EFG Private Bank Limited

Annual Report and Financial Statements

for the year ended 31 December 2020

Registered No. 2321802

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Overview

Profile

EFG Private Bank Limited

EFG Private Bank Limited (the "Company" or "EFGIUK") provides banking, stockbroking, wealth management and investment advisory services for private clients and their corporate interests. The Company is active in the money markets in both deposit taking and lending, as well as transactions in securities, off-Balance Sheet instruments and derivatives, primarily on behalf of clients.

The Company has wholly owned subsidiaries in Guernsey, EFG Private Bank (Channel Islands) Limited ("EFGIG") and Cyprus, EFG Cyprus Ltd (established during 2020), as well as a branch in Jersey. All of these entities provide similar services to those of the Company.

The Company has taken advantage of the exemption afforded by Section 401 of the Companies Act 2006 in not preparing consolidated Financial Statements.

Immediate parent company

The Company's immediate parent company is EFG International AG ("EFGI"), a company incorporated in Switzerland and listed on the SIX Swiss Exchange, into which the Company's results are consolidated (website: www.efginternational.com).

Highlights

	31 December 2020 GBP m	31 December 2019 GBP m
Operating and Investing Income	116	112
Profit before tax	11	17
Loans and advances to customers	2,178	1,785
Due to customers	3,015	2,599
Total equity	198	192
Total assets	3,915	3,505
Assets under management ("AUM")	16,530	14,932

Company information

Directors
J Reed - Chairman
R Thomas – Chief Executive
H Price
E Barnett
A Cooke-Yarborough (Resigned 10 December 2020)
D Politis
G Pradelli
S Robertson*
A Simmonds

* Director of EFGI

Company secretary
A Evans

Independent auditors
PricewaterhouseCoopers LLP

Registered office
Leconfield House
Curzon Street
London
W1J 5JB
Website: www.efgl.com

Registered number
2321802

Strategic Report

Business review

EFGIUK generated a net profit for the year of GBP 11.2 million (2019: GBP 12.0 million), as a result of lower net interest income of GBP 41.6 million (2019: GBP 50.0 million) driven by the challenging interest rate environment. This was almost entirely offset by growth in fee and commission income to GBP 56.1 million (2019: GBP 43.9 million) and the reduction in tax costs from a tax charge of GBP 4.9 million in the previous year to a credit of GBP 0.7 million. No dividend was declared in respect of the financial year ended 31 December 2020 (2019: nil).

The solid financial performance, together with strong net new assets of £1.15 billion, was generated despite the huge impact of the COVID-19 pandemic on the UK and the global economy. EFGIUK operated effectively throughout this period, with contingency actions ensuring no significant disruption to the ability to provide services to clients. We were able to transition our staff to work from home very quickly as well as develop and implement digital solutions to facilitate remote connections with clients. Further details of the impact the crisis had on the Company's key risks is highlighted in the paragraphs below on credit, employees and capital & funding.

A key component of EFGI's strategic plan, developed in 2019, was to sharpen our global footprint by operating out of a smaller number of centres of excellence offering a full-service private banking experience and wider access to the EFGI range of products and digital services. To further this, during 2020 discussions commenced with the Guernsey Financial Services Commission regarding the closure of our Guernsey bank, EFGIG. EFGIG clients have been offered a range of alternative banking locations within the EFGI group, including the transfer to EFGIUK. These client transfers are expected to complete during 2021.

During 2020 EFGIUK developed a comprehensive Brexit strategy with the goal of minimising disruption to its European Economic Area ('EEA') clients in the event of a 'No Deal' Brexit. The Company began implementation of its strategy in advance of the end of the Brexit transition period beginning on 31 December 2020. The Company continues to monitor developments and is well positioned to react as necessary to any updates in the regulatory landscape.

As part of its Brexit strategy, EFGIUK obtained a Cyprus Investment Firm licence (no. 393/20) from the Cyprus Securities and Exchange Commission to operate a new subsidiary, EFG Cyprus Limited, in Cyprus with business activities beginning in 2021.

Financial performance

The Company saw very strong demand for lending in prime central London in 2020. This resulted in the loan book growth of 22% to GBP 2,178.3 million (2019: GBP 1,784.5 million) during the year.

The reduction in net interest income of 17% to GBP 41.6 million (2019: GBP 50.0 million), was driven by interest rates falling to historic lows in 2020. The reduction is driven largely by lower interest income from our investment securities, with the decrease in interest income from our lending activities largely offset by the corresponding impact on interest due to customers and the growth in our loan book. Net fee and commission income increased by 28% (2019: 3% increase), due to a reallocation of intragroup fees.. As a result, operating income increased by 4% to GBP 116.4 million (2019: GBP 112.1 million).

Operating expenses increased by 12% (2019: 9%) to GBP 106.1 million (2019: GBP 94.5 million), principally due to an increase in staff costs, following the hiring of new Client Relationship Officers ("CROs") in 2019 and 2020, and in other administrative expenses which resulted from costs incurred with the upcoming closure of EFGIG. As a result, the cost income ratio declined to 1% (2019: 84%).

The reduction in credit impairment provisions resulted in a gain of GBP 0.5 million (2019: charge of GBP 0.7 million). This is due to the settlement of a number of watchlist cases in 2020, with no loss to the Bank, and higher levels of collateral held against lending.

Key financials

	Year ended 31 December 2020 GBP m	Year ended 31 December 2019 GBP m
Operating income	116.4	112.1
Operating expenses	(106.3)	(94.5)
Loss allowance on financial assets	0.5	(0.7)
Profit before tax	10.6	16.9

Key performance indicators

	Year ended 31 December 2020 GBP m	Year ended 31 December 2019 GBP m
Net new assets	1,152.1	700.0
Return on assets[1]	68bps	69bps
Operating profit	10.1	17.5
Cost income ratio	91%	84%

[1] Return on assets is calculated as operating income less dividends over the simple average of opening and closing AUM booked in EFGIUK.

Capital

The Prudential Regulation Authority ("PRA") supervises the Company on a stand-alone and consolidated basis. The figures shown below are on the stand-alone basis and will not necessarily correspond to capital balances included elsewhere in these Financial Statements.

The Common Equity Tier 1 ("CET1") capital ratio decreased to 13.1% (2019: 14.2%) due to an increase in risk weighted assets ('RWA'). RWA increased by 13.3% to GBP 1,385.3 million (2019: GBP 1,222.5 million), principally due to an increase in risk weighted mortgage lending, which increased by 34.3% to GBP 637,406 (2019: GBP 474,437). The total capital ratio decreased to 17.9% (2019: 19.6%), also impacted by the strong lending activity throughout the year.

	Year ended 31 December 2020 GBP m	Year ended 31 December 2019 GBP m
Common equity tier 1 capital	180.9	173.4
Total capital	247.5	240.0
Total risk weighted assets	1,385.3	1,222.5
Common equity tier 1 ratio	13.1%	14.2%
Total capital ratio	17.9%	19.6%

Funding

EFGIUK's Treasury function, in conjunction with EFGI, manages the Company's funding and liquidity to support the private banking business and manage interest rate and currency risk. In 2020 the Company maintained a consistent approach to funding.

Total funding increased by 11.6% to GBP 3,807.6 million (2019: GBP 3,411.0 million). This was due to a 16.0% increase in customer deposits in the year.

	Year ended 31 December 2020 GBP m	Year ended 31 December 2019 GBP m
Customer deposits	3,015.3	2,598.9
Banks	527.6	552.0
Subordinated loans	66.9	66.9
Equity	197.8	192.5
Total funding	3,807.6	3,411.0

Liquidity

The Company maintains a strong liquidity position, ensuring that it is comfortably ahead of both its internal risk appetite but also regulatory requirements. Most of our liquidity requirements are held on deposit with the Bank of England, in high quality liquid assets or assets rated A or higher.

We regularly assess, and stress test our liquidity requirements and continue to comfortably exceed our liquidity ratios, such as a liquidity coverage ratio of 178% as at 31 December 2020 (2019: 284%).

	Year ended 31 December 2020 GBP m	Year ended 31 December 2019 GBP m
Cash & balances at central banks	791.3	634.0
Other banks	107.3	54.3
Investment securities:		
Government	327.9	399.0
Other public sector	78.5	79.0
Banks	331.2	441.2
Other issuers	12.4	13.0
Treasury assets	1,648.6	1,620.5

Principal risks and uncertainties

Risk Management

The Company acknowledges that carrying out business in the banking and financial services industry entails risks and that events may impact the Company's ability to deliver on its objectives. The Company believes that the proper management of risks is critical for continued success.

Approach to risk management

The Company's approach to risk management is as follows:

- the Company uses the three lines of defence model and there are independent Risk and Compliance functions with clearly defined objectives;
- there is a defined risk strategy and risk appetite;
- there is a risk management framework with policies, standards and procedures to govern risk management; and
- the effectiveness and efficiency of risk management is supervised by the Board of Directors with the support and advice of a dedicated Risk Committee.

The role of risk culture in supporting effective risk management

The Company believes that employee behaviour is key to ensure sound risk management, and that this is guided by the risk culture of the organisation. Accordingly, the risk culture is viewed as a core component of effective risk management. Financial and non-financial incentives are reviewed to ensure they do not encourage excessive risk-taking. The Board of Directors sets and approves the risk strategy, the risk appetite and the risk management framework of the Company at least annually and monitors its risk profile, as well as the effectiveness of risk management.

Risks and uncertainties

The following pages set out the principal risks and uncertainties which may impact the Company's ability to deliver its strategy, how it seeks to mitigate these risks and the change in the perceived level of risk in the year. Whilst we constantly monitor our portfolio for emerging risks, the Company's activities remain unchanged. As a result, the principal risks and uncertainties that the Company faces and our approach to mitigating them remain broadly consistent with prior years.

This summary should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties faced by the Company but reflects those which the Company currently believes may have a significant impact on its performance and prospects.

Credit risk

As a lender, the Company is exposed to credit losses if customers are unable to repay loans and outstanding interest and fees. At 31 December 2020 the Company had loans and advances to customers amounting to GBP 2.2 billion (2019: GBP 1.8 billion).

The Company also has exposure to counterparties with which it places deposits or trades and has in place a small number of derivative contracts to hedge interest rate and foreign exchange exposures.

Mitigation

We seek to minimise our exposure to credit losses from lending by:

- applying strict lending criteria when testing the credit quality and covenant of the borrower;
- maintaining consistent and conservative loan to value ratios;
- lending on a predominantly secured basis against identifiable assets such as property or investment portfolios;
- a clear, consistent and robust process for managing arrears; and
- operating a strong control and governance framework for our CROs with oversight by a central credit risk team.

Our exposures to counterparties are mitigated by:

- continuous monitoring of the credit quality of our counterparties within approved set limits;
- Harris Allday securities are settled on a delivery versus payment basis; and
- counterparty exposure and settlement failure monitoring controls are also in place.

Change

There was 1 loan written off during the year to 31 December 2020 for GBP 62,000 (2019: 1 for GBP 1,300,000). The settlement of a number of older loans at nil loss to the bank resulted in a GBP 0.5 million reduction (2019: GBP 0.7 million charge) from credit loss provisions relative to a loan book of GBP 2.2 billion (2019: GBP 1.8 billion). During 2020, as a direct result of the COVID-19 outbreak, clients were allowed payment holidays on their loans. All clients, apart from one, who were granted payment holidays have now resumed payment. The Company's other counterparty exposures are broadly unchanged, with most of our liquidity requirements and surplus funding placed with the Bank of England or in high quality liquid assets. We continue to monitor closely the UK economic outlook, particularly in the light of COVID-19 and Brexit.

Further commentary on the credit quality of our loan book is outlined in Note 27. Further details on loans and advances to customers and debt securities held are in Notes 12 and 13. Our approach to credit risk management and monitoring, as well as further details on the value of collateral held, is outlined in more detail in Note 27.

Employees
The quality and expertise of our employees is critical to the success of the EFGI group. The loss of senior management, key CROs or Private Banking teams may have an adverse impact on the Company's operations and ability to deliver its strategy.

Mitigation
The Company seeks to attract, retain and develop staff by:
- operating remuneration and benefits structures which are competitive and recognise and reward performance;
- creating an inclusive environment that embraces diversity;
- guiding managers and employees in understanding the importance of physical and mental wellbeing in the workplace;
- creating a structured wellbeing program for our employees through seven wellness pillars;
- listening to employee feedback through engagement surveys and developing action plans;
- being involved in EFGI's talent development programme which offers mentoring to high potential employees;
- implementing succession planning for management committee and critical roles; and
- launching a leadership and management training program that, in part, will help to identify current and future leaders.

We are committed to giving full consideration to applications for employment from disabled persons as well as providing continuing employment to existing employees who become disabled during their employment where practicable. Where existing employees become disabled, whether temporarily or permanently, we adapt the working environment and where possible offer flexible working, training and graduated back-to-work plans in conjunction with occupational health to ensure the retention of employees.

Change
EFGIUK is focused on hiring established CROs, as they are important drivers for growth, while enhancing the productivity of our existing teams. We continued to make considerable progress in this area in 2020, with the cohort of 11 CROs who joined in late 2019 and the 4 who joined in 2020, starting to deliver results despite the impact of COVID-19. Our ability to hire new talent reflects our position in the market and confirms that our CRO model is attractive. In addition, we further enhanced the productivity of our existing CROs, increasing the average portfolio size per existing CRO and applying stricter performance measures.

During the COVID-19 crisis the Company has focussed on the wellness of its employees, including through providing support with home office equipment and workshops to assist staff with the new challenges of working from home.

Capital and liquidity
EFGIUK's ability to access capital and funding remains key to support our lending activities and the liquidity requirements.

Mitigation
Liquidity is assessed daily, and capital is assessed at least weekly to ensure adequate liquidity and capital is held and remains readily accessible in stressed conditions.

Change
Our term deposits reduced by 17.5% to GBP 1,320 million at 31 December 2020 (2019: GBP 1,600 million), as clients moved funds to current accounts following the COVID-19 crisis. Our current account balances increased by 81% to GBP 1,370 million in 2020 (2019: GBP 755 million). Owing to the planned closure of Guernsey we anticipate a significant transfer of funding into EFGIUK, which will increase our term deposit funding. Further commentary on funding and liquidity is provided on pages 4 and Note 29. Further financial analysis of our liquidity is shown in Note 29.

Economic environment
Any downturn in economic conditions may impact the Company's performance through:
- lower demand for the Company's products and services;
- lower investor risk appetite as a result of financial markets instability; and
- higher credit losses as a result of the inability of our customers to service debt and lower asset values, and property, on which loans are secured.

Mitigation
The Company's lending is predominantly on a secured basis, principally against central London properties with conservative loan to value ratios. We monitor external events closely and regularly update the Board of any changes which we believe could have a material impact. We test the robustness of our financial position by carrying out regular stress testing on our performance and financial position in the event of adverse economic conditions.

Change
Economic uncertainty and risk to the macroeconomic outlook increased in 2020, particularly due to the impact of the COVID-19 pandemic. The potential economic impacts of future events are closely monitored through our horizon risk framework. In March 2020, the COVID-19 virus expanded to a fully-fledged global crisis impacting the broader health and safety of our staff and clients. This triggered operational contingency, business continuity and resilience actions to ensure provision of critical client services, fulfilment of our regulatory responsibilities and protection of our staff and clients. These actions have been maintained since March

2020 and the business continues to operate with a high degree of operational resilience. This is reflected in our ICAAP stress testing, which demonstrated a Total Capital Requirement surplus of GBP 76 million at the end of our five-year-plan, and an ILAAP liquidity surplus of GBP 556 million in the next year, under the most severe stress testing scenarios.

The crisis has created high volatility in the global financial and credit markets, which can affect our client relationships, financial profile and resilience. Appropriate pre-emptive stress testing around our vulnerabilities and resilience was implemented and is monitored regularly.

Legal and regulatory

Failure to comply with existing legal, compliance, regulatory or tax requirements, or to react to changes to these requirements, may have negative consequences for the Company.

Failing to treat customers fairly, to safeguard client assets or to provide advice and products which are in clients' best interests could damage our reputation and may lead to legal or regulatory sanctions, litigation or customer redress. This applies to current, past and future business.

