then discounted using discount factors generated from industry standard yield curve modeling techniques and models.

Fair value disclosure and classification within the fair value hierarchy

The classification in the fair value hierarchy of the Group's financial and non-financial assets and liabilities is summarized in the table below.

Fair value at the end of the period	Level 1	Level 2	Level 3	2018 Total
Assets				
Loans and advances to banks[1]	0	4 761 430	0	4 761 430
Loans and advances to customers[1]	0	19 351 818	0	19 351 818
Securities held for trading purposes	1 548 650	0	0	1 548 650
Derivative financial instruments	0	778 083	0	778 083
Investment securities at fair value	5 002 354	4 185 740	210 904	9 398 998
Precious metals	392 380	0	0	392 380
Total assets at fair value	**6 943 385**	**29 077 071**	**210 904**	**36 231 360**
Liabilities				
Amounts due to banks[1]	0	1 440 425	0	1 440 425
Amounts due to customers[1]	0	33 401 058	0	33 401 058
Derivative financial instruments	0	801 335	0	801 335
Financial liabilities designated at fair value	0	345 682	0	345 682
Certificated debt[1]	0	2 114 366	0	2 114 366
Total liabilities at fair value	**0**	**38 102 866**	**0**	**38 102 866**

There were no transfers from Level 2 to Level 1 and vice versa.

Fair value at the end of the period	Level 1	Level 2	Level 3	2017 Total
Assets				
Loans and advances to banks[1]	0	3 982 712	0	3 982 712
Loans and advances to customers[1]	0	20 137 482	0	20 137 482
Securities held for trading purposes	0	264	0	264
Derivative financial instruments	0	681 865	0	681 865
Investment securities at fair value	5 468 086	2 056 843	214 938	7 739 867
Precious metals	296 234	0	0	296 234
Total assets at fair value	**5 764 320**	**26 859 166**	**214 938**	**32 838 424**
Liabilities				
Amounts due to banks[1]	0	1 086 519	0	1 086 519
Amounts due to customers[1]	0	32 409 428	0	32 409 428
Derivative financial instruments	0	687 053	140	687 193
Financial liabilities designated at fair value	0	470 734	0	470 734
Certificated debt[1]	0	2 095 921	0	2 095 921
Total liabilities at fair value	**0**	**36 749 655**	**140**	**36 749 795**

There were no transfers from Level 2 to Level 1 and vice versa.

[1] These items are not measured at fair value in the balance sheet but fair value is disclosed in the notes. See page 99 for a reconciliation to the carrying amount.

Reconciliation of Level 3 items	Derivative financial instruments	Investment securities at fair value	2018 Total
Assets			
At 1 January	**0**	**214 938**	**214 938**
Changes on initial application of IFRS 9	0	30 467	30 467
Restated balance at 1 January	0	245 405	245 405
Total gains/losses	0	21 968	21 968
thereof in profit/loss	0	-437	-437
thereof in other comprehensive income	0	22 405	22 405
Purchases	0	429 398	429 398
Issues	0	89	89
Sales	0	-488 019	-488 019
Redemptions	0	0	0
Currency translation	0	2 063	2 063
Transfers into/out of Level 3	0	0	0
At 31 December	**0**	**210 904**	**210 904**
Liabilities			
At 1 January	**140**	**0**	**140**
Total gains/losses	-135	0	-135
thereof in profit/loss	-135	0	-135
thereof in other comprehensive income	0	0	0
Purchases	0	0	0
Issues	0	0	0
Sales	0	0	0
Redemptions	0	0	0
Currency translation	-5	0	-5
Transfers into/out of Level 3	0	0	0
At 31 December	**0**	**0**	**0**

There were no transfers either into or out of Level 3 in 2018.

Reconciliation of Level 3 items

	Derivative financial instruments	Investment securities at fair value	2017 Total
Assets			
At 1 January	**0**	**146 866**	**146 866**
Total gains/losses	0	7 640	7 640
thereof in profit/loss	0	27 385	27 385
thereof in other comprehensive income	0	-19 746	-19 746
Purchases	0	301 571	301 571
Issues	0	0	0
Sales	0	-241 155	-241 155
Redemptions	0	0	0
Currency translation	0	17	17
Transfers into/out of Level 3	0	0	0
At 31 December	**0**	**214 938**	**214 938**
Liabilities			
At 1 January	**165**	**0**	**165**
Total gains/losses	-40	0	-40
thereof in profit/loss	-40	0	-40
thereof in other comprehensive income	0	0	0
Purchases	0	0	0
Issues	0	0	0
Sales	0	0	0
Redemptions	0	0	0
Currency translation	15	0	15
Transfers into/out of Level 3	0	0	0
At 31 December	**140**	**0**	**140**

There were no transfers either into or out of Level 3 in 2017.

Gains/losses included in profit/loss for financial instruments measured at fair value based on Level 3	2018	2017
Total gains/losses included in profit/loss for the period	2 137	27 425
Total gains/losses for the period included in income from trading activities for assets/liabilities held at the end of the reporting period	0	34

30 Derivative financial instruments (TCHF)

In the normal course of business, LGT and its subsidiaries use various derivative financial instruments to meet the financial needs of their customers, to generate revenues through trading, and to manage their exposure to fluctuations in interest and foreign exchange rates. Derivatives used for trading purposes include foreign exchange forwards, stock options and warrants as well as forward rate agreements (FRAs). Within the context of asset and liability management, interest rate swaps are primarily employed. LGT controls the credit risk from derivative financial instruments through its credit approval process and the use of control limits and monitoring procedures. LGT uses the same credit procedures when entering into derivatives as it does for traditional lending products.

The following table summarizes the total outstanding volumes in derivative financial instruments. Positive and negative replacement values are stated at gross values, without taking into consideration the effect of master netting agreements.

Types of derivative financial instruments held for trading			2018			2017
	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
Interest rate products						
Interest rate swaps	510 071	9 979	8 910	428 334	14 773	12 548
OTC options	3 798	189	189	29 290	210	210
Foreign exchange products						
Foreign exchange forwards	77 711 640	526 421	524 903	108 731 482	567 268	571 977
Foreign exchange swaps	2 294 443	10 198	14 639	1 801 551	6 657	20 885
Foreign exchange OTC options	8 166 612	68 287	52 055	4 866 508	41 693	28 137
Precious metal products						
Precious metal forwards	1 919 673	44 386	32 670	787 938	17 845	5 660
Precious metal swaps	30 522	114	557	50 402	822	405
Precious metal OTC options	650 662	11 929	6 748	297 298	4 906	597
Derivatives on shares and indices						
OTC options	840 685	102 626	2 161	970 036	19 989	5 163
Other products	2 236 984	3 461	123 836	2 147 489	7 704	30 198
Total contracts	**94 365 090**	**777 590**	**766 666**	**120 110 329**	**681 865**	**675 780**

Types of derivative financial instruments held for hedging			2018			2017
	Notional amount	Positive replacement value	Negative replacement value	Notional amount	Positive replacement value	Negative replacement value
Interest rate products						
Interest rate swaps (cash flow hedges)	60 000	493	0	0	0	0
Interest rate swaps (fair value hedges)	2 316 320	0	34 669	1 125 755	0	11 413
Total contracts	**2 376 320**	**493**	**34 669**	**1 125 755**	**0**	**11 413**

[1] LGT applied fair value hedge accounting for a portfolio hedge of interest rate risk for the first time in the 2012 reporting period by using interest rate swaps to hedge its exposure to market fluctuations of fixed-rate instruments. The fair value adjustment of the underlying instruments related to interest rate risk was TCHF 16 242 (2017: TCHF -12 243). A matching amount of TCHF -16 444 (2017: TCHF 12 444) is included in the replacement value attributable to derivative hedging instruments.

31 Offsetting financial assets and liabilities (TCHF)

Financial assets and liabilities subject to offsetting netting arrangements and similar agreements.

Assets at 31 December 2018	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amount of financial assets presented on the balance sheet	Amounts not set off on the balance sheet: Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amount
Central bank funds sold and securities purchased under resale agreements	1 168 097	0	1 168 097	0	0	1 157 667	10 430
Positive market values from derivative financial instruments	462 554	0	462 554	313 003	55 522	0	94 028
Total assets	**1 630 651**	**0**	**1 630 651**	**313 003**	**55 522**	**1 157 667**	**104 458**

Liabilities at 31 December 2018	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amount of financial liabilities presented on the balance sheet	Amounts not set off on the balance sheet: Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amount
Central bank funds sold and securities purchased under resale agreements	297 954	0	297 954	0	0	296 963	991
Negative market values from derivative financial instruments	673 662	0	673 662	313 003	333 061	0	27 598
Total liabilities	**971 617**	**0**	**971 617**	**313 003**	**333 061**	**296 963**	**28 590**

Assets at 31 December 2017	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amount of financial assets presented on the balance sheet	Amounts not set off on the balance sheet: Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amount
Central bank funds sold and securities purchased under resale agreements	1 076 346	0	1 076 346	0	0	1 062 445	13 901
Positive market values from derivative financial instruments	505 493	0	505 493	368 600	85 408	0	51 484
Total assets	**1 581 839**	**0**	**1 581 839**	**368 600**	**85 408**	**1 062 445**	**65 385**

Liabilities at 31 December 2017	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amount of financial liabilities presented on the balance sheet	Amounts not set off on the balance sheet: Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amount
Central bank funds sold and securities purchased under resale agreements	342 506	0	342 506	0	0	342 052	454
Negative market values from derivative financial instruments	512 591	0	512 591	368 600	94 315	0	49 676
Total liabilities	**855 097**	**0**	**855 097**	**368 600**	**94 315**	**342 052**	**50 130**

32 Capital resources (TCHF)

Capital adequacy and the use of capital are monitored by the Group and by individual operating units. Starting 1 February 2015, the calculation of regulatory capital incorporates the capital requirements following the Capital Requirements Regulation No. 575/2013 (CRR) and the Capital Requirements Directive No. 2013/36/EU (CRD 4) as implemented into Liechtenstein law. The total capital ratio has to be at least 8%. In addition, LGT has to fulfill 5% buffer requirements (2.5% capital conservation buffer and 2.5% systemic risk buffer). The entire buffer requirement must be fulfilled with CET 1 capital.

Capital ratios measure capital adequacy by comparing the Group's eligible capital with balance sheet assets, off-balance sheet commitments and market positions at weighted amounts to reflect their relative risk. Assets are weighted according to broad categories of notional risk, first being multiplied by a conversion factor and then being assigned a risk weighting according to the amount of capital deemed to be necessary for them. Off-balance sheet commitments and default risk positions are also multiplied and risk-weighted. Market risk is calculated with the standard approach.

All results are based on the full application of the final CRR and CRD 4 framework in the European Union and thus without consideration of applicable transitional rules. The Group and its individually regulated entities have complied with all externally imposed capital requirements throughout the period.

The following table analyzes the Group's capital resources as defined for regulatory purposes:

Capital resources		**2018**	**2017**
Capital resources		4 112 170	4 112 667
thereof non-controlling interests		477	344
Other adjustments		107 113	84 821
Prudent valuation adjustment		-12 213	0
Intangible assets		-784 138	-823 525
CET 1 capital		**3 422 932**	**3 373 963**
Tier 1 capital		**3 422 932**	**3 373 963**
tier 2 items		0	0
Own funds		**3 422 932**	**3 373 963**
Required capital	**Approach**		
Credit risk	Standard	**1 167 241**	**1 120 710**
Market risk	Standard	**155 169**	**101 254**
Operational risk	Basic indicator	**220 559**	**194 236**
Credit valuation adjustment risk	Standard	**12 410**	**16 682**
Total		**1 555 378**	**1 432 882**
Capital adequacy ratio[1]		**17.6%**	**18.8%**

[1] CET 1 capital ratio: 17.6% (2017: 18.8%); Tier 1 capital ratio: 17.6% (2017: 18.8%); Total capital ratio: 17.6% (2017: 18.8%)

33 Subsidiaries

The Group's principal subsidiary undertakings at 31 December 2018 were:

