

Basel III Pillar 3 Disclosures

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1. Introduction

1.1 Background

EFG International AG (the Group) is regulated by the Swiss Financial Market Supervisory Authority (FINMA) which requires the Group to comply with Pillar III disclosures that are part of the Basel III Capital Adequacy Framework.

This report discloses the Group's application of the Basel III framework as at 31 December 2021 and changes since 31 December 2020.

This document was approved for issue by senior management and Board of Directors on 22 February 2022.

1.2 Objective

The objective of this report is to provide information on risk management in the Group to investors, analysts, ratings agencies and supervisory bodies. In particular, it describes the Group's capital adequacy and liquidity position.

1.3 Scope

There is no difference in the scope of consolidation for the calculation of capital adequacy and the 2021 Consolidated Financial Statements prepared for this purpose (see section 1.6 Accounting principles).

No subsidiaries are proportionally consolidated.

As the Group operates various regulated banks in different countries, each of these countries have regulations limiting the transfer of regulatory capital (and in some instances cash balances) between jurisdictions.

As the parent entity of the Group, EFG International AG is a holding company, the parent entity is only regulated on a consolidated basis, hence no "single entity" reporting has been produced.

1.4 Basis of preparation

This document was prepared in accordance with the Pillar III disclosure requirements set forth under FINMA Circular 2016/1 "Disclosure – banks". Certain tables referred

to in this document are numbered as per the FINMA requirements.

In order to have the full view of the Group's regulatory environment and capital requirements, this report should be read in conjunction with the Group's Annual Report 2021 (<http://www.efginternational.com>).

1.5 Internal control system

The Group's internal control system (ICS) is an integrated Group-wide system covering all functions and all hierarchical levels. In addition to the Group's front-line activities, the internal control system also applies to business-support and monitoring functions. The Group works continually to foster a culture of oversight among its staff so that each employee understands his or her role in the ICS.

The Group carries out a periodic review of key risks and controls, with a particular focus on operational risks. The Group keeps detailed records of these risks and controls and identifies the main areas of potential improvement. It also prepares an annual assessment of its ICS for the financial accounts in order to meet the requirements of Swiss auditing standard No. 890.

1.6 Accounting principles

The Group complies with IFRS accounting principles which are used in the financial reporting presented in the Annual Report. The Group complies with Swiss accounting principles reporting (Accounting-banks "Swiss ARB" or "Swiss GAAP") for Capital Adequacy purposes on the same basis as its major subsidiary, EFG Bank AG. All figures within this report are prepared under the basis of Swiss GAAP, unless otherwise stated.

As at 31 December 2021, the main difference between IFRS and Swiss ARB accounting principles affecting the Group's capital adequacy positions relates to:

- pension accounting - pension asset of CHF 18.2 million (2020: pension liability of CHF 95.5 million)
- valuation of equity and debt instruments of CHF (123.1) million (2020: CHF 234.4 million) arising.

For further details of the reconciliation between IFRS and Swiss ARB, see Section 10 to this report.

2. Capital adequacy and liquidity

The Group's objectives when managing regulatory capital and liquidity are to comply with the requirements set by regulators of the jurisdictions in which the Group entities operate, and to safeguard the Group's ability to continue as a going concern.

Capital adequacy and the use of regulatory capital are continually monitored and reported by the Group's management, using the framework developed by the Bank for International Settlements (BIS). The regulatory capital requirement of the Group is ultimately determined by the rules implemented by the Swiss banking regulator, the Swiss Financial Market Supervisory Authority (FINMA).

The Group reports regulatory capital according to the Swiss Capital Adequacy Ordinance (CAO, 952.03), therefore complying with the FINMA requirements.

Monitoring capital adequacy and liquidity is a key component of the Group's financial strategy. Management carefully considers the potential impact on the Group's capital ratios and liquidity ratio before making any major decisions about the Group's operations and the orientation of its business.

The Executive Committee monitors the capital ratios and liquidity ratio monthly for the Group, with Board oversight on a quarterly basis.

2.1 Key ratios

FINMA's capital ratio requirement is based on the Basel III Accord and is set forth in Article 41 of the Capital Adequacy Ordinance (CAO). The minimum required total capital ratio for the Group is 12.0% at 31 December 2021. It comprises the permanent requirement for a category 3 bank of 12.0%. The permanent requirement consists of the absolute minimum requirement for a banking license of 8.0% and the capital buffer for a category 3 bank of 4.0%.

The Group's Common Equity tier 1 (CET1) ratio was 16.3% above the FINMA's requirement of 7.8%. The Group's Total Capital ratio was 21.9% at 31 December 2021, higher than the regulatory requirement of 12.0%.

The leverage ratio was 4.6% at 31 December 2021 (see Section 11). This ratio is above the regulatory requirement of 3%.

The Group's Liquidity Coverage Ratio (LCR) and Net stable Funding Ratio were respectively 188% and 156 % at 31 December 2021, above the minimum regulatory requirements of 100% (see Section 9).

The following table¹ summarises all key metrics, which are explained in further detail in subsequent sections of this report.

¹ FINMA Circular 2016/1 Table KM1

	a	b	c	d	e
	31 December	30 September	30 June	31 March	31 December
CHF millions	2021	2021	2021	2021	2020
Available capital					
1	Common Equity Tier 1 (CET1)	1,615.2		1,642.7	1,603.6
2	Tier 1 capital (T1)	1,990.7		2,026.9	1,618.1
3	Total Capital	2,171.2		2,209.5	1,969.4
Risk weighted assets (RWA)					
4	Total risk weighted assets (RWA)	9,918.4		9,954.9	9,918.8
4a	Minimum required capital based on risk-based requirements	793.5		796.4	793.5
Risk based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	16.3%		16.5%	16.2%
6	Tier 1 ratio	20.1%		20.4%	16.3%
7	Total capital ratio	21.9%		22.2%	19.9%
Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement	2.5%		2.5%	2.5%
11	Total of bank CET1 specific buffer requirements (%)	2.5%		2.5%	2.5%
12	CET1 available after meeting bank's minimum capital requirements (%)	11.8%		12.0%	10.3%
Target capital ratios according to Annex 8 of the Capital Adequacy Ordinance (% of RWA)					
12a	Capital buffer as per Annex 8 CAO	4.0%		4.0%	4.0%
12b	National countercyclical buffer (art. 44 and 44a CAO) (%)	0%		0%	0%
12c	CET1 capital target as per Annex 8 CAO plus countercyclical buffer per art.44 and 44a CAO	7.8%		7.8%	7.8%
12d	T1 capital target as per Annex 8 CAO plus countercyclical buffer per art.44 and 44a CAO	9.6%		9.6%	9.6%
12e	Total capital target as per Annex 8 CAO plus countercyclical buffer per art.44 and 44a CAO	12.0%		12.0%	12.0%
BASEL III leverage ratio					
13	Total Basel III leverage ratio exposure	43,400.8		44,923.6	34,585.9
14	Basel III leverage ratio (Tier 1 Capital in % of the total Exposure)	4.6%		4.5%	4.7%
Liquidity coverage ratio (LCR) - 3 month average					
15	Total high-quality liquid assets (HQLA)	14,336.1	14,104.5	12,834.5	12,252.3
16	Total net cash outflow	7,514.3	7,041.2	6,450.3	6,584.9
17	LCR (%)	191%	200%	199%	186%
Net stable funding ratio (NSFR)					
18	Available stable refinancing	23,467.0		23,957.2	22,890.0
19	Required stable refinancing	15,000.9		15,772.2	16,114.5
20	Net stable funding ratio (NSFR) (%)	156%		152%	142%

2.2 Composition of the regulatory eligible capital

The Group's regulatory capital is composed of:

- CET1 capital
- Additional Tier 1 capital
- Tier 2 capital.

CET1 capital comprises paid-in capital, disclosed reserves and minority interests. At 31 December 2021, the Group's ordinary share capital amounted to CHF 152.0 million and consisted of 303,921,019 fully paid-in registered shares with a par value of CHF 0.50 per share. CET1 capital is adjusted for regulatory deductions such as goodwill and deferred tax assets based on future profitability.

Additional Tier 1 capital comprises Bons de Participation without voting rights amounting to EUR 13.4 million and USD 400.0 million of perpetual, unsecured deeply subordinated notes qualifying as Additional Tier 1 Capital issued in January 2021.

Tier 2 capital comprises a capital instrument of USD 197.9 million.

See Section 12.5 for detailed analysis of the key features of these capital instruments.

3. Risk weighted assets

3.1 Risk weighted assets

The table² below summarise the composition of the risk weighted assets, the change versus June 2021 and the minimum requirement based on an 8.0% capital requirement.

CHF millions	a	b	c	
	RWA 31 December 2021	RWA 30 June 2021	Minimum Capital Requirement 31 December 2021	
1	Credit risk (excluding counterparty credit risk)	6,709.6	6,646.8	536.8
2	Of which standardised approach (SA)	6,428.0	6,350.3	514.2
	Of which non-counterparty related risk	281.6	296.5	22.5
3	Of which internal rating-based (F-IRB) approach			
4	Of which supervisory slotting approach			
5	Of which advanced internal ratings-based (A-IRB) approach			
6	Counterparty Credit risk	276.2	400.2	22.1
7	Of which standardised approach (SA - CCR)	164.8	241.7	13.2
7a	Of which simplified standard approach (SSA - CCR)			
7b	Of which market value method			
8	Of which internal model method (IMM)			
9	Of which other CCR approach	111.4	158.5	8.9
10	Credit Valuation Adjustment (CVA)	68.4	128.6	5.5
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds - look-through approach		14.7	
13	Equity investments in funds - mandate-based approach			
14	Equity investments in funds - fall-back approach			
14a	Equity investments in funds - simplified approach	55.0		4.4
15	Settlement risks	0.4	0.5	0.0
16	Securitisation exposures in banking book			
17	Of which internal ratings-based approach (SEC-IRBA)			
18	Of which external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)			
19	Of which standardised approach (SEC-SA)			
20	Market risk	769.2	786.1	61.5
21	Of which standardised approach	769.2	786.1	61.5
22	Capital charge for switch between trading book and banking book			
24	Operational risk	2,025.6	1,978.0	162.0
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	14.0		1.1
26	Floor adjustment			
27	Total (1+6+10+11+12+13+14+14a+15+16+20+23+24+25+26)	9,918.4	9,954.9	793.5

² FINMA Circular 2016/1 Table OV1

3.2 Framework for risk weighted assets calculation³

	a	b	c	d	e
	31 December 2021				
CHF millions	Total	Positions subject to: credit risk framework	Positions subject to: securitisation framework	Positions subject to: counterparty credit risk framework	Positions subject to: market risk framework
1 Asset carrying value amount under regulatory scope of consolidation	41,835.9	39,547.2		1,278.6	1,010.1
2 Liabilities carrying value amount under regulatory scope of consolidation	1,562.0			1,075.8	486.2
3 Total net amount under regulatory scope of consolidation	40,273.9	39,547.2	-	202.8	523.9
4 Off-balance sheet amounts	481.4	258.4			
5 Differences in valuations for securities financing transactions (regulatory haircut)	97.6			97.6	
6 Difference in valuation for derivatives transactions (regulatory add-on)	392.2			392.2	
7 Difference in netting rules					
10 Exposure amounts considered for regulatory purposes	41,245.1	39,805.6	-	692.6	523.9

The table above summarises the framework under which the assets on and off-balance sheet are assessed to determine the relevant risk weighted assets. The above total exposure amounts considered for regulatory purposes of CHF 41,245.1 million is further split in this report into:

- Exposure subject to the credit risk framework of CHF 39,805.6 million creating CHF 6,428.0 million of risk weighted assets. The only difference remains in off-balance sheet amount that are net of credit conversion factor for the purposes of credit risk framework.
- Counterparty related risk of CHF 692.6 million creating CHF 276.2 million of risk weighted assets
- Net exposures of CHF 523.9 million that contribute towards the CHF 769.2 million of risk weighted assets from market risk

The quality of the assets subject to the credit risk framework are analysed by industry, geography and maturity in Section 5.1

The majority of the assets are assessed under the credit risk framework, whilst less than 2% are subject to the market risk framework.