The Company's business model, which includes the provision of services to more complex international clients. means that it is subject to higher levels of compliance risk. This is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation which the Company may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, generally accepted practices, and codes of conduct applicable to all its activities from, for example, the onboarding of clients who do not meet our required criteria. Similarly, changes to regulation and taxation can impact our financial performance, capital and liquidity and the markets in which we operate.

Mitigation

The Company seeks to manage these risks by:
- investing in our personnel and technical resources to help to ensure that we maintain appropriate legal, compliance and regulatory coverage;
- implementing appropriate policies, standards and procedures and the use of risk-based monitoring programmes to test adherence;
- monitoring the changes in the regulatory environment and adapting directives and procedures as required;
- having regular specialised training sessions delivered to all staff to raise their awareness and understanding of the compliance risks;
- providing clear advice on legal, compliance and regulatory requirements, including in relation to the scope of regulatory permissions;
- responding in an appropriate, risk-based and proportionate manner to any changes to the legal and regulatory environment and those driven by any strategic initiatives;
- investing in training for all staff including anti-money laundering ("AML"), bribery & corruption, conduct risk, data protection and information security. Additional tailored training for relevant employees is provided where appropriate;
- maintaining constructive and positive relationships and dialogue with regulatory bodies and tax authorities;
- providing straightforward and transparent products and services to our clients;
- reviewing and approving new products and services through a clear governance and approval process; and
- maintaining a prudent capital position with headroom above minimum capital requirements.

Change

The Company's approach to legal and regulatory risk remains unchanged. We continued to invest in our people and infrastructure and improving and standardising our processes.

The HMRC investigation, originally noted in our 2018 Annual Report, remains ongoing. Further detail on the taxation charge for the year is shown in Note 9 of the financial statements.

At the start of 2020, EFGIUK set out a roadmap that would enable the Bank to comply with the cessation of LIBOR. The regulatory roadmap has since been revised and EFGIUK updated its roadmap to conform to the interim milestones. EFGIUK has selected an appropriate replacement rate for LIBOR, being the overnight index rate, and will only offer products referencing this rate from 1st April 2021.

Operational risk

The Company is exposed to various operational risks through its day-to-day operations, all of which have the potential to result in financial loss or adverse impact.

Adverse impacts to the business, customers, third parties and the markets in which we operate are considered within the context of our risk management framework, including an operational resilience framework designed to ensure the end-to-end delivery of critical business services.

Mitigation

The Company seeks to mitigate operational risk through:
- sustaining robust operational risk management processes, governance and management information;
- identifying key systems, third party relationships, processes and staff;
- investing in cyber security including expertise, tools and staff engagement;
- increasing focus on data protection controls;
- adopting fraud prevention aligned with our risk profile; and
- testing recovery capabilities, including our recovery plan, and planning communications approaches for possible scenarios.

Change

Market and regulatory expectations continue to increase in relation to operational risk management and resilience. In line with this environment, we continue to develop and evolve our capacity to reliably deliver key services.

Competition

The Company operates in the competitive lending and wealth management business and experiences competition from both UK and international banks. Currently we continue to experience high levels of competition within the UK mortgage market, as excess liquidity has driven down margins. Elevated and continuing levels of competition may impact the Company's ability to write loans at its desired risk and return criteria, resulting in lower net new assets and lower revenue.

Mitigation
EFGIUK has a clear strategy and value proposition: we want to be a leading Swiss private bank that is renowned for its distinctive client approach. Our CRO model sets us apart in the market and enables us to offer truly client-centric service and our risk appetite and pricing criteria are well defined.

Change
Despite the challenging conditions facing the entire industry in 2020, we continued to refocus our business on profitable growth. These efforts translated into significant net new asset inflows and, as a result ,our AUM increased from GBP 14,932 million to GBP 16,530 million and the strong loan book growth in 2020 positions us well to benefit in 2021.

Market risk
Market volatility impacting equity and fixed income exposures, and/or changes in interest and exchange rates, have the potential to affect the Company's performance, through their impact on both client portfolios and the Company's balance sheet.

Mitigation
Our policy is to minimise interest rate risk by matching fixed and variable interest rate assets and liabilities and using swaps where appropriate. Except for the Company's AT1 bond, the capital and reserves of the Company do not have interest rate liabilities and as such are not hedged. Foreign exchange exposures are generally hedged using foreign exchange forwards or currency swaps with exposures monitored daily against approved limits.

Change
The Company's approach and the underlying risks are unchanged. Further detail on the Company's exposure to market risk is outlined in Note 28.

The sensitivity analysis on interest rate exposures shown in Note 28.1.2 demonstrates the limited level of exposure to interest rate and foreign exchange movements.

Horizon risks
The Company also regularly reviews upcoming risks on a forward-looking basis through formal horizon scanning and consideration of prospective risks, through its risk and management committees, which include industry, global economic and wider risks.

Climate change

The Company is developing a framework for the management of financial risks arising from climate change under the direction of the Chief Risk Officer, overseen by the Risk Committee. We anticipate that the risk to EFGIUK will be largely limited to client investment risk and the potential impact on our clients' wealth and their capacity to repay their loans. The Company's credit portfolio is primarily focussed on central London, where collateral is expected to have limited exposure to both physical and transition risk; however, potential risks may arise from tightening energy efficient standards for domestic and commercial buildings impacting the risks in buy-to-let portfolios. The Company's Lombard Portfolio is collateralised mainly by portfolios investing in well diversified equity and fixed income funds as well as cash deposits. EFGIUK's Investment Portfolio is mainly exposed to sovereign issuers and financial institutions with short maturities and is not therefore expected to have material climate change exposure. The Company has no direct exposure to the car industry, energy sector or other companies in the wider economy vulnerable to a failure to adapt towards a low carbon-economy.

Section 172 statement

The Directors have acted in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:
- the likely consequences of any decision in the long term;
- the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, customers and others; and the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

The Directors also considered the views and interests of a wider set of stakeholders, including our customers, our parent company, our employees and our regulators. Considering this broad range of interests is an important part of the way the Board makes decisions, although in balancing those different perspectives it may not always be possible to deliver the desired outcome for all. The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of the Company means that stakeholder engagement often takes place at an operational level.

The Board considers and discusses information from across the organisation to help it understand the impact of its operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, and information covering areas such as key risks, legal and regulatory compliance at each meeting. Consideration of the above factors and other relevant matters is embedded into all Board decision-making, strategy development and risk assessment throughout the year. As a result of these activities, the Board has an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

The Strategic Report was approved by the Board and signed by order of the Board:

A Evans

A -Evans

Company Secretary
1 April 2021

Directors' Report

The Directors present their report together with the audited Financial Statements of the Company for the year ended 31 December 2020.

Results and dividends

The results for the year are set out on page 19 of the Financial Statements. The Directors do not recommend a dividend for the year (2019: nil).

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are given on page 3 of this Annual Report. All Directors listed on that page were Directors throughout the year, apart from Anthony Cooke-Yarborough, who resigned on 10 December 2020.

Details on the Directors' remuneration can be found in the Note 7 of the financial statements.

Directors' Indemnities and Insurance

The Company maintains Directors' and Officers' liability insurance for its Directors and Officers. Qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were in force during the year and remain in force at the date of this report.

Strategic Report

The Company's Strategic Report can be found on pages 4 to 8 of this Annual Report.

Business activities

The Company's business activities, together with a description of future developments (including the factors likely to affect future development and performance) and its summarised financial position, are set out in the Strategic Report.

Charitable donations

During the year the Company made donations totalling GBP 6,473 (2019: GBP 701) to various charities in support of their social responsibility objectives.

Diversity and equality

The Company is an equal opportunities employer and is committed to ensuring that all our employees can be proud to work for us, regardless of their gender, age, race, ethnicity, disability, sexual orientation or background.

Employees

Employees are updated on any changes that may affect them via regular internal communications and briefings. Eligible employees are required to participate in a deferral scheme whereby an element of variable compensation is deferred and settled at a future date either in cash or equity-settled via options granted over shares in EFGIUK. In addition, the Company operates a HMRC approved Share Incentive Plan which is available to all employees.

Financial instruments

Details of the Company's financial instruments can be found in Note 27.7.

Financial risk management

The Company has procedures in place to identify, monitor and evaluate the significant risks it faces. The Company reviews and adjusts its risk appetite annually as part of its strategy-setting process. This aligns risk-taking with the achievement of strategic objectives. Adherence to the risk appetite is monitored by the Company's Risk Committee. The Company's principal risks and uncertainties are described on pages 4 to 8 and the risks associated with the Company's financial instruments are analysed in Note 27 of the Annual Report statements. The Company's hedging policy can be found in Note 11 of the Annual Report.

Post Balance Sheet events

There have been no material post balance sheet events.

Branches

The Company has a branch in Jersey.

Capital structure

The issued ordinary share capital of the Company as at 1 January 2020 and 31 December 2020 comprised of 31,595,906 ordinary shares of £1 each.

Political donations

No political donations were made during the year (2019: Nil).

Greenhouse gas ("GHG") emissions

In line with the Streamlined Energy and Carbon Reporting requirements the below table discloses the Company's UK energy use and GHG emissions.

	Year ended 31 December 2020
Total energy usage (kWh)	997,350
Total GHG emissions (tCO_2e)	233
GHG emissions per employee (tCO_2e)	0.5785

The table above includes scope 2 emissions associated with the Company's operations, there are no material scope 1 emissions. These predominantly relate to purchased electricity and gas relating to the operation of the Company's offices. The total purchased energy has been recorded based on data from the Company's suppliers and the relevant government conversion factors used to calculate the CO2e.

The company has various activities and initiatives in place to reduce GHG emissions, including sourcing renewable electricity where possible and utilising sensor lighting to minimise unnecessary use.

Directors' Report

Independent Auditor

In line with the Competition and Markets Authority Statutory Audit Services Order, EFGIUK must appoint a new external Auditor for its year ending 31 December 2021. Following a selection process overseen by the Chairman of the Audit Committee in 2019, BDO LLP were recommended to the EFGIUK Board to be appointed as external Auditor.

Pursuant to section 485 to 488 of the Companies Act 2006, the Board has approved the appointment of BDO LLP as the Company's statutory auditor for the financial period commencing 1 January 2021.

Disclosure of information to the auditors

Each of the persons who are Directors at the date of approval of this Annual Report confirms that:
(a) so far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware; and
(b) they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going Concern

The Company has a strong business model and has traded profitably during the year. It is well positioned in its core business, well capitalised, soundly funded and has adequate access to liquidity.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the Annual Report.

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have prepared the Financial Statements in accordance with international accounting standards ('IAS') in conformity with the requirements of the Companies Act 2006 and international financial reporting standards ('IFRS') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IAS in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Directors' Report was approved by the Board and signed by order of the Board:

A Evans

Company Secretary
1 April 2021

Independent auditors' report to the members of EFG Private Bank Limited

Report on the audit of the financial statements

Opinion

In our opinion, EFG Private Bank Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2020; the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in Note B, Basis of Preparation to the financial statements, the company, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

We perform a full scope audit of the financial statements of the company as a whole as a single component. The scope of our audit and the nature, timing and extent of audit procedures performed were determined based on our risk assessment, the financial significance of financial statement line items and qualitative factors (including history of misstatement through fraud or error).

Key audit matters

- Tax provisions relating to transfer pricing
- Expected credit loss allowance - impairment of loans and advances to customers
- Implications of COVID-19 and the ability of the company to carry on business

Materiality

- Overall materiality: £1,924,965 (2019: £1,052,344) based on 1% of Net Assets
- Performance materiality: £1,443,724 (2019: £787,509)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking regulations such as, but not limited to, the Consumer Credit Act and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries by senior management to both reduce costs or inflate profit or by unexpected staff members and departments; and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Incorporation of unpredictability into the nature, timing and extent of our testing;
- Evaluation of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Reviewing key correspondence with regulatory authorities such as the Financial Conduct Authority and the Prudential Regulation Authority in relation to compliance with banking regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in relation to the determination of expected credit loss allowances and the provision relating to the ongoing HMRC investigation (see related key audit matter below);
- Identifying and testing journal entries, in particular any journal entries posted by senior management and or unexpected staff members and departments; and
- Testing of period end adjustments.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Tax provisions relating to transfer pricing *Refer to: Note 2(b) - Critical accounting estimates and judgements in applying accounting policies, Note 9 - Income tax and Note 21 - Provisions.* The company remains subject to a transfer pricing enquiry from HMRC in relation to the appropriateness of the pricing of various intercompany services. The current tax liability reported on the balance sheet includes amounts provided in relation to this enquiry, as well as other provisions in respect of interest and penalties. Management have prepared an assessment of the potential adjustments which may arise as a result of the HMRC enquiry. Of these, the only item individually to give rise to a material exposure is the fee for business introducing services provided to EFG Guernsey. This fee should be calculated at an arm's length rate. Considering the judgement required in order to determine an appropriate arm's length fee and the materiality of this fee, we have determined that tax provisions relating to transfer pricing are a key audit matter.	Our audit procedures included: - Inquiry of management to understand the issues that have been identified, including updates on the HMRC investigation; - Assessing the compliance of the tax risk provision with the requirements of IFRIC 23, including the identification of the unit of account, the application of the recognition step and approach to measurement; - Reviewing the company's correspondence with HMRC; - Testing management's assessment of the potential impact and resultant accounting treatment. We assessed the reasonableness of management's assessment in conjunction with our Transfer Pricing experts in relation to areas of uncertainty involving transfer pricing judgements and estimates; - Evaluating the disclosures made in the financial statements against the requirements of IAS 12 Incomes Taxes and IAS 1 Presentation of Financial Statements. Based on the procedures performed and the evidence obtained we found management's judgements, assumptions and disclosures in the financial statements to be reasonable.

Expected credit losses - Impairment of loans and advances to customers *Refer to: Note 2(a) - Critical accounting estimates and judgements in applying accounting policies and Note 27 - Credit risk*	
Determining expected credit losses (ECL) involves management judgement and is subject to a high degree of estimation uncertainty. The uncertainty and credit risk is mitigated by the nature of the lending given the majority of lending is secured and the value of the collateral is typically in excess of the amount of the customer exposure. The calculation of ECL is completed in Switzerland based on models, and whilst the modelled ECL does not result in a material balance, ECL is an area of focus for the audit as the modelling methodologies, assumptions and size of the ECL provision are subjective, and individual exposures are in excess of audit materiality. In addition, recent COVID-19 developments increase uncertainty around recovery of the credit impaired loans and the valuation of collateral, and we have focused our procedures over both of these areas.	We evaluated the design and tested the operating effectiveness of relevant controls, including: - valuation of the collateral; - loan authorisation and disbursement; - recording of loan data into the loan system; and - IT controls over the systems used to record customer lending and repayments. We have performed substantive procedures, including: - testing the watchlist process to ensure that the watchlist is complete and accurate; - testing the appropriate classification of loans in staging on a sample basis; - testing a sample of critical data used in the impairment models, including the collateral; - testing of critical data, collateral and assumptions for a sample of credit impaired exposures; - assessed the completeness of the ECL provision, by testing a sample of customer accounts included in watchlist but identified as non-credit impaired; - assessing the reasonableness and likelihood of the forward looking economic forecasts and weightings assigned to the scenarios. This includes assessment that the multiple economic scenarios applied in Switzerland are appropriate in the UK context; - challenging how management is satisfied that risks have been appropriately addressed in the models and watchlist process so that post model adjustments are not required; and - challenging how management has considered the impact of COVID-19 on expected credit loss allowance and the conclusion that it has had a minimal impact for the year ended 31 December 2020; We have engaged the PwC team responsible for the audit of EFG International AG to perform: - testing over the compliance of ECL methodologies and assumptions with the requirements of IFRS9; - independent ECL and internal ratings calculation on a sample of loans; - assessment of the results of independent model validation; and - assessment of the appropriateness of modelling methodologies that did not change during the year, giving specific consideration to COVID-19 and whether management judgemental adjustments were needed. We evaluated and tested the credit risk disclosures in the Annual Report and Financial Statements. Based on the procedures performed and the evidence obtained, we are comfortable that the ECL provision is within a reasonable range of outcomes.