Name	Principal activity	Registered office	Ownership interest in % of ordinary shares held[1]
LGT Bank Ltd.	Banking	Vaduz – Liechtenstein	100.0
LGT Capital Partners (FL) Ltd.	Investment management	Vaduz – Liechtenstein	100.0
LGT Fund Management Company Ltd.	Investment management	Vaduz – Liechtenstein	100.0
LGT Funds SICAV	Investment company	Vaduz – Liechtenstein	100.0
LGT Multi-Assets SICAV	Investment company	Vaduz – Liechtenstein	100.0
LGT Portfolio Management SICAV	Investment company	Vaduz – Liechtenstein	100.0
LGT Premium Strategy AGmvK in Liquidation	Investment company	Vaduz – Liechtenstein	100.0
LGT Strategy Units (Lie) AGmvK in Liquidation	Investment company	Vaduz – Liechtenstein	100.0
LGT Capital Partners Advisers Ltd.	Investment advisers	Vaduz – Liechtenstein	100.0
LGT Private Equity Advisers Ltd.	Investment advisers	Vaduz – Liechtenstein	60.0
LGT Financial Services Ltd.	Services company	Vaduz – Liechtenstein	100.0
LGT Audit Revisions Aktiengesellschaft	Audit company	Vaduz – Liechtenstein	100.0
LGT Group Holding Ltd.	Holding company	Vaduz – Liechtenstein	100.0
LGT Bank (Switzerland) Ltd.	Banking	Basel – Switzerland	100.0
LGT Capital Partners Ltd.[2]	Investment management	Pfäffikon SZ – Switzerland	100.0
LGT ILS Partners Ltd.	Investment management	Pfäffikon SZ – Switzerland	100.0
LGT Holding International Ltd. in Liquidation	Holding company	Pfäffikon SZ – Switzerland	100.0
European Capital Private Debt Carry GP LLP	Holding company	Edinburgh – United Kingdom	60.0
European Capital UK SME Carry GP LLP	Holding company	Edinburgh – United Kingdom	60.0
LGT European Capital Ltd.	Investment management	London – United Kingdom	60.0
LGT Capital Partners (U.K.) Ltd.	Investment advisers	London – United Kingdom	100.0
LGT Impact Investments Advisors UK LLP	Investment advisers	London – United Kingdom	100.0
European Capital Private Debt GP LLP	Holding company	London – United Kingdom	60.0
European Capital Private Debt 1 Ltd.	Holding company	London – United Kingdom	60.0
European Capital Private Debt 2 Ltd.	Holding company	London – United Kingdom	60.0
European Capital UK SME Debt 1 Ltd.	Holding company	London – United Kingdom	60.0
European Capital UK SME Debt 2 Ltd.	Holding company	London – United Kingdom	60.0
European Capital UK SME GP LLP	Holding company	London – United Kingdom	60.0
LGT EC Holding Limited	Holding company	London – United Kingdom	60.0
LGT UK Holdings Limited	Holding company	London – United Kingdom	100.0
LGT Vestra LLP	Investment management	London – United Kingdom	76.0
LGT Vestra US Ltd.	Investment management	London – United Kingdom	76.0
LGT Vestra (Jersey) Ltd.	Investment management	St Helier – Jersey	76.0
LGT Capital Partners (Ireland) Ltd.	Investment management	Dublin – Ireland	100.0
LGT Fund Managers (Ireland) Ltd.	Fund administrator	Dublin – Ireland	100.0
LGT Holding Denmark ApS	Holding company	Copenhagen – Denmark	100.0
ECAS Agent S.A.S.	Bondholder representative and agent	Paris – France	100.0
LGT Fund Management (Lux) S.A.	Holding company	Luxembourg – Luxembourg	100.0

Name	Principal activity	Registered office	Ownership interest in % of ordinary shares held[1]
LGT Bank (Singapore) Ltd.	Banking	Singapore	100.0
LGT Investment Consulting (Beijing) Ltd.	Investment consulting	Beijing – China	100.0
LGT Capital Partners (Asia-Pacific) Ltd.	Investment advisers	Hong Kong SAR	100.0
LGT Investment Management (Asia) Ltd.	Investment advisers	Hong Kong SAR	100.0
LGT Securities (Thailand) Ltd.[3]	Investment advisers	Bangkok – Thailand	100.0
LGT Capital Partners (Japan) Co., Ltd.	Investment advisers	Tokyo – Japan	100.0
LGT Capital Partners (Dubai) Ltd.	Investment advisers	Dubai – United Arab Emirates	100.0
LGT (Middle East) Ltd.	Investment advisers	Dubai – United Arab Emirates	100.0
LGT Impact Investment Advisors India Private Limited	Investment advisers	Mumbai – India	100.0
LGT Capital Invest Mauritius PCC (Cell D)	Holding company	Ebène – Mauritius	100.0
LGT Lightstone Advisors Kenya Ltd.[4]	Investment advisers	Nairobi – Kenya	100.0
LGT Capital Partners (USA) Inc.	Investment management	New York – USA	100.0
LGT Bank (Cayman) Ltd.	Banking	Grand Cayman – Cayman Islands	100.0
LGT Certificates Ltd.	Holding company	Grand Cayman – Cayman Islands	100.0
LGT Global Invest Ltd.	Holding company	Grand Cayman – Cayman Islands	100.0
LGT Investment Portfolio Ltd. in Liquidation	Holding company	Grand Cayman – Cayman Islands	100.0
LGT Investments Ltd.	Holding company	Grand Cayman – Cayman Islands	100.0
LGT Participations Ltd.	Holding company	Grand Cayman – Cayman Islands	100.0
LGT Impact Investment Assessoria Brasil Ltda.	Investment advisers	Sao Paulo – Brazil	94.0
LGT (Uruguay) S.A. in Liquidation	Bank representation	Montevideo – Uruguay	100.0
LGT Capital Partners (Australia) PTY Ltd.	Investment advisers	Sydney – Australia	100.0

[1] Ownership interest equals voting interest.
[2] Merger of LGT Capital Partners Ltd., Pfäffikon and LGT Investment Partners Ltd., Pfäffikon on 3 December 2018
[3] Was established on 9 February 2018
[4] Was established on 3 July 2018
LGT Finance Ltd. was liquidated on 1 May 2018.
LGT Ireland Ltd. was liquidated on 25 May 2018.
LGT Holding (Malaysia) Ltd. was liquidated on 3 December 2018.

34 Interests in unconsolidated structured entities (TCHF)

The Group is principally involved with structured entities through investments in and loans to structured entities and sponsoring structured entities that provide specialized investment opportunities to investors.

Interests in unconsolidated structured entities		**2018**		**2017**
Domicile	**Number**	**NAV**	**Number**	**NAV**
Cayman Islands	3	2 806 486	4	3 165 758
Finland	0	0	1	114 305
Germany	3	66 899	3	687 552
Guernsey	0	0	5	1 617 047
Ireland	27	9 947 869	38	13 025 138
Liechtenstein	6	16 942 512	6	20 135 692
Luxembourg	20	9 488 317	18	10 877 921
Switzerland	4	589 523	4	724 435
United Kingdom	4	734 731	2	201 272
USA	2	79 740	2	41 618
Total	**69**	**40 656 076**	**83**	**50 590 738**

Nature of risk

Risk associated with unconsolidated structured entities

The following table summarizes the carrying values recognized in the statement of financial position of the Group's interests in unconsolidated structured entities. The maximum exposure to loss presented in the table below is contingent in nature and may arise as a result of the provision of liquidity facilities, and any other funding commitments, such as financial guarantees provided by the Group.

Financial statement at 31 December 2018 Domicile	Investment securities at fair value	Financial instruments (trading)	Loans	Commit-ments and guarantees	Collateral	Maximum exposure to loss
Cayman Islands	14 000	0	110 813	1 039 557	-1 020 520	143 850
Germany	32	0	0	957	0	989
Guernsey	365	0	0	0	0	365
Ireland	17 871	0	247 960	550 644	-22 662	793 813
Liechtenstein	0	0	92 211	889 430	-969 830	11 811
Luxembourg	82	0	192 076	166 866	-91 171	267 853
Switzerland	0	0	0	4 927	0	4 927
United Kingdom	28	0	0	0	0	28
Total	**32 378**	**0**	**643 060**	**2 652 381**	**-2 104 183**	**1 223 636**

Financial statement at 31 December 2017 Domicile	Investment securities at fair value	Financial instruments (trading)	Loans	Commit-ments and guarantees	Collateral	Maximum exposure to loss
Cayman Islands	1 391 552	0	59 703	1 062 384	-1 005 111	1 508 528
Germany	73	0	0	995	0	1 068
Guernsey	431	0	0	0	0	431
Ireland	54 695	0	224 937	442 338	-19 496	702 474
Liechtenstein	0	0	60 612	852 354	-900 001	12 965
Luxembourg	275	0	163 621	155 477	-46 303	273 070
Switzerland	6 839	255	0	29 244	0	36 338
United Kingdom	29	0	0	0	0	29
USA	35 974	0	0	0	0	35 974
Total	**1 489 868**	**255**	**508 873**	**2 542 792**	**-1 970 911**	**2 570 877**

35 Operating segments (TCHF)

LGT is the Private Banking and Asset Management Group of the Princely House of Liechtenstein. It has its headquarters in Vaduz, Principality of Liechtenstein. The Group's segmental reporting comprises the three operating business units: Private Banking, Asset Management and Operations & Technology. All the remaining operating income and expenses, which are not directly connected to these business units, including consolidation adjustments, are shown under Corporate Center.

LGT's reportable segments are strategic business units that offer different products and services to external and internal customers. They are managed separately because each business unit pursues its own specific client strategy and requires different technology as well as marketing strategy.

The segment reporting reflects the internal management structure. The segments are based upon the products and services provided or the type of customer served and they reflect the manner in which financial information is currently evaluated by management. The results of these lines of business are presented on a managed basis. Both the external and the internal reports are prepared in accordance with International Financial Reporting Standards (IFRS).

Private Banking offers private clients a comprehensive range of services around the world. Asset Management manages discretionary mandates and investment funds for institutional and private investors worldwide focusing on alternative investments and multi-asset solutions. Operations & Technology is the IT and business service provider for the whole Group.

The accounting policies of the operating segments are the same as those described in the summary of the Group accounting principles. Income and expenses are assigned to the individual business lines in accordance with current market prices and based on the client relationships. Indirect costs resulting from services provided internally are accounted for according to the principle of causation and are recorded as a revenue increase for the service provider and as a cost increase for the service beneficiary. Depreciation and provisions are stated at effective costs.

Information about the operating income from external customers for each product and service, or group of similar products and services, is not available. The costs of developing such reporting would be excessive.

Operating segments at 31 December 2018	Private Banking	Asset Management	Operations & Technology	Corporate Center[5]	Group
Net interest income[1]	296 532	-1 882	-309	-12 920	281 420
Credit loss expense/recovery	-3 293	-10	0	-315	-3 618
Non-interest income (other income)	961 077	400 648	11 595	24 680	1 398 000
Total internal operating income[2]	58 532	14 815	197 912	-271 259	0
Total operating income	**1 312 847**	**413 572**	**209 198**	**-259 814**	**1 675 802**
Personnel expenses	-553 360	-216 128	-68 524	-85 978	-923 989
Business and office expenses	-402 024	-82 900	-103 446	272 019	-316 352
Depreciation, amortization and provisions	-63 681	-2 123	-25 512	7 167	-84 149
Total operating expenses	**-1 019 065**	**-301 152**	**-197 482**	**193 207**	**-1 324 490**
Segment result before tax	**293 782**	**112 420**	**11 716**	**-66 606**	**351 312**
Tax expense[3]					-37 201
Non-controlling interests					7
Net profit					**314 118**
Additional information:					
Segment assets	**43 662 865**	**533 114**	**105 617**	**-857 601**	**43 443 994**
Property and equipment	113 887	8 738	17 349	23	139 997
Intangible assets	728 402	36 232	30 800	0	795 435
Capital expenditure	12 298	4 843	14 867	50	32 058
Segment liabilities	**38 592 015**	**285 613**	**73 487**	**380 709**	**39 331 824**
Headcount	2 340	456	366	243	3 405
Assets under administration in CHF m[4]	143 733	52 858	0	1 651	198 243

[1] Management primarily relies on net interest income, not gross income and expense, in managing the segments.
[2] Operating income from transactions with other segments at market prices.
[3] The Group does not allocate tax expense/tax income to reportable segments.
[4] Assets under administration include double-counted assets.
[5] Corporate Center includes the net result of the Princely Portfolio, net Group financing cost, the cost of all Group functions and consolidation adjustments.

Geographical information at 31 December 2018	Operating income[1]	Capital expenditure	Non-current assets
Liechtenstein	478 843	15 901	191 069
Switzerland	509 655	992	237 746
Other Europe	222 119	7 572	168 314
Americas	31 407	70	3 821
Asia	412 501	7 523	334 482
Other countries	21 277	0	0
Group	**1 675 802**	**32 058**	**935 432**

[1] Operating income is attributed to countries/regions on the basis of the LGT companies' domicile.