For details of split of assets and liabilities under each framework see Section 12.9.

³ FINMA Circular 2016/1 Table LI2 & Table LIA

4. Risk management⁴

Risk management

EFG International offers private banking and asset management services and financial and secured investment finance products with a focus on high net worth individuals. In pursuing its business objectives, it is exposed to risks, which may have an impact on its financial, business, social or other objectives.

EFG International acknowledges that a strong risk management framework is fundamental in the sustainable management of its business. EFG International is committed to actively managing, and mitigating risks specific to its private banking and institutional clients, being particularly vigilant to activities associated with conduct risk, financial crime and operational risks, including compliance and fraud risks.

EFG International carefully monitors legacy risks in connection with its nostro life insurance investment portfolio and litigation cases relating to discontinued businesses.

EFG International is committed to maintaining a strong risk management framework across the organisation, and to embed it in the day-to-day business activities and decision-making processes.

4.1 Risk governance

The EFGI risk management framework sets out the overall governance of risks. Responsibilities of involved stakeholders in the management of risks are clearly defined, as well as terms of reference for of its Risk and Compliance functions.

The EFGI risk management framework is underpinned by the EFGI risk appetite framework, which focuses on the approach to risk capacity, risk appetite, risk limits and indicators, documenting the level of risk that EFG International is prepared to incur.

Risk management framework

Our risk management framework comprises people, policies and processes, and systems and controls designed to ensure that risks are appropriately identified, assessed,

measured, monitored and reported, as well as mitigated on an ongoing basis.

For EFG International the risk management framework is of crucial importance in order to:

- Ensure everybody understands and controls exposure to risks taken
- Ensure that risk exposures are in line with risk capacity and defined risk appetite and strategy
- Ensure that our key controls over business risks are functioning effectively
- Support the successful implementation of the business strategy
- Protect clients from potential risks, such as unsuitable products or excess concentrations
- Contribute to the orderly functioning and sound reputation on the markets in which EFG International operates

The EFG International risk management framework is enacted in several dimensions:

- Approach to risk management
- Risk culture
- Three lines of defence model
- Committees and functions

4.1.1 Approach to risk management

EFG International has developed a multi-dimensional approach to risk management:

- There are independent Risk Control and Compliance functions with clearly defined objectives
- There is a comprehensive and prioritised list of risk categories (risk taxonomy)
- There is a defined risk strategy and risk appetite
- There is a coherent and comprehensive set of policies, directives and procedures to govern risk management, including compliance
- 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 objectives of risk management are to:

- Provide transparency on the risks EFG International incurs
- Provide independent risk oversight and challenge that risks are appropriately assessed and managed
- Enable better management of the risk-return trade-off

⁴ FINMA Circular 2016/1 Table OVA

- Support the Board of Directors in defining an appropriate risk appetite and strategy in line with available risk capacity and ensure the actual risk exposure profile remains in line with these
- Ensure that key controls over business risks are functioning effectively
- Secure an appropriate degree of protection

4.1.2 Risk culture, core values and ethical standards

EFG International believes the behavioural element is key to ensure sound risk management, and that this is guided by the risk culture of the organisation. Accordingly, risk culture is viewed as a core component of effective risk management.

To address this topic, EFG International approaches risk culture along four dimensions, in line with Financial Stability Board principles:

- Tone from the top: Our Board of Directors, Executive Committee and senior management set the EFG International's risk culture core values and ethical standard; their action and behaviour reflect the risk culture that is expected throughout EFG International and is communicated through formal and informal channels, to ensure that clients also share EFGI's risk culture, core values and ethical standards
- Accountability: Our risk management framework and the related risk policies and directives clearly assign accountability for risk management and decision-making to functions and specific unit heads
- Effective communication and challenge: EFG corporate culture allows for open communication and promotes effective challenge in the decision-making process; this is supported by independent Risk Control, Compliance and Internal Audit
- Incentives: Financial and non-financial incentives are monitored to ensure they do not encourage excessive risk-taking

Our risk awareness and culture programme, which promotes the above-mentioned principles, is focused on the following activities:

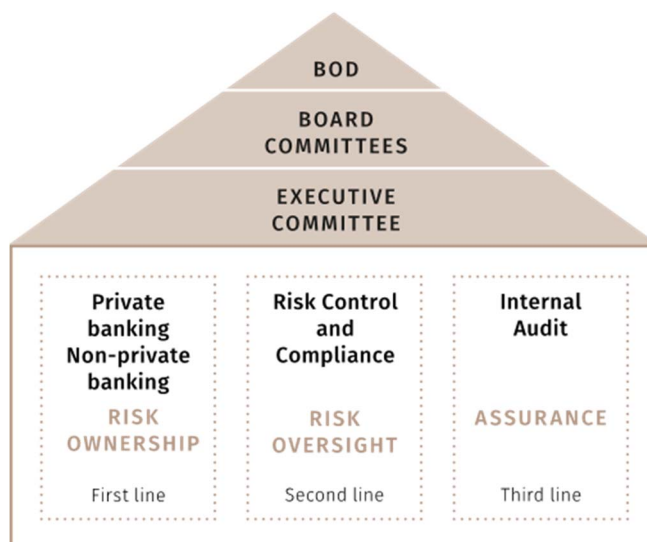
- Embedding of the risk management and risk appetite frameworks across the EFG International
- Comprehensive training in risk and compliance topics
- Implementing our client relationship officer's risk scorecard to foster a risk-conscious and compliant culture and reduce operational risks

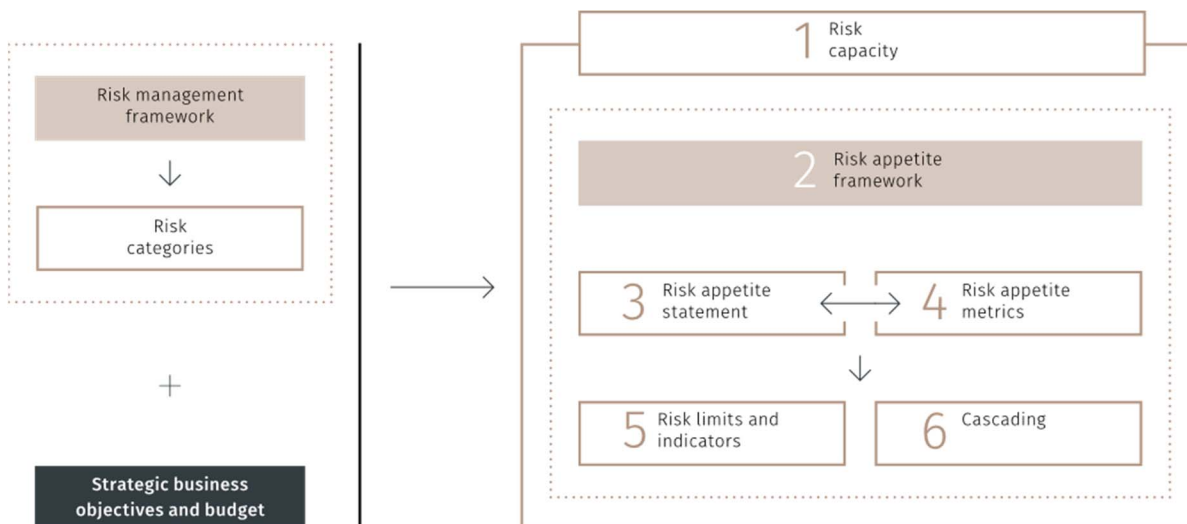
4.1.3 Three lines of defence model

EFG International manages its risks in accordance with a three lines of defence model.

The three lines of defence model delineates the key responsibilities for the business, Risk and Compliance functions and audit to ensure that the organisation has a coherent and comprehensive approach to risk management.

EFG International's interpretation of the three lines of defence model is in line with industry practice, and the model is operated both centrally and in the business units. This ensures that the material activities and processes are subject to the risk management, oversight and assurance.





Risk appetite framework

Our risk appetite framework describes the EFG International's approach, governance and processes in relation to setting risk appetite and is structured by qualitative considerations (risk appetite statement), as well as quantitative considerations (risk appetite metrics).

The risk appetite framework sets the overall approach to risk appetite, documenting the level of risk that EFG International is prepared to incur for the achievement of strategic objectives and in line with our available risk capacity. It includes:

- The risk appetite statement
- The risk appetite metrics and limit framework
- The responsibilities of the bodies overseeing the implementation and monitoring of the risk appetite framework
- The risk appetite process, including the escalation of the risk metrics exceeding their pre-determined thresholds
- The risk appetite and limit cascading process to business units.

Our risk appetite framework is linked to the risk limit system and is influenced by the overarching risk available capacity, the risk management framework and the strategic business objectives.

4.1.4 Risk capacity

The risk capacity is the maximum level of risk EFG International can assume, given its current capabilities and

resources, before breaching EFG International's strategic targets and risk appetite, constraints determined by regulatory capital and liquidity requirements, or otherwise failing to meet the expectations of regulators and law enforcement agencies and our rating ambition. Risk capacity defines an outer boundary within which EFGI must operate.

Risk appetite and risk capacity are aligned through the annual budget and planning process. EFG International holds appropriate capital and liquidity buffers to accommodate circumstances where exposures extend beyond EFG International's risk appetite. This protects EFG International from the financial and/or reputational consequences that might be associated with a breach of its risk capacity or rating ambition.

4.1.5 Risk appetite statement

Our risk appetite statement comprises the qualitative component of EFG International's risk appetite. It comprises a set of statements, each of which describes the level of risk that EFG International is prepared to incur in each risk category to achieve its strategic business objectives.

The risk appetite statement is aligned with the business strategy of EFG International. The risk appetite statement is operationalised through the risk appetite metrics and the limit framework.

4.1.6 Risk appetite metrics

The quantitative component of risk appetite contains measures (i.e. metrics) that describe the quantum of risk to which EFG International is exposed.

The metrics are compared to trigger levels (i.e. thresholds), which can have the nature of limits or warning indicators. The metrics are selected, and thresholds are calibrated in accordance with the risk appetite statement, which in turn reflects the business strategy.

Risk metrics can be set at EFG International Board of Directors aggregated level or, if deemed appropriate, at EFG International Executive Committee level.

4.1.7 Limits framework

EFG International risk management EFG International Executive Committee's delegated committees review risk limits and indicators and the related trigger levels for EFG International at a global and business unit level.

The EFG International Executive Committee reviews and recommends the Board global thresholds to the Risk

Committee for its review and recommendation for approval by the EFGI Board of Directors.