Implications of COVID-19 and the ability of the company to carry on business	
The COVID-19 pandemic has led to unprecedented economic conditions, resulting in government support programmes and regulatory intervention to support businesses and people. One of the biggest impacts of the COVID-19 pandemic is changing how companies operate their businesses, with one of the most substantial impacts being the transition to remote working. This triggered operational contingency, business continuity and resilience actions to ensure provision of critical client services, fulfilment of the regulatory responsibilities and protection of the employees and clients. A substantial proportion of the company's employees have been working remotely during 2020, with some consequential changes on the company's processes and the control environment, some of which were relevant for financial reporting purposes. The Directors have considered the impact of the pandemic on the company's ability to continue as a going concern. Based on recent and forecast financial performance and the availability of capital resources and liquidity, the Directors have concluded that there is no material uncertainty and the company will continue as a going concern for at least twelve months from the date of this report.	We critically assessed the impact of COVID-19 on the planning and execution of our audit. In particular: - we assessed the impact of the disruption caused by COVID-19 on the risks of material misstatement. We reviewed key risk reports, internal audit reports and discussed the impact of the pandemic with management. We concluded that no significant changes to our risk assessment were required; - we evaluated the controls relevant to our audit by undertaking walkthroughs of key processes and tested the operating effectiveness of relevant controls that we planned to rely on. We considered the impact of remote working on the effectiveness of controls. - we considered the impact on estimates included in the financial statements, in particular in relation to expected credit loss allowance. We did not identify any material impacts on estimates as at 31 December 2020 (see also the above key audit matter); - we reviewed management's disclosures in relation to the COVID-19 in the financial statements and read the other information in the Strategic Report; and - we adapted our own working practices to remote working and ensured we gathered appropriate audit evidence. We reviewed management's going concern assessment. We also read the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) submissions to the PRA and evaluated the impact of COVID-19 on the company's financial performance, business operations and regulatory capital and liquidity ratios. We did not identify any contradictory evidence in these documents. As a result of these procedures, we concluded that the impact of COVID-19 as it relates to the going concern assumption has been appropriately evaluated for the purposes of the preparation of the financial statements. Based on the work performed, we are satisfied that our audit addressed the impact of the disruption caused by COVID-19. We have also concluded that the impact of COVID-19 has been appropriately evaluated and reflected in the preparation of these financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

Within the financial statements, the Company has been recognised as one operating segment EFG Private Bank Limited which is domiciled in the UK. The Company provides banking, stockbroking, wealth management and investment advisory services out of the London Branch, Jersey Branch and Harris Allday investment management division with support from its immediate parent EFG International AG which is domiciled in Switzerland.

For each financial statement line item, we considered the financial significance and qualitative factors, including the presence of any significant audit risks, to determine our audit scope. Additionally, the risk of material misstatement was mitigated through audit procedures including testing of transaction level controls and analytical review procedures.

We have determined that there are two financially significant components: London and Jersey branches, over which we have performed a full scope audit of all material primary statement account balances. We identified Harris Allday as an insignificant component and have performed audit procedures over the material account balances.

We tested and examined information using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to form our own judgements. We obtained audit evidence by testing the effectiveness of controls, substantive procedures or a combination of both.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£1,924,965 (2019: £1,052,344).
How we determined it	1% of Net Assets. (2019: We calculated materiality as of 1% of Net Assets (£1,908,252). However we have used the materiality provided to us for Group reporting to PwC Switzerland)
Rationale for benchmark applied	The primary users of the Financial Statements are the parent company and their regulators who are principally focused on the regulatory capital of the Company. Net assets was chosen as the materiality benchmark as it closely corresponds to regulatory capital.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1,443,724 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £96,000 (2019: £94,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We reviewed management's going concern assessment which included a summary of the current capital and liquidity position of the company.
- We reviewed supporting information, including the company's most recent ICAAP and ILAAP submissions to the PRA.
- We made enquiries of management to understand the COVID-19 impact on the company's recent financial performance, business operations and regulatory capital and liquidity ratios.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibility Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs (UK) 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 financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

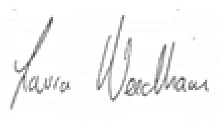
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 31 August 1989 to audit the financial statements for the year ended 31 December 1989 and subsequent financial periods. The period of total uninterrupted engagement is 32 years, covering the years ended 31 December 1989 to 31 December 2020.



Laura Needham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 April 2021

Income Statement

	Note	Year ended 31 December 2020 GBP '000	Year ended 31 December 2019 GBP '000
Interest income		64,433	95,457
Interest expense		(22,877)	(45,414)
Net interest income	3	41,556	50,043
Banking fee and commission income		59,864	47,150
Banking fee and commission expense		(3,731)	(3,230)
Net fee and commission income	4	56,133	43,920
Dividend income		9,830	12,700
Net trading income and foreign exchange gains less losses		5,335	4,385
Gains less losses on disposal of financial assets		3,512	1,043
Net other income		18,677	18,128
Operating and Investing income		116,366	112,091
Operating expenses	5	(106,311)	(94,540)
Reversal of loss allowance / (loss allowance) on financial assets at amortised cost and debt instruments measured at fair value through Other Comprehensive Income		532	(652)
Profit before tax		10,587	16,899
Income tax credit / (charge)	9	689	(4,881)
Net profit after tax		11,276	12,018

Statement of Comprehensive Income

	Note	Year ended 31 December 2020 GBP '000	Year ended 31 December 2019 GBP '000
Net profit for the year		11,276	12,018
Other Comprehensive Income / (expense)			
Items that may be reclassified subsequently to the Income Statement			
Net (losses) on investments in debt instruments measured at fair value through Other Comprehensive Income ("FVOCI")		(1,815)	(69)
Net gains on investments in equity instruments designated at FVOCI		303	93
Net (losses) on investments in debt instruments measured at FVOCI hedge instruments		(760)	(370)
Transfer to the Income Statement of realised gains / (losses) on debt instruments at FVOCI		2,415	(1,143)
Fair value gains on cash flow hedges		-	49
Total Other Comprehensive Income / (expense) for the year		143	(1,440)
Income tax relating to components of Other Comprehensive Income		(284)	(348)
Total Other Comprehensive Income / (expense) for the year, net of tax		(141)	(1,788)
Total Comprehensive Income for the year		11,135	10,230

The notes on pages 24 to 61 form an integral part of these Financial Statements

Balance Sheet

	Note	31 December 2020 GBP '000	31 December 2019 GBP '000
Assets			
Cash and balances with central banks	10	791,333	634,025
Due from other banks	10	107,297	54,312
Derivative financial instruments	11	9,400	18,530
Financial assets at fair value through Other Comprehensive Income	12	750,004	932,249
Loans and advances to customers	13	2,178,300	1,784,543
Investments in subsidiaries	14	10,045	10,000
Property, plant and equipment	15	9,232	13,067
Intangible assets	16	1,259	1,533
Deferred income tax assets	17	4,112	3,699
Other assets	18	53,679	52,711
Total assets		3,914,661	3,504,669
Liabilities			
Due to other banks	19	527,589	551,954
Due to customers	20	3,015,265	2,598,926
Derivative financial instruments	11	37,493	22,385
Current income tax liabilities		2,925	5,153
Provisions	21	2,347	2,368
Other liabilities	22	64,374	64,506
Subordinated loans	24	66,921	66,918
Total liabilities		3,716,914	3,312,210
Equity			
Share capital	25	31,596	31,596
Share premium		96,639	96,639
Capital redemption reserve		10,000	10,000
Other reserves		8,889	9,786
Retained earnings		50,623	44,438
Total equity		197,747	192,459
Total equity and liabilities		3,914,661	3,504,669

The Financial Statements on pages 19 to 61 were approved by the Board of Directors on 31 March 2021 and signed on its behalf by:

R Thomas
Chief Executive Officer
1 April 2021

Helen price

H Price
Chief Financial Officer
1 April 2021

The notes on pages 24 to 61 form an integral part of these Financial Statements

Statement of Changes in Equity

	Attributable to owners of the parent					
	Share capital GBP'000	Share premium GBP'000	Capital Redemption reserves GBP'000	Other Reserves GBP'000	Retained earnings GBP'000	Total equity GBP'000
At 1 January 2019	1,596	96,639	10,000	13,402	38,279	159,916
Net profit for the year	-	-	-	-	12,018	12,018
Net losses on investments in debt instruments measured at FVOCI	-	-	-	(1,489)	-	(1,489)
Fair value losses on cash flow hedges	-	-	-	49	-	49
Income tax relating to components of Other Comprehensive Income	-	-	-	(348)	-	(348)
Total Comprehensive Income for the year	-	-	-	(1,788)	12,018	10,230
Share capital subscribed during the year	30,000	-	-	-	-	30,000
AT1 interest treated as appropriation of retained earnings	-	-	-	-	(5,859)	(5,859)
Employee equity incentive plans amortisation and net of exercise costs	-	-	-	(1,828)	-	(1,828)
At 31 December 2019	31,596	96,639	10,000	9,786	44,438	192,459
Net profit for the year	-	-	-	-	11,276	11,276
Net gains on investments in debt instruments measured at FVOCI	-	-	-	143	-	143
Income tax relating to components of Other Comprehensive Income	-	-	-	(284)	-	(284)
Total Comprehensive Income for the year	-	-	-	(141)	11,276	11,135
						-
AT1 interest treated as appropriation of retained earnings	-	-	-	-	(5,431)	(5,431)
Employee equity incentive plans amortisation and net of exercise costs	-	-	-	(416)	-	(416)
Transfers to retained earnings	-	-	-	(340)	340	-
At 31 December 2020	31,596	96,639	10,000	8,889	50,623	197,747

The notes on pages 24 to 61 form an integral part of these Financial Statements

Cash Flow Statement

	Note	Year ended 31 December 2020 GBP '000	Year ended 31 December 2019 GBP '000
Cash flows from operating activities			
Interest received		68,609	96,233
Interest paid		(23,674)	(51,780)
Banking fee and commission received		53,680	48,470
Banking fee and commission paid		(3,656)	(3,303)
Net trading income		5,335	4,385
Other operating income received		3,513	1,047
Staff costs		(65,711)	(69,718)
Other operating expenses		(20,942)	(22,239)
Income tax paid		(2,511)	(916)
Cash flows from operating activities before changes in operating assets and liabilities		14,643	2,179
Changes in operating assets and liabilities			
Net (decrease) in due to / from other banks		(29,510)	(1,644)
Net decrease in derivative financial instruments		15,672	12,165
Net increase in loans and advances to customers		(394,123)	(121,301)
Net decrease / (increase) in other assets		4,364	(23,935)
Net increase in due to customers		421,412	354,384
Net (decrease) / increase in other liabilities		(14,759)	18,852
Net cash flows from operating activities		17,699	240,700
Cash flows from investing activities			
Purchase of investment securities		(1,159,313)	(773,228)
Proceeds from sale/maturities of securities		1,347,499	848,738
Investment in subsidiary undertakings		(45)	-
Purchase of intangible assets		(289)	(157)
Purchase of property, plant and equipment	15	(476)	(1,254)
Dividend received		9,830	12,700
Net cash flows from investing activities		197,206	86,799
Cash flows used in financing activities			
Issue of share capital		-	30,000
Net cash flows from financing activities		-	30,000
Net change in cash and cash equivalents		214,905	357,499
Cash and cash equivalents at beginning of period		688,337	330,838
Net change in cash and cash equivalents		214,905	357,499
Net foreign exchange difference		(4,612)	-
Cash and cash equivalents	10	898,630	688,337

The notes on pages 24 to 62 form an integral part of these Financial Statements

Notes to the Financial Statements

A General Information

EFG Private Bank Limited ("the Company") is incorporated and domiciled in England and Wales, with registered company number 2321802 as a private company limited by shares. The Company's immediate parent is EFG International AG ("EFGI"), a limited liability company incorporated and domiciled in Switzerland.

B Basis of preparation

The Financial Statements are for the year ended 31 December 2020. These Financial Statements have been prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historic cost convention modified by revaluation of financial assets and financial liabilities held at fair value. The Directors have confirmed it is appropriate to use the going concern assumption as a basis for presenting these Financial Statements.

The preparation of Financial Statements in accordance with IAS in conformity with the requirements of the Companies Act 2006, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. The process also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Although estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further information about critical estimates and judgements are presented in Note 1.

The Company's presentation currency is British Pounds (GBP) which is the functional currency of the Company. Numbers are stated in thousands of Pounds Sterling (£'000).

C Consolidation

The Company has taken advantage of the exemption afforded by Section 401 of the Companies Act 2006 in not preparing consolidated Financial Statements. The Company is a wholly owned subsidiary of EFGI, a limited liability company incorporated and domiciled in Switzerland. EFGI prepares consolidated Financial Statements to 31 December each year in accordance with IFRS and the IFRIC interpretations. The Company's main subsidiaries are documented in note 14.

D Accounting Developments

The following new or updated standards are effective for the year ended 31 December 2020 but do not have a material impact on the Company's financial statements:

- Definition of Material Amendments to IAS 1 and IAS 8;
- Definition of a Business (Amendments to IFRS 3);
- COVID-19-Related Rent Concessions (Amendments to IFRS 16);
- Revisions to the Conceptual Framework for Financial Reporting.

The following accounting standard has been issued by the IASB but is not yet effective:

Amendments relating to Interest Rate Benchmark Reform ("IBOR" reform phase 2)

The requirements of IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16 were amended effective for periods beginning on or after 1 January 2021 with the Company not opting to early adopt. The objective of the amendments is to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty resulting from interest rate benchmark reform. The main amendments can be summarised as follows:

IBOR reform Phase 2 includes several reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).
Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Company's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Company to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The Bank may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Bank reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the Bank is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

1. Critical accounting estimates and judgements in applying accounting policies

In the process of applying the Company's accounting policies, the Company's management makes various judgements, estimates and assumptions that may affect the reported amounts of assets and liabilities recognised in the Financial Statements in future periods. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company made the following critical estimates in the year:

(a) Expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost and fair value through Other Comprehensive Income ("FVOCI") is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring the ECL are further detailed in note 27.3.1, which also sets out the key sensitivities of the ECL to changes in these elements.

1. Critical accounting estimates and judgements in applying accounting policies (continued)

Several judgements are also required in applying the accounting requirements for measuring the ECL, such as:
- determining the criteria for significant increase in credit risk ("SICR");
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing groups of similar financial assets for the purposes of measuring the ECL.

(a) Income taxes and deferred tax

Significant estimates are required to determine current and deferred tax assets and liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. This will include judgement of the amount of tax payable on open tax computations where the liabilities remain to be agreed with HMRC. Due to the uncertainty associated with such tax items it is possible that at a future date, on conclusion of any open tax matters, the outcome may vary significantly.

A deferred tax asset is recognised for the carry-forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. To the extent that it is not probable that taxable profit will be available against which unused tax losses can be utilised, the deferred tax asset is not recognised.

Our tax provision includes an estimate of taxation payable relating to previous years as a result of an ongoing HMRC investigation. This estimate includes several assumptions reflecting discussions to date but assumes that the investigation is settled based on an overall agreed position. A 10% increase in this position would result in additional tax payable of GBP 0.6 million.

2. Principal accounting policies

The principal accounting policies applied in the preparation of the Financial Statements are disclosed below, but where possible, they have been shown as part of the Note to which they specifically relate. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the Balance Sheet date and exchange differences are accounted for in the Income Statement.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at 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 recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges.

Translation differences on non-monetary items (treasury shares) are reported as part of the fair value gain or loss and are included in the fair value reserve in equity.

(b) Revenue (where the policy not disclosed in a specific note)

(i) Dividend income

Dividend income represents gross dividends from investments (principally in subsidiary companies) and is recognised when the Company's right to receive payment is established.

(ii) Net trading income and foreign exchange gains and losses

Net trading income comprises results from foreign exchange transactions and revaluation of assets and liabilities denominated in other currencies, including the mark to market of interest rate swaps and currency forwards and swaps; plus, any gain or loss from financial instruments measured at fair value.

(iii) Gains less losses on disposal of financial assets

Gains less losses on disposal of financial assets are recorded when the risks and rewards of financial assets measured under IFRS 9 are transferred to another party in exchange for consideration. The gain or loss represents the difference between the consideration received and the carrying value of the financial asset and is recognised at the point in time where the risks and rewards from the financial assets are transferred. For assets held at FVOCI this includes the recycling of gains or losses previously recognised in other comprehensive income to the income statement.

(c) Financial assets and liabilities

All financial assets are recorded on the day the transaction is undertaken. Purchases and sales of financial assets at fair value or amortised cost are recognised on the date on which the Company commits to purchase or sell the asset. Loans and advances to customers are recognised when cash is advanced to the borrowers.