Operating segments at 31 December 2017	Private Banking	Asset Management	Operations & Technology	Corporate Center[5]	Group
Net interest income[1]	239 001	-1 598	-252	-8 737	228 414
Credit loss expense/recovery	7 364	0	0	0	7 364
Non-interest income (other income)	869 528	377 629	9 462	44 174	1 300 792
Total internal operating income[2]	57 713	11 148	174 460	-243 320	0
Total operating income	**1 173 605**	**387 179**	**183 669**	**-207 883**	**1 536 570**
Personnel expenses	-525 603	-202 077	-66 929	-63 759	-858 367
Business and office expenses	-372 808	-73 444	-88 901	260 173	-274 980
Depreciation, amortization and provisions	-69 424	-5 713	-22 343	14 338	-83 142
Total operating expenses	**-967 835**	**-281 234**	**-178 173**	**210 753**	**-1 216 489**
Segment result before tax	**205 770**	**105 945**	**5 497**	**2 869**	**320 081**
Tax expense[3]					-36 685
Non-controlling interests					-10
Net profit					**283 387**
Profit/loss of associates	0	0	0	174 763	174 763
Additional information:					
Segment assets	**42 138 231**	**464 479**	**189 678**	**-899 654**	**41 892 734**
Property and equipment	120 436	6 003	38 582	1	165 023
Intangible assets	768 488	38 332	17 125	0	823 946
Capital expenditure	18 611	2 494	30 859	0	51 965
Investments in associates	0	0	0	2 969 087	2 969 087
Segment liabilities	**37 355 972**	**266 003**	**82 015**	**76 077**	**37 780 067**
Headcount	2 192	422	332	242	3 188
Assets under administration in CHF m[4]	147 173	53 905	0	704	201 782

[1] Management primarily relies on net interest income, not gross income and expense, in managing the segments.
[2] Operating income from transactions with other segments at market prices.
[3] The Group does not allocate tax expense/tax income to reportable segments.
[4] Assets under administration include double-counted assets.
[5] Corporate Center includes the net result of the Princely Portfolio, net Group financing cost, the cost of all Group functions and consolidation adjustments.

Geographical information at 31 December 2017	Operating income[1]	Capital expenditure	Non-current assets
Liechtenstein	458 999	31 649	203 082
Switzerland	488 763	1 319	255 696
Other Europe	179 002	7 057	179 237
Americas	45 066	2 332	4 228
Asia	340 795	9 608	346 724
Other countries	16 581	0	0
Group	**1 529 206**	**51 965**	**988 968**

[1] Operating income is attributed to countries/regions on the basis of the LGT companies' domicile.

36 Assets under administration (CHF m)

Assets under administration which are stated according to the provisions of the Liechtenstein banking law are as follows:

	2018	2017
Assets in own-managed funds	37 513	38 518
Assets under management	54 720	53 859
Other assets under administration	106 010	109 405
Total assets under administration (including double counting)	**198 243**	**201 782**
of which double counting	16 299	15 615
Net new assets	**6 757**	**35 985**
of which net new money	6 757	17 684
of which through acquisition	0	18 301

Assets in own-managed funds
This item covers the assets of all the actively marketed investment funds of LGT.

Assets under management
The calculation of assets with management mandate takes into account client deposits as well as the fair value of securities, loan-stock rights, precious metals and fiduciary investments placed with third-party institutions. The information covers both assets deposited with Group companies and assets deposited at third-party institutions for which Group companies hold a discretionary mandate.

Other assets under administration
The calculation of other assets under administration takes into account client deposits as well as the fair value of securities, loan-stock rights, precious metals and fiduciary investments placed with third-party institutions. The information covers assets for which an administrative or advisory mandate is exercised.

Double counting
This item covers investment fund units from own-managed funds as well as certain assets that are included in assets under management.

Custodian assets
Custodian assets are excluded.

37 Pensions (TCHF)	2018	2017
Principal actuarial assumptions		
Discount rate	0.85%	0.70%
Average future salary increases	1%, from age 55 0%	1%, from age 55 0%
Future pension increases	0%	0%
Mortality tables used	BVG 2015 GT mod	BVG 2015 GT mod
Average retirement age	60/60	60/60
Employees covered by the major plans[1]	2 029	1 888
Retirees covered by the major plans	505	500
The average life expectancy in years of a pensioner retiring at age 60 is as follows:		
Male	27.4	27.3
Female	29.7	29.6
Balance sheet (end of year)		
Fair value of plan assets	1 399 004	1 381 885
Defined benefit obligation	-1 702 597	-1 628 942
Net assets/liabilities (funded status)	**-303 593**	**-247 057**
Income statement		
Service cost	-32 567	-41 151
Interest cost	-11 531	-10 441
Interest income	9 801	8 150
Past service cost	0	0
Curtailment, settlement, plan amendment gains/losses	0	50 222
Administration expense	-234	-254
Net pension expenses	**-34 531**	**6 526**
Actual return on plan assets	-55 064	91 518
Movement in the assets/liabilities recognized in the balance sheet		
At 1 January	-247 057	-352 519
True-up opening balance sheet	0	0
Income/expense recognized in the income statement	-34 531	6 526
Employer's contributions (following year expected contribution)	42 083	39 578
Total prepaid/accrued pension cost	7 552	46 104
whereof operating income/expense	9 282	48 395
whereof financing income/expense	-1 730	-2 291
Total gains/losses recognized in other comprehensive income	-64 088	59 358
At 31 December	**-303 593**	**-247 057**

[1] Apprentices, trainees and certain part-time employees are not covered by the plans.

	2018	2017
Movement in the defined benefit obligation		
At 1 January	-1 628 942	-1 589 151
Service cost	-32 567	-41 151
Employees' contributions	-24 851	-23 321
Past service cost	0	0
Interest cost	-11 531	-10 441
Curtailments/settlements	0	50 222
Benefits paid	-5 483	8 910
Actuarial gains/losses on benefit obligation	777	-24 010
At 31 December	**-1 702 597**	**-1 628 942**
Defined benefit obligation participants	-1 217 240	-1 142 655
Defined benefit obligation pensioners	-485 357	-486 287
Duration	15.4	15.8
Movement in the fair value of plan assets		
At 1 January	1 381 885	1 236 632
Interest income	9 801	8 150
Employer's contributions	42 083	39 578
Employees' contributions	24 851	23 321
Benefits paid	5 483	-8 910
Administration expense	-234	-254
Return on plan assets excluding amount recognized in net interest	-64 865	83 368
At 31 December	**1 399 004**	**1 381 885**

Composition and fair value of plan assets at 31 December 2018	Quoted in an active market Domestic	Foreign	Other Domestic	Foreign	Total	%
Cash and cash equivalents	0	0	77 347	45 816	123 164	8.8
Real estate	0	0	39 620	0	39 620	2.8
Bonds	1 551	33 217	0	0	34 768	2.5
AAA to BBB-	1 551	33 150	0	0	34 701	2.5
below BBB-	0	67	0	0	67	0.0
not rated	0	0	0	0	0	0.0
Equity	57 004	0	0	0	57 004	4.1
Investment funds	98 226	74 636	676 740	290 293	1 139 895	81.5
Bonds	0	13 639	366 137	64 621	444 397	31.8
Equity	4 542	38 344	194 857	5 664	243 408	17.4
Money market	0	0	50 396	0	50 396	3.6
Real estate	66 008	7 291	65 350	0	138 649	9.9
Commodities	27 676	0	0	0	27 676	2.0
Alternative investments	0	15 362	0	220 008	235 370	16.8
Derivatives	0	0	-20 631	0	-20 631	-1.5
Currencies	0	0	-20 631	0	-20 631	-1.5
Options	0	0	0	0	0	0.0
Other assets/liabilities	14 778	0	10 406	0	25 184	1.8
Total	**171 559**	**107 853**	**783 482**	**336 109**	**1 399 004**	**100.0**

Composition and fair value of plan assets at 31 December 2017	Quoted in an active market Domestic	Foreign	Domestic	Other Foreign	Total	%
Cash and cash equivalents	0	0	62 295	72 628	134 923	9.8
Real estate	0	0	40 727	0	40 727	2.9
Bonds	2 726	38 064	0	0	40 790	3.0
AAA to BBB-	2 726	37 922	0	0	40 648	2.9
below BBB-	0	142	0	0	142	0.0
not rated	0	0	0	0	0	0.0
Equity	89 604	0	0	0	89 604	6.5
Investment funds	77 100	83 633	660 745	231 907	1 053 385	76.2
Bonds	0	5 314	331 493	55 245	392 052	28.4
Equity	7 672	33 302	232 848	6 579	280 401	20.3
Money market	0	0	17 996	0	17 996	1.3
Real estate	69 428	28 441	59 280	0	157 149	11.4
Commodities	0	0	19 128	0	19 128	1.4
Alternative investments	0	16 576	0	170 083	186 659	13.5
Derivatives	0	0	7 507	0	7 507	0.5
Currencies	0	0	7 507	0	7 507	0.5
Options	0	0	0	0	0	0.0
Other assets/liabilities	10 488	0	4 461	0	14 949	1.1
Total	**179 918**	**121 697**	**775 735**	**304 535**	**1 381 885**	**100.0**

The plan assets include property occupied by the Group with a fair value of TCHF 13 790 (2017: TCHF 13 530).

Defined benefit pension plans	2018	2017
Remeasurements DBO	**777**	**-24 010**
Actuarial gains/losses arising from plan experience	-39 394	-37 018
Actuarial gains/losses arising from demographic assumptions	0	0
Actuarial gains/losses arising from financial assumptions	40 171	13 008
Remeasurements assets	**-64 865**	**83 368**
True-up of opening balance sheet	**0**	**0**
Total recognized in other comprehensive income	**-64 088**	**59 358**

Sensitivities	DBO	Service cost
Discount rate +0.25%	-64 703	-2 315
Discount rate -0.25%	69 308	2 505
Salary increase +0.25%	11 445	806
Salary increase -0.25%	-11 186	-784
Pension increase +0.25%	49 011	1 281
Pension increase -0.25% (not lower than 0%)	0	0
Increase of one year life expectancy at retirement age	60 962	2 087

The Group expects to contribute TCHF 34 216 to its defined benefit pension plans in 2019 (2018: TCHF 32 567).
The measurement date for the Group's defined benefit plans is 31 December.
The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.
The methods and types of assumptions used in preparing the sensitivity analysis have not changed compared with the previous period.

Nature of plans

IAS 19 (revised) specifies new disclosure requirements with relation to pension plans, the regulatory framework and risk characteristics.

Regulatory framework

Pension plan legal structure

LGT currently operates two employer-specific defined benefit pension schemes, i.e. the LGT Group Personnel Welfare and Pension Foundation (Personalvorsorgestiftung (PVS) der LGT Gruppe) in Switzerland and in Liechtenstein. Both pension schemes consist of a pension plan and a capital savings plan. The pension fund is a separate legal entity. Under Swiss and Liechtenstein law, all employees are required to be members of the pension scheme. Minimum benefits are stipulated by law (for old-age, disability, death and termination). LGT's pension schemes cover more than legally prescribed minimum requirements.

The Foundation Board of the welfare and pension fund foundation comprises eight individuals for the pension fund in Switzerland, and six individuals for the pension fund in Liechtenstein – 50% of whom are employer representatives, and the other 50% are employee representatives.

Other entity's responsibilities

The members of the Foundation Board decide about the benefits to be provided, how these are to be financed, and the fund's asset allocation. They are responsible vis à vis the beneficiaries and the authorities.

Special situation

The pension scheme has no minimum funding requirement (when the pension fund is in a surplus position), although it does have a minimum contribution requirement as specified below. In accordance with national legal provisions, where a pension fund is operated in a surplus position, limited restrictions apply in terms of the board member's ability to apply benefits to the members of the locally determined "free reserves". In cases where the pension fund enters into an underfunded status, the active members together with LGT are required to make additional contributions until such time as the pension fund is again in a fully funded position.

Funding arrangements that affect future contributions

Swiss and Liechtenstein law provides for minimum pension obligations on retirement. Swiss and Liechtenstein law also prescribes minimum annual contribution requirements. An employer may provide or contribute a higher amount than specified by Swiss and Liechtenstein law – such amounts are specified under the terms and conditions of the pension schemes. In addition, employers are able to make one-off contributions or prepayments to these pension funds. Although these contributions cannot be withdrawn, they are available to the company to offset its future employer cash contributions to the pension fund.

Even though a surplus may exist in the pension fund, Swiss and Liechtenstein law requires that minimum annual contribution requirements continue. For the active members of the pension fund, annual contributions are required from both the employer and the employee. The employer contributions must be at least equal to the employee contributions, but may be higher, as stated separately in the regulations of the pension fund.

Minimum annual contribution obligations are determined with reference to an employee's age and current salary, however, as indicated above, these can be increased under the pension schemes.

In the event that an employee leaves the employ of LGT prior to reaching a pensionable age, the termination benefit (pension scheme) and the cumulative balance of the savings contributions (capital savings scheme) are withdrawn from the pension scheme and invested in the pension scheme of the employee's new employer.

In the event of the liquidation of LGT, or the pension fund, LGT has no right to any refund of any surplus in the pension fund. Any surplus balance is to be allocated to the members (active and pensioners).

