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LGT Group Statement for the Media Regarding PSI Subcommittee Report

Washington, DC, July 15, 2008 - LGT was invited to testify before the Senate Permanent Subcommittee on Investigations (PSI) hearing on July 17th into whether financial institutions located in offshore financial centers, including Liechtenstein and Switzerland, may be engaged in banking practices that could facilitate, and in some instances have resulted in, tax evasion and other misconduct by U.S. clients.

While LGT declined to testify before the Subcommittee, it has cooperated by sending a senior official of the bank for a lengthy interview with the Subcommittee on July 11th, and by producing all requested documents and answering the Subcommittee's written and oral questions to the extent permitted under Liechtenstein laws.

LGT was under no legal obligation to provide this cooperation, but it wanted to make clear to the Subcommittee that it is strongly committed to upholding "Know Your Customer" and Qualified Intermediary (QI) procedures. Moreover, LGT stated that it has always been and continues to be in compliance with pertinent laws and regulations. It has consistently adapted its business processes to changes in the regulatory environment.

In fact, much of the data under investigation by the PSI dates back to a time when the regulatory environment was completely different and QI agreements did not exist. The isolated cases cited by the Subcommittee's report are dated and do not at all reflect the way LGT is generally doing business today. LGT regrets if a different impression is now being conveyed. Over the past six years, LGT has terminated structures and arrangements that are seen as inappropriate from today's point of view, and it is fully determined to resolve any remaining legacy issues as soon as possible.

LGT is a niche player active in private banking and asset management. Its principal activities are in its core markets of Liechtenstein and neighboring countries, with recent expansion into Eastern Europe, Latin American and Asia. The U.S. market has never been a priority for LGT; it has neither actively pursued U.S. customers nor employed dedicated sales or marketing personnel for U.S. clients.

In 2002, LGT Treuhand AG, a subsidiary of LGT Group involved in the formation of legal entities such as trusts and foundations under Liechtenstein law, was the victim of a crime when a former employee stole confidential client data from the company. This data now under investigation by the PSI covers client records which go back to the 1970s and 1980s and reflects the regulatory environment before the QI agreement was introduced. LGT's practices were consistent with accepted industry standards of the time and do not reflect the way in which LGT conducts business today.



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In 2001, LGT entered into a Qualified Intermediary (QI) Agreement with the IRS, and implemented that agreement according to the recommendations of the Swiss Bankers Association and independent tax professionals. LGT firmly believes that it has complied with, and conducts its business operations in conformity with, all pertinent IRS regulations and the QI agreement entered into with the IRS.

Several extensive independent QI External Auditor's reports by an international accounting firm have found no significant errors and have confirmed LGT's compliance with the QI agreement. LGT is neither responsible for, nor in control of, the tax compliance of its customers.

The Principality of Liechtenstein is a constitutional, hereditary monarchy which is governed on a democratic and parliamentary basis. It has a democratically elected Prime Minister and a Parliament. LGT Group is owned by the Princely family of Liechtenstein. The members of the family who are active at LGT have no roles in the government or governmental processes, and those members active in government have no role at LGT.