Measurement methods:
Amortised cost and effective interest rate

Amortised cost is the value at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial value and the maturity value 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 value of a financial asset or to the amortised cost of a financial liability. The calculation does not consider ECL and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees. For credit-impaired financial assets the Company calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying value and incorporates the impact of ECL in estimated future cash flows.

2. Principal accounting policies

When the Company revises the estimates of future cash flows, the carrying value of the respective financial asset or financial liability is adjusted to reflect the new estimated discount using the original effective interest rate. Any changes are recognised in profit or loss.

Initial recognition and measurement

At initial recognition, the Company measures a financial asset or financial liability at its fair value. In case of a financial asset or financial liability subsequently not measured at Fair Value Through Profit or Loss ("FVTPL"), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions are included at fair value at initial recognition. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed as incurred.

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

Business models: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company'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 classified as 'other' business model and measured at FVTPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for the assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how management are compensated.

Solely Payments 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 Company assesses whether the financial instrument's cash flows represent SPPI. In making this assessment, the Company 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, based on qualitative or quantitative criteria, the related financial asset is classified and measured at FVTPL.

Further detail on the accounting policies for financial assets held at FVOCI and amortised cost are contained in Notes 12 and 13.

Fair Value Through Profit or Loss

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Other movements in the fair value (for example from interest rate or credit risk changes) which are not part of a hedging relationship, are presented in the Income Statement within 'fair value gains less losses on financial instruments measured at fair value' in the period in which they arise.

Impairment

On a forward-looking basis, the Company assesses the ECL associated with debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises an ECL for such losses at each reporting date. The measurement of ECL reflects:
- an unbiased and probability-weighted value that is determined by evaluating a range of possible outcomes;
- the time value of money;
- 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.

Further detail is provided in Note 27.

Classification and subsequent measurement of financial liabilities, financial guarantees contracts and loan commitments

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:
- financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking). Gains or losses on financial liabilities designated at FVTPL are presented partially in Other Comprehensive Income (the value of change in the fair value of the financial liability that is attributable to changes in the Company's credit risk of that liability, which is determined as the value that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining value of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the profit or loss;
- financial guarantee contracts and loan commitments: Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of the expected credit loss value; the premium received on initial recognition less income recognised in accordance with the principals of IFRS 15. Loan commitments provided by the Company are measured as the value of the expected loss allowance. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. If the contract includes both a loan and an undrawn commitment and the expected credit loss on the undrawn commitment cannot be separated from the loan component, the expected credit loss on the undrawn commitment is recognised together with the loss allowance for the loan. If the combined expected credit loss exceeds the carrying amount of the loan, the excess is recognised as a provision.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the contractual rights to receive cash flows from the asset have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control. In case of modification of loans when the Company renegotiates or otherwise modifies the contractual cash flows of a loan, it assesses whether or not the new terms are substantially different from the original terms, considering a range of factors that include reduction in cash flows when the borrower is expected to be able to pay, new substantial terms are introduced, extension of the loan term, changes in interest rate and currency or insertion of collaterals or credit enhancement facilities. If terms are substantially different after the modification, the Company derecognises the original financial asset and recognises a new asset at fair value, recalculating a new effective interest rate for the asset. If the terms of the modified asset are not substantially different, the asset is not derecognised, but the Company creates new cash flows, resulting in a modification gain or loss.

A financial liability is derecognised when extinguished (i.e. the obligation specified in the contract is discharged, cancelled or expires). In case of modification of terms of financial liabilities, the Company extinguishes the current liability and recognises a new liability only if the modification is considered a substantial modification of the terms (i.e. if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounting using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability). Any costs or fees incurred are recognised as part of the gain or loss on the extinguishment if the modification is accounted for as an extinguishment. Otherwise, costs and fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(a) Other reserves

This reserve comprises amounts taken to equity in respect of share-based payments, revaluations of outright bonds, hedged bonds, hedging swaps and treasury shares held at fair value through other comprehensive income.

3. Net interest income

Accounting Policy

Interest income and expenses are recognised in the Income Statement for all interest-bearing instruments on an accrual basis, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and any other premiums or discounts. Negative interest on assets is recorded as an interest expense, and negative interest on liabilities is recorded as interest income.

For financial assets at amortised cost or debt instruments at FVOCI in stage 3, the original effective interest rate is applied to the amortised cost of the asset rather than to the gross carrying amount.

	2020 GBP '000	2019 GBP '000
Banks and customers	49,235	61,840
Financial assets at FVTPL	629	6,181
Financial assets at FVOCI	14,569	27,436
Total interest income	64,433	95,457
Banks and customers	(15,510)	(37,282)
Financial liabilities at FVTPL	(66)	(60)
Financial liabilities at FVOCI	(7,301)	(8,072)
Total interest expense	(22,877)	(45,414)
Net interest income	41,556	50,043

4. Net fee and commission income

Accounting Policy

The Company earns investment management fees from the provision of banking, wealth management & planning services and incurs corresponding expenses. Where services are provided to customers on an ongoing basis and the performance obligations satisfied over time, the fees are recognised over that time period in line with the agreed fee rates. Where services are provided in relation to a specific individual transaction the performance obligations are satisfied at a point in time and the fees are recognised at that point. Where these fees and expenses are recognised in advance of billing they are included as accrued income. Fees and commissions relating to trading activity and foreign exchange transactions are recognised at the time the underlying transactions are completed.

	2020	2019
	GBP '000	GBP '000
Banking fees and commission income	16,848	6,812
Wealth management fees and commission income	43,016	40,338
Banking fee and commission income	59,864	47,150
Brokerage and other fees and commission expense	(3,731)	(3,230)
Net fee and commission income	56,133	43,920

5. Operating expenses

	Note	2020 GBP '000	2019 GBP '000
Staff costs	6	(71,042)	(67,274)
Administrative expenses		(30,395)	(22,185)
Depreciation of property, plant and equipment	15	(4,311)	(4,654)
Amortisation of intangible assets	16	(563)	(427)
Operating expenses		(106,311)	(94,540)

6. Staff costs

	Note	2020 GBP '000	2019 GBP '000
Wages, salaries and staff bonuses		(56,212)	(53,670)
Social security costs		(7,615)	(6,902)
Pension costs		(2,785)	(2,547)
Share options granted to directors and employees	32	(4,430)	(4,155)
Staff costs		(71,042)	(67,274)

As at 31 December 2020 the number of full-time equivalent employees of the Company was 368 (2019: 384), 8 full-time equivalent employees are located in Jersey, with the remaining 360 full-time equivalent employees located in the United Kingdom.

The Company operates defined contribution pension plans for employees. The Company pays contributions to privately administered pension plans and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

7. Directors' remuneration

Details of the remuneration of Directors who served during the year are as follows:

	2020 GBP '000	2019 GBP '000
Short-term employment benefits	2,307	2,708
Share-based payments	441	500
Pension payments	187	189
Number of Directors awarded share options	3	4
Number of Directors exercising share options	2	2
Highest paid Director		
Short-term employment benefits	606	641
Share-based payments	203	330
Pension contributions	64	81
Total	873	1,052

The highest paid Director exercised no share options during 2020 (2019: 361,183). No directors had retirement benefits are accruing under a money purchase scheme (2019: nil).

8. Auditors remuneration

	2020 GBP '000	2019 GBP '000
Fees payable for the audit of the Company pursuant to legislation[1]	474	281
Other services pursuant to such legislation[2]	-	16
Other services[3]	215	271
Total	689	568

1 Comprises the fees for the statutory audit of the Company.
2 Comprises the fees for the interim profit verification.
3 Comprises services in relation to regulatory filings and regulatory audits.

9. Income tax

	2020 GBP '000	2019 GBP '000
Current year tax credit	773	-
Foreign tax charge	(138)	(387)
Adjustments for current tax of prior periods	(642)	(5,083)
	(7)	(5,470)
Deferred tax – Current year	562	492
Deferred tax – Adjustments for prior periods	134	97
Total income tax credit / (charge)	689	(4,881)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the enacted tax rate, as follows:

	2020 GBP '000	2019 GBP '000
Profit before tax	10,587	16,899
Tax at the applicable rate of 19%	(2,011)	(3,209)
Tax effect of:		
Non-taxable income	1,868	2,413
Non-allowable expenses	(384)	(279)
Adjustments for current tax of prior periods	(508)	(4,986)
Deferred tax and rate differences	390	331
Stock options	67	760
AT1 Interest (appropriation of earnings)	1,032	1,097
Jersey branch profit	124	-
Other items	111	(1,008)
Total income tax credit / (charge)	689	(4,881)

The prior year tax adjustment in 2020 is related to the under provision of tax relating to 2019 and 2018. The 2019 prior year tax adjustment includes an estimate of amounts payable in relation to the ongoing HMRC investigation. The estimate reflects the current status and may change as discussions with HMRC progress.

10. Cash and cash equivalents

Accounting Policy

Cash and cash equivalents include cash in hand, deposits held at call with banks, short-term deposits and other short-term highly liquid investments with original maturities of three months or less, and bank drafts. For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following balances with less than 90 days maturity.

	31 December 2020 GBP '000	31 December 2019 GBP '000
Cash and balances with central banks		
Cash in hand	202	349
Balances with central banks	791,131	633,676
Total cash and balances with central banks	791,333	634,025
Due from other banks		
At sight	89,013	54,312
At term	18,284	-
Total due from other banks	107,297	54,312
Total cash and cash equivalents	898,630	688,337
Pledged due from other banks	22,767	3,051

11. Derivative financial instruments

Accounting Policy

Derivative financial instruments are initially recognised in the Balance Sheet at fair value on the date on which the derivative contract is entered and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, 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.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is derived from its comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Hedge accounting is used for derivatives designated as such, provided certain criteria are met. The Company documents, at the inception of the transaction, the relationship between hedged instrument and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, as well as upon a significant change in the circumstances affecting the hedge effectiveness requirements, of whether a hedging relationship meets the hedge effectiveness requirements.

Interest income and expense on derivatives designated as hedging instruments in effective hedge relationships is included in net interest income. The Company will discontinue hedge accounting in the following scenarios:
– when the Company determines that a hedging relationship no longer meets the risk management objective;
– when the hedged instrument or the hedging instrument expires, is sold or terminated;
– when the economic relationship between the hedge item and the hedging instrument ceases to exist;
– when the credit risk effect starts to dominate the value changes that result from that economic relationship;
– when the forecasted hedged transaction is no longer probable.

11. Derivative financial instruments (continued)

Accounting Policy (continued)

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged instrument, for which the effective interest method is used, is amortised to the Income Statement over the period to maturity.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in Other Comprehensive Income are recycled to the Income Statement in the periods in which the hedged instrument will affect profit or loss (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

(iii) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the Income Statement.

11.1 Derivatives

The Company's credit risk represents the potential cost to replace the forward or swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Company assesses counterparties using the same techniques as for its lending activities. The notional amounts of financial instruments provide a basis for comparison, but do not indicate the amount of future cash flows, or the current fair value of the underlying instruments. Accordingly, they do not indicate the Company's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, credit spreads or foreign exchange rates, relative to their terms. The fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following table:

	31 December 2020			31 December 2019		
	Contract/ notional amount GBP '000	Fair values Assets GBP '000	Fair values Liabilities GBP '000	Contract/ notional amount GBP '000	Fair values Assets GBP '000	Fair values Liabilities GBP '000
Derivatives held for trading						
Foreign exchange derivatives	2,276,114	9,207	(26,238)	1,864,644	17,564	(15,952)
Interest rate swaps	29,795	1	(215)	-	-	-
Total derivative assets/liabilities held for trading	2,305,909	9,208	(26,453)	1,864,644	17,564	(15,952)
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	321,985	192	(11,040)	392,874	945	(6,297)
Derivatives designated as cash flow hedges						
Interest rate swaps	-	-	-	12,867	21	(136)
Total derivative assets/liabilities held for hedging	321,985	192	(11,040)	405,741	966	(6,433)
Total derivative assets/liabilities	2,627,894	9,400	(37,493)	2,270,385	18,530	(22,385)

11. Derivative financial instruments (continued)

11.2 Hedge effectiveness

The Company applies hedge accounting to interest rate risk on fixed rate bonds (fair value hedge). The Company holds a portfolio of fixed rate bonds and therefore is exposed to changes in fair value due to movements in market interest rates. The Company manages the risk exposure by entering interest rate swaps that pay fixed rates matching the coupons of the bonds and receive floating interest rates. Only the interest rate element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Company. The interest rate risk component is determined as the change in fair value of the long-term fixed rate bond arising solely from changes of the interest rate environment. Such changes are usually the largest component of the overall changes in fair value.

This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the bonds attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The Company enters the swap at the same time as purchasing the bond, while structuring the swap so that the principal terms of the swap exactly match those of the bond. As a result, the hedging ratio is 100% and there is no ineffectiveness. The Company had the following fair value hedges in place at year end:

	31 December 2020 GBP '000	31 December 2019 GBP '000
Derivatives held for hedging - Interest rate swaps		
Notional amount of hedging instrument	321,985	392,874
Fair value of assets	192	945
Fair value liabilities	(11,040)	(6,297)
Change in fair value used for calculating hedge ineffectiveness	(9,186)	525
Hedged items - Fixed rate bonds held at FVOCI		
Carrying amount of hedged item	331,690	397,277
Accumulated amount of fair value adjustments on the hedged item	9,676	4,402
Change in fair value of hedged item for ineffectiveness assessment	9,568	525

GBP 258 million of the derivatives designated as fair value hedging instruments have maturity longer than 12 months (2019: GBP 283 million). The average fixed rate paid on derivatives designated as fair value hedges is 1.95% (2019: 2.01%).

12. Financial assets at fair value through Other Comprehensive Income

Accounting Policy

Debt instruments that are held for collection of contractual cash flows and for selling the assets, where the asset's cash flows represent SPPI are measured at FVOCI. Movements in the carrying amount are taken through Other Comprehensive Income, except for loss allowances, interest revenue and foreign exchange gains and losses on the instruments amortised cost, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from equity to profit or loss and recognised in 'Net gains/losses on derecognition of financial assets and liabilities'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

The following table presents the carrying amount of financial assets measured at FVOCI and respective allowances for ECL:

	31 December 2020			31 December 2019		
	Gross Carrying amount	Loss allowance	Net Carrying amount	Gross Carrying amount	Loss allowance	Net Carrying amount
	GBP '000	GBP '000	GBP '000	GBP '000	GBP '000	GBP '000
Government	327,906	18	327,888	399,143	27	399,116
Other public sector	78,500	4	78,496	78,950	-	78,950
Banks	331,187	15	331,172	441,172	20	441,152
Other issuers	12,449	1	12,448	13,032	1	13,031
Total	750,042	38	750,004	932,297	48	932,249

13. Loans and advances to customers

Accounting Policy

Loans and advances to customers are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments, fees and expenses to represent the effective interest rate of the asset or liability. Balances deferred on-balance sheet as effective interest rate adjustments are amortised to interest income over the life of the financial instrument to which they relate.

To be measured at amortised cost, financial assets must be held in a business model to collect the contractual cash flows and contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest.

In determining whether the business model is a 'hold to collect' model, the objective of the business model must be to hold the financial asset to collect contractual cash flows rather than holding the financial asset for trading or short-term profit taking purposes. While the objective of the business model must be to hold the financial asset to collect contractual cash flows this does not mean the Company is required to hold the financial assets until maturity. When determining if the business model objective is to collect contractual cash flows the Company will consider past sales and expectations about future sales. There is a portfolio of loans, totalling £393 million (2019: 310 million), which are available to be securitised to Chestnut II Mortgage Financing II plc. The Directors consider amortised cost to approximate fair value.