4.1.8 Cascading process

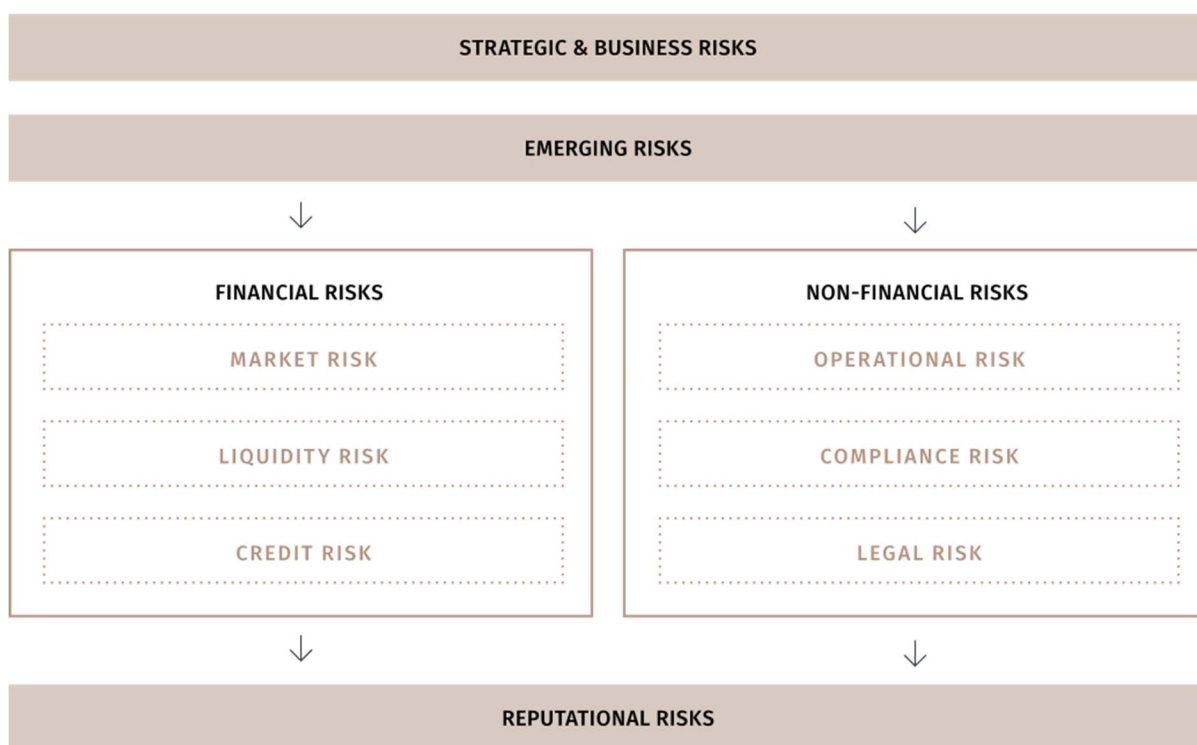
Our risk appetite framework, risk appetite statement and risk metrics and their thresholds are defined at EFG International level and are binding for all EFGI business units and local and foreign entities, as set out in the risk management framework.

EFG International Executive Committee allocates, according to cascading rules, the limits and risk thresholds to the various local entities.

In this way, EFG International appropriately identifies, limits and monitors the risks associated with its local business activities and measures and reports local risk appetite according to consolidated supervision rules.

Risk categories

The risk categories of EFG International are defined in the risk taxonomy included in the risk management framework and are described in the related risk policies and general directives.



Principal risk assessment approach

The Group's risk categories establish a common denominator on risks across EFG International and thereby enable alignment across business units, geographies and functions.

Business and strategic risk

Business and strategic risk is the risk of loss arising from changes in the business environment and from adverse business decisions or improper implementation of decisions. The business and strategic risk includes the following risk categories:

- Client portfolio risk: The risk inherent in client portfolios in general as well as the risk of a reduction in assets under management and/or loss of client relationships as a result of other risk types, e.g. performance, reputation, operational risks, compliance, etc.
- Strategic risk and governance: The risk of the enterprise or particular business areas making inappropriate strategic choices, or being unable to successfully implement selected strategies or related plans and decisions, which may result in a variance to business plans and strategies
- Competitive risk: The risk of an inability to build or maintain sustainable competitive advantage in a given market or markets
- Project risk: The risk of damage or loss resulting from an acquisition and/or subsequent post-merger integration or any other large-scale project the institution is undertaking
- Human resources risk: The risk arising from inadequate or insufficient human resource performance and/or staffing or key people (including client relationship officers) leaving the EFG International

The business and strategic risk management strategy approved by the Board of Directors is defined as follows:

- Whilst the nature of EFG International business entails a certain level of earnings volatility, this is monitored and controlled to remain consistent with the preservation of the franchise, also under severe stress conditions
- EFG International limits earnings volatility by focusing on the core business activities in line with business strategy
- EFG International monitors client investment portfolios in order to avoid excessive risk concentrations across portfolios with potential negative implications on client's assets under management and thereby its own reputation and revenue base
- EFG International closely monitors concentrations of clients and assets under management across its client relationship officers and will investigate potential actions when these concentrations exceed the defined thresholds, in order to mitigate key person risk

- EFG International actively manages the cost base balancing the target of a healthy cost-income ratio with ensuring adequate resourcing and infrastructure
- EFG International actively manages the risks arising through the integration of any acquired/merged entity and for potential further mergers and acquisitions

Compliance risk

Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation which EFG International 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.

Compliance risk is identified, assessed and measured, monitored, reported and mitigated by the Compliance function and its clearly distinguished and dedicated units, in alignment with the roles and responsibilities defined in EFG International's risk management framework. The Compliance function reports to the Group Head of Legal & Compliance.

Changes in the regulatory environment are monitored, and directives and procedures are adapted as required. In line with these evolving regulations, EFG International continuously invests in personnel and technical resources to maintain adequate compliance coverage.

EFG International's Compliance function is centrally managed from Switzerland, with local compliance officers situated in all the organisation's booking centre entities around the world. A compliance risk policy is in place, complemented by a comprehensive set of directives and procedures and regular specialised training sessions for to all staff to raise their awareness and understanding of the compliance risks. Group Compliance implemented a common platform of tools and processes to ensure the consistent application of compliance guidelines.

Compliance risk in EFG International is managed in accordance with the three lines of defence model, outlined in detail in the risk management framework.

EFG International aims at mitigating compliance risks that it inherently runs considering the size, structure, nature and complexity of its business and services/product offering. EFG International is committed to sound and effective compliance risk management, as the core foundation for a sustainable financial institution. Effective compliance risk management consists of meeting compliance obligations

and protecting EFG International from loss or damage. It improves the way EFG International conducts business for our shareholders and stakeholders, and it is vital for long-term and sustainable growth.

A major focus of regulators around the world is the fight against money laundering and terrorism financing. EFG International has in place comprehensive directives on sanctions, anti-money laundering and know your customer, as well as on anti-bribery and corruption, to detect, prevent and report such risks. Through dedicated monitoring and quality assessment programmes and applications, EFG International Compliance ensures compliance with such directives in every EFG International's subsidiary and branch.

EFG International has defined a set of standards governing the cross-border services it offers and has developed country-specific manuals for the major markets it serves. A mandatory staff training, and education programme is in place to ensure adherence to the standards and compliance with the country manuals. They are complemented by a tax compliance framework, the purpose of which is to prevent the unlawful acceptance of untaxed assets. Those frameworks are continuously enhanced to comply with regulatory updates or developments.

Conduct risk refers to risks associated to the firm's behaviour or activity that could threaten consumer protection or market integrity and might if risk are not properly apprehended damage the reputation of EFG International. EFG International has directives on customer and staff conduct in the Group code of conduct, market conduct, cross border, financial services and conflicts of interest. The EFG International Global Product Committee ensures that all products or securities offered to clients or bought for them meet their best interest and have been through the appropriate approval process.

Legal risk

Legal risk is the risk to the firm's profitability arising from changes in legislation and/or as results from legal actions against the institution. Any change in the legal environment can constitute a challenge for EFG International in its relations with competent authorities, clients and counterparties in Switzerland and globally.

Group Head of Legal & Compliance and Group Head of Litigations ensure that EFG International adequately manages and controls its legal risks. This includes supervising and giving strategic direction to all outside

counsels advising EFG International on civil, regulatory and enforcement matters.

Group Head of Legal & Compliance is responsible for providing legal advice to EFG International's management as well as handling client complaints and assisting federal and local authorities in their criminal and administrative investigations.

Group Head of Litigations has principal responsibility for overseeing and advising EFG International's management on significant civil litigation and all government enforcement matters involving EFG International globally.

Credit risk

See Section 5.

Market risk

See Section 6.

Operational risk

See Section 8.

Liquidity risk

See Section 9.

Reputational risk

Reputational risk is defined as the risk of an activity performed by an entity of EFG International or its representatives impairing its image in the community or public confidence, and that this will result in the loss of business and/or legal action or potential regulatory sanction. Typically, a result of other risk categories.

EFG International considers its reputation to be among its most important assets and is committed to protecting it. Reputational risk for EFG International inherently arises from:

- Potential non-compliance with increasingly complex regulatory requirements
- Potential non-compliance with anti-money laundering regulatory requirements
- Its dealings with politically exposed persons or other clients with prominent public profiles
- Its involvement in transactions executed on behalf of clients other than standard investment products
- Potential major incidents in the area of IT security and data confidentiality
- Potential misconduct by its employees
- Any other potential negative internal or external event arising from other risk categories (e.g. in case of financial

risk arising from significant downturn on bonds, equities markets or of a particular housing market speculative bubble, etc.)

EFG International manages these potential reputational risks through the establishment and monitoring of the risk appetite set by the Board of Directors, and through established policies and control procedures.

Emerging risk

EFG International aims to prevent emerging risks; they can be new risks or even they can familiar risks that become apparent in new or unfamiliar conditions. Their sources can be natural or human, and often are both.

Emerging risks arise from environmental, social and governance (ESG) aspects affecting other risk categories, or may include new technologies, for example, artificial intelligence, cyber – and nanotechnology or genetic engineering, as well as economic, regulatory or political change.

EFG International monitors emerging risk that could create potential reputational risks and impact future income generation capacity:

- EFG International closely monitors developments in new technologies like artificial intelligence, cyber – and nanotechnology as well as economic, regulatory or political changes
- EFG International wants current and potential clients to perceive and share EFG International as a conscious institution on environmental, social and governance aspects

Regarding climate risks in particular, EFG International is focusing its attention on the creation and integration of a dedicated climate risks management process in the overall risk management framework. Following FINMA based on the Task Force on Climate-related Financial Disclosures (TCFD), EFG International is embedding climate-related financial risks affecting the known risk categories (credit, market, liquidity and operational risks).

4.2 Risk management – measurement approach

Basel III gives room to banks to apply several approaches for managing risk exposures. Below are details of the Group's regulatory approach for each risk category managed.

Credit Risk

The Group uses the International Standardised Approach (SA-BIS) to determine which risk weights to apply to credit risk. Additionally, the Group adopted the Comprehensive method to deal with the collateral portion of a credit transaction. In the SA-BIS approach, the Group can use ratings assigned by rating agencies to the risk weighted positions.