General risk

The company faces the risk that the equity ratio can be affected by a bad performance of the assets of the pension fund, or a change of assumptions. Therefore the sensitivities applying to the main assumptions (discount rate and salary increase) have been calculated and disclosed.

38 Long-term incentive scheme

Movements in the number of options outstanding

Number of series	13	14	15	16	17	18	19	20	Total
Year of issue	2011	2012	2013	2014	2015	2016	2017	2018	
Duration from	1.4.2011	1.4.2012	1.4.2013	1.4.2014	1.4.2015	1.4.2016	1.4.2017	1.4.2018	
Duration to	1.4.2018	1.4.2019	1.4.2020	1.4.2021	1.4.2022	1.4.2023	1.4.2024	1.4.2025	
At 1 January 2018	1 384	1 453	2 248	2 794	3 421	3 512	3 526	0	18 338
Granted	0	0	0	0	0	0	0	3 842	3 842
Exercised	-1 384	-190	-486	-318	-574	0	0	0	-2 952
Lapsed/without value	0	-8	-8	-10	-15	-42	-18	0	-101
At 31 December 2018	**0**	**1 255**	**1 754**	**2 466**	**2 832**	**3 470**	**3 508**	**3 842**	**19 127**

Number of series	12	13	14	15	16	17	18	19	Total
Year of issue	2010	2011	2012	2013	2014	2015	2016	2017	
Duration from	1.4.2010	1.4.2011	1.4.2012	1.4.2013	1.4.2014	1.4.2015	1.4.2016	1.4.2017	
Duration to	1.4.2017	1.4.2018	1.4.2019	1.4.2020	1.4.2021	1.4.2022	1.4.2023	1.4.2024	
At 1 January 2017	1 233	1 750	1 784	2 501	3 387	3 446	3 539	0	17 640
Granted	0	0	0	0	0	0	0	3 526	3 526
Exercised	-1 233	-366	-331	-253	-583	0	0	0	-2 766
Lapsed/without value	0	0	0	0	-10	-25	-27	0	-62
At 31 December 2017	**0**	**1 384**	**1 453**	**2 248**	**2 794**	**3 421**	**3 512**	**3 526**	**18 338**

Options outstanding at the end of the year were as follows:

Number of series	Year of issue	Expiry date	Exercise price (CHF)	2018	2017
13	2011	1.4.2018	13 871	0	1 384
14	2012	1.4.2019	12 877	1 255	1 453
15	2013	1.4.2020	14 546	1 754	2 248
16	2014	1.4.2021	13 773	2 466	2 794
17	2015	1.4.2022	14 180	2 832	3 421
18	2016	1.4.2023	13 786	3 470	3 512
19	2017	1.4.2024	14 898	3 508	3 526
20	2018	1.4.2025	16 462	3 842	0
				19 127	**18 338**

The fair value changes of the options of TCHF 17 751 for 2018 were charged to personnel expenses (2017: TCHF 53 668). Significant inputs to measure the fair value of the options are the economic value added as described in the Group accounting principles under employee medium-term benefits and the exercise price shown above.

39 Related-party transactions (TCHF)

	2018	2017
The following emoluments were made by the Group to the members of the Foundation Board and to Group and business unit executives during the year.		
Total emoluments of Foundation Board members	**3 670**	**3 670**
Salaries and bonuses	24 015	21 670
Long-term incentive scheme	5 769	7 248
Total emoluments of Group and business unit executives	**29 784**	**28 919**
The following loans, advances and commitments made by the Group at preferential terms customary in the banking industry to and on behalf of the above-mentioned related parties were outstanding at year-end.		
Mortgages and other loans	2 825	3 148
Total	**2 825**	**3 148**

Hedge fund and private equity co-investment plan of LGT's employees

Each year the employees of LGT Capital Partners Ltd., which acts as investment adviser to LGT's alternative assets investment vehicles, and members of LGT's management are invited to invest in the same private equity and hedge fund investments as LGT's customers. At 31 December 2018, LGT's employees had committed a total of USD 229.2 million (2017: USD 181.6 million) to the alternative investment co-investment plans.

Prince of Liechtenstein Foundation

A number of Group transactions were concluded with the Prince of Liechtenstein Foundation (POLF), the beneficiary of the LGT Group Foundation, in the normal course of business. The following deposits were reported at the year-end:

	2018	2017
Deposits	7 516	5 473

Post-employment benefit plans

A number of Group transactions were concluded with post-employment benefit plans in the normal course of business. The following deposits were reported at the year-end:

	2018	2017
Deposits	77 347	62 295

40 Operating lease commitments (TCHF)

The Group leases mainly offices under non-cancellable operating lease agreements.
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
Not later than one year	47 528	42 865
Later than one year and not later than five years	160 098	126 808
Later than five years	43 929	32 076
Subtotal	**251 555**	**201 748**
Less sublease rentals received under non-cancellable leases	539	1 902
Total	**251 015**	**199 846**

Operating leasing expenses in the gross amount of TCHF 48 268 are included in operating expenses. (2017: TCHF 41 823).

Detail of the inlaid parquet floor in the Small Kurbari Room on the second floor piano nobile of the Liechtenstein City Palace, executed by Michael Thonet

Risk management

1. Risk management framework and process

Risk is defined by the adverse impact on profitability of several distinct sources of uncertainty. Taking risk is inherent to the financial business and an inevitable consequence of being in business. This note presents information about the Group's risk exposure and the objectives, policies and processes for measuring and managing the different risk categories.

The risk policy of LGT comprises two key elements. The risk strategy, which details the overall approach to risk-taking desired by the Board, and the risk principles, which translate the risk strategy into operating standards for both the risk organization and the required risk processes.

Consistent with the overall business strategy, the aim of risk management is to achieve an appropriate balance between risk and return and minimize potentially adverse effects on the financial performance of the Group.

LGT employs the "Internal Capital Adequacy Assessment Process" (ICAAP), based on the standards of the Basel Committee on Banking Supervision, to ensure a capital basis appropriate to its risk situation. Several risk management policies are designed to identify, assess and analyze the different risk categories, to set guidelines, appropriate risk limits and controls (risk mitigation) and to monitor the risks and adherence to limits with reliable and up-to-date information systems. The effectiveness of the risk policy, risk process and risk organization is regularly reviewed. The figure illustrates the four equivalent key elements of the LGT risk process.

Risk process

The Foundation Board is responsible for the Group's risk policy and its regular review. On a daily basis risk monitoring is conducted by the line management. The overall responsibility lies within the executive management teams of each business unit. The risk controlling units oversee the risk-taking activities of the Group. The control of risk is thus conducted outside of and independently of line management. LGT's risk controlling units are responsible for risk supervising and risk reporting for the whole Group.

LGT has identified several types of risk to which it is exposed to and applied them in ICAAP.

Risk categories

Strategic and business risk			
Market risk	**Liquidity and funding risk**	**Credit risk**	**Operational risk**
Interest rates	Cash flows	Counterparty default	Internal processes
Currency/Commodity	Refinancing	Concentration	People
Equity prices		Collateral	Systems
Asset and Liability Management			External events
Regulatory and reputational risk			

Additional unaudited information in the context of the Capital Requirements Regulation (CRR, part 8) is available on the internet (www.lgt.com).

2. Strategic and business risk

Strategic risk is the danger of losses arising from strategic decisions, changes in the economic and competitive environment, inadequate or insufficient implementation of strategic objectives, or lack of capability to adjust to changing economic needs. Moreover, it comprises the danger of losses resulting from the dependency on highly qualified staff.
Business risk arises from unexpected changes in market conditions having a negative impact on profitability.

3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency, commodity and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and commodity or equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

Trading portfolios consist of positions arising from LGT's proprietary trading activities which are primarily pursued to support the Group's private banking and asset management business. Non-trading portfolios primarily arise from the interest rate management of the Group's banking assets and liabilities. They are an integral part of the asset and liability management (ALM) that manages the interest rate risk in the banking book and the group-wide foreign exchange risk. Non-trading portfolios also consist of equity investments.

3.1. Market risk measurement and limitation

In terms of trading portfolios and selected non-trading portfolios different approaches are used to quantify and limit market risk on a daily basis for each portfolio (e.g. Value at Risk (VaR) limits, sensitivity limits or nominal limits). Potential losses in market values arising from trading portfolios have to meet the Group's risk appetite defined by the Foundation Board.

The ALM profile and the corresponding risks are limited on Group level and for each of the banking entities separately. They are in line with the objectives and principles defined by the Foundation Board. The risk limits are defined as the change in the market value of equity for standardized shifts in interest and exchange rates respectively. In addition, gap and key rate duration limits are defined to limit maturity mismatch activities. The limits set for the ALM profile are considered to be conservative.

The table on the next page shows a summary of LGT's sensitivity analysis for securities portfolios and investment in associates.

LGT also performs stress tests to obtain an indication of the potential size of losses that could arise in extreme conditions. The stress testing applies stress movements of each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions, portfolios or regions. The stress testing is tailored to the business and typically uses scenario analysis.

3.2. Market risk organization and reporting

The Foundation Board establishes objectives and principles for the trading business for own account and risk as well as the ALM on a group-wide level.

Operative market risk limits on trading portfolios and selected non-trading portfolios have to be approved by the CEO of LGT. The market risk arising from these trading and non-trading portfolios is monitored by Group Risk Controlling on an overnight basis. Furthermore the trading portfolios are monitored intraday by the Risk Management of the Trading Department. Regular reports are submitted to Group and local management. Moreover, the Group Trading and Investment Committee (GTIC) is responsible for the regular review of all trading activities and for ensuring the effectiveness of the risk policy, risk processes and the risk organization.

In terms of ALM, responsibility for monitoring and control of interest rate and exchange rate risk lies with the Asset and Liability Committee (ALCO) which also defines basic principles for the refinancing activity of the LGT (focusing on medium- to long-term money) and advises the CEO of LGT on capital market transactions.

Summary sensitivity analysis (TCHF)

Negative fair value change reflected in income statement at 31 December 2018	Interest rate +100 bps	Currency -10%	Equity price -10%
Trading portfolio/designated at fair value	13 782	197 372	41 494
Total	**13 782**	**197 372**	**41 494**

Negative fair value change reflected in income statement at 31 December 2017	Interest rate +100 bps	Currency -10%	Equity price -10%
Trading portfolio/designated at fair value	10 485	154 247	118
Total	**10 485**	**154 247**	**118**

Negative fair value change reflected in equity at 31 December 2018	Interest rate +100 bps	Currency -10%	Equity price -10%
Non-trading portfolios	17 554	465 603	399 741
Total	**17 554**	**465 603**	**399 741**

Negative fair value change reflected in equity at 31 December 2017	Interest rate +100 bps	Currency -10%	Equity price -10%
Non-trading portfolios	47 274	388 630	63 709
Investments in associates	0	0	296 909
Total	**47 274**	**388 630**	**360 618**

3.3. Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

Exchange rate risk control is implemented within the framework of LGT's overall appetite for risk. The aim of an appropriate asset and liability risk management system is to manage the exchange rate risk of LGT to optimum effect. The limits must be applied using appropriate limit types to reflect the risk. In this context sensitivity limits for limiting the maximum potential loss on the market value of shareholders' equity are defined overall and for each currency separately.

The following table summarizes the Group's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Group's financial instruments at carrying amounts, categorized by currency.