	31 December 2020 GBP '000	31 December 2019 GBP '000
Mortgages	1,437,360	1,127,460
Other loans	742,527	658,861
Gross loans and advances	2,179,887	1,786,321
Less: Loss allowance	(1,587)	(1,778)
Loans and advances to customers	2,178,300	1,784,543

14. Investment in subsidiary undertakings

The following is a listing of the Company's subsidiaries at 31 December 2020:

Name	Line of business	Country of incorporation	Ownership %	Non-controlling interest %	31 December 2020 GBP '000	31 December 2019 GBP '000
Private Asset Management Limited	Dormant	United Kingdom	100%	0%	-	-
Harris Allday Limited	Dormant	United Kingdom	100%	0%	-	-
PBTC Nominees Limited	Dormant	United Kingdom	100%	0%	-	-
HALB Nominees Limited	Dormant	United Kingdom	100%	0%	-	-
The Private Bank and Trust Company Limited	Dormant	United Kingdom	100%	0%	-	-
EFG Cyprus Limited	Investment Management	Cyprus	100%	0%	45	-
EFG Private Bank Limited, Jersey Branch*	Banking	Jersey	100%	0%	-	-
EFG Private Bank (Channel Islands) Limited	Banking	Guernsey	100%	0%	10,000	10,000
Private Bank and Trust Company (Guernsey) Limited**	Banking	Guernsey	100%	0%	-	-
EFGIG Nominees Limited**	Dormant	Guernsey	100%	0%	-	-
					10,045	10,000

* Branch of EFG Private Bank Limited
** 100% owned subsidiaries of EFG Private Bank (Channel Islands) Limited

The accounting reference date for all companies is 31 December. During the year a new subsidiary was incorporated in Cyprus with GBP 45,000 of share capital. EFG Cyprus Limited is an investment manager, regulated by the Cyprus Securities and Exchange Commission. All other subsidiary holdings are unchanged from 31 December 2019.

15. Property, plant and equipment

Accounting Policy

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses and is periodically reviewed for impairment, with any impairment charge being recognised immediately in the Income Statement. Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life. The useful life of each identified class of asset is as follows; buildings and leasehold improvements: the remaining life of the lease (maximum 15 years), computer hardware: 3–4 years, furniture and equipment: 4–10 years, antiques and artwork: 50 years.
Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the Income Statement.

Premises leases are recognised as a right-of-use asset at the date at which the leased asset is available for use by the Company. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs.

	Right of use assets GBP '000	Antiques & artwork GBP '000	Leasehold improvements GBP '000	Furniture and equipment GBP '000	Computer hardware GBP '000	Total GBP '000
At 1 January 2019						
Cost	13,797	592	4,887	2,808	5,704	27,788
Accumulated depreciation	-	(221)	(3,420)	(2,720)	(5,136)	(11,497)
Net book value at 1 January 2019	13,797	371	1,467	88	568	16,291
Additions	220	-	777	120	395	1,512
Depreciation charge for the year	(3,587)	(12)	(571)	(45)	(439)	(4,654)
Disposal and write-offs	-	-	(28)	-	(54)	(82)
Net book value at 31 December 2019	10,430	359	1,645	163	470	13,067
At 31 December 2019						
Cost	14,017	592	5,636	2,928	6,045	29,218
Accumulated depreciation	(3,587)	(233)	(3,991)	(2,765)	(5,575)	(16,151)
Net book value at 31 December 2019	10,430	359	1,645	163	470	13,067
Additions	268	-	4	26	178	476
Reclassification within the company	-	(103)	-	103	-	-
Depreciation charge for the year	(3,519)	(12)	(368)	(97)	(315)	(4,311)
Net book value at 31 December 2020	7,179	244	1,281	195	333	9,232
At 31 December 2020						
Cost	14,285	489	5,640	3,057	6,223	29,694
Accumulated depreciation	(7,106)	(245)	(4,359)	(2,862)	(5,890)	(20,462)
Net book value at 31 December 2020	7,179	244	1,281	195	333	9,232

16. Intangible assets

Accounting Policy

Computer software and licences are stated at cost less accumulated amortisation and impairment losses. It is periodically reviewed for impairment, with any impairment charge being recognised in the Income Statement. Amortisation is calculated using the straight-line method over a 5-year basis. The acquisition cost of software capitalised is based on the cost to acquire and bring into use the specific software.

	31 December 2020 Computer software and licences GBP '000	31 December 2019 Computer software and licences GBP '000
Opening net book value		
Cost	2,362	2,205
Accumulated amortisation and impairment	(829)	(402)
Net book value	1,533	1,803
Acquisition of computer software and licences	289	157
Amortisation charge for the year	(563)	(427)
Closing net book value	1,259	1,533
Cost	2,651	2,362
Accumulated amortisation and impairment	(1,392)	(829)
Net book value	1,259	1,533

17. Deferred tax assets and liabilities

Accounting Policy

Deferred income tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using the enacted UK Corporation tax rate of 19% (2019: 17%). Deferred tax is measured using substantively enacted rates which are expected to apply when the temporary difference reverses. The principal temporary differences arise from goodwill impairment, property, plant and equipment depreciation, stock options, and revaluation of certain financial assets and liabilities, including derivative instruments.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered in the future. Deferred tax relating to changes in fair values of financial assets classified as FVOCI is charged or credited directly to Other Comprehensive Income and is subsequently recognised in the Income Statement together with the deferred gain or loss.

Income tax payable on profits, based on the enacted or substantively enacted tax law where relevant, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. The Company recognises interest on late paid taxes plus any penalties, if applicable, as part of operating expenses or provisions in the Income Statement, depending on circumstances. Deferred income tax assets and liabilities comprise the following:

17. Deferred tax assets and liabilities (continued)

	31 December 2020 GBP '000	31 December 2019 GBP '000
Deferred income tax assets	4,112	3,699
Deferred income tax liabilities	-	-
Net deferred income tax assets	4,112	3,699
The movement on the net deferred income tax account is as follows:		
At 1 January	3,699	3,457
Credit to Income Statement	697	590
(Charge) to equity	(284)	(348)
At 31 December	4,112	3,699
Analysis of deferred taxation balance:		
Fixed assets	39	62
Intangible assets	2,130	1,712
Stock options	1,686	1,627
Tax losses	172	240
Other	85	58
Deferred income tax assets	4,112	3,699

A potential deferred asset of GBP 1,282,178 (2019: GBP 1,134,000) arising on unrelieved capital losses carried forward of GBP 6,748,307 has not been recognised in the Financial Statements as it uncertain whether the Company will generate sufficient capital gains in future periods to utilise the asset.

The Chancellor announced on 3 March 2021 that the rate of corporation tax paid on the company profits will increase from 19% to 25% with effect from 1 April 2023. The newly announced 25% tax rate was included in the Finance Bill 2021 which was published on 11 March 2021. As the rate is not substantively enacted at 31 December 2020, this increase does not affect the amounts of current or deferred income taxes recognised. The impact to net deferred tax assets would have been an increase of GBP 1,014,000 at 31 December 2020 had it been enacted.

18. Other assets

Accounting Policy

Assets, other than those specifically accounted for under a separate policy, are stated at their cost less impairment cost. Financial assets are recognised at amortised cost in accordance with IFRS 9, which includes the requirement to calculate expected credit losses on initial recognition.

	31 December 2020 GBP '000	31 December 2019 GBP '000
Prepaid expenses and accrued income	41,506	12,252
Settlement balances	5,632	8,699
Other receivables	6,541	31,760
Other assets	53,679	52,711

19. Due to other banks

	31 December 2020 GBP '000	31 December 2019 GBP '000
Due to other banks at sight	85,813	113,969
Due to other banks at term	441,776	437,985
Due to other banks	527,589	551,954

20. Due to customers

	31 December 2020 GBP '000	31 December 2019 GBP '000
Current accounts	1,694,977	998,875
Term deposits	1,320,288	1,600,051
Due to customers	3,015,265	2,598,926

21. Provisions

Accounting Policy

Provisions are recognised when:
- the Company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of economic benefits will be required to settle the obligation;
- reliable estimates of the amount of the obligation can be made.

	Provision for dilapidations GBP '000	Other provisions GBP '000	Total GBP '000
At 31 December 2019	777	1,591	2,368
Expected payment within 12 months	-	1,541	1,541
Expected payment thereafter	777	50	827
At 31 December 2019	777	1,591	2,368
Movement through profit or loss	-	(21)	(21)
Provisions utilised	-	-	-
At 31 December 2020	777	1,570	2,347
Expected payment within 12 months	-	1,570	1,570
Expected payment thereafter	777	-	777
At 31 December 2020	777	1,570	2,347

Provision for dilapidations

A dilapidations provision is recognised when there are future obligations relating to the return of leasehold properties to their original condition at the end of the lease term. The provision is based on management's best estimate of the cost of meeting the Company's obligations under its lease contracts.

Other provisions

Other provisions include amounts provided for in relation to ongoing HMRC enquiries. No further information has been provided due to uncertainties of the amount or timing of those outflows.

No provision has been provided for operational claims / losses and litigation.

22. Other liabilities

Accounting Policy

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which are payable in respect of goods or services received up to the balance sheet date. Financial liabilities are measured at amortised cost in accordance with IFRS 9.

	Note	31 December 2020 GBP '000	31 December 2019 GBP '000
Trade creditors		4,810	908
Deferred income and accrued expenses		43,331	35,100
Settlement balances		5,588	8,577
Short term compensated absences		802	261
Other liabilities		3,478	8,968
Lease liabilities	23	6,365	10,692
Total other liabilities		64,374	64,506

23. Lease liabilities

Accounting Policy

The Company recognises lease liabilities, measured at the present value of the remaining lease payments, discounted using the lessee's relevant incremental borrowing rate. A range of incremental borrowing rates from 2.03% to 2.30% have been used, which vary depending on the term of the lease. Lease liabilities include the net present value of fixed payments.

All the Company's lease liabilities are in relation to property leases. Note 15 includes relevant lease disclosure on the depreciation charge, additions and carrying amount of right-of-use assets.

	31 December 2020 GBP '000	31 December 2019 GBP '000
Amounts payable		
Payable within one year	3,669	3,819
Payable between one and five years	3,477	7,149
Payable over five years	166	520
Total minimum lease payments	7,312	11,488
Principal owing		
Current liability	2,722	3,504
Non-current liability	3,643	7,188
Total principal owing	6,365	10,692
Finance charges		
Interest expense in the period	-	351
Interest payments in the period	186	351
Principal repayment	4,736	3,450
Total lease repayments	4,922	3,801

24. Subordinated loans

Accounting Policy

The Company has borrowed GBP 66,630,000 in additional tier I qualifying subordinated loan from its immediate parent company which it holds at amortised cost. Accrued interest payments of GBP 291,000 (2019: GBP 288,000) are recognised in addition to the principal amount outstanding.

	Interest rate %	Due dates	31 December 2020 GBP '000	31 December 2019 GBP '000
Additional Tier 1	8.095% p.a.	n/a	66,921	66,918
Total subordinated loans			66,921	66,918

The subordinated loan does not have a maturity date. The loan has a fixed interest rate of 8.095% due to reset on 12 December 2022. At that date the loan will fix at the 5-year GBP Mid-Market Swap Rate plus a margin of 700bps. The loan can be called by the immediate parent company after 12 December 2022. The loan contract contains clauses that can force a write down should the capital ratio of the Company fall below a specified threshold, and / or upon the occurrence of a viability event.

25. Share capital

Accounting Policy

Ordinary shares issued by the Company are recognised at the proceeds or fair value received with the excess of the amount received over nominal value being credited to the share premium account.

	Authorised Ordinary Share Capital Number	Issued, allotted and fully paid Number	Nominal value per share GBP	Ordinary shares issued, allotted and fully paid GBP '000
At 1 January 2019	190,000,000	159,590,544	0.01	1,596
Shares issued at	3,000,000,056	3,000,000,056	0.01	30,000
Shares consolidated	(3,158,404,150)	(3,127,994,694)	-	-
At 31 December 2019	31,595,906	31,595,906	1.00	31,596
At 31 December 2020	31,595,906	31,595,906	1.00	31,596

No share capital was issued, allotted or consolidated during 2020. During 2019 the Company issued and allotted 3,000,000,056 shares at £0.01 per share to its parent company, EFGI. On 26 June 2019, in accordance with section 618 of the Companies Act 2006, the Company consolidated its issued ordinary share capital held at £0.01 each to £1.00 each.

26. Financial assets and liabilities

26.1 Financial assets and liabilities measured at fair value

Accounting Policy

The Company classifies its financial instruments measured at fair value according to the following hierarchy:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the Balance Sheet date. A market is regarded as active 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. The quoted market price used for financial assets held by the Company is the current bid price. Instruments included in level 1 comprise primarily of quoted bonds and equity instruments.
Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Specific valuation techniques used to value financial instruments include:
– quoted market prices or dealer quotes for similar instruments;
– the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
– the fair value of forward foreign exchange contracts is determined using forward exchange rates at the Balance Sheet date, with the resulting value discounted back to present value.
Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

	Level 1 GBP '000	Level 2 GBP '000	Level 3 GBP '000	Total GBP '000
Assets:				
At 31 December 2020				
Derivative financial instruments	-	9,400	-	9,400
Debt instruments	750,004	-	-	750,004
Total assets measured at fair value	750,004	9,400	-	759,404
At 31 December 2019				
Derivative financial instruments	-	18,530	-	18,530
Equity Instruments	434	-	-	434
Debt instruments	931,815	-	-	931,815
Total assets measured at fair value	932,249	18,530		950,779
Liabilities:				
At 31 December 2020				
Derivative financial instruments	-	37,493	-	37,493
Total liabilities measured at fair value	-	37,493	-	37,493
At 31 December 2019				
Derivative financial instruments	-	22,385	-	22,385
Total liabilities measured at fair value	-	22,385	-	22,385
Assets less liabilities measured at fair value at 31 December 2020	750,004	(28,093)	-	721,911
Assets less liabilities measured at fair value at 31 December 2019	932,249	(3,855)	-	928,394

There were no transfers between levels in the current year.

26. Financial assets and liabilities (continued)

26.2 Financial assets and liabilities measured at amortised cost

The table below summarises the carrying values and fair values of those financial assets and liabilities that were measured at amortised cost as of 31 December:

		Carrying value GBP '000	Fair Value GBP '000	Difference GBP '000
As at 31 December 2020				
Financial assets				
Due from other banks	(i)	107,297	107,153	(144)
Loans and advances to customers	(ii)	2,178,300	2,186,540	8,240
		2,285,597	2,293,693	8,096
Financial liabilities				
Due to other banks	(iii)	527,589	527,232	(357)
Due to customers	(iii)	3,015,265	3,015,298	33
Subordinated loans	(iv)	66,921	77,385	10,464
		3,609,775	3,619,915	10,140
As at 31 December 2019				
Financial assets				
Due from other banks	(i)	54,312	54,314	2
Loans and advances to customers	(ii)	1,784,543	1,790,818	6,275
		1,838,855	1,845,132	6,277
Financial liabilities				
Due to other banks	(iii)	551,954	552,243	289
Due to customers	(iii)	2,598,926	2,599,172	246
Subordinated loans	(iv)	66,918	81,219	14,301
		3,217,798	3,232,634	14,836

(i) Due from other banks

Amounts due from other banks include inter-bank placements and items in the course of collection. The fair value of floating rate placements, overnight deposits and term deposits with a maturity of less than 90 days is assumed to be their carrying amount, as the effect of discounting is not significant. The fair values are within level 2 of the fair value hierarchy.

(ii) Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received up to the next interest reset date. Expected cash flows are discounted at current market rates to determine fair value. The determined fair values are within level 3 of the fair value hierarchy.

(iii) Due to other banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. Expected cash flows are discounted at current market rates to determine fair value. The determined fair values are within level 2 of the fair value hierarchy.

(iv) Subordinated loans

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received up to the next interest reset date. Expected cash flows are discounted at current market rates to determine fair value. The determined fair values are within level 2 of the fair value hierarchy.

27. Credit Risk

Credit risk refers to the possibility that a financial loss will occur as a result of a borrower's or counterparty's deteriorating creditworthiness and/or inability to meet its financial obligations. The Company's primary credit exposures relate to loans collateralised by mortgages, cash or by securities portfolios, or to rated financial institutions, sovereigns and corporates.

27.1 Credit risk management

(a) Loans and advances

A key feature of the credit approval process is a separation between the Company's business origination and credit risk management activities. Credit requests are initiated by Client Relationship Officers ('CROs') and must be supported by a senior member of the Credit Committee, independent of the CROs. The Company's Credit Committee ensures the implementation of the credit policies and procedures, as defined by the Board, and approves major client credit related risks. The Credit Administration Department monitors credit exposures linked to and arising from investment securities, amounts due from banks, and loans and advances to customers, against approved limits and pledged collateral. Management is required to understand the background and purpose of each loan (which is typically for investment in securities, funds, and investment related insurance policies or real estate) as well as the risks of the underlying collateral of each loan.