Non-Counterparty Risk

For non-counterparty related assets, the Group applies the SA-BIS approach.

Operational Risk

The Group applies the Standardised approach to calculate operational risk. The capital requirement under this method is based on the three-year average amount of the Operating Income split by Business Lines.

Market Risk

The Standardised approach is used for market risk. This approach requires capital for the following positions:

- (i) Interest rate instruments held in the trading book,
- (ii) Equity securities held in the trading book,
- (iii) Foreign exchange positions, and
- (iv) Gold and commodity positions.

General market risk associated with interest rate risk instruments are calculated using the Maturity Method. The Delta-plus method is used for options.

5. Credit Risk⁵

Credit risk is defined as the risk of loss resulting from the failure of EFG International's borrowers and other counterparties to fulfil their contractual obligations and that collateral provided does not cover EFG International's claims.

EFG International incurs credit risk from traditional on-balance sheet products (such as loan or issued debt), where the credit exposure is the full value, but also on off-balance sheet products (such as derivatives), where the credit equivalent exposure covers both actual exposure (as a function of prevailing market prices) and potential exposures (i.e. an add-on for volatility of market price) or other guarantees issued (contingent liabilities).

The credit risk arises not only from EFG International's clients lending operations, but also from its treasury and global market activities.

Credit risks related to clients

The client credit risk management strategy approved by the Board of Directors is defined as follows:

- EFG International targets specific lending activities and incurs credit risk only in areas where we have the required skillset and can make a complete assessment of the risk
- EFG International requires an adequate risk return for the credit offerings, and considers the overall relationship with a client or client group, establishing minimum pricing standards at individual credit facilities
- EFG International concentrates on the core credit offerings of lombard lending and real estate financing
- For lombard lending the focus is on diversified and liquid collateral portfolios, but EFG International accepts higher concentrated collateral pools and single asset loans in selective cases, if the risk return is justified
- For real estate financing the focus is on residential mortgages, but EFG International is willing to engage in commercial real estate financing and real estate development in selective cases and select locations, if the risk return is justified
- EFG International is willing to provide lombard lending and real estate financing suited for private banking clients with an established private banking relationship and lodged funds commensurate with the credit that is extended

The Executive Credit Committee has the oversight on the credit portfolio, supported by the Credit function, reporting to the Chief Risk Officer, which ensures that EFG International has an appropriate client credit management framework and programme in place.

Credit exposures against approved limits and pledged collateral are regularly monitored. Financial collateral is valued where possible on a daily basis, but may be valued more frequently, if particular portfolios and severe market conditions demand.

Counterparty and country risk

Country risk is defined as the transfer and conversion risk that arises from cross-border transactions. Country risk also encompasses direct and indirect sovereign risk, the default risk of sovereigns or state entities acting as borrowers, guarantors or issuers.

The counterparty and country risk management strategy approved by the Board of Directors is defined as follows:

- EFG International actively monitors and manages the credit portfolio and consciously takes concentrations in certain sectors, countries and clients/counterparties
- EFG International engages and maintains relationships with counterparties that either have an explicit Investment Grade rating or are non-rated but fulfil comparable criteria
- EFG International accepts a speculative rating of countries and counterparties within the trading portfolio activities
- EFG International targets collateralised transactions when interacting with counterparties
- EFG International is willing to take exposures across countries, but focused on its target regions

Management of exposure to financial institutions is based on a system of counterparty limits coordinated at the EFG International level, and also subject to pre-approved country limits. The limits are set and monitored by the Country & Counterparty Credit (Sub) Committee.

The principal aim of the Counterparty and Country Risk function, reporting to the Chief Risk Officer, is to ensure that EFG International has an appropriate counterparty and country risk management framework in place for identifying, assessing, mitigating, monitoring and reporting risks under its responsibility.

EFG International determines the country risk that it wishes to accept via a country classification in primary countries, secondary countries and risk countries. The primary and secondary country categories include countries with which

⁵ FINMA Circular 2016/1 Table CRA

business relationships exist and for which the risk is intended to be accepted, albeit to a differing extent. The risk countries category includes selected countries with a speculative grade, for which risk is nonetheless maintained between tight global limits.

Credit risk management

Loans and advances

A basic feature of the credit approval process is a separation between the Group's business origination and credit risk management activities.

Credit facilities are granted according to delegated credit approval authorities, depending on predefined risk, and on collateral and size parameters. The approval competencies for large exposures and exposures with increased risk profiles are centralised in Switzerland, in compliance with local regulatory and legal requirements of the individual international business units.

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

Loans guaranteed by real estate are treated in conformity with local regulatory requirements and with the internal directives (regulations, procedures) pertaining to valuation and affordability calculation. All real estate property used as collateral must be evaluated by internal appraisers or by selected external surveyors. External valuations are accepted, as long as the competence and the independence of the external professional have been verified.

Mortgages are mainly booked at EFG Bank AG and EFG Private Bank Ltd, London. They are granted predominantly on properties in Switzerland and in prime London locations.

EFG International's internal grading system assigns each client credit exposure to one of ten grading categories. The grading 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 EFG International's loan book is of high quality. Consequently, an overwhelming majority of EFG International's credit exposures are graded within the top three categories.

Debt securities and other bills

For debt securities and other bills, external ratings or their equivalents are used by EFG International for managing the credit risk exposures.

Use of external rating⁶

For capital requirement purposes, the Group uses two rating agencies (Standard & Poor's and Moody's credit ratings) to assess counterparty credit risk for direct exposures (financial investments and cash) and collateral deposited from all counterparties. The rating application follows the methodology describes within FINMA Circular 2017/7 "Credit risk – Banks" to use the more conservative rating value to determine the risk weighted of assets under the SA-BIS approach.

Credit risk mitigation⁷

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

Loans guaranteed by real estate are treated in conformity with local regulatory requirements and with the internal directives (regulations, procedures) pertaining to valuation and affordability calculation. All real estate property used as collateral must be evaluated by internal appraisers or by selected external surveyors. External valuations are accepted, as long as the competence and the independence of the external professional have been verified.

Credit departments monitor credit exposures against approved limits and pledged collateral.

Other specific control and mitigation measures are outlined below.

Collateral

EFG International employs a range of policies and procedures to mitigate credit risk. EFG International implements guidelines and procedures on the acceptability of specific asset classes as collateral for credit risk mitigation. The main asset classes accepted as collateral for loans and advances are:

- Cash and cash equivalent
- Financial instruments such as debt securities, equities and funds

⁶ FINMA Circular 2016/1 Table CRD

⁷ FINMA Circular 2016/1 Table CRC

- Bank guarantees
- Mortgages over residential and to a limited extent commercial properties
- Assignment of guaranteed cash surrender value of life insurance policies

Derivatives

EFG International maintains a strict monitoring of credit risk exposure induced by over-the-counter derivative transactions and exchanged-traded derivatives against limits granted. Credit risk exposure is computed as the sum of the mark-to-market of the transactions and the potential future exposure calculated through dedicated add-on factors applied to the notional amount of the transactions. EFG International has signed risk-mitigating agreements with its most important financial institutions counterparties.

Credit-related commitments

Credit-related commitments include the following:

- Guarantees 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.

EFG International is potentially exposed to loss in an amount equal to the total unused commitments. However, commitments to extend credit are contingent upon customers maintaining specific credit standards. For all of the above, the same standards apply regarding approval competences, collateral requirements and monitoring procedures as outlined in note 7.

5.1 Credit quality of assets⁸

The table below summarises the composition and credit quality of the assets subject to the credit risk framework. The definition applied for default is disclosed within 2021 Annual Report, Section 6 Credit Risk.

CHF millions	a		b	c	d
	Gross carrying values of (1)		Value adjustments/ impairments (2)	Net values	
	Defaulted exposures (3)	Non-defaulted exposures			
31 December 2021					
1	Loans (excluding debt securities)	277.2	31,872.1	(18.0)	32,131.3
2	Debt securities		7,415.9		7,415.9
3	Off-balance sheet exposures		481.4		481.4
4	Total	277.2	39,769.4	(18.0)	40,028.6

- 1 Gross carrying values: on- and off-balance sheet items that give rise to a credit risk exposure according to the Basel framework. On-balance sheet items include loans and debt securities. Off-balance sheet items are measured according to the following criteria: (a) guarantees given – the maximum amount that the bank would have to pay if the guarantee were called. The amount is the gross of any credit conversion factor (CCF) or credit risk mitigation (CRM) techniques. (b) Irrevocable loan commitments – total amount that the bank has committed to lend. The amounts are gross of any CCF or CRM techniques. Revocable loan commitments must not be included. The gross value is the accounting value before any allowance/impairments but after considering write-offs. They do not take into account any credit risk mitigation technique.
- 2 Sum of value adjustments, without taking into account, that these adjustments cover impaired credits or even deferred risks, and directly booked amortisations.
- 3 Under SA-BIS this includes receivables past due and impaired loans.

⁸ FINMA Circular 2016/1 Table CR1

The Group's assets subject to the credit risk framework are geographically located as per the following table⁹:

31 December 2021 CHF millions	Switzerland	Europe	North America and Caribbean	Asia	Other	Total
Assets						
Liquid assets	4,790.9	4,891.9	0.3	182.0	3.8	9,868.9
Amounts due from banks	1,164.6	709.9	521.2	665.9	181.9	3,243.5
Amounts due from securities financing transactions						-
Amounts due from customers	799.8	4,099.9	2,945.3	2,834.8	1,185.3	11,865.1
Mortgage loans	1,239.6	3,186.6	915.5	333.0	84.0	5,758.7
Trading portfolio assets						-
Positive replacement values of derivative financial instruments						-
Other financial instruments at fair value			146.7			146.7
Financial investments	224.7	3,131.1	3,116.4	1,638.8	137.3	8,248.3
Accrued income and prepaid expenses	26.9	91.2	39.8	16.9	16.3	191.1
Participations						-
Tangible fixed assets						-
Intangible assets						-
Other assets	65.3	35.5	115.1	2.5	6.5	224.9
Total assets	8,311.8	16,146.1	7,800.3	5,673.9	1,615.1	39,547.2
Off Balance sheet						
Contingent liabilities	28.1	88.3	67.1	20.2	52.0	255.7
Irrevocable commitments	20.8	188.0	10.6	5.5	0.8	225.7
Contingent liability for calls and Margin liabilities						-
Commitment credits						-
Add-ons						-
Derivatives						-
Total	48.9	276.3	77.7	25.7	52.8	481.4
Total of reporting period	8,360.7	16,422.4	7,878.0	5,699.6	1,667.9	40,028.6
Receivables past due	27.2	51.5	31.3	26.8	2.1	138.9
<i>thereof past due not impaired receivables</i>		50.1	25.9	26.8	2.1	104.9
<i>thereof for more than 90 days overdue</i>						
<i>not impaired receivables</i>	27.2	1.4	5.4			34.0
Impaired loans	56.8	30.7	24.3	19.5	6.9	138.3
Value adjustments of impaired positions	(4.2)	(6.0)	(2.2)	(1.7)	(0.1)	(14.3)
Positions written off in the current year		1.9		6.9	1.6	10.4

⁹ FINMA Circular 2016/1 Table CRB

The Group's assets subject to the credit risk framework are primarily short dated as illustrated by the following table¹⁰:

31 December 2021 CHF millions	At sight	Cancellable	Due within 12 months	Due within 12 months to 5 years	Due after 5 years	Total
Assets						
Liquid assets	9,868.9					9,868.9
Amounts due from banks	1,055.1	260.5	1,565.0	362.9		3,243.5
Amounts due from securities financing transactions						-
Amounts due from customers		2,722.5	7,109.1	1,832.8	200.7	11,865.1
Mortgage loans			2,624.6	2,871.0	263.1	5,758.7
Trading portfolio assets						-
Positive replacement values of derivative financial instruments						-
Other financial instruments at fair value					146.7	146.7
Financial investments	60.7		2,599.5	4,302.3	1,285.8	8,248.3
Accrued income and prepaid expenses	24.4	0.2	166.3	0.2		191.1
Participations						-
Tangible fixed assets						-
Intangible assets						-
Other assets	6.3	2.7	215.9			224.9
Total assets	11,015.4	2,985.9	14,280.4	9,369.2	1,896.3	39,547.2
Off Balance sheet						
Contingent liabilities	4.8		147.9	16.9	86.1	255.7
Irrevocable commitments	32.8		41.1	147.9	3.9	225.7
Contingent liability for calls and Margin liabilities						-
Commitment credits						-
Add-ons						-
Derivatives						-
Total	37.6	-	189.0	164.8	90.0	481.4
Total of reporting period	11,053.0	2,985.9	14,469.4	9,534.0	1,986.3	40,028.6
Receivables past due			105.3	6.5	27.1	138.9
<i>thereof past due not impaired receivables</i>			104.9			104.9
<i>thereof for more than 90 days overdue</i>						
<i>not impaired receivables</i>			0.4	6.5	27.1	34.0
Impaired loans	120.1		18.2			138.3
Value adjustments of impaired positions	(9.4)		(4.5)	(0.1)	(0.3)	(14.3)
Positions written off in the current year	10.4					10.4

¹⁰ FINMA Circular 2016/1 Table CRB

The Group's assets subject to the credit risk framework by industry are as detailed by the table that follows¹¹:

31 December 2021 CHF millions	Central governments and central banks	Banks and securities firms	Corporates	Retail	Other	Total
Assets						
Liquid assets	9,815.9				53.0	9,868.9
Amounts due from banks		3,205.5	0.2	0.2	37.6	3,243.5
Amounts due from securities financing transactions						-
Amounts due from customers			838.4	10,967.3	59.4	11,865.1
Mortgage loans			1,413.0	4,341.3	4.4	5,758.7
Trading portfolio assets						-
Positive replacement values of derivative financial instruments						-
Other financial instruments at fair value			146.7			146.7
Financial investments	4,906.9	1,340.5	1,137.2		863.7	8,248.3
Accrued income and prepaid expenses	12.7	22.5	7.4	46.7	101.8	191.1
Participations						-
Tangible fixed assets						-
Intangible assets						-
Other assets	11.6	0.2	0.3	0.2	212.6	224.9
Total assets	14,747.1	4,568.7	3,543.2	15,355.7	1,332.5	39,547.2
Off Balance sheet						
Contingent liabilities		0.3	9.7	245.6	0.1	255.7
Irrevocable commitments			59.7	146.4	19.6	225.7
Contingent liability for calls and Margin liabilities						-
Commitment credits						-
Add-ons						-
Derivatives						-
Total	-	0.3	69.4	392.0	19.7	481.4
Total of reporting period	14,747.1	4,569.0	3,612.6	15,747.7	1,352.2	40,028.6
Receivables past due			15.0	123.9		138.9
<i>thereof past due not impaired receivables</i>			15.0	89.9		104.9
<i>thereof for more than 90 days overdue</i>						-
<i>not impaired receivables</i>				34.0		34.0
Impaired loans			29.1	109.2		138.3
Value adjustments of impaired positions		(1.0)	(2.2)	(11.1)		(14.3)
Positions written off in the current year			6.9	1.9	1.6	10.4

¹¹ FINMA Circular 2016/1 Table CRB

5.2 Changes in stock of defaulted loans and debt securities¹²

CHF millions	a 31 December 2021
1 Defaulted loans and debt securities at end of the previous reporting period	395.6
2 Loans and debt securities that have defaulted since the last reporting period	201.3
3 Returned to non-defaulted status	(16.9)
4 Amounts written off	(10.4)
5 Other changes	(292.4)
6 Defaulted loans and debt securities at end of the reporting period	277.2

Defaulted loans amounted to CHF 277.2 million at 31 December 2021 (2020: CHF 395.6 million) and accounted for less than 1% of total exposure. A provision of CHF (14.3) million was recognised for these loans.

A provision of CHF 73.2 million relates to a claim by the receiver of an insurance company in Taiwan for USD 195.7 million. EFG Bank AG disbursed a loan of USD 193.8 million in 2007 and on which an expected credit loss of CHF 75.3 million was recognised in the prior year financial statements. Following a November 2021 judgement issued by the High Court of Singapore holding that the Group had a valid and enforceable pledge under Singapore law over assets held as collateral in November 2021, the Group used the collateral to repay the loan. This resulted in a reversal of the expected credit loss of CHF 75.6 million as a gain in the P&L. However, the Group has recorded a provision against legal matters of CHF 73.2 million.

¹² FINMA Circular 2016/1 Table CR2

5.3 Overview of mitigation techniques¹³

The table below summarises the assets on which the credit risk is mitigated for the purposes of RWA calculations:

	a	b1	b	d	f
	Exposures unsecured: carrying amount (2)	Exposures secured by collateral (3)	Exposures secured by collateral, of which: secured amount (4)	Exposures secured by financial guarantees (5)	Exposures secured by credit derivatives (7)
CHF millions					
31 December 2021					
1	Loans (excluding debt securities)	17,159.1	14,972.2	13,949.3	1,022.9
2	Debt securities	7,415.9			
3	Total	24,575.0	14,972.2	13,949.3	1,022.9
4	<i>Of which defaulted</i>	21.2	256.0	253.6	2.4

Loans unsecured amounting for CHF 17,159.1 million include bank and central bank counterparty exposures which account for 57.5%.

¹³ FINMA Circular 2016/1 Table CR3

5.4 Exposure and credit risk mitigation effects under the standardised approach¹⁴

The below table summarises the RWA composition for the assets on and off-balance sheet and the related average percentage these RWA comprise of the gross exposure:

Asset classes

CHF millions	a		b		c		d		e	f
	Exposures before CCF and CRM		Exposures post-CCF and CRM							
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount			RWA	RWA density		
31 December 2021										
1	Central governments and central banks	14,747.1		14,747.1				69.6	0.5%	
2	Banks and securities firms	4,568.7	0.3	3,042.5	0.1			806.3	26.5%	
3	Other public sector entities and multilateral development banks	960.9		1,380.3				125.5	9.1%	
4	Corporates	3,543.2	69.4	2,794.4	22.8			1,145.7	40.7%	
5	Retail	15,358.1	392.1	6,978.3	92.8			4,121.7	58.3%	
6	Equity	2.0		2.0				2.8	0.0%	
7	Other exposures	648.7	19.6	575.2	9.8			438.0	74.9%	
8	Total	39,828.7	481.4	29,519.8	125.5			6,709.6	22.6%	

There were no significant changes in the period.

¹⁴ FINMA Circular 2016/1 Table CR4

5.5 Exposures by exposure category and risk weights under the standardised approach¹⁵

The table below summarises the net exposure after Credit Conversion Factors (CCF) and after Credit Risk Mitigation (CRM) by the risk weightings applied to these exposures.

	a	b	c	d	e	f	g	h	other	j
CHF millions	0%	10%	20%	35%	50%	75%	100%	150%		Total credit exposures amount (post CCF and post-CRM)
31 December 2021										
1 Central governments and central banks	14,477.1		218.1		51.9					14,747.1
2 Banks and securities firms			2,539.9		408.7		94.0			3,042.6
3 Other public sector entities and multilateral development banks	807.1		535.0	3.6	34.6					1,380.3
4 Corporates			970.0	1,201.1	215.5	31.0	398.2	1.4		2,817.2
5 Retail	2.4		389.6	3,736.6	108.7	616.3	2,213.7	3.8		7,071.1
6 Equity							0.4	1.6		2.0
7 Other exposures	138.9		9.8		0.4		435.9			585.0
8 Total	15,425.5	–	4,662.4	4,941.3	819.8	647.3	3,142.2	6.8	–	29,645.3
9 <i>of which, covered by mortgages</i>				4,941.3		83.0	442.6	0.3		5,467.2
10 <i>of which, past-due loans</i>				196.0	2.4	3.7	62.4	2.3		266.8
Exposure post-CCF and CRM										
– On balance sheet	15,425.5		4,652.6	4,886.5	819.7	638.3	3,090.4	6.8		29,519.8
– Off balance sheet			9.8	54.8	0.1	9.0	51.8			125.5
Total	15,425.5		4,662.4	4,941.3	819.8	647.3	3,142.2	6.8		29,645.3

¹⁵ FINMA Circular 2016/1 Table CR5

5.6 Counterparty credit risk²⁶

Counterparty credit risk

The Group's counterparty credit risk (CCR) exposure includes securities financing transactions and derivative transactions. The risk weighted assets for counterparty credit risk is CHF 276.2 million (2020: CHF 548.9 million).

Securities financing transactions (SFTs)

The majority of the Group's SFTs are repo and reverse repo agreements. The Group uses repo and reverse repo agreements to manage liquidity and to generate revenues.

The Group's repo and reverse repo agreements are based on standard contracts such as the GMRA or GMSLA. Collateral eligibility is determined by SIX when it is the triparty agent (SNB basket) or agreed upon by the counterparties when Euroclear is the triparty agent.

Collateral must meet the eligibility criteria set forth in the Group risk framework.

SFT counterparties are mainly banks. They are monitored daily on an individual basis. The Group monitors the quality of securities received daily as collateral using a portfolio approach, with particular attention paid to risk concentration. When calculating capital requirements, the Group's exposure is determined using the comprehensive approach (Art. 62.1(b) of the CAO). Capital requirements are determined using the SA-BIS approach.

Non-centrally cleared OTC derivatives

Limits for OTC derivatives (including forward contracts) that are not centrally cleared (cleared bilaterally) are mainly granted to bank counterparties in order to carry out trading operations and interest-rate risk hedging transactions.

In principle, the Group manages OTC derivative transactions only on the basis of ISDA netting agreements or an equivalent agreement. For its main bank counterparties in terms of pre-settlement exposure, the Group takes the necessary measures to ensure that OTC derivative transactions can be carried out in accordance with a credit support annex (CSA) for collateral management. Alternatively, blocked cash deposits can be set up as a risk mitigation for OTC derivative exposure.

Counterparty Credit risk exposure is measured according to the principle of "positive mark-to-market value plus add-on."

The add-on is determined by type of underlying and by maturity, on the basis of internal models. Where the Group has entered into an ISDA netting agreement with the counterparty, contracts with negative mark-to-market values can be taken into account to reduce credit-risk exposure. Where the Group has entered into a CSA collateral management agreement with the counterparty, credit-risk exposure is determined according to the same principle, taking into account the amount of the cash collateral and based on a reduced add-on, in order to take into consideration the frequency of revaluation and the option to make margin calls.

Capital requirements are determined according to the standardised approach (SA-BIS), which includes the credit valuation adjustment (CVA).