Foreign exchange exposure at 31 December 2018 (TCHF)	CHF	EUR	USD	Other	Total
Cash in hand, balances with central banks	6 029 769	39 735	1 399	55 181	6 126 084
Loans and advances to banks	1 198 424	591 468	2 366 130	603 145	4 759 167
Loans and advances to customers	5 256 630	4 616 440	5 067 569	4 255 649	19 196 288
Securities held for trading purposes	2 763	413	674 038	871 436	1 548 650
Investment securities at fair value	4 324 702	1 214 160	2 532 950	1 327 186	9 398 998
Remaining assets	1 715 272	76 817	35 999	586 719	2 414 807
Total assets	**18 527 559**	**6 539 033**	**10 678 085**	**7 699 317**	**43 443 994**
Amounts due to banks	33 441	284 728	580 159	541 544	1 439 871
Amounts due to customers	4 590 292	7 616 072	15 790 223	5 387 314	33 383 900
Financial liabilities designated at fair value	0	345 682	0	0	345 682
Certificated debt	2 059 418	4 590	0	0	2 064 007
Remaining liabilities	1 648 929	104 917	185 653	158 863	2 098 362
Total liabilities	**8 332 079**	**8 355 989**	**16 556 035**	**6 087 721**	**39 331 824**
Net foreign exchange exposure of balance sheet	**10 195 480**	**-1 816 955**	**-5 877 950**	**1 611 596**	**4 112 169**
Derivative financial instruments	-5 803 281	1 693 232	5 713 459	-1 569 706	33 704
Total net foreign exchange exposure	**4 392 199**	**-123 723**	**-164 491**	**41 889**	**4 145 875**

Foreign exchange exposure at 31 December 2017	CHF	EUR	USD	Other	Total
Cash in hand, balances with central banks	4 750 099	28 346	1 244	159 253	4 938 942
Loans and advances to banks	1 214 702	834 082	1 272 213	665 777	3 986 775
Loans and advances to customers	5 192 394	4 566 766	5 950 003	4 274 843	19 984 006
Securities held for trading purposes	255	9	0	0	264
Investment securities at fair value	1 856 787	862 527	2 683 069	2 337 484	7 739 867
Investments in associates	2 969 087	0	0	0	2 969 087
Remaining assets	1 667 945	64 141	48 097	493 612	2 273 794
Total assets	**17 651 269**	**6 355 871**	**9 954 626**	**7 930 969**	**41 892 734**
Amounts due to banks	47 114	115 588	595 269	328 551	1 086 523
Amounts due to customers	5 313 234	6 509 961	15 620 728	4 958 848	32 402 771
Financial liabilities designated at fair value	0	470 734	0	0	470 734
Certificated debt	2 016 650	4 434	0	0	2 021 083
Remaining liabilities	1 515 187	100 841	58 020	124 908	1 798 956
Total liabilities	**8 892 185**	**7 201 558**	**16 274 017**	**5 412 307**	**37 780 067**
Net foreign exchange exposure of balance sheet	**8 759 084**	**-845 687**	**-6 319 391**	**2 518 662**	**4 112 667**
Derivative financial instruments	-4 477 067	904 687	6 162 487	-2 569 352	20 755
Total net foreign exchange exposure	**4 282 017**	**59 000**	**-156 904**	**-50 690**	**4 133 423**

3.4. Interest rate risk

Interest rate risk associated with non-trading financial instruments (loans and advances, fixed-income securities, term deposits, certificated debt, and derivative financial instruments) is part of the Group's asset and liability management process. The Asset and Liability Committee decides on any appropriate use of derivative financial instruments. The principal interest-related derivatives used are interest rate and cross currency swaps. LGT also applies fair value hedge accounting to mortgage loan and bond portfolio interest rate risk.

Interest rate risk control is implemented within the framework of LGT's overall appetite for risk. The aim of an appropriate asset and liability risk management system is to manage the interest rate risk of LGT to optimum effect. The limits must be applied using appropriate limit types to reflect the risk. The following limit types are used in this context:

- Sensitivity limits to restrict the maximum potential loss in the market value of equity for various interest rate scenarios.
- Gap limits for limiting matching maturities within specific maturity segments.
- Key rate duration limits for limiting the maximum potential loss on the fair value of equity resulting from detrimental market movements in specific interest rate tenors.

The following analysis shows the absolute changes in fair values given a change of the respective key rate by +100 basis points.

Interest rate sensitivity analysis (CHF m)	Within 6 months	More than 6 and less than 12 months	More than 1 and less than 5 years	More than 5 years	Total
All currencies 2018	**-4.5**	**-6.5**	**-11.9**	**56.8**	**33.9**
CHF	2.3	0.2	8.5	58.9	69.9
USD	-5.4	-2.8	-9.2	0.1	-17.3
EUR	-0.3	-2.0	-5.7	-2.2	-10.2
All currencies 2017	**-1.6**	**-5.7**	**-9.4**	**61.2**	**44.5**
CHF	2.0	1.0	18.3	64.5	85.8
USD	-2.4	-3.4	-16.8	-0.3	-22.9
EUR	-1.2	-1.7	-6.5	-3.0	-12.4

The table below summarizes the average interest rate by major currencies for monetary financial instruments not carried at fair value through profit or loss.

	31 December 2018			31 December 2017		
	CHF in %	EUR in %	USD in %	CHF in %	EUR in %	USD in %
Assets						
Loans and advances to banks	-0.62	-0.16	1.47	-0.62	-0.15	0.87
Loans and advances to customers	0.83	1.02	3.75	0.80	0.97	2.54
Available-for-sale securities	–	–	–	0.22	0.15	1.66
Investment securities measured at FVOCI – debt instruments	0.11	0.34	2.33	–	–	–
Liabilities						
Amounts due to banks	-1.16	-0.36	1.88	-1.00	-0.18	1.42
Amounts due to customers	-0.07	-0.04	1.56	-0.15	-0.04	0.67
Certificated debt	0.98	0.13	0.00	0.99	0.16	0.00

4. Liquidity risk

Liquidity risk is the risk that LGT may not be able to meet obligations as they fall due or to fund increases in assets without affecting either its normal daily operations or its financial condition. This can be caused by the inability to liquidate assets or to obtain funding.

Liquidity risk management primarily aims to establish a strong liquidity position by holding sufficient liquid assets and seeking for a stable funding structure to survive a number of stress scenarios. This is achieved by attracting a diversified funding base and by maintaining a strong and high-quality liquid asset portfolio of cash and marketable securities that can be monetized or pledged as collateral in the event of liquidity stress.

In general, LGT follows a centralized approach in the management of liquidity risk so far as possible from an operational and regulatory perspective. Group Treasury is mandated to manage the overall liquidity and funding position, with Group Risk Controlling acting as an independent control function, responsible for establishing, monitoring and reviewing the liquidity position, liquidity risk models and limits.

The Group’s liquidity and funding risk management framework includes:

- Internal liquidity stress testing by projecting all material cash flows arising from on- and off-balance sheet items over an appropriate set of time horizons and for different stress scenarios
- Establishing funding principles that ensure effective diversification of sources and tenor of funding
- Maintaining a portfolio of unencumbered, high-quality liquid assets as insurance against liquidity shortfalls
- Cost-benefit allocation mechanism to ensure that liquidity is adequately priced
- Managing the intraday liquidity position to ensure that payment and settlement obligations are met in a timely manner
- Establishing adequate risk tolerance limits

In addition, LGT maintains a contingency plan that comprises the monitoring of a range of indicators as early warning signs, clear invocation rules and responsibilities as well as action plans to manage liquidity stress events of varying severity.

In the following table, assets and liabilities are structured according to contractual terms. It summarizes the overall funding and investment structure of the Group.

Cash flow of assets and liabilities at 31 December 2018 (TCHF)	Within 1 month	More than 1 and less than 3 months	More than 3 and less than 12 months	More than 1 and less than 5 years	More than 5 years	Total
Cash in hand, balances with central banks	6 102 855	0	0	0	0	6 102 855
Loans and advances to banks	2 853 071	708 136	926 895	0	0	4 488 102
Loans and advances to customers	13 966 603	1 865 814	1 564 663	1 308 404	657 163	19 362 646
Derivative financial instruments	50 715 611	24 431 381	5 808 459	218 148	24 705	81 198 304
Investment securities at fair value	610 396	576 249	736 981	2 563 680	668 926	5 156 233
Total assets	**74 248 536**	**27 581 580**	**9 036 998**	**4 090 232**	**1 350 794**	**116 308 139**
Amounts due to banks	952 132	44 862	98 138	0	0	1 095 133
Amounts due to customers	29 383 248	1 670 833	1 255 282	337 905	1 004	32 648 273
Derivative financial instruments	50 668 500	24 448 020	5 814 616	238 834	17 725	81 187 696
Certificated debt	732	10 969	291 885	749 685	1 092 799	2 146 070
Total liabilities	**81 004 613**	**26 174 684**	**7 459 921**	**1 326 424**	**1 111 528**	**117 077 171**
Committed credit lines	1 476 944	0	0	0	0	1 476 944
Contingent liabilities	316 683	0	0	0	0	316 683

Cash flow of assets and liabilities at 31 December 2017	Within 1 month	More than 1 and less than 3 months	More than 3 and less than 12 months	More than 1 and less than 5 years	More than 5 years	Total
Cash in hand, balances with central banks	4 915 004	0	0	0	0	4 915 004
Loans and advances to banks	1 947 668	710 825	872 776	0	0	3 531 269
Loans and advances to customers	14 687 384	1 934 137	1 335 264	1 476 702	694 716	20 128 203
Derivative financial instruments	64 313 384	39 029 609	7 734 788	161 408	29 347	111 268 536
Investment securities at fair value	396 786	1 236 268	1 088 721	2 732 952	325 262	5 779 989
Total assets	**86 260 226**	**42 910 839**	**11 031 549**	**4 371 062**	**1 049 325**	**145 623 001**
Amounts due to banks	604 879	39 160	2 945	0	0	646 984
Amounts due to customers	28 453 663	1 949 429	926 669	291 305	0	31 621 066
Derivative financial instruments	64 321 377	39 021 993	7 718 463	162 861	21 545	111 246 239
Certificated debt	5 194	15 099	58 736	681 330	1 359 391	2 119 750
Total liabilities	**93 385 113**	**41 025 681**	**8 706 813**	**1 135 496**	**1 380 936**	**145 634 039**
Committed credit lines	951 362	0	0	0	0	951 362
Contingent liabilities	330 465	0	0	0	0	330 465

Derivative cash flows at 31 December 2018 (TCHF)	Within 1 month	More than 1 and less than 3 months	More than 3 and less than 12 months	More than 1 and less than 5 years	More than 5 years	Total
Derivatives held for trading/hedging						
Foreign exchange derivatives						
Outflow	50 668 500	24 448 020	5 814 616	238 834	17 725	81 187 696
Inflow	50 715 611	24 431 381	5 808 459	218 148	24 705	81 198 304
Interest rate derivatives						
Outflow	2 855	4 611	17 901	159 278	17 725	202 371
Inflow	969	2 686	9 719	140 272	24 705	178 350
Other derivatives						
Outflow	0	0	0	0	0	0
Inflow	0	0	0	0	0	0
Total outflow	**50 671 355**	**24 452 631**	**5 832 517**	**398 112**	**35 451**	**81 390 066**
Total inflow	**50 716 580**	**24 434 068**	**5 818 177**	**358 419**	**49 410**	**81 376 654**

Derivative cash flows at 31 December 2017	Within 1 month	More than 1 and less than 3 months	More than 3 and less than 12 months	More than 1 and less than 5 years	More than 5 years	Total
Derivatives held for trading/hedging						
Foreign exchange derivatives						
Outflow	64 320 854	39 020 206	7 716 001	92 005	0	111 149 066
Inflow	64 313 632	39 030 139	7 735 936	91 881	0	111 171 588
Interest rate derivatives						
Outflow	523	1 787	2 462	70 856	21 545	97 173
Inflow	-247	-530	-1 147	69 527	29 347	96 950
Other derivatives						
Outflow	0	0	0	0	0	0
Inflow	0	0	0	0	0	0
Total outflow	**64 321 377**	**39 021 993**	**7 718 463**	**162 861**	**21 545**	**111 246 239**
Total inflow	**64 313 385**	**39 029 609**	**7 734 789**	**161 408**	**29 347**	**111 268 538**

5. Credit risk

Credit risk is the risk that a counterparty of a financial instrument fails to meet its contractual obligation and causes LGT to incur a financial loss. Credit risk exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio. Further, there is also credit risk in derivative financial instruments and off-balance sheet financial instruments, such as loan commitments and financial guarantee contracts.

Within LGT credit risk is primarily incurred by LGT's banking entities. Therefore, the credit risk management and control are centralized in this unit. The Group Credit Committee (GCC) together with the Chief Credit Officer (CCO) has the overall responsibility for the credit business also including comprehensive credit portfolio management as well as credit risk relevant aspects with regard to trading counterparties, proprietary books and country exposures. The conservative lending policy is established by internal directives, guidelines and written policy papers. These guidelines include: (i) regulations on maximum single credit lines, (ii) limits on unsecured lending exposures to any one customer or customer group, and (iii) strict credit handling procedures and internal controls.

5.1. Credit risk strategy

LGT's credit strategy and credit management guidelines & processes are defined by the LGT Group Foundation Board in the organizational guidelines and regulations of LGT Group Foundation and LGT Group. The credit strategy comprises client segmentation, target products and target markets. Lending is an integrated part of the business philosophy of LGT and thus complementary to the wealth management services offered. Any transaction must be viewed in the context of the whole client relationship. Credits enhance clients' commitment to LGT, facilitate the development of the client relationships and support the acquisition of target clients. It is not the policy of LGT to extend credit facilities on a stand-alone basis, but only in conjunction with assets deposited or to be deposited with LGT. LGT's credit business focuses on Lombard and mortgage credits that are managed with a prudent risk appetite and provides excellence on execution, process and solution engineering. The risk appetite of LGT is low to moderate. The center for lending business within LGT is the credit function at LGT Bank Ltd., Vaduz, with decentralized credit staff in all other banking subsidiaries of LGT Group having a functional reporting line into this credit function.