The Company's internal grading system assigns each client credit exposure to one of ten rating categories. The rating assesses the borrower's repayment ability and the value, quality, liquidity and diversification of the collateral securing the credit exposure. The credit policy and the nature of the loans ensure that the loan book is of high quality. Consequently, an overwhelming majority of the Company's credit exposures are rated within the top three categories. The following table describes the internal definition of different grading levels (broadly they follow the risk categories of external rating agencies):

Grading		Description of grade	S&P's rating
1	Top	Secured by "cash collateral or equivalent" – good diversification	AAA
2	High	Secured by "cash collateral or equivalent" – imperfect diversification	AA
3	Very good	Secured by "other collateral"	A
4	Good	Partly secured by "cash collateral or equivalent"	BBB
5	Acceptable	Unsecured but prime borrower	BB
6	Weak	Borrower situation/collateral value is deteriorating	B
7	Poor	Conditions of initial credit are no longer being met	CCC
8	Unacceptable	Interest is no longer being paid – collateral is being held	CC to C
9	Potential loss	Bank holds illiquid – uncollectible or no collateral	D
10	Loss	No collateral or uncollectible collateral	D

(b) Debt securities and other bills

For debt securities and other bills, external credit ratings such as Standard & Poor's rating or their equivalents are used by the Company for managing the credit risk exposures.

27.2 Risk limit control and mitigation policies

Credit loans guaranteed by real estate are treated in conformity with regulation pertaining to examination, valuation and treatment of credits guaranteed by real estate and with the internal policies and procedures on mortgage lending. All the real estate provided as collateral will be evaluated at origination by the Credit departments and by external professionals. Further evaluation during the life of loan will take place as required by the relevant rules and policies.. Mortgage valuations are reviewed annually using statistical (indexation) methods, and larger mortgages are subject to independent valuations every three years.

To qualify as collateral for a lombard loan, a client's securities portfolio must generally be well diversified with differing haircuts applied depending on the type of risk profile and liquidity of the security. Additional haircuts are applied if the loan and the collateral are not in the same currency and maturity or diversification criteria are not fully met.

The Credit department monitors credit exposures against approved limits and pledged collateral for the lombard portfolio. If necessary, they initiate rectification steps. Most collateral is valued daily (but may be valued more frequently during periods of high market volatility).

The Company's management of exposure to financial institutions is based on a system of counterparty limits which is coordinated at the EFGI Group level, adapted for the Company's country limits. Limits for exposure to counterparties are granted based upon the Company's internal analysis. The limits are set and supervised by the relevant Group Committees depending on each counterparty's S&P or Moody's

27. Credit risk (continued)

ratings (with reference to individual and support ratings) and on the counterparty's total equity. These limits are annually reported to the Company's Risk Committee. The Company's other specific areas of consideration and mitigation measures are outlined below.

(a) Collateral

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for credit exposures. The Company implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:
- mortgages over residential and to a limited extent commercial property;
- charges over cash balances held with the Company and cash equivalent;
- charges over financial instruments such as debt securities, equities and funds; and
- bank guarantees.

(b) Derivatives

The Company maintains a regular monitoring of market risk exposure induced by over-the-counter derivative trading. The market risk exposure reflects the current market value of the exposure and the potential future value of the exposure.

(c) Credit related commitments

Credit related commitments include the following:
- guarantees, forward contracts and standby letters of credit: these carry the same credit risk as loans;
- commitments to extend credit: these represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. The Company is potentially exposed to loss for an amount equal to the total unused commitments. However, commitments to extend credit are contingent upon customers maintaining specific credit standards.

Guarantees can be issued, and lines of credit drawn by customers only if they have adequate collateral pledged with the Company. Most credit facilities would be rated by the Company with an internal grading of 1 to 3.

27.3 Credit loss measurement

The Company applies the 'three-stage' approach introduced by IFRS 9 for impairment measurement based on changes in credit quality since initial recognition:
- Stage 1: financial assets that have not experienced a SICR since initial recognition;
- Stage 2: SICR since initial recognition but not yet deemed to be credit-impaired;
- Stage 3: credit-impaired or payment default.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured on a lifetime basis.

The ECL is measured on either a 12-month or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired.

Specific ECL measurements have been developed for each type of credit exposure. Generally, the three components of ECL are exposure at default ("EAD"), probability of default ("PD") and loss given default ("LGD"), defined as follows:
- EAD is based on the amounts the Company expects to be owed at the time of default over the next 12 months or over the remaining lifetime. For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur
- PD represents the likelihood of a borrower defaulting on their financial obligation (as per 'definition of default and credit-impaired' below), either over the next 12 months, or over the remaining lifetime of the obligation
- LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of EAD expected to be non-recoverable if the default occurs in the next 12 months and lifetime LGD is the percentage of EAD expected to be non-recoverable, the default occurs over the remaining expected lifetime of the loan.

27.3.1 Due from banks and investment securities

This includes all assets that are classified as follows:
- cash and balances with central banks;
- treasury bills and other eligible bills;
- due from other banks; and,
- investment securities classified as FVOCI.

27. Credit risk (continued)

Inputs and assumptions

The ECL for all products above is estimated via three components:

- EAD: Depending on the product and on the IFRS9 asset classification; book value for amortised cost assets and purchase value adjusted for amortisation and discount unwind for assets designated as FVOCI;
- PD: Estimated for a 12-month and lifetime period based on external counterparty credit risk rating information (Standard & Poor's annual global corporate default study and rating transition); and
- LGD: For Stage 1 and Stage 2 assets. LGD for sovereign, bank and corporate exposure is approximated by an expert judgement aligned to the credit default swap ISDA market standard that estimates a recovery rate for sovereign exposure of 40%, resulting in 60% LGD. In case of Stage 3 assets, LGD value is determined on an individual basis for sovereign, bank and corporate exposure.

Estimation techniques

Macroeconomic expectations for sovereign securities and central bank debt are incorporated via their respective rating obtained from Standard & Poor's as part of their assessment of counterparty credit risk. For banks and corporate counterparties, the PD and related transition matrices are impacted on the basis of EFGI Group's macroeconomic expectations.

Significant increase in credit risk

An internal expert panel performs a quarterly assessment to determine if an asset is subject to a SICR. A rapid deterioration in credit quality triggers an ad-hoc review of the individual asset. In addition to the quantitative SICR test based on changes in the rating agency's rating for the respective financial instrument, the assessment of the expert panel considers a range of external market information (e.g. credit default spreads, rating outlook). The assessment of whether there has been a SICR is a relative measure, dependent on an asset's PD at origination. For assets existing at 1 January 2019, the initial application date of IFRS 9, this information is not generally available. Consequently, management judgement based upon historical regression analysis has been used to determine a reasonable basis for estimating the original PD. More detailed analysis of the evolution of lifetime PDs versus initial recognition PDs will be developed for future reporting periods.

Definition of default

The default is triggered through a payment default on the instrument or any cross-default indication from rating agencies.

27.3.2 Residential and commercial mortgages

This includes assets that are classified within loans and advances to customers that are predominantly secured by real-estate collateral.

Inputs and assumptions

Expected credit losses for mortgages is estimated by four components:

- EAD: the exposure considers contractual repayments, as well as potential drawdown over the lifetime of the loan;
- rank ordering of loans: each loan is assigned to a risk grade based on its credit quality (i.e. rank order estimation);
- PD is derived from historical transition matrices. To derive forward-looking default estimates, these matrices are conditioned to the macroeconomic expectation of the Company; and
- LGD: the loss estimate is calculated based on the possibility to cure (derived from the transition matrix), as well as loss given loss (LGL) component. The LGL considers the current LTV and the future recovery value of the underlying collateral. The recovery value depends on parameters such as valuation haircuts and their volatility, time to sell the collateral, as well as associated selling costs. The house price development until sale, as well as the effective interest rate are also considered.

Estimation techniques

Forward-looking macroeconomic effects are incorporated with forecasts on gross domestic product (GDP) growth and house price development.
The GDP forecasts impact the migration matrices used to determine the PD and the probability to cure considered in the LGD. GDP growth for the United Kingdom is estimated with an explicit forecast for the United Kingdom.
House price developments for the UK are estimated with an explicit forecast for the London area. The house prices impact the LTV ratios used to calculate the LGD.

Significant increase in credit risk

SICR for these assets has occurred if any credit is greater than 30 days past due. Other criteria used to identify assets with SICR are the relative deterioration in credit quality since origination (for example, by more than one level), also considering the internal scorecard rating and credit watch list status, or if a loan has previously been defaulted.

27. Credit risk (continued)

During 2020 clients were allowed payment holidays as a direct result of the COVID-19 outbreak. As this was put in place as a result of the worldwide COVID-19 pandemic, these payment holidays were not viewed as SICR relating to the specific clients. On resumption of repayments, we consider any difficulties repaying these loans as SICR.

Definition of default

Mortgages are in default if the credits are greater than 90 days past due. Other criteria used to identify non-performing assets are the internal scorecard rating, watch list status and individual assessment of the respective counterparty.

27.3.3 Lombard lending

This includes assets that are classified within loans and advances to customers, including lombard loans and other exposures covered by financial collaterals.
Lombard loans are loans secured by diversified portfolios of investment securities, and the risk of default of the loan is driven by the valuation of the collateral. The lending decision is not based on 'traditional lending' criteria such as affordability and is typically undertaken by clients with an existing investment portfolio who wish to leverage their portfolio in pursuit of higher investment returns or for diversification reasons or who have short-term liquidity needs.

Inputs and assumptions

Expected credit losses for lombard lending are estimated with two components:
- ECL due to adverse market price movements in the collateral that captures the risk that a shortfall arises when collateral values decrease to a level insufficient to cover the respective lombard loan exposure; and,
- ECL due to a default of a large single collateral position (Top 1 to Top 5) yielding a shortfall for the lombard loan exposure.

Due to the importance of collateral characteristics for lombard lending, asset segmentation has been defined, balancing the need for high granularity and the manageability of the overall model. Asset classes have been distinguished by asset price volatility, credit and liquidity risk. Asset classes differentiate cash and cash equivalent, bonds, equities, funds, commodities, guarantees, derivatives, real estates, insurance policies and other assets. Further asset sub-classes consider other relevant characteristics such as investment grade or non-investment grade issuance, or country of issuance.

Expected credit losses due to adverse market price movements is based on assumptions regarding:

- Loan-to-value (LTV) close-out trigger levels;
- market price volatility of underlying collateral sub-asset class;
- currency mismatch between loan and collateral;
- close-out periods;
- exposure at close-out considering a credit conversion factor for undrawn lombard credit lines; and
- LGD considering sales cost incurred during collateral liquidation.

Expected credit losses due to a default of a large single collateral position are based on assumptions regarding:

- risk concentrations in top 5 collateral per asset sub-class;
- PD for each sub-asset class based on counterparty risk ratings;
- LGD to assess the collateral value after default;
- LTV close-out trigger levels;
- market price volatility of underlying collateral sub-asset class;
- currency mismatch between loan and collateral;
- close-out periods;
- exposure at close-out considering a credit conversion factor for undrawn lombard credit lines; and
- LGD considering sales cost incurred during collateral liquidation.

Estimation techniques

ECL measurement for lombard loans does not consider the PD of the borrower, this is a difference to the general measurement approach. The measurement approach for lombard loans calculates the probability that a given loan hits its close-out trigger level, and conditional on this, its expected positive exposure is then calculated. This corresponds to an uncovered shortfall which in combination with the LGD parameter determines the ECL. For lombard lending, no additional macro-conditioning of variables are necessary as macroeconomic effects are captured through parameters like volatility and LTV levels.

Significant increase in credit risk

Credit risk for lombard loans is based on the underlying collateral. Hence, SICR is driven by the LTV metric for each individual lombard loan that is at or above the closeout trigger. Stage 2 lombard loans are loans with an LTV above the close-out trigger which according to policy could have been closed-out, but will be maintained, taking a higher credit risk.

27. Credit risk (continued)

During 2020 clients were allowed payment holidays a direct result of the COVID-19 outbreak. As this is an event, in as a whole, pertaining to the worldwide COVID-19 pandemic, these payment holidays are not viewed as SICR pertaining to the client specifically. On resumption of repayments, we consider any difficulties repaying these loans as SICR.

Definition of default

Lombard loans that were closed-out or have their collateral liquidated, resulting in an actual shortfall, or where liquidation is still in progress resulting in a potential shortfall are considered credit-impaired and classified as Stage 3.

27.3.4 Other loans

This includes assets that are classified within loans and advances to customers that are not lombard loans or mortgage loans and includes overdrafts and unsecured lending.

Inputs and assumptions

The ECL for other loans is estimated by four components:
- EAD: the exposure considers contractual repayments, as well as potential drawdown over the lifetime of the loan;
- Rank ordering of loans: each loan is assigned to a risk grade based on its credit quality (i.e. rank order estimation);
- PDs are derived from historical transition matrices for commercial loans. To derive forward-looking default estimates, these matrices are conditioned to the macro-economic expectation of the bank. Other, non-commercial loans, used an adjusted transition matrix that replicated their historical default rates due to the insufficient number of historical observations;
- LGD: the loss estimate is calculated based on the possibility to cure (derived from the transition matrix), as well as an LGL component. The LGL considers the current LTV level and the future recovery value of the underlying collateral, for collateralised or partially collateralised exposures. Expert-based LGL rates are used for exposures without collateral.

Estimation techniques

Forward-looking macroeconomic effects are incorporated with forecasts on GDP growth and house price developments. See residential and commercial mortgages for details in note 27.3.2.

Significant increase in credit risk

SICR for these assets has occurred if any credit is greater than 30 days past due. Other criteria used to identify assets with SICR are the relative deterioration in credit quality since origination, also considering the internal scorecard rating and credit watch list status, or if a loan has previously been defaulted.

During 2020 clients were allowed payment holidays as a direct result of the COVID-19 outbreak. As this was put in place as a result of the worldwide COVID-19 pandemic, these payment holidays were not viewed as SICR relating to the specific clients. On resumption of repayments, we consider any difficulties repaying these loans as SICR.

Definition of default

Other loans are in default if they are more than 90 days past due. Other criteria used to identify non-performing assets are the internal scorecard rating, watch list status and individual assessment of the respective counterparty.

27.4 Contractual modifications

The Company modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view of maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgment 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 of initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Company may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 in accordance with the new terms for six consecutive months or more.

27.5 Write-off policy

The Company writes off financial assets, 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:
- Ceasing enforcement activity;
- Where the Company'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.

27. Credit risk (continued)

The Company may write-off financial assets that are still subject to enforcement activity. The Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectations of full recovery.

27.6 Macro-economic scenario and sensitivity analysis

The ECL results are based on forward-looking projections. These projections consider different macroeconomic scenarios, and a base, upside and downside scenario are considered. Each scenario (base, downside and upside) has an equal weighting in the projection, for example, the ECL is the average of the ECL base, ECL down and ECL upside.

The most significant assumptions affecting the ECL are as follows;

- for amounts due from other banks the most significant assumption is world GDP, given its correlation with counterparties' business environment and ability to repay the loans;
- for residential and commercial mortgages: House price index, given the impact it has on mortgage collateral valuations; weighted GDP, given the correlation with the customer's wealth, as well as the commercial clients business environment, hence in turn their ability to repay the loans;
- for due from customers – Other loans and lombard lending: Asset volatility, given the impact it has on financial collateral valuations; weighted GDP, given the correlation with the customers' wealth, as well as the commercial clients' business environment, hence in turn their ability to repay the loans;
- for Mortgages and other loans, the upside and downside ECL scenarios have been applied. For Lombard loans the volatilities have been doubled for the downside and halved for the upside.