Centrally cleared derivatives

Centrally cleared derivatives include exchange-traded derivatives (ETDs) and OTC derivatives cleared by a central counterparty.

Exchange-traded derivatives whose settlement is guaranteed by a central counterparty relate to transactions on behalf of clients and related to balance sheet exposures. The contracts traded are mainly options and futures on equities and major indexes. OTC derivatives cleared by a central counterparty are mainly interest-rate swaps used to manage the Group's interest-rate risk.

The Group's exposure to central counterparties results from derivative positions, initial margins, variation margins, and default fund contributions. For derivatives, the exposure is determined based on the positive mark-to-market value plus an add-on. This type of exposure is subject to a credit limit if it gives rise to credit risk for the Group.

²⁶ FINMA Circular 2016/1 Table CCRA

Counterparty credit risk: exposures by regulatory portfolio and risk weights under the standardised approach¹⁷

The table below summarises the exposure subject to the counterparty credit risk calculation and reflects the exposure after CRM and CCF. These exposures multiplied by the weighting determine the RWA requirement.

		31 December 2021								
CHF millions		a	c	d	e	f	g	h	i	j
		0%	20%	35%	50%	75%	100%	150%	Other	Total
1	Central governments and central banks	11.5			0.0					11.5
2	Banks and securities firms		227.0		343.2		0.7			570.9
3	Other public sector entities and multilateral development banks	2.1	28.1							30.2
4	Corporates				2.8		7.2			10.0
5	Retail		4.5		0.2		42.9	0.2		47.8
6	Equity									
7	Other exposures						0.1			0.1
9	Total	13.6	259.6		346.2		50.9	0.2		670.5
	Weighted value		51.9		173.1		50.9	0.3		276.2
	Total risk weighted assets		51.9		173.1		50.9	0.3		276.2

¹⁷ FINMA Circular 2016/1 Table CCR3

5.7 Counterparty credit risk: Analysis of counterparty credit risk exposure by approach¹⁸

The table that follows summarises the Group's RWA requirement for counterparty credit risk by risk approach:

31 December 2020						
	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM (1)	RWA
1	SA-CCR values (for derivatives)			1.4	392.3	164.8
2	Internal Model Method (for derivatives and SFTs)					
3	Simple Approach for credit risk mitigation (for SFTs)					
4	Comprehensive Approach for credit risk mitigation (for SFTs)				278.2	111.4
5	VaR for SFTs					
6	Current Exposure Method (CEM) values (for derivatives) (1)					
7	Total	-	-	-	1.4	670.5

¹⁸ FINMA Circular 2016/1 Table CCR1

5.8 Credit valuation adjustment

The table that follows summarises the Group's RWA requirement for CVA²⁹:

CHF millions		a	b
		31 December 2021	
		EAD post CRM	RWA
Total portfolios subject to the Advanced CVA capital charge			
1	VaR component (including the 3×multiplier)		
2	Stressed VaR component (including the 3×multiplier)		
3	All portfolios subject to the Standardised CVA capital charge	392.2	68.4
4	Total subject to the CVA capital charge	392.2	68.4

²⁹ FINMA Circular 2016/1 Table CCR2

5.9 Non counterparty-related risk

The term “non-counterparty-related risks” denotes the risk of a loss as a result of changes in the value of or liquidation of non-counterparty related assets such as real estate and other tangible assets.

In order to cover non-counterparty-related risks with capital, the following positions must be risk-weighted at 100%:

- real estate

- other tangible assets and assets recorded in the balance sheet under "other assets", that are subject to depreciation, unless they are deducted from Common Equity Tier 1 capital.

The Group has RWA of CHF 281.6 million for the above (2020: 298.5 million), and comprises the following:

- real estate requirement primarily for the land and buildings the Group operates from in Switzerland of CHF 131.3 million
- other tangible assets requirement of CHF 150.3 million for the Groups other fixed assets.

5.10 Counterparty credit risk: exposures to central counterparties

This table provides a comprehensive picture of the bank's exposures to central counterparties. The table includes all types of exposures (due to operations, margins, contributions to default funds) and related RWA.²⁰

	CHF millions	a EAD (post-CRM)	b RWA
1	Exposures to QCCPs (total)		
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	3.4	
3	<i>of which, OTC derivatives</i>	3.4	–
4	<i>of which, exchange-traded derivatives</i>		
5	<i>of which, SFTs</i>		
6	<i>of which, netting sets where cross-product netting has been approved</i>		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Pre-funded default fund contributions		
10	Unfunded default fund contributions		
11	Exposures to non-QCCPs (total)		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)		
13	<i>of which, OTC derivatives</i>		
14	<i>of which, exchange-traded derivatives</i>		
15	<i>of which, SFTs</i>		
16	<i>of which, netting sets where cross-product netting has been approved</i>		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Pre-funded default fund contributions		
20	Unfunded default fund contributions		

²⁰ FINMA Circular 2016/1 Table CCR8

6. Market Risk²¹

EFG International is exposed to market risk, which mainly arises from foreign exchange, interest rate and credit spread volatility.

EFG International 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. Specific risk management strategies are defined for both the banking and trading book.

Approach used

The Group uses the standardised approach to measure the capital adequacy on its market risk capital adequacy calculation.

Financial instruments in the trading book are marked to market and calculated on this basis for market risk purposes.

Banking book

The market risk strategy at balance sheet level approved by the Board of Directors is defined as follows:

- EFG International manages interest rate risk in line with predefined interest rate limits and risk appetite to generate profits for the benefit of EFG International
- EFG International manages foreign exchange risk in order to control its impact on annual results
- EFG International maintains liquidity buffers with high quality liquid securities, in accordance with external rules while seeking to turn liquidity into profit
- EFG International generates income primarily through taking liquidity, interest rate and credit spread risk, and only incur non-material FX risk in the banking book
- EFG International does not take on any equity, commodity, longevity and mortality risk (with the exception of the legacy life insurance portfolio)
- EFG International limits the extent of concentrations in its investment portfolios

Market risks related to the balance sheet structure are managed by the Asset & Liability Management Committee and monitored by the Financial Risk Committee, in accordance with the principles and the risk appetite defined in the market risk policy, which defines the organisational

structure, responsibilities, limit systems and maximum acceptable risk set by the Board of Directors.

Our centralised ALM and Liquidity Risk function ensures that EFG International has an appropriate market risk management framework in place for identifying, assessing, mitigating, monitoring and reporting risks under its responsibility. The ALM and Liquidity Risk function reports to the Chief Risk Officer.

Interest rate risk in the banking book refers to the current and prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's balance sheet positions. EFG International manages the interest rate risk exposure in accordance with risk appetite based on the impact of various interest rate scenarios on both the economic value of equity and the interest income sensitivity. The interest rate risk assessment includes risks deriving from assets, liabilities and off-balance sheet transactions, considering behavioural assumptions. Interest rate risk qualitative and quantitative information are reported in the Pillar III report for transparency purposes.

Foreign exchange risk arises from exposure to changes in the exchange rate of foreign currencies versus the reference currency. EFG International uses value at risk (VaR), sensitivity analysis and stress tests, as methodologies to monitor and manage foreign exchange risk both on balance sheet (FX translation risk) and on expected revenues and costs (FX transaction risk).

EFG International holds investment portfolios, which allow to diversify balance sheet assets and to optimise any excess liquidity. Investment activities are organised within Treasury department and are under the supervision of the Asset & Liability Management Committee and of the Financial Risk Committee. The centralised Market Risk function monitors on a daily basis the risk exposures of the investment portfolio and reports to the Chief Risk Officer.

EFG International investment portfolios carry material credit spread exposure on governments, government-related entities, multilateral development banks, banking institutions and, to a lesser extent, to corporate names.

To mitigate the credit spread and interest rate exposure, minimum country and issuer rating standards and concentration limits have been determined. In addition, VaR, interest rate, credit spread sensitivities and stress metrics, as well as P&L limit are computed and monitored at stand-alone portfolio level and on a combined basis.

²¹ FINMA Circular 2016/1 Table MRA

EFG International is also exposed to market risk in relation to its holding of life insurance policies, related to interest rate risk (refer to Insurance risk section), which has been hedged through derivative financial instruments.

Trading book

The trading book market risk strategy approved by the Board of Directors is defined as follows:

- EFG International trading activities are designed to ensure that we can effectively serve our client's needs
- In addition to execution-only services on behalf of clients, EFG International takes market risks in the form of forex principal trading where beneficial for its clients, principal trading on its own accounts to deliver a return to the Group as well as its structured products business
- EFG International has appetite for a small amount of higher risk activities in the fixed income trading portfolio positions being held in order to facilitate client flows, while trying to benefit from the positive carry

The market risk carried by proprietary trading primarily relates to position risk which derives from the fact that any interest rate, credit, foreign exchange rate fluctuation or equity prices or implied volatilities, can cause a change in EFG International's profits.

EFG International carries out trading operations both for its clients and on its own account with a daily basis monitoring. The trading activities are based in Lugano and organised in different trading desks: forex delta, forex forwards, forex options, precious metals and banknotes; fixed income and structured finance managed by expert traders.

The centralised Market Risk function monitors on a daily basis the risk exposures of the Trading portfolio and reports to the Chief Risk Officer.

All trading positions are valued at market value using market prices, data and parameters published by recognised stock exchanges or financial data providers. On an intra-day or daily basis, the risk measurement systems support the computation and analysis of: (i) the mark-to-market of the positions exposed to risk; (ii) the daily and cumulative monthly and year-to-date P&L; (iii) the various risk metrics (incl. sensitivities – greeks, stress test, VaR, concentration risk) and (iv) the regulatory and economic capital requirements. Daily risk reports are produced which review compliance with nominal and sensitivity limits and stop loss limits.

Market risk measurement methodology

Value at risk

The Value at risk (VaR) is an indicator used to estimate the maximum potential loss of a position, given predefined confidence interval and time horizon, under normal market conditions following adverse movements of markets parameters (f.i. interest rates, credit spreads and foreign currencies).

The VaR methodology applied in EFGI is based on a full revaluation historical approach based on 251 daily observations and considering a confidence interval of 99% and a time horizon of 10 days (VaR 10d / 99%).

VaR is used for internal control purpose and not for regulatory reporting of risks.

Sensitivity analysis

The risk assessment through sensitivity analysis considers all major market risks deriving from assets, liabilities and off-balance sheet transactions. The simulations analyse the impacts on risk exposures of adverse movements in market parameters. For interest rate risk, the following risk exposures are assessed:

- Impact on net interest income (NII): the NII assessment determines the impact of a change in the interest rate structure on the forecast interest income (and thus on current earnings). This view is based on nominal values and considers the impact on the basis of a 12-month time horizon. This short-term approach enables EFG International to quantify the impact of changes in interest rates on the interest margin
- Impact on economic value of equity (EVE): the EVE assessment measures the impact of changes in interest rates on current values of future cash flows and thus on the current economic value of EFG International's equity

When interest rates are used for discounting change, this causes a change in the current value of future cash flows. In contrast to the first approach, which focuses solely on a one-year time frame, the impact on the market value expresses the long-term impact deriving from all future cash flows, if there is a shift in market interest rates

For foreign exchange rate risk, the sensitivity measurement covers in particular:

- The mismatch between on- and off-balance sheet positions denominated in foreign currencies
- The forecasted earnings that will be made in foreign currencies

Stress tests

VaR calculation and sensitivity analysis are complemented by stress tests, which identify the potential impact of extreme market scenarios on the EFG International's equity and income statements. These stress tests simulate both exceptional movements in prices or rates, and drastic deteriorations in market correlations.