As part of its comprehensive system for monitoring lending exposures, regular reports are provided at a group level to the Foundation Board on (i) credit risk ratings, (ii) allowances, (iii) country exposures and (iv) bank limits. Stress testing of securities and property collateral is carried out regularly and on an ad hoc basis if requested by management. In addition, ad hoc reports of special events, as well as daily reports of global exposures to specific customers, are also provided on request.

5.2. Credit risk measurement

Loans and advances

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Group assesses the probability of default of individual counterparties using internal rating tools. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available rating data. The Group regularly validates the performance of the rating tools and their predictive power with regard to default events.

Loans and advances to banks are highly diversified with a large number of mainly European banks of prime quality. Over 50% of the counterparties had a rating of at least "AA", and over 93% 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.

Debt securities and other bills

For debt securities and other bills, ratings by external credit rating agencies are used for managing the credit risk exposures. The credit function at LGT Bank Ltd., Vaduz, is responsible for extending counterparty limits, while the treasury department manages the individual positions within these limits. The investments in these securities and bills are viewed as a method of gaining improved credit quality mapping and, at the same time, of maintaining a readily available financing source to meet the funding requirement.

Over 75% of the debt securities had a rating of at least "Aa/AA," with over 95% being rated at least "A."

Assets by countries

In addition to the limitation of credit exposures of customers or customer groups, LGT has restricted the group of countries in which credit risks may be incurred. Limits are established for these countries which are reviewed by the GCC at least annually. The table on the next page shows the allocation of assets by countries/country groups:

Assets by countries/country group (TCHF)[1]	2018	in %	2017	in %
Liechtenstein and Switzerland	15 439 361	35.5	13 707 502	32.7
Other Europe	8 034 083	18.5	7 182 859	17.1
Americas	2 065 372	4.8	1 546 217	3.7
Asia	7 727 453	17.8	8 397 217	20.0
Other countries	10 177 726	23.4	11 058 940	26.4
Total	**43 443 995**	**100.0**	**41 892 734**	**100.0**

[1] Based on risk domicile of the assets.

Derivative financial instruments
The Group maintains strict control limits on net open derivative positions. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Group, which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements (an add-on factor is calculated depending on underlying risks and time to maturity of the contract).

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day. As member of the Continuous Linked Settlement (CLS) network LGT is able to mitigate major parts of its daily settlement risk via forex netting.

Off-balance sheet financial instruments
The primary purpose of off-balance sheet financial instruments is to ensure that funds are available to a customer as required. LGT has credit commitments in the form of guarantees and standby Letters of credit. These credit commitments carry the same credit risk as loans, and therefore the same lending criteria and identical limitation processes are applied.

5.3. Risk limit control and mitigation policies

LGT systematically manages, limits and controls concentrations of credit risk. As part of the credit risk management policy, exposures are structured by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical segments. The risks and their changes are closely monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Ongoing monitoring of all credits lies primarily within the responsibility of the relevant credit advisor or credit risk manager. In addition, credit portfolio management within the credit function at LGT Bank Ltd., Vaduz, monitors all credit exposures within defined parameters. Centralized loan approval procedures ensure a consistent lending process. The credit approval process has to be in line with the credit risk management guidelines (management view) and has to comply with regulatory and corporate governance requirements (regulatory view). For all booking centers there are processes, competences, credit application forms, rating and pricing tools in place. Formal requirements must be fulfilled for all credits and high standards apply for both the internal and external credit documentation. Deepness of the due diligence shall be adequately reflected in the credit application and depends on complexity of the credit transactions, collateral composition, counterparties and jurisdictions involved.

In line with the conservative credit policy a major part of the Group's credit exposure is mitigated. The principal collaterals used within LGT are mortgages over residential properties and charges over financial instruments such as debt securities, equities and funds. Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market prices or indexes of similar assets. As for Lombard credits, standard loan-to-values (LTVs) and margin requirements for trading products are decided by the CCO and maintained by the credit function at LGT Bank Ltd., Vaduz, and apply towards all legal entities of the LGT Group. The country and currency categorizations must be taken into consideration by deciding on standard LTV. Each standard LTV is determined on certain criteria such as country and issuer rating for bonds, market capitalization, tradability and volatility for equities, and volume and liquidity for funds. The total collateral value is based on quality and composition (diversification) of the pledged securities. Because of the fact that mortgages are granted primarily within Liechtenstein and Switzerland, LGT is exposed to the market trends of the real estate sector in these countries. For their high net worth private banking clients LGT also offers real estate financing solutions in selected other countries such as Austria, France, the UK, Singapore, and Hong Kong.

When trading derivatives with banking counterparties in the Interbank market, the Group uses netting and credit support agreements to mitigate credit risk.

Collateral accepted as security for assets (TCHF)	2018	2017
Fair value of financial assets accepted as collateral that the Group is permitted to sell or repledge in the absence of default	962 980	1 073 715

5.4. Expected credit loss (ECL) measurement

IFRS 9 ECL are recognized on the following basis:
Maximum 12-month ECL are recognized from initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring. Instruments in this category are referred to as instruments in stage 1.

Lifetime ECL are recognized if there is a significant increase in credit risk (SICR) subsequent to the instrument's initial recognition, reflecting lifetime cash shortfalls that would result from all possible default events over the expected life of a financial instrument, weighted by the risk of a default occurring. Instruments in this category are referred to as instruments in stage 2. If an SICR is no longer observed, the instrument will move back to stage 1. Lifetime ECL are always recognized for credit-impaired financial instruments, referred to as instruments in stage 3. Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their ECL are always measured on a lifetime basis (Stage 3).

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
Initial recognition	Significant increase in credit risk since initial recognition	Credit-impaired assets
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

5.5. Significant increase in credit risk (SICR)

Financial instruments subject to ECL are monitored on an ongoing basis. To determine whether the recognition of a 12-month ECL continues to be appropriate, it is assessed whether a SICR has occurred since initial recognition of the financial instrument. The assessment criteria include both quantitative and qualitative factors.

Loans and advances to customers
LGT assesses increases in credit risk for its two major customer credit portfolios (Lombard credits and Mortgages) by incorporating forward-looking information. In addition, credit risk is generally deemed to have significantly increased for mortgage positions if the borrower becomes more than 30 days past due on his contractual payments. For the Lombard portfolio a SICR occurs since initial recognition when positions are overdrawn (i.e. pending margin call), but the loan is still sufficiently covered by collateral. Due to the highly collateralized nature of the Lombard portfolio the overdrawn amounts are multiplied by a factor to calculate the ECL in order to reflect the history of low credit losses. The factor applied will be subject to a minimum annual review based on various factors, like the history of credit losses in the Lombard portfolio, the assessment of the available forward-looking information for Lombard loans, etc.

For commercial loans and financing of LGT inhouse funds a SICR is based on a rating comparison (i.e. the rating since initial recognition and the prevailing rating at the reporting date). Within the customer loan portfolio, the approach of a rating downgrade represents a simplified approach, reflecting the fact that this criterion will be applied only for a very small portion of the overall client loan portfolio.

Loans and advances to banks
This portfolio comprises all on-balance sheet exposures with a bank/financial institution as counterparty. It includes unsecured money market lending, secured reverse-repo lending and cash accounts. Every bank carries an internal credit rating, as a result of (i) mapping from an external rating or (ii) based on own internal analysis. For all loans and advances to banks a SICR is based on a rating comparison (i.e. the rating since initial recognition and the prevailing rating at the reporting date).
A SICR occurs, if credit rating deteriorates by two notches and at the same time there is a downgrade from investment grade to non-investment grade. For positions below investment grade since inception, only the two notch criteria will apply. If the credit rating improves and the deterioration from its initial

rating is less than two notches and if applicable, there is an upgrade from non-investment grade to investment grade, the position will be reclassified to Stage 1.

5.6. Definition of default and credit-impaired assets

LGT defines a financial instrument as in default, i.e. it is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- Qualitative indicator: We consider that the obligor is unlikely to pay its credit obligations to LGT or any of its subsidiaries in full, without recourse by LGT to actions such as realizing security.
- Objective indicator: The obligor is past due more than 90 days on any material credit obligation to LGT or any of its subsidiaries
- A default event shall be considered to have occurred with regard to a particular obligor when either of the above criteria is met, or both are met
- For the purpose of the qualitative indicator, elements to be taken as indications of unlikeliness to pay shall include the following:
  - LGT puts the credit obligation on non-accrued status;
  - LGT recognizes a specific credit adjustment resulting from a significant perceived decline in credit quality subsequent to LGT taking on the exposure;
  - LGT intents to sell or sells the credit obligation at a material credit-related economic loss;
  - LGT consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or, where relevant, fees;
  - LGT has filed for the obligor's bankruptcy or a similar order in respect of an obligor's credit obligation to LGT or any of its subsidiaries;
  - the obligor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of a credit obligation to LGT or any of its subsidiaries.

The criteria above have been applied to all financial instruments held by LGT and are consistent with the definition of default used for internal credit risk management purposes.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of 12 months (shorter periods may apply for short-term loans like Lombard).

5.7. Measuring ECL, explanation of inputs, assumptions and estimation techniques

The ECL are measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL are the product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD).

The ECL is determined by multiplying the projected PD, LGD and EAD for each individual exposure. For revolving products an average duration for the definition of lifetime PD is determined based on expert judgment and historical analysis.

The assumptions underlying the ECL calculation are reviewed regularly. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

5.8. Forward-looking information incorporated in the ECL models, assumptions and sensitivity analysis

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. Within the "Loans and advances to customers" category, LGT has performed historical analysis and identified variables affecting credit risk and ECL for its two major credit portfolios (Lombard credits and Mortgages). Given the highly collateralized nature of LGT's credit portfolio these variables focus on the impact of market price reductions in the value of the collateral, including changes in foreign currency exchange rates. The applied markdowns are subject to ongoing review, based on historical market data and expert judgement. In addition to these "base scenario" markdowns possible alternative scenarios with regard to market price reductions are also applied, in order to assess the sensitivity of the results from specific factors.

As for the Lombard credit portfolio, the Credit Risk Management function at LGT Bank Ltd., Vaduz, conducts periodic scenario analysis on a Group level. In addition, LGT also conducts individual scenarios on an ad hoc basis, for example on specific asset classes or collateral from a specific country or collateral from a specific issuer. Based on the results of the analysis, if deemed necessary, specific credit positions with elevated risks are checked for and discussed in detail with the responsible Credit Advisor and/or Relationship Manager, including potential measures to improve a position. Based on this discussion of individual loans, if deemed necessary by the credit authorities, an individual loan position may be downgraded to Stage 2.

Given that there is no effective overdraft yet, the credit authorities will decide, based on the results of the scenario analysis, whether or not and to what amount an additional building of ECL (based on individual calculations per loan positions) is deemed necessary and appropriate.

As for the mortgage portfolio, the Credit Risk Management function at LGT Bank Ltd., Vaduz, conducts periodic scenario analysis on a Group level, based on different levels of market/price corrections in relation to various characteristics of the mortgage position. An internal working group of mortgage experts reviews the scenarios and the applied markdowns annually. They base their opinions on their ongoing monitoring of the real estate markets LGT operates in, incl. various market research and analyst reports by international real estate appraisers, investment banks, etc. Currently, the applied markdowns are defined according to the following characteristics of real estate collateral: type of object, location and date of valuation of object.

Based on the results of the analysis specific credit positions with elevated risks are checked for and discussed in detail with the responsible Credit Advisor and/or Relationship Manager, including potential measures to improve a position, if deemed necessary. Based on this discussion of individual loans, in case elevated risks are detected and, if deemed necessary by the credit authorities, the individual mortgage position will be downgraded to Stage 2.

In order to assess the sensitivity of the results from the specific factors, the Group Risk Controlling function also regularly conducts separate risk analysis for both, the Lombard and the mortgage portfolio, based on different markdown factors. Thereby, also providing an additional independent risk review ("second layer") for Senior Management.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and the chosen scenarios are appropriately representative of the range of possible scenarios.

5.9. Credit risk exposure (TCHF)

The following table summarizes the gross carrying amounts, impairment allowance by stage, carrying amounts and fair value of collateral held of those financial assets that are measured at amortized cost or at FVOCI as well as certain off-balance sheet positions. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

Exposure to credit risk (TCHF)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Impairment allowance	Carrying amount	2018 Fair value of collateral held
Cash in hand, balances with central banks	0	0	0	0	6 126 084	0
Loans and advances to banks	1 657	2	0	1 659	4 759 167	245 859
Loans and advances to customers	8 977	1 725	16 145	26 847	19 196 288	91 723 395
Investment securities at FVOCI	182	0	4 040	4 222	4 903 403	0
Total on-balance sheet assets	**10 816**	**1 727**	**20 186**	**32 728**	**34 984 941**	**91 969 253**
Financial guarantee contracts and loan commitments	56	183	0	239	1 194 022	0
Total	**10 872**	**1 910**	**20 186**	**32 967**	**36 178 963**	**91 969 253**

5.10. Collateral and other credit enhancements

LGT employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. LGT has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

LGT prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over financial instruments such as debt securities and equities.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Trading in derivatives is also collateralized to a large extent by using credit support agreements.