Most significant macro-economic scenario assumptions

		2021	2022	2023	2024	2025
World GDP growth	Base	5.2%	4.2%	3.8%	3.6%	3.5%
	Upside	6.2%	5.0%	4.5%	4.1%	3.9%
	Downside	4.2%	3.4%	3.2%	3.1%	3.1%
Weighted GDP growth	Base	3.9%	2.9%	2.1%	1.7%	1.5%
	Upside	4.9%	3.7%	2.7%	2.2%	1.9%
	Downside	2.9%	2.1%	1.5%	1.2%	1.1%
House Price Index UK (London)	Base	1.5%	4.8%	4.0%	4.3%	7.7%
	Upside	7.5%	10.8%	10.0%	10.3%	13.7%
	Downside	(4.5%)	(1.2%)	(2.0%)	(1.7%)	1.7%

The House Price Index model assumptions are based on London reflecting the main geographic location of mortgage collateral. A Weighted GDP Growth series model has been used as it is believed to better represent the international nature of the Company's wealthy clientele rather than a UK GDP series. In addition, the list of changes to the ECL that would result from reasonably possible changes in the following parameters from the actual assumptions used are below. World GDP is as chosen when it is necessary to better reflect the economic cycle into the PDs.

31 December 2020

Portfolio	Scenario	Impact on ECL	Scenario	Impact on ECL
Due from Customers – Mortgage & unsecured lending	+100 bps GDP	(3.3%)	-100 bps GDP	3.5%
Due from Customers – Mortgage lending	+600 bps house price index	(16.5%)	-600 bps house price index	22.6%
Due from Customers – Lombard & other lending	50% asset volatility	(0.8%)	200% asset volatility	31.2%

31 December 2019

Portfolio	Scenario	Impact on ECL	Scenario	Impact on ECL
Due from Customers – Mortgage & unsecured lending	+100 bps GDP	(6.2%)	-100 bps GDP	6.7%
Due from Customers – Mortgage lending	+600 bps house price index	(29.1%)	-600 bps house price index	41.0%
Due from Customers – Lombard & other lending	50% asset volatility	(20.3%)	200% asset volatility	20.0%

27. Credit risk (continued)

27.7 Credit risk exposure

The table below summarises the carrying values, credit grades, expected credit loss allowance by stage and fair values of collateral of those financial assets that were measured at amortised cost (or at FVOCI) as of 31 December:

31 December 2020	AAA–AA GBP '000	A GBP '000	BBB–BB GBP '000	B–C GBP '000	Unrated GBP '000	Total carrying value GBP '000
Cash and balances with central banks	791,333	-	-	-	-	791,333
Due from other banks	2,342	103,968	491	-	496	107,297
Loans and advances to customers	843,286	1,175,027	60,306	83,520	16,161	2,178,300
Investment securities – FVOCI	750,004	-	-	-	-	750,004
Total assets as at 31 December 2020	2,386,965	1,278,995	60,797	83,520	16,657	3,826,934
Loan Commitments	74,598	103,944	5,335	7,388	1,430	192,695
Financial Guarantees	3,388	129,108	-	-	9,653	142,149
Total	2,464,951	1,512,047	66,132	90,908	27,740	4,161,778
31 December 2019						
Cash and balances with central banks	634,025	-	-	-	-	634,025
Due from other banks	-	54,312	-	-	-	54,312
Loans and advances to customers	365,196	1,281,072	69,620	65,732	2,924	1,784,543
Investment securities – FVOCI	917,375	14,874	-	-	-	932,249
Total assets as at 31 December 2019	1,916,596	1,350,258	69,620	65,732	2,924	3,405,129
Loan Commitments	131,414	-	-	-	-	131,414
Financial Guarantees	126,943	-	-	-	-	126,943
Total	2,174,953	1,350,258	69,620	65,732	2,924	3,663,486

			ECL Staging			
31 December 2020	Fair value of collateral held GBP '000	Total carrying value GBP '000	Stage 1 GBP '000	Stage 2 GBP '000	Stage 3 GBP '000	ECL allowance included in carrying values GBP '000
Cash and balances with central banks	-	791,333	-	-	-	-
Due from other banks	-	107,297	-	-	-	-
Loans and advances to customers	4,713,919	2,178,300	135	68	1,384	1,587
Investment securities - FVOCI	-	750,004	38	-	-	38
Total assets as at 31 December 2020	4,713,919	3,826,934	173	68	1,384	1,625
Loan commitments	-	192,695	-	-	-	-
Financial guarantees	-	142,149	-	-	-	-
Total	4,713,919	4,161,778	173	68	1,384	1,625
31 December 2019						
Cash and balances with central banks	-	634,025	1	-	-	1
Due from other banks	-	54,312	1	-	-	1
Loans and advances to customers	3,616,946	1,784,543	347	38	1,393	1,778
Investment securities - FVOCI	-	932,249	48	-	-	48
Total assets as at 31 December 2019	3,616,946	3,405,129	397	38	1,393	1,828
Loan commitments	-	131,414	-	-	-	-
Financial guarantees	-	126,943	-	-	-	-
Total	3,616,946	3,663,486	397	38	1,393	1,828

Maximum exposure to credit risk for cash and balances with central banks is GBP 791,333,000 (2019: GBP 634,025,000), due from other banks is £107,297,000 (2019: £54,312,000), loans and advances to customers is GBP 2,178,300,000 (2019: 1,784,543,000) and investment securities is £750,004,000 (2019: 932,249,000).

27. Credit risk (continued)

27.8 Cash and balances with central banks – gross exposures and loss allowances

The table below presents the aggregate changes in gross carrying values and loss allowances for balances with central banks (excluding cash):

	Stage 1 GBP '000	Stage 2 GBP '000	Stage 3 GBP '000	Total GBP '000
Gross carrying value as at 1 January 2019	242,332	-	-	242,332
Financial assets derecognised during the period other than write-offs	(6,679,817)	-	-	(6,679, 817)
New financial assets originated or purchased	7,071,511	-	-	7,071,511
Gross carrying value as at 31 December 2019	634,026	-	-	634,026
Financial assets derecognised during the period other than write-offs	(7,897,588)	-	-	(7,897,588)
New financial assets originated or purchased	8,054,895	-	-	8,054,895
Gross carrying value as at 31 December 2020	791,333	-	-	791,333
Loss allowance as at 1 January 2019	-	-	-	-
Movements with P&L impact	1	-	-	1
Loss allowance as at 31 December 2019	1	-	-	1
Movements with P&L impact	(1)	-	-	(1)
Loss allowance as at 31 December 2020	-	-	-	-
Net carrying value as at 31 December 2019	634,025	-	-	634,025
Net carrying value as at 31 December 2020	791,333	-	-	791,333

There were no purchased credit impaired balances during the reporting period, nor were the terms of any contracts modified. In addition, no amounts were written off in the period.

27.9 Due from other banks– gross exposures and loss allowances

The table below presents the aggregate changes in gross carrying values and loss allowances for due from other banks:

	Stage 1 GBP '000	Stage 2 GBP '000	Stage 3 GBP '000	Total GBP '000
Gross carrying value as at 1 January 2019	88,518	-	-	88,518
Financial assets derecognised during the period other than write-off	(88,518)	-	-	(88,518)
New financial assets originated or purchased	54,313	-	-	54,313
Gross carrying value as at 31 December 2019	54,313	-	-	54,313
Financial assets derecognised during the period other than write-off	(54,313)	-	-	(54,313)
New financial assets originated or purchased	107,297	-	-	107,297
Gross carrying value as at 31 December 2020	107,297	-	-	107,297
Loss allowance as at 1 January 2019	2	-	-	2
Financial assets derecognised during the period other than write-offs	(2)	-	-	(2)
New financial assets originated or purchased	1	-	-	1
Loss allowance as at 31 December 2019	1	-	-	1
Financial assets derecognised during the period other than write-offs	(1)	-	-	(1)
New financial assets originated or purchased	-	-	-	-
Loss allowance as at 31 December 2020	-	-	-	-
Net carrying value as at 31 December 2019	54,312	-	-	54,312
Net carrying value as at 31 December 2020	107,297	-	-	107,297

There were no purchased credit impaired balances during the reporting period, nor were the terms of any contracts modified. In addition, no amounts were written off in the period.

27. Credit risk (continued)

27.10 Investment Securities – gross exposures and loss allowances

The table below presents the aggregate changes in gross carrying values and loss allowances for Investment securities held at FVOCI:

	Stage 1	Stage 2	Stage 3	Total
	GBP '000	GBP '000	GBP '000	GBP '000
Gross carrying value as at 1 January 2019	1,012,759	-	–	1,012,759
Financial assets derecognised during the period other than write-offs	(848,738)	-	-	(848,738)
New financial assets originated or purchased	771,995	-	-	771,995
Changes in fair value	(4,998)	-	-	(4,998)
Changes in interest accrual	1,232	-	-	1,232
FX and other movements	47	-	-	47
Gross carrying value as at 31 December 2019	932,297	-	-	932,297
Financial assets derecognised during the period other than write-offs	(1,347,499)	-	-	(1,347,499)
New financial assets originated or purchased	1,159,313	-	-	1,159,313
Changes in fair value	5,995	-	-	5,995
Changes in interest accrual	(2,479)	-	-	(2,479)
FX and other movements	2,415	-	-	2,415
Gross carrying value as at 31 December 2020	750,042	-	-	750,042
Loss allowance as of 1 January 2019	38	–	–	38
Movements with P&L impact - New financial assets originated or purchased	10	-	-	10
Loss allowance as at 31 December 2019	48	-	-	48
Movements with P&L impact - New financial assets originated or purchased	(10)	-	-	(10)
Loss allowance as at 31 December 2020	38	-	-	38
Net carrying value as at 31 December 2019	932,249	-	-	932,249
Net carrying value as at 31 December 2020	750,004	-	-	750,004

There were no purchased credit impaired balances during the reporting period, and no terms of contracts were modified. In addition, no amounts were written-off in the period.

27. Credit risk (continued)

27.11 Loans and Advances to customers – gross exposures and loss allowances

Loans and advances to customers comprise the following;

		31 December 2020 GBP '000	31 December 2019 GBP '000
(i) Mortgage loans	Gross	1,437,360	1,127,460
	ECL	(1,473)	(1,574)
(ii) Other and lombard loans	Gross	742,527	658,862
	ECL	(114)	(204)
Total loans and advances to customers		2,178,300	1,784,544

(i) Mortgage loans - gross exposures and loss allowances

The table below presents the aggregate changes in gross carrying values and loss allowances for mortgage loans:

	Stage 1 GBP '000	Stage 2 GBP '000	Stage 3 GBP '000	Total GBP '000
Gross carrying value as of 1 January 2019	1,026,136	41,718	37,140	1,104,994
Transfer (from) Stage 1 to other stages	(48,351)	40,392	7,959	-
Transfer (from) Stage 2 to other stages	34,555	(52,294)	17,739	-
Financial assets derecognised during the period	(66,782)	(7,306)	(2,243)	(76,331)
Reclassified from other and lombard loans during the period	83,674	794	240	84,708
New financial assets originated	193,993	-	-	193,992
Change in exposure on existing loans	(186,766)	26,273	(19,411)	(179,904)
Gross carrying value as at 31 December 2019	1,036,459	49,577	41,424	1,127,460
Transfer (from) Stage 1 to other stages	(63,062)	44,037	19,025	-
Transfer (from) Stage 2 to other stages	8,428	(24,489)	16,061	-
Transfer (from) Stage 3 to other stages	-	8,474	(8,474)	-
Financial assets derecognised during the period	(221,001)	(13,453)	(27,611)	(262,065)
Reclassified from other and lombard loans during the period	10,130	489	20	10,639
New financial assets originated	555,560	-	-	555,560
Change in exposure on existing loans	5,842	110	(186)	5,766
Gross carrying value as at 31 December 2020	1,332,356	64,745	40,259	1,437,360
Loss allowance as at 1 January 2019	60	24	440	524
Transfer (from) Stage 1 to other stages	(137)	30	107	-
Transfer (from) Stage 2 to other stages	1	(200)	199	-
Financial assets derecognised during the period	(7)	(2)	(7)	(16)
Reclassified from other and lombard loans during the period	36	24	59	119
New financial assets originated	27	-	-	27
Change in value on existing loans	164	161	595	921
Loss allowance as at 31 December 2019	144	37	1,393	1,574
Transfer (from) Stage 1 to other stages	(159)	10	149	-
Transfer (from) Stage 2 to other stages	13	(14)	1	-
Transfer (from) Stage 3 to other stages	-	8	(8)	-
Financial assets derecognised during the period	(20)	(29)	(301)	(350)
Reclassified from / (to) other and lombard loans during the period	2	-	4	6
New financial assets originated	202	-	-	202
Change in value on existing loans	8	4	29	41
Loss allowance as at 31 December 2020	190	16	1,267	1,473

There were no purchased credit impaired balances during the reporting period, and no terms of contracts were modified. In addition, amounts totalling GBP 62,000 (2019: GBP 1,300,000) were written-off in the period.

27. Credit risk (continued)

(ii) Other and lombard loans - gross exposures and loss allowances

The table below presents the aggregate changes in gross carrying values and loss allowances for other and lombard loans:

	Stage 1 GBP '000	Stage 2 GBP '000	Stage 3 GBP '000	Total GBP '000
Gross carrying value as of 1 January 2019	541,100	7,683	11,464	560,247
Transfer (from) Stage 1 to other stages	(10,212)	9,432	780	-
Transfer (from) Stage 2 to other stages	12,301	(12,301)	-	-
Financial assets derecognised during the period	(89,516)	(127)	(1,784)	(91,427)
Reclassified from / (to) mortgage loans during the period	(83,674)	(794)	(240)	(84,708)
New financial assets originated	47,540	-	-	47,540
Change in exposure on existing loans	21 ,442	19,837	(7,069)	227,210
Gross carrying value as at 31 December 2019	631,981	23,730	3,151	658,862
Transfer (from) Stage 1 to other stages	(4,741)	3,150	1,591	-
Transfer (from) Stage 2 to other stages	713	(713)	-	-
Transfer (from) Stage 3 to other stages	-	220	(220)	-
Financial assets derecognised during the period	(121,006)	(10,195)	(2,491)	(133,692)
Reclassified to mortgage loans during the period	(10,130)	(489)	(20)	(10,639)
New financial assets originated	196,135	-	-	196,135
Change in exposure on existing loans	31,697	508	(344)	31,861
Gross carrying value as at 31 December 2020	724,649	16,211	1,667	742,527
Loss allowance as of 1 January 2019	97	3	1,237	1,337
Transfer from Stage 1 to other stages	(1)	1	-	-
Financial assets derecognised during the period	(18)	(1)	(1,237)	(1,256)
Reclassified to mortgage loans during the period	(36)	(24)	(59)	(119)
New financial assets originated	29		-	31
Change in value on existing loans	131	21	59	211
Loss allowance as at 31 December 2019	202	2	-	204
Transfer from Stage 1 to other stages	(90)	40	50	-
Financial assets derecognised during the period	(154)	(23)	-	(177)
Reclassified to mortgage loans during the period	(1)	(4)	-	(5)
New financial assets originated	95	-	-	95
Change in value on existing loans	(2)	(2)	-	(4)
Loss allowance as at 31 December 2020	50	13	50	113

28. Market risk

The Company engages in the trading of securities, derivatives, foreign exchange and money market paper on behalf of its clients. The Company does not engage in proprietary trading in securities. The Company maintains small proprietary positions in foreign exchange instruments.

The Company separates exposures to market risk into either trading or non-trading portfolios. Both securities and foreign exchange exposures are limited by nominal overnight and Value at Risk ('VaR') limits. Foreign exchange is also subject to intraday limits, as well as to daily and monthly stop loss monitoring. Adherence to all limits is monitored independently of Treasury department who are responsible for managing market risk. Due to the nature of the Company's business and the absence of any meaningful proprietary trading activities, the market risk resulting from trading positions is limited compared to overall market risk.

28.1 Market risk measurement methodology

Market risk exposure is measured in several ways, namely; nominal and VaR exposure, gap reports, sensitivity to risk factors and stress tests. VaR is not used for regulatory reporting of risks and is used internally only, for control and management purposes of FX exposure and credit risk exposure in the Treasury investment portfolio. The Company applies limits to all market risks. Limits include nominal, stop loss, rating quality and concentration types, depending upon the nature of the market risk concerned. In addition, positions are also measured in the event of extreme market movements (stress testing). The major measurement techniques used to measure and control market risk, are outlined below.