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

The stress tests include:

- Risk factor stress testing, where stress movements are applied to each risk category
- Ad hoc stress testing, which includes applying possible stress events to specific positions or regions
- Reverse stress test to examine vulnerabilities of the implemented models and risks embedded in EFGI's exposure

Market risk mitigation

EFG International is exposed to financial risks arising from many aspects of its business. EFG International 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, foreign currency rates or effects of other risks (e.g. mortality risk on insurance policies portfolio). EFG International implements 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.

6.1 Capital requirements under the standardised approach²²

The below table summarises the RWA for market risk.

	a
	RWA
CHF millions	31 December 2021
Outright products	
1 Interest rate risk (general and specific)	402.5
2 Equity risk (general and specific)	4.9
3 Foreign exchange risk	24.7
4 Commodity risk	296.3
Options	
5 Simplified approach	
6 Delta-plus method	40.8
7 Scenario approach	
8 Securitisation	
9 Total	769.2

²² FINMA Circular 2016/1 Table MR1

7. Interest rate risk in the banking book

7.1 Objectives and guidelines for the management of interest rate risk in the banking book²³

a. Risk management and risk assessment purposes

Interest rate risk in the banking book (IRRBB)²⁴ is an important risk that arises from banking activities, because the Group's business typically involves intermediation activity that produces exposures to maturity mismatch (e.g. long-maturity assets funded by short-maturity liabilities), rate mismatch (e.g. fixed rate loans funded by variable rate deposits) and basis risk (e.g. different basis reference rates and frequencies). In addition, optionality embedded in many of the common banking products (e.g. non-maturing deposits, term deposits, fixed rate loans) are triggered in accordance with changes in interest rates.

The Group uses different risk metrics to assess interest rate risk in the banking book, considering the complementary nature of present value and earnings-based measures. These measures are assessed with both deterministic (sensitivity analysis and stress tests) and probabilistic (value-at-risk, earning-at-risk) methodologies.

Through economic value of equity measures (EVE), the Group computes a change in the net present value of assets, liabilities and off-balance sheet items, subject to specific interest rate shocks and stress scenarios. Through earnings-based measures on net interest income (NII), the Group focusses on changes to future profitability within a given time horizon, that could eventually affect future levels of own equity capital.

Economic value measures reflect changes in value over the remaining life of assets, liabilities and off-balance sheet items (i.e. until all positions have run off); earnings-based measures cover the short to medium term period, typically a one-year period.

The economic value measures consider the net present value of repricing cash flows of instruments on the balance sheet or accounted for as an off-balance sheet item (i.e. a run-off view). Earnings measures assume, in addition to a run-off view, the rollover of maturing items (i.e. a constant balance sheet view) or assess the scenario-consistent impact on the future earnings inclusive of future business (i.e. a dynamic view).

²³ FINMA Circular 2016/2 IRRBBA

²⁴ FINMA Circular 2019/2 Interest Rate Risk – Banks

b. Risk management and risk assessment strategies

Interest rate risks related to the balance sheet structure are managed by the Asset & Liability Management Committee and monitored by the Financial Risk Committee, in accordance with the principles and maximum limits stipulated by the market risk policy. The risk policy defines the organisational structure, responsibilities, limit systems and maximum acceptable risk set by the Board of Directors.

The Group manages interest rate risk in line with pre-defined interest rate limits and risk appetite to generate profits. The interest rate risk appetite is approved by the Board of Directors and refers both to economic value of equity and net interest income views.

Interest rate risk in banking book is assessed centrally by the Group Risk division, with strategic management done by the Asset & Liability Management Committee and risk monitoring done by the Financial Risk Committee.

The Group performs the interest rate risk measurement with a system, which has embedded data quality checks and best-practice evaluation methodologies. Models for interest rate risks are appropriately documented, controlled and reviewed regularly or when deemed necessary due to changing conditions. Both system and models are subject to independent validation.

c. Risk assessment frequency and key indicators

IRRBB is assessed at least daily with simple risk indicators, such as repricing gap and one-year equivalent exposure. On a monthly basis the Group assesses the more complex interest rate risk indicators, analysing both EVE and NII impact of shock and stress scenarios, based on static and dynamic simulations.

d. Interest rate shocks and stress scenarios

The Group measures its vulnerability to loss under stressful market conditions. IRRBB assessment accommodates the calculation of the impact on economic value and earnings of multiple scenarios, in line with FINMA and BIS regulations:

- i. Internally selected interest rate shock scenarios addressing the Group's risk profile
- ii. Historical and hypothetical interest rate stress scenarios, which tend to be more severe than shock scenarios
- iii. Six regulatory prescribed interest rate shock scenarios

The Group develops and implements an effective stress testing framework for IRRBB as part of its broader risk management and governance processes. This feeds into the decision-making process at the appropriate management

level, including strategic decisions (e.g. business and capital planning decisions). In particular, IRRBB stress testing is considered in the internal capital assessment, with rigorous, forward-looking stress testing that identifies events of severe changes in market conditions which could adversely impact the bank's capital or earnings. The Bank performs reverse stress tests, highlighting severe and extreme possible causes for the breach of regulatory and internal risk thresholds.

e. Model assumptions deviations

The Bank analyses in its internal risk indicators the impact on the cash placed at central banks, due to market interest rate changes. Following FINMA prescriptions, such impact is not included in EVE and NII exposures shown in table IRRBB1²⁵ (refer to paragraph 7.3).

The NII values in table IRRBB1 are computed assuming a constant balance sheet. The Bank's internal risk indicators consider, besides this static view, also dynamic simulations that allow the Bank to take into consideration how customers' behaviour affect interest rate risk exposures.

The Group's internal risk indicators consider different risk aggregation rules across currencies and correlation assumptions of interest rates (refer to g.10. Other assumptions).

f. Hedging strategies and accounting treatment

IRRBB hedging decisions are taken by the ALCO Committee and executed in the market by Treasury. The Bank implements interest rate risk hedging strategies that are designated either as fair value hedges or as cash flow hedges.

The Group uses fair value hedges when a derivative financial instrument hedges the exposure to changes in the fair value of the hedged item, in order to mitigate interest rate risks of its assets and liabilities.

The Group uses cash flow hedges when a derivative financial instrument hedges the exposure to variability in the cash flows from a hedged item, in order to mitigate a particular risk associated with an asset or liability or highly probable forecast transaction.

Banking book hedging derivatives are accounted both at fair value through profit and loss or through other comprehensive income, based on IFRS 9 hedge accounting rules. The Bank applies a qualitative test for its fair value

hedges, demonstrating the critical terms match. Further to that the Bank demonstrates that the credit risk of the hedging instrument or the hedged item is not dominating the value changes that result from that economic relationship.

g. Modelling and parameter assumptions used when calculating Δ EVE and Δ NII in table IRRBB1 (paragraph 7.3)

g.1. Changes in the present value of capital (Δ EVE) - Determination of payment streams

The EVE is computed under the assumption that existing exposures in the banking book will be amortised and not replaced with new interest business. Nominal and interest cash flows are determined at single position level both for on- and off-balance sheet instruments. Amortising plans are considered when computing both nominal and interest cash flows. When projecting interest cash flows the Bank includes both cost of funding and commercial margins (i.e. client rate).

g.2. Changes in the present value of capital (Δ EVE) - Mapping approach

Cash flows are slotted into the appropriate time band using the effective payment or repricing date. Floating rate instruments are assumed to reprice fully at the first repricing date. Hence, the entire principal amount is slotted into the bucket in which that date falls, with no additional slotting of notional repricing cash flows to later time buckets (other than the spread components which are considered as a fixed rate cash flows).

Forward starting deals are slotted with dual deposit inflow/outflow with opposite sign, equal in magnitude to the original balance at value date.

g.3. Changes in the present value of capital (Δ EVE) - Discounting and interpolation methods

Cash flows are discounted using risk-free rate curves. Zero-coupon rates and discount factors are derived from market rates through the bootstrapping process. The exponential interpolation method is used.

The discounting of cash flows, which include margin payments, with risk-free discount rates could lead to a slightly overestimated interest rate risk position.

g.4. Changes in the expected income (Δ NII)

The Net Interest Income is computed under the assumption of a constant balance sheet, where payment streams due or new are replaced by payment streams from new interest

²⁵ FINMA Circular 2016/1 Table IRRBB1

business with identical characteristics in regard to volume, reset frequency and spread component that depend on creditworthiness. The earning-based approach measures interest rate risk for non-discounted cash flows over a one-year period. The Group takes into account the expected payment streams, including margin payments and other spread components, which arise from interest rate sensitive assets, liabilities and off-balance sheet items in the banking book.

g.5. Non-maturing exposures

Non-maturing products are modelled using replicating portfolios, considering behavioural characteristics for significant currencies and companies. Significant non-maturing products are replicated, so that they can be assigned a synthetic maturity and transformed into fixed-income instruments.

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, behavioural models are defined and allow quantifying the interest rate risk of the non-maturing products.

In particular, a distinction is made between the stable and non-stable volume for significant non-maturing products. When analysing the stable component, non-maturing products are segmented into retail and wholesale categories, up to the defined volume and maturity caps (as per BIS IRRBB framework)²⁶. The stable portion is expected to remain undrawn with a high degree of likelihood. The separation of stable and non-stable parts is done using observed historical volume trend.

Non maturing products are slotted into the appropriate time bucket:

- i. Non-stable volume is considered at overnight and accordingly placed into the shortest/overnight time bucket
- ii. Stable volume is slotted to the suitable mid-to-long term maturity

g.6. Exposures with pay-back options

Term loans lock in a rate for a fixed term and would usually be hedged on that basis. However, such loans may be subject to the risk of early repayment, also called prepayment risk.

The Group charges the economic cost of early repayment on loans to borrowers. As a general rule, customers wishing to pay off their loans before maturity must pay an early repayment fee that is calculated using a rate equal to the difference between the interest rate on the loan and the interest that can be obtained on the market if the Bank was to conduct a replacement transaction for the remaining period until maturity; this rate is applied to the remaining amount due. The application of penalty fees prevents from incurring losses from early repayments.

Prepayments, for which the economic cost is not charged to the borrower, are referred to as uncompensated prepayments. For term loan products where the economic cost of prepayments is not charged, the Bank determines the baseline conditional prepayment rate and applies a scenario multiplier, depending on the upward or downward movement of the market interest rates (as per BIS IRRBB framework²⁷).

The scenario multiplier allows to reflect the expectation that term loans prepayments will generally be lower during periods of rising interest rates and higher during periods of falling interest rates.

g.7. Term deposits

Term deposits lock in a fixed rate for a fixed term and would usually be hedged on that basis. However, term deposits may be subject to the risk of early withdrawal, also called early redemption risk.

As a general rule, early withdrawal of term deposits is not allowed. In any case the Group charges the economic cost of early redemption to depositors. According to Swiss Liquidity Risks - Banks circular, customers wishing to early-redeem their term deposits before maturity must pay an early redemption fee that is calculated adding at least 2% to the compensation for the lower interest rate, since the deposit was made.