LGT's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by LGT since the prior period.

LGT closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that LGT will take possession of collateral to mitigate potential credit losses. The exposure of such assets held as at 31 December 2018 was not material.

5.11. Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period as well as impacts on the measurement of ECL due to changes made to models and assumptions;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

The total amount of the undiscounted ECL allowance for financial assets measured at amortized cost or FVOCI was TCHF 28 688. The changes in the loss allowance between the beginning and the end of the annual period, considering also transfer between stages, was not material.

5.12. Write-off policy

LGT writes off financial assets against the related provision for loan impairment, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where LGT's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

LGT may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2018 were immaterial.

5.13. Modification of financial assets

In very few cases, LGT modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in de-recognition of the original asset. LGT monitors the subsequent performance of modified assets and assesses if there is a subsequent significant increase in credit risk in relation to such assets. The gross carrying amount of financial assets that were modified during the period 2018 was not material.

5.14. Impairment and provisioning policies

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require it. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including reconfirmation of its enforceability) and the anticipated receipts for that individual account.

Assets are summarized separately if contractual interest or principal payments are past due but the Group believes that impairment is not appropriate yet.

LGT obtained assets by taking possession of collateral held as security. Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

Carrying amount of collateral and other credit enhancements obtained (TCHF)	2018	2017
Residential, commercial and industrial property	0	0

6. Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk can be caused deliberately or accidentally or be of natural origin and encompasses all elements of the organization. Operational risks are inherent in all types of products, activities, processes and systems.

LGT's operational risk framework is based on the principles stipulated in the "Sound Practices for the Management and Supervision of Operational Risk" issued by the Basel Committee on Banking Supervision. The set guidelines ensure that risk management takes care of all defined risk categories:

- Internal and external fraud
- Employment practices and workplace safety
- Customers, products and business practices
- Damage to physical assets
- Business disruption and system failures
- Execution, delivery and process management.

The operational risk measurement approach is based on three dimensions: risk self-assessments, key risk indicators and an operational risk event data base. In the case of essential operational risk events, the business units and group functions immediately inform Group Risk Controlling which then analyses, monitors and reports relevant data and initiates appropriate actions.

7. Regulatory risk

Regulatory risk is the overall risk that a change in laws and regulations or a non-compliance with them will materially impact a security, business, sector or market. A change in laws or regulations made by the government or a regulatory body can increase the costs of operating a business, reduce the attractiveness of investment and/or change the competitive landscape.

Therefore the regulatory risk management of LGT focuses on the early identification of new regulatory requirements, the effective adoption of new regulatory requirements within LGT and the implementation of processes and procedures to ensure that all business lines within LGT permanently meet the respective legal and regulatory requirements.

8. Reputational risk

Ultimately, if risks are not identified, adequately managed and monitored, this may lead – apart from financial losses – to reputation being damaged. Reputational risk is defined as the risk of potential damage through deterioration of LGT's reputation or due to negative perception of its image among customers, counterparties, equity holders and/or regulatory authorities.

LGT pursues a holistic reputation risk management consisting of both preventive measures and a dedicated crisis management. Preventive measures are defined within the code of conduct introduced by LGT. Within the context of crisis management LGT has established processes and organizational structures to address crises and specifically trained all respective employees in order to ensure rapid and adequate responses to potential crises.

9. Fair value of financial instruments not carried at fair value

Fair value information is used for business purposes in measuring an enterprise's overall financial position. Fair value information permits comparisons of financial instruments having substantially the same economic characteristics.

9.1. Loans and advances to banks

Loans and advances are stated net of impairments. The measured fair value of loans and advances to banks is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and remaining maturity.

9.2. Loans and advances to customers

Loans and advances are stated net of impairments. The measured fair value of loans and advances to customers represents the discounted amount of estimated future cash flows expected to be received.

9.3. Amounts due to banks or to customers

The calculation of the fair values of the amounts due to banks or customers is based on the discounted cash flow method using interest rates for new debts with similar remaining maturity.

9.4. Certificated debt

The aggregated fair values are calculated under the discounted cash flow method. The model is based on a current yield curve appropriate for the remaining term to maturity.

Financial assets (TCHF)		2018		2017
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and advances to banks	4 759 167	4 761 430	3 986 775	3 982 712
Loans and advances to customers	19 196 288	19 351 818	19 984 006	20 137 482
Financial liabilities (TCHF)				
Amounts due to banks	1 439 871	1 440 425	1 086 523	1 086 519
Amounts due to customers	33 383 900	33 401 058	32 402 771	32 409 428
Certificated debt	2 064 007	2 114 366	2 021 083	2 095 921

Detail of the inlaid parquet floor of the Square Room on the second floor piano nobile of the Liechtenstein City Palace, executed by Michael Thonet

Financial statements of LGT Group Foundation

Report of the statutory auditor

Report of the statutory auditor
to the Foundation Supervisory Board of LGT Group Foundation
Vaduz

Report on the financial statements

As statutory auditor, we have audited the financial statements (income statement, balance sheet and notes) on pages 104 to 112 and the chairman's report of LGT Group Foundation on pages 8 to 9 for the year ended 31 December 2018.

These financial statements and the chairman's report are the responsibility of the Foundation Board. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession in Liechtenstein, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, the chairman's report, and the proposed appropriation of available earnings comply with Liechtenstein law and the foundation's articles of incorporation.

The chairman's report is in accordance with the financial statements.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Roman Berlinger	Roman Schnider
Auditor in charge	

Zurich, 25 April 2019

PricewaterhouseCoopers AG, Birchstrasse 160, P.O. Box, 8050 Zurich, Switzerland
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Income statement

Income statement (TCHF)	Note	2018	2017
Interest expense		-9 222	-5 372
Dividend income from participations and investment securities		10 994	455
Total interest and dividend income/expense		**1 772**	**-4 917**
Income from financial transactions		36 408	0
Other operating income	1	119 231	113 027
Total operating income		**157 411**	**108 110**
Personnel expenses	2	-14 277	-17 191
Business and office expenses	3	-24 463	-27 337
Total administrative expenses		**-38 739**	**-44 528**
Creation of provisions		0	-18 382
Release of provisions		13 354	38 976
Depreciation, allowances and provision on subsidiary undertakings, affiliated companies and investment securities		-36 526	0
Release of impairments on subsidiary undertakings	6	3 211	0
Profit for the period		**98 711**	**84 176**
Appropriation of available Foundation earnings			
Balance at the beginning of the period		917 248	971 259
Profit for the period		98 711	84 176
Total available Foundation earnings		**1 015 959**	**1 055 435**
The Foundation Board proposes to the Foundation meeting of 25 April 2019:			
Distribution to the Prince of Liechtenstein Foundation		-125 000	-138 187[1]
Balance to be carried forward		**890 959**	**917 248**

[1] Distribution in kind at fair value of TCHF 150 000

The accounting principles and the notes on pages 106 to 112 form part of these accounts. The accounts on pages 104 to 112 were approved by the Foundation Board on 25 April 2019 and are signed on its behalf by H.S.H. Prince Philipp von und zu Liechtenstein, Chairman, and Olivier de Perregaux, CFO of LGT.

Balance sheet

Balance sheet (TCHF)	Note	2018	2017
Assets			
Loans and advances to banks (subsidiary undertakings)	4	8 434	618
of which on demand		8 434	618
Shares and investment securities	5	3 662 688	3 053 787
Participations	6	1 258 613	1 158 734
Other assets	7	16 128	19 187
Total assets		**4 945 863**	**4 232 326**
Liabilities			
Amounts due to banks	8	3 547 228	2 773 814
of which loans		3 547 228	2 773 814
Other liabilities	9	24 654	27 865
Accrued expenses and deferred income		596	4 317
Provisions	10	18 383	31 851
Foundation capital		339 044	339 044
Profit/loss to be carried forward		917 248	971 259
Profit for the period	11	98 711	84 176
Total liabilities		**4 945 863**	**4 232 326**
Off-balance sheet items			
Collateralization guarantees and similar instruments		4 608	4 787
Guarantees and similar instruments		5 296 170	5 366 050
of which for affiliated companies		5 296 170	5 366 050

The guarantees and similar instruments are valued with the carrying amount. The accounting principles and the notes on pages 106 to 112 form part of these accounts.

Notes to the financial statements Accounting principles

1. Introduction

The accounting principles are in accordance with the Liechtenstein Law on Persons and Companies (PGR) and the Liechtenstein Banking Law and its directives. A summary of the most important accounting principles, which have been applied consistently, is set out below.

The terms "LGT" or "Group" mean LGT Group Foundation together with its subsidiary undertakings and the term "Company" refers to LGT Group Foundation.

2. Basis of accounting

The accounts are prepared using the historical cost convention. All transactions are recorded on a trade date basis.

3. Foreign currencies

Revenue items denominated in foreign currencies are translated at the exchange rates prevailing on the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the balance sheet date, except financial fixed assets, which are translated at historical rates. Exchange differences are entered in the income statement.

4. Participations

Participations represent investments in subsidiary undertakings and are stated at cost, less any provision for permanent diminution in value.

5. Debt instruments and shares

Realized gains or losses arising from the disposal of securities are entered in the income statement. Securities held as current assets (short-term assets) are shown at fair value. Other securities are stated at the lower of cost or fair value.

6. Dividends

Proposed dividends from participations and investment securities are accrued as receivables in the accounts.

7. Loans and advances

These items are calculated at nominal values. Value adjustments for identifiable individual risks are set off against the corresponding asset positions.

8. Financial liabilities and provisions

These items are shown at nominal values. Provisions have been created for operational and other risks.

9. Derivative financial instruments

Derivative financial instruments that are held for trading purposes are valued at their fair market value with changes in fair market value recognized in income from trading activities. The related positive and negative replacement values are stated at gross values. Income and expense arising on derivatives used in the context of asset and liability management, primarily interest rate swaps and forward rate agreements, are recognized on an accrual basis, as this reflects the Group's risk management.

10. Risk management

Risks are defined by the adverse impact on profitability of several distinct sources of uncertainty. LGT Group Foundation is exposed to market risks, credit risks, liquidity risks, operational and business event risks. The Foundation Board is responsible for the risk policy and its regular review. The risk policy comprises two key elements:

- risk strategy, which details the overall approach to risk-taking desired by the Board; and
- risk principles, which translate the risk strategy into operating standards for both the risk organization and required risk processes.

Risk management on a daily basis is conducted by the line management. The overall responsibility lies within the executive management teams of each business unit. The risk controlling unit oversees the risk-taking activities of LGT Group Foundation and reports directly to the Board.

Details on the income statement and balance sheet

Overview

LGT Group Foundation was established on 20 July 2001 and is the top holding company of LGT. The direct subsidiaries are listed in note 6 below.

The profit for the business year 2018 amounts to TCHF 98 711. The balance sheet total increased by TCHF 713 537 or 16.9% to TCHF 4 945 863.

1 Other operating income (TCHF)	2018	2017
Income from subsidiary undertakings (license fees, income from service level agreements and service charge for comfort letters)	100 163	92 880
Others	19 068	20 147
Total other operating income	**119 231**	**113 027**

2 Personnel expenses (TCHF)	2018	2017
Personnel expenses before long-term incentive scheme		
Salaries	5 560	6 805
Bonuses	4 651	4 737
Social security costs	1 557	710
Pension costs	332	309
Other personnel expenses	95	118
Personnel expenses before long-term incentive scheme	**12 195**	**12 679**
Long-term incentive scheme	2 082	4 512
Total personnel expenses	**14 277**	**17 191**

3 Business and office expenses (TCHF)	2018	2017
Information and communication expenses	44	23
Travel and entertainment expenses	777	947
Legal and professional expenses	4 797	4 421
Advertising expenses	13 975	18 330
Other expenses	4 869	3 616
Total business and office expenses	**24 463**	**27 337**

4 Loans and advances to banks (subsidiary undertakings) on demand

The loans and advances to banks are bank accounts with LGT Bank Ltd., Vaduz.

5 Shares and investment securities (TCHF)	2018	2017
Opening balance	**3 053 787**	**3 047 628**
Investments	1 247 216	100 827
Distributions	-138 186	-94 655
Revaluation	-36 532	-13
Disposals	-463 596	0
Closing balance	**3 662 688**	**3 053 787**

6 Participations (TCHF)	2018	2017
Acquisition cost	1 162 602	1 173 228
Accumulated depreciation	-3 868	-3 868
Opening balance	**1 158 734**	**1 169 360**
Investments	96 668	0
Revaluation	3 211	0
Disposals/capital decrease	0	-10 626
Closing balance	**1 258 613**	**1 158 734**

All participations of LGT Group Foundation are unlisted.