28.1.1 Value at risk

VaR measures the potential loss impact on open risk positions, under normal market conditions. VaR is calculated using statistically expected changes in market parameters for a given holding period at a specified level of probability. The internal model is based on a variance/co-variance approach and uses a 99% one-tailed confidence level. The model assumes a 10-day holding period for purposes of group internal risk reporting, with a 201-day observation period for market variables. The VaR model is adjusted on an ongoing basis in response to developments in the financial markets and to changes in our risk management needs. Risk parameters based on the VaR methodology are calculated daily. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

28.1.2 IRRBB Economic value of equity, interest income sensitivity and maturity gap metrics

The Economic Value of Equity (EVE) sensitivity metric refers to risks on the Banks' capital, arising from adverse movements in interest rates that affect the Bank's balance sheet. Changes in interest rates affect the underlying value of the Bank's assets, liabilities and off-balance sheet items and hence its economic value. The Net Interest Income (NII) sensitivity metric refers to risks on the Banks' earnings, arising from adverse movements in interest rates that affect the Bank's banking book positions. Changes in interest rates affect the Bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income. These two metrics together with the Maturity Gap metric that measures the Bank's IR mismatch are the key measures monitoring interest rate risk.

The Company has implemented an interest rate risk framework in accordance to its business model and its interest rate risk exposure, where stress testing is used as the primary technique to measure IRRBB. The stress tests used include the regulatory +/-200bp parallel moves and other scenarios as appropriate to ensure the key interest rate risks in the Banking Book are captured. The impact of IRRBB is monitored on a monthly basis. The table below shows the IRRBB EVE sensitivity to a parallel upward and downward move of 200bps in interest rates.

Through the economic value of equity measure, the Bank computes a change in the net present value of assets, liabilities and off-balance sheet items, subject to specific interest rate stress scenarios. The economic value of equity sensitivity reflects changes in value over the remaining life of assets, liabilities and off-balance sheet items (i.e. until all positions have run off) and including all pricing components (e.g. margin payments).

Non-maturing products are modelled using replicating portfolios, considering behavioural characteristics. Non-maturity products assumptions are built around the following three analysis steps:

i) Correlation to market rates – magnitude of deposits rate shifts, in response to market rates changes
ii) Volume stability – estimate of the stability of outstanding volume, and
iii) Volume decay – rate at which balances are being reduced from the account outstanding volume

Based on the above steps, non-maturing products are replicated, so that they can be assigned a synthetic maturity and transformed into fixed-income instruments. The synthetic maturity is based on parameters specific to EFGIUK, considering a segmentation into retail and wholesale categories. Products placed by an individual person fall in the retail category, while sole proprietorships or partnerships are captured in the wholesale category.

28. Market risk (continued)

The Bank considers embedded options in banking products, such as loans and deposits. Concerning embedded options in loans, floor options (for example the cost of funding will never go below zero) are captured and optional cash flows are generated using a deterministic model.

Stress scenario outcomes are highly affected by optional elements embedded in banking products, especially on loans (floors) and other financial products (including behavioural options specific to EFGIUK). The stress scenarios activate optional elements, when shocked rates fall in negative territory. Consequently, the economic value of equity sensitivity is not symmetric between the upward and downward stress scenarios, heightening the economic value of equity in case of a parallel down stress scenario.

IRRBB - Economic value of equity (GBP)

	31 December 2020 GBP '000 Impact	31 December 2019 GBP '000 Impact
IRRBB moves 200bps down	85,404	47,849
IRRBB moves 200bps up	(2,977)	(5,662)

28.1.3 Stress tests

The risk calculations explained above are complemented by a suite of stress tests, that identify the potential impact of extreme market scenarios on portfolio values. These stress tests simulate both exceptional movements in prices or rates and drastic deteriorations in market correlations. In addition to nominal limits and stop losses, they are the primary tools used for internal market risk management.

28.2 Market risk hedging strategies

The Company is exposed to financial risks arising from many aspects of its business. The Company implements different risk management strategies to eliminate or reduce market risk exposures. Risks being hedged through derivative financial instruments are typically changes in interest rates and foreign currency rates or effects of other risks. The Company implements fair value and cash flow hedging strategies.

28.2.1 Fair value hedging strategies

The risk being hedged in a fair value hedging strategy is a change in the fair value of an asset or liability that is attributable to a particular risk and could affect P&L or the economic value of equity. Changes in fair value might arise through changes in interest rates, foreign exchange rates or other attributes. The Company implements fair value hedges of individual hedged items (micro fair value hedging).

28.2.2 Cash flow hedging strategies

The risk being hedged in a cash flow hedging strategy is the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect P&L or the economic value of equity. Future cash flows might relate to existing assets and liabilities, such as future interest payments or receipts on floating rate debt. Future cash flows can also relate to forecast revenues or costs deriving from a foreign currency exposure. Volatility in future cash flows might result from changes in interest rates or exchange rates.

28.3 Market risk measurement

VaR Summary

The following table presents the VaR (10-d / 99%) for currency risk considering all positions at Balance Sheet level:

VaR by risk type	At 31 December	12 months to 31 December		
		Average	High	Low
	GBP '000	GBP '000	GBP '000	GBP '000
VAR on Currency risk – 31 December 2020	27	31	193	4
VAR on Currency risk – 31 December 2019	59	42	709	5

The Company carries out foreign currency operations both for its clients, and for its own account. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments, and trading activities in foreign operations. From time to time, the Company may enter into currency hedging arrangements to reduce the effects of exchange rate fluctuations on its income.

28. Market risk (continued)

28.3 Market risk measurement (continued)

The following table summarises the repricing gap of EFGIUKs financial instruments based on the undiscounted cashflows, categorised by the earlier of contractual repricing or maturity dates:

	Up to 3 months GBP '000	3–12 months GBP '000	1–5 years GBP '000	Over 5 years GBP '000	Non-interest bearing GBP '000	Total GBP '000
As at 31 December 2020						
Assets						
Cash and balances with central banks	791,131	-	-	-	202	791,333
Due from other banks	104,212	-	-	-	3,085	107,297
Derivative financial instruments	8,656	548	-	-	196	9,400
Financial assets at FVOCI	210,325	212,604	294,083	29,954	3,038	750,004
Loans and advances to customers	2,119,993	1,615	41,547	11,190	3,955	2,178,300
Investment in subsidiary	-	-	-	-	10,045	10,045
Other assets	-	-	-	-	53,679	53,679
Total financial assets	3,234,317	214,767	335,630	41,144	74,200	3,900,058
Liabilities						
Due to other banks	527,421	-	-	-	168	527,589
Due to customers	2,528,192	40,688	-	-	446,385	3,015,265
Derivative financial instruments	25,821	311	-	-	11,361	37,493
Other liabilities	710	2,752	3,480	161	57,271	64,374
Subordinated loans	-	-	66,631	-	290	66,921
Total financial liabilities	3,082,144	43,751	70,111	161	515,475	3,711,642
On-Balance Sheet interest repricing gap	152,173	171,016	265,519	40,983	(441,275)	188,416
Off-Balance Sheet interest repricing gap	(27,956)	(43,331)	(115,304)	(6,977)	-	(193,568)
As at 31 December 2019						
Assets						
Cash and balances with central banks	634,025	-	-	-	-	634,025
Due from other banks	54,312	-	-	-	-	54,312
Derivative financial instruments	16,953	911	-	-	666	18,530
Financial assets at FVOCI	307,000	142,272	482,977	-	-	932,249
Loans and advances to customers	183,462	232,677	1,351,277	17,127	-	1,784,543
Investment in subsidiary	-	-	-	-	10,000	10,000
Other assets	-	-	-	-	51,919	51,919
Total financial assets	1,195,752	375,860	1,834,254	17,127	62,585	3,485,578
Liabilities						
Due to other banks	551,727	227	-	-	-	551,954
Due to customers	2,537,183	61,743	-	-	-	2,598,926
Derivative financial instruments	20,259	68	-	-	2,058	22,385
Other liabilities	-	-	-	-	28,967	28,967
Subordinated loans	-	-	-	66,631	287	66,918
Total financial liabilities	3,109,169	62,038	-	66,631	31,312	3,269,150
On-Balance Sheet interest repricing gap	(1,913,417)	313,822	1,834,254	(49,504)	31,273	216,428
Off-Balance Sheet interest repricing gap	(7,158)	(48,090)	(73,907)	(98)	-	(129,253)

29. Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. The Company manages its liquidity risk in such a way as to ensure that enough liquidity is available to meet its commitments to customers, both in demand for loans and repayments of deposits, and to satisfy its own cash flow needs. The Company also ensures that it seeks to comply with all regulatory liquidity requirements. As part of the overall EFGI Group Treasury management process, other banks within the EFGI Group may place deposits, representing their surplus liquidity, with the Company. These deposits are then typically placed by the Company in short-term money market assets.

29.1 Liquidity risk management process

The Company attempts to avoid concentrations of its funding facilities. It observes its current liquidity situation and determines the pricing of its assets and credit business. The Company also has a liquidity management process in place that includes liquidity contingency plans. These contingency measures include liquidation of marketable securities and seeking parent company support.

The Company seeks to comply with all regulatory requirements, including overnight liquidity limits. In addition, it reports its liquidity position to its management daily. Stress tests are undertaken monthly. Both the Company's capital and reserves position, and its conservative approach to tenor when funding customer loans, assist in reducing the Company's exposure to liquidity risk.

The Company’s liquidity risk management process is carried out by Treasury and monitored by the Asset and Liability Committee. It includes:

- day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment as they mature or are borrowed by customers of funds;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring Balance Sheet liquidity ratios against internal and regulatory requirements; and,
- managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities, and the expected collection date of the financial assets.

Under the oversight of ALCO, Treasury also monitors unmatched medium-term assets and the usage of overdraft facilities. Sources of liquidity are regularly reviewed by Treasury with the aim of maintaining diversification by currency, geography, provider, product and term.

29.2 Concentration risk

The overall level of liquidity exposure and corresponding limits are tightly monitored by means of specific risk metrics approved by the Board of Directors and in line with the Company’s overall committed level of risk appetite.
The Company’s concentration risks are managed through the following mechanisms:

- monitoring of compliance with ALM, funding concentration and risk appetite limits assigned;
- informing approval bodies when ALM, concentration and risk appetite limits are exceeded; and
- proposing risk mitigation measures for ALM, concentration and risk appetite thresholds.

29.3 Financial liabilities cash flows

The table below analyses the Company’s financial liabilities by remaining contractual maturities, at the Balance Sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

For more detailed information on off-Balance Sheet exposures by maturity, refer to note 28.

29. Liquidity risk (continued)

29.3 Financial liabilities cash flows (continued)

	Up to 1 month GBP '000	1–3 months GBP '000	3–12 months GBP '000	1–5 years GBP '000	Over 5 years GBP '000	Total GBP '000
31 December 2020						
Liabilities						
Due to other banks	158,644	222,416	-	146,529	-	527,589
Due to customers	2,639,748	288,603	86,914	-	-	3,015,265
Subordinated loans	-	-	5,394	72,324	-	77,718
Derivative financial instruments	8,694	17,985	2,146	8,662	6	37,493
Other liabilities	31,221	21,134	4,167	7,567	285	64,374
Total financial liabilities	2,838,307	550,138	98,621	235,082	291	3,722,439
31 December 2019						
Liabilities						
Due to other banks	167,919	383,808	227	-	-	551,954
Due to customers	2,167,525	369,658	61,743	-	-	2,598,926
Subordinated loans	-	-	287	-	66,631	66,918
Derivative financial instruments	15,810	6,507	68	-	-	22,385
Other liabilities	28,967	-	-	-	-	28,967
Total financial liabilities	2,380,221	759,973	62,325	-	66,631	3,269,150

30. Key management compensation

Accounting Policy

The Company's key management personnel comprise the members of the Executive Committee and the Board's non-executive Directors. The following amounts have been included in respect of these individuals:

	31 December 2020 GBP	31 December 2019 GBP
Aggregate amounts paid or treated as paid to key management in respect of qualifying services		
Short-term employment benefits	4,636	5,468
Share-based payments	496	527
Pension contributions	466	480
Total	5,598	6,475

The highest paid member of key management is equal to the disclosure for the highest paid director in Note 7.

31. Contingent liabilities

The Company is involved in various legal and arbitration proceedings in the normal course of its business operations. The Company establishes provisions (see Note 21) for current and threatened pending legal proceedings if management is of the opinion that the Company is more likely than not to face payments or losses and if the amount of such payments or losses can be reliably estimated.

32. Employee equity incentive plans

Accounting Policy

The Company benefits from the EFGI Employee Equity Incentive Plan (the 'Plan'). Equity settled schemes are measured at fair value at the date of grant, which is then recognised in the Income Statement over the period from grant to the vesting date of the shares. The number of share awards expected to vest considers the likelihood that performance and services conditions included in the terms of the award will be met. The charge is adjusted at each balance sheet date to reflect the actual number of forfeitures, cancellations and leavers during the year. The movement in cumulative charges since the previous balance sheet is recognised in the Income Statement, with a corresponding entry in equity.

The total expense related to the Plan in the Income Statement was GBP 4,430,000 (2019: GBP 4,155,000).

The value of the share-based awards was determined using a model which considers the present value of the expected dividends during the period between the grant date and the earliest exercise date. The significant inputs into the model in 2020 were the arithmetic average share price (closing) of the five consecutive business days following the earnings announcement, which was CHF 5.47 (2019: CHF 6.65) and the discount determined by management, which was 20% (2019: 20%) based on the expected life of the restricted stock units.

Movements in share awards:

The number of share-based awards outstanding as at 31 December was as follows:

	2020 Number	2019 Number
Outstanding at start of the year	2,843,852	2,766,305
Granted	1,199,501	1,271,654
Exercised	(951,609)	(1,190,723)
Cancelled	-	-
Forfeited	(99,791)	(3,384)
Outstanding at the end of the year	2,991,953	2,843,852
Weighted average remaining contractual life of awards outstanding in years	1.9	2.0
Exercisable at the end of the year	639,426	739,634

The weighted average market price at the date of exercise was CHF 5.85 (2019: CHF 6.91). The range of exercise prices for shares exercised during the year was GBP 3.58 to GBP 6.02 (2019: GBP 4.79 to 11.34).

33. Related party transactions

Accounting Policy

Related parties include associates, fellow subsidiaries, Directors, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of a similar nature are disclosed on an aggregate basis.

	2020		2019	
	Fellow Subsidiaries GBP '000	Key management personnel & other related parties GBP '000	Fellow Subsidiaries GBP '000	Key management personnel & other related parties GBP '000
As at 31 December				
Assets				
Due from other banks	48,719	-	5,204	-
Loans and advances to customers	-	8,971	-	392
Derivatives	5,356	-	1,128	-
Other assets	34,279	-	30,499	-
Liabilities				
Due to other banks	517,637	-	541,281	-
Due to customer	35,054	26,193	-	2,633
Derivatives	28,628	-	1,030	-
Subordinated loans	66,921	-	66,918	-
Other liabilities	11,010	-	42,348	-
Year ended 31 December				
Interest income	1,055	98	329	8
Interest expense	(14,538)	59	(11,951)	6
Net fee and commission income	14,308	945	77	62
Net other income	(8,389)	27	-	-
Operating expenses	(12,479)	-	-	-

A number of banking transactions are entered with related parties. These include loans, deposits, derivative transactions and provision of services. The amounts due from other banks reflect cash deposits, which like other third-party amounts classified as due from other banks are unsecured. Key management personnel comprise Directors, key members of the management of the Companies and of its parent, as well as closely linked parties. There was GBP 61,000 of credit limits available to key management personnel and other related parties at the end of the year (2019: GBP 1,061,000). No provisions have been recognised in respect of loans given to related parties (2019: nil).

34. Off-Balance Sheet items

The following table summarises the Company's Off-Balance Sheet items by maturity:

	Not later than 1 year GBP '000	1–5 years GBP '000	Over 5 years GBP '000	Total GBP '000
31 December 2020				
Guarantees issued in favour of third parties	12,096	1,645	-	13,741
Guarantees issued in favour of group companies	128,408	-	-	128,408
Irrevocable commitments	52,524	133,193	6,977	192,694
Total	193,028	134,838	6,977	334,843
31 December 2019				
Guarantees issued in favour of third parties	18,551	1,366	-	19,917
Guarantees issued in favour of group companies	107,026	-	-	107,026
Irrevocable commitments	38,123	93,193	98	131,414
Total	163,700	94,559	98	258,357

The financial guarantees maturities are based on the earliest contractual maturity date. The irrevocable commitments maturities are based on the dates on which loan commitments made to customers will cease to exist.