The subsidiary undertakings of LGT Group Foundation at 31 December 2018 were:

Name	Principal activity	Registered office	% of voting rights held	% of capital held	Share capital (paid in)		Net profit of the subsidiary in business year 2018 ('000)	
LGT Group Holding Ltd.	Holding company	Vaduz – Liechtenstein	100.0	100.0	CHF	200 000	CHF	130 701
LGT (Uruguay) S.A. in Liquidation	Bank representation	Montevideo – Uruguay	100.0	100.0	UYU	4 600 000	USD	0
LGT Capital Invest Mauritius PCC (Cell D)	Holding company	Ebène – Mauritius	100.0	100.0	USD	1	USD	1 177
LGT Investments Ltd.	Holding company	Grand Cayman – Cayman Islands	100.0	100.0	CHF	73 308	CHF	-3 080
LGT Global Invest Ltd.	Holding company	Grand Cayman – Cayman Islands	100.0	100.0	CHF	4	CHF	1 572
LGT Participations Ltd.	Holding company	Grand Cayman – Cayman Islands	100.0	100.0	CHF	7	CHF	-2

The book value of the participations in banks and investment firms is CHF 1 258 612 707.

The following subsidiaries were transferred to LGT Group Foundation in 2018:
- LGT Capital Invest Mauritius PCC (Cell D), Ebène – Mauritius
- LGT Investments Ltd., Grand Cayman – Cayman Islands
- LGT Global Invest Ltd., Grand Cayman – Cayman Islands
- LGT Participations Ltd., Grand Cayman – Cayman Islands

7 Other assets (TCHF)	2018	2017
Receivables from subsidiary undertakings	15 754	19 104
Receivables from others	374	83
Total	**16 128**	**19 187**

8 Amounts due to banks (TCHF)	2018	2017
Amounts due to LGT Bank Ltd., Vaduz	3 547 228	2 773 814
Total	**3 547 228**	**2 773 814**

9 Other liabilities (TCHF)	2018	2017
Salaries	2 166	2 162
Bonuses	6 367	7 020
Social security costs	951	154
Long-term incentive scheme	12 602	13 991
Others	2 568	4 538
Total	**24 654**	**27 865**

10 Provisions (TCHF)	2018	2017
Opening balance	**31 851**	**50 752**
Current year expenses	0	20 075
Provisions released	-13 469	-38 976
Provisions utilized	0	0
Closing balance	**18 383**	**31 851**

11 Statement of changes in equity (TCHF)	2018	2017
Equity at the beginning of the business year	1 394 479	1 404 960
Distribution to the Prince of Liechtenstein Foundation	-138 187	-94 657
Profit for the period	98 711	84 176
Total equity at the end of the business year	**1 355 002**	**1 394 479**

12 Headcount	2018	2017
Headcount at 31 December	6	6

13 Analysis of balance sheet by origin at 31 December 2018 (TCHF)	Domestic	%	Foreign	%	Total	%
Assets						
Loans and advances to banks	8 434	100.0	0	0.0	8 434	100.0
Shares and investment securities	0	0.0	3 662 688	100.0	3 662 688	100.0
Participations	1 161 945	92.3	96 668	7.7	1 258 613	100.0
Other assets	1 267	7.9	14 861	92.1	16 128	100.0
Total assets	**1 171 646**	**23.7**	**3 774 217**	**76.3**	**4 945 863**	**100.0**
Liabilities						
Amounts due to banks	3 547 228	100.0	0	0.0	3 547 228	100.0
Other liabilities	24 119	97.8	536	2.2	24 654	100.0
Accrued expenses and deferred income	596	100.0	0	0.0	596	100.0
Provisions	0	0.0	18 383	100.0	18 383	100.0
Equity	1 355 002	100.0	0	0.0	1 355 002	100.0
Total liabilities	**4 926 945**	**99.6**	**18 919**	**0.4**	**4 945 863**	**100.0**

Analysis of balance sheet by origin at 31 December 2017	Domestic	%	Foreign	%	Total	%
Assets						
Loans and advances to banks	618	100.0	0	0.0	618	100.0
Shares and investment securities	0	0.0	3 053 787	100.0	3 053 787	100.0
Participations	1 158 734	100.0	0	0.0	1 158 734	100.0
Other assets	6 786	35.4	12 401	64.6	19 187	100.0
Total assets	**1 166 138**	**27.6**	**3 066 188**	**72.4**	**4 232 326**	**100.0**
Liabilities						
Amounts due to banks	2 773 814	100.0	0	0.0	2 773 814	100.0
Other liabilities	27 662	99.3	203	0.7	27 865	100.0
Accrued expenses and deferred income	4 054	93.9	263	6.1	4 317	100.0
Provisions	7 500	23.5	24 351	76.5	31 851	100.0
Equity	1 394 479	100.0	0	0.0	1 394 479	100.0
Total liabilities	**4 207 509**	**99.4**	**24 817**	**0.6**	**4 232 326**	**100.0**

14 Breakdown of assets according to country/country group (TCHF)	2018	%	2017	%
Liechtenstein	1 171 646	23.7	1 166 138	27.6
Other Europe	8 375	0.2	6 004	0.1
Americas	3 742 953	75.7	3 052 865	72.1
Asia	17 769	0.3	991	0.0
Other countries	5 120	0.1	6 328	0.2
Total assets	**4 945 863**	**100.0**	**4 232 326**	**100.0**

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Foreign exchange exposure at 31 December 2018 (TCHF)	CHF	EUR	USD	Other	Total
Assets					
Loans and advances to banks	8 434	0	0	0	8 434
Shares and investment securities	3 644 860	108	2 198	15 522	3 662 688
Participations	1 258 613	0	0	0	1 258 613
Other assets	16 128	0	0	0	16 128
Total assets	**4 928 036**	**108**	**2 198**	**15 522**	**4 945 863**
Liabilities					
Amounts due to banks	3 545 030	0	2 198	0	3 547 228
Other liabilities	24 561	81	10	2	24 654
Accrued expenses and deferred income	593	0	3	0	596
Provisions	18 383	0	0	0	18 383
Equity	1 355 002	0	0	0	1 355 002
Total liabilities	**4 943 569**	**81**	**2 211**	**2**	**4 945 863**

Foreign exchange exposure at 31 December 2017	CHF	EUR	USD	Other	Total
Assets					
Loans and advances to banks	618	0	0	0	618
Shares and investment securities	3 052 865	108	814	0	3 053 787
Participations	1 158 734	0	0	0	1 158 734
Other assets	19 187	0	0	0	19 187
Total assets	**4 231 404**	**108**	**814**	**0**	**4 232 326**
Liabilities					
Amounts due to banks	2 773 000	0	814	0	2 773 814
Other liabilities	27 642	173	49	1	27 865
Accrued expenses and deferred income	2 218	0	1 290	809	4 317
Provisions	25 882	5 969	0	0	31 851
Equity	1 394 479	0	0	0	1 394 479
Total liabilities	**4 223 221**	**6 142**	**2 153**	**810**	**4 232 326**

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Analysis of current assets and liabilities by maturity at 31 December 2018 (TCHF)	On demand	Within 3 months	More than 3 and less than 12 months	More than 12 months	Total
Current assets					
Loans and advances to banks	8 434	0	0	0	8 434
Shares and investment securities	3 662 688	0	0	0	3 662 688
Other assets	0	16 088	40	0	16 128
Total current assets	**3 671 122**	**16 088**	**40**	**0**	**3 687 251**
Current liabilities					
Amounts due to banks	0	3 547 228	0	0	3 547 228
Other liabilities	0	1 832	11 279	11 544	24 654
Accrued expenses and deferred income	0	596	0	0	596
Total current liabilities	**0**	**3 549 656**	**11 279**	**11 544**	**3 572 478**

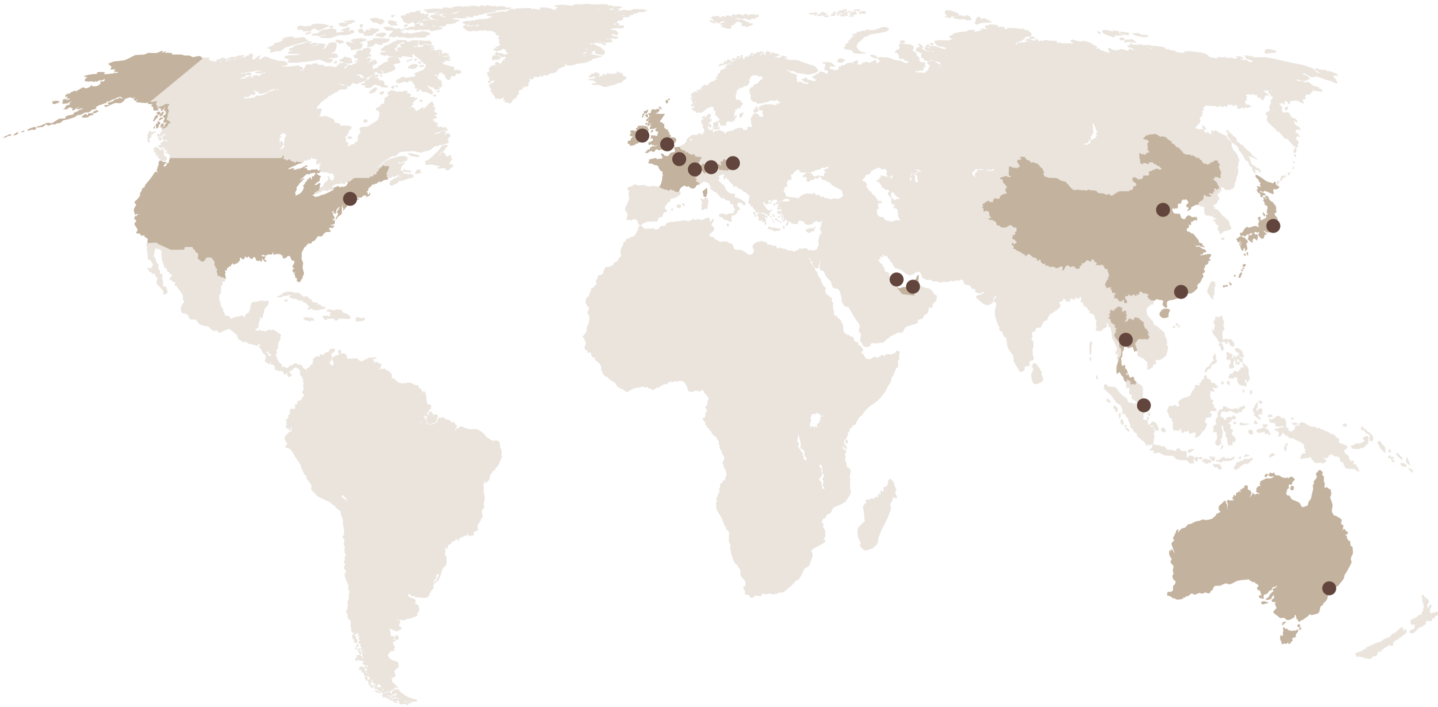
Analysis of current assets and liabilities by maturity at 31 December 2017	On demand	Within 3 months	More than 3 and less than 12 months	More than 12 months	Total
Current assets					
Loans and advances to banks	618	0	0	0	618
Shares and investment securities	3 053 787	0	0	0	3 053 787
Other assets	0	19 144	43	0	19 187
Total current assets	**3 054 405**	**19 144**	**43**	**0**	**3 073 592**
Current liabilities					
Amounts due to banks	0	2 773 814	0	0	2 773 814
Other liabilities	0	2 854	23 011	2 000	27 865
Accrued expenses and deferred income	0	4 317	0	0	4 317
Total current liabilities	**0**	**2 780 985**	**23 011**	**2 000**	**2 805 996**

17 Emoluments to members of the management

The emoluments to the members of the Foundation Board and to the Group and business unit executives are disclosed under note 39 in the consolidated financial statements of LGT Group.

Detail of the inlaid parquet floor in the Ballroom on the second floor piano nobile of the Liechtenstein City Palace, executed by Michael Thonet

International presence



Europe
Principality of Liechtenstein, *Vaduz*
Austria, *Salzburg, Vienna*
France, *Paris*
Ireland, *Dublin*
Switzerland, *Basel, Berne, Davos, Geneva, Lugano, Pfäffikon, Zurich*
United Kingdom, *Bristol, Jersey, London*

Americas
United States, *New York*

Asia
China, *Beijing*
Hong Kong SAR
Japan, *Tokyo*
Singapore
Thailand, *Bangkok*

Australia
Sydney

Middle East
Bahrain, *Manama*
United Arab Emirates, *Dubai*

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Detail of the inlaid parquet floor in the Ballroom on the second floor piano nobile of the Liechtenstein City Palace, executed by Michael Thonet

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