The early redemption penalty prevents EFG International from incurring losses from early reimbursements. Due to the fact that this risk is demonstrated not to be significant,

²⁶ BCBS Standard Interest Rate Risk in the Banking Book

²⁷ BCBS Standard Interest Rate Risk in the Banking Book

EFG International does not apply any model for early redemptions.

g.8. Automatic interest rate options

The Group considers embedded options in banking products, such as loans, deposits, structured products, fiduciary placements and issued bonds.

For structured products, the analysis considers the embedded bonds/deposits or interest rate derivative that encompass the interest rate risk component of the product.

Concerning embedded options in loans, floor options are captured, and optional cash flows are generated using a deterministic model.

g.9. Derivative exposure

Hedging instruments mainly consist of linear derivatives such as interest rate swaps, cross currency swaps, futures, FX forwards and FX swaps. Derivatives instruments are used both for fair value and cash flow hedging purposes.

g.10. Other assumptions

The Group monitors the interest rate risk exposure with different aggregation methods:

- i. Aggregation of risk exposures considering perfect correlation between different currencies (positive and negative changes can offset each other)
- ii. Aggregation of risk exposures where only negative exposures are considered (as per BIS IRRBB approach), where positive exposures cannot compensate negative ones
- iii. Aggregation of negative and positive exposures applying a 50% weighting to positive ones (as per EBA IRRBB approach).

In table IRRBB1 the Bank considers the aggregation rule as per approach i. In this currency aggregation approach the EVE risk measure corresponds to the worst across all interest rate shock scenarios. The EVE exposures are aggregated under a given interest rate shock scenario considering both positive and negative exposure for each single currency, as being market practice in Switzerland for IRRBB disclosure purposes.

7.2 Quantitative information on the exposure's structure and repricing date

The below table IRRBBA1²⁸ shows the interest sensitive positions volume and repricing maturities.

Swap positions, such as for example interest-rate swaps, cross-currency swaps and FX swaps, are reported with two legs – a receivable leg and a payable leg – and are recorded, therefore, under both “Receivables from interest-rate derivatives” and “Liabilities from interest-rate derivatives”. Fixed income securities are reported in terms of nominal values (interest rate risk view).

Sight deposits at the Swiss National Bank, sight deposits at clearing houses recognised by FINMA and sight deposits at a foreign central bank are not included in the table, as being considered as positions without repricing maturity, as per FINMA requirement.

The column “Of which other significant currencies” refers to positions in other currencies that account for more than 10% of balance-sheet assets or liabilities.

²⁸ FINMA Circular 2016/1 IRRBBA1

			Volumes in millions of CHF			Average repricing maturities (in years)		Longest repricing maturity (in years) assigned to non- maturing positions	
			Total	Of which CHF	Of which other significant currencies	Total	Of which CHF	Total	Of which CHF
			Determined repricing maturity	Receivables	Receivables from banks	1,979	655	1,298	0.6
		Receivables from clients	9,176	549	7,656	0.6	0.4		
		Money-market mortgages	3,737	46	3,599	0.1	0.3		
		Fixed-rate mortgages	1,915	1,122	793	1.2	1.6		
		Financial investments	7,402	88	6,312	2.3	2.7		
		Receivables from interest derivatives	15,278	1,494	12,095	0.3	0.7		
	Liabilities	Liabilities to banks	(66)		(66)	0.1			
		Liabilities from client deposits	(7,927)	(48)	(6,854)	0.1	0.1		
		Bonds and mortgage-backed bonds	(4,642)	(372)	(4,233)	0.5	2.5		
		Other liabilities	(264)		(264)	4.3			
		Liabilities from interest derivatives	(15,298)	(4,504)	(8,908)	0.9	0.3		
Undetermined repricing maturity	Receivables	Receivables from banks	1,549	76	1,369				
		Receivables from clients	2,743	219	2,399		0.1		
		Variable mortgage claims	107	107		0.5	0.5		
		Other receivables	982		982	6.4			
	Liabilities	Sight liabilities in personal and current accounts	(24,840)	(3,147)	(19,702)	0.5	1.0		
		Other liabilities	(883)	(42)	(821)	1.2			
		Liabilities from client deposits, call but not transferable (savings)	(216)	(165)	(50)	0.6	0.7		
		Total	(9,268)	(3,922)	(4,395)	0.4	0.5	6.4	5.0

7.3 Quantitative information on economic value of equity and net interest income

The values in Table IRRBB1⁵ below are computed in accordance to FINMA Circular 2016/1 “Disclosure – Banks”. The six interest-rate scenarios and currency shifts are defined in Circular 2019/2 “Interest rate risks – Banks”. The following impacts are assessed for each of the prescribed interest rate shock scenarios:

(i) the change in the economic value of equity (Δ EVE), using a run-off balance sheet and an instantaneous shock; and

(ii) the change in net interest income (Δ NII) over a forward-looking rolling 12-month period, using a constant balance sheet assumption and an instantaneous shock.

A general description of significant modelling, parameter assumptions and aggregation rules used when calculating Δ EVE and Δ NII in the below table is provided in section 7.1 g.

CHF millions	Δ EVE		Δ NII	
	Change in economic value of equity		Change in net interest income	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Parallel up	(65.2)	48.2	185.8	210.8
Parallel down	247.1	164.8	(119.6)	(142.4)
Steeper (1)	(17.7)	(15.4)		
Flattener (2)	20.2	47.8		
Short rate up	(27.3)	43.0		
Short rate down	64.7	27		
Worst scenario	(65.2)	(15.4)	(119.6)	(142.4)

Period	31 December 2021	31 December 2020
Tier 1 capital	1,990.7	1,618.1

(1) The steeper scenario considers a reduction of short-term rates combined with an increase of long-term rates

(2) The flattener scenario considers an increase of short-term rates combined with a reduction of long-term rates

The EVE worst scenario derives from a curve steepening and remains well below the regulatory threshold corresponding to 15% of Tier 1 capital. The NII worst scenario derives from the curve parallel down shift. As per FINMA requirement, sight deposits at the Swiss National Bank, sight deposits at clearing houses recognised by FINMA and sight deposits at a foreign central bank are treated as non-interest sensitive for the purpose of this disclosure²⁹.

Stress scenarios outcomes are highly affected by optional elements embedded in banking products, especially on loans (floors) and other financial products (including behavioural options). Optional elements play an important role, especially in today’s negative interest rates environment. Negative interest rates are since some years a feature of the Swiss and European Union money market. The FINMA stress scenarios activate optional elements, in particular when shocked rates are below zero. As a consequence, the EVE and NII sensitivities are not

symmetric between the upward and downward stress scenarios.

The EVE and NII sensitivities variations in respect to previous period are due to lowering market interest rates environment during 2020.

8. Operational Risk³⁰

Operational risk is defined as the risk of losses resulting from the inadequacy or failure of internal processes, people or systems or from external events. Operational risk is an inherent part of the day-to-day activities and is therefore a risk common to all EFG International's activities.

EFG International aims at mitigating operational risks, it may inherently run, to a level it considers appropriate and commensurate with its size, structure, nature and complexity of

²⁹ FINMA Circular 2016/1 Table IRRBB1

³⁰ FINMA Circular 2016/1 Table ORA

its service and product offerings, thus adequately protecting its assets and its shareholders' interests.

EFG International's Board of Directors and senior management strive to set the operational risk culture through, among others, the definition of the overall operational risk tolerance of the organisation (expressed in quantitative thresholds and qualitative statements), which is embedded in the organisation's risk management practices. The supervision of operational risk at the Board of Directors level is under the responsibility of the Board Risk Committee.

EFG International and its local business entities design and implement internal controls and monitoring mechanisms, in order to mitigate key operational risks that EFG International inherently runs in conducting its business.

While the primary responsibility for managing operational risk lies with EFG International's business entities and business lines (first line of defence), the development, implementation and oversight of the operational risk policy of EFG International forms part of the objectives of the Operational Risk function of EFG International. It ensures that EFG International has an appropriate operational risk management framework and programme in place for identifying, assessing, mitigating, monitoring and reporting operational risk.

EFG International's Operational Risk function, reporting to the Chief Risk Officer, works in collaboration with the operational risk officers of the local business entities, the regional risk officers within EFG International, as well as certain centralised EFG International functions that also undertake operational risk oversight for their respective area of responsibility. These functions include the Chief Financial Officer, the Chief Operating Officer and the Group Head of Legal & Compliance.

Main measures applied by the Operational Risk function for the identification, assessment, monitoring and reporting of operational risk are:

- Assessment and monitoring of key operational risks
- Monitoring of key risk indicators
- Collection, analysis and reporting of operational risk events and losses
- Consolidated operational risk reporting
- Follow-up of actions taken to remedy key operational risk-related control issues
- Establishment of an operational risk awareness programme
- Independent Internal control monitoring and oversight

The management of information security risk, including technology, cybersecurity, data protection and third-party risks is an essential component of operational resilience. As such it is strongly interconnected with the Bank's business continuity management. The management of cybersecurity and data protection risks is aligned with international standards and applicable regulations. Efforts are sustained to ensure ex ante and ex post controls are fully functional to protect the Bank against evolving and highly sophisticated attacks. The EFG International's focus is on:

- Data loss prevention
- Access rights, application and infrastructure security (including vulnerability management)
- Third party management and
- An appropriate IT governance to prevent and respond to threats

EFG International continuously invests in business continuity management, in order to ensure continuity of critical operations in the event of a major disruptive event. Business continuity management encompasses backup operating facilities and IT disaster recovery plans, which are in place throughout EFG International.

EFG International establishes operational risk transfer mechanisms when necessary; in particular, all entities of EFG International are covered by insurance to hedge potential low-frequency-high-impact events. EFG International administers centrally for all its subsidiaries three layers of insurance cover, being comprehensive crime insurance, professional indemnity insurance and directors, and officer's liability insurance. Other insurances such as general insurances are managed locally.

Model risk

Model risk is the risk that arises from decisions based on the incorrect selection, implementation or usage of models. The following principles are applied in establishing appropriate governance and supervision:

- EFG International has an established definition of a model and maintains a model inventory
- EFG International has implemented an effective governance framework, procedures and controls to manage model risks
- EFG International has implemented a robust model development and implementation process and ensures appropriate use of models
- EFG International undertakes appropriate model validation and independent review activities to ensure sound model performance and greater understanding of model uncertainties

EFG International has developed a series of models and methodologies to measure and to quantify the risks of different portfolios and potential risk sensitivities and concentrations. These models are regularly reviewed by the independent Risk Model Validation function, conforming to regulatory requirements, as well as internal general directive on model risk. The Risk Model Validation function reports to the Chief Risk Officer.

The validation has the primary objective to test whether models perform as expected, produce results comparable with actual events and values and reflect best-in-practice approaches. The validation allows also checks if models are performing adequately, whether additional examination is required and whether they need to be adjusted or even redeveloped. Results are presented to the relevant governance body and, as required, to regulators.

Approach used

EFG International Group uses the standardised approach as the basis for the calculation of risk-weighted assets (RWA).

Based on the original Basel Accord, under the standardised approach, banks' activities are divided into eight business lines: corporate finance, trading & sales, retail banking, commercial banking, payment & settlement, agency services, asset management, and retail brokerage. Within each business line, gross income is a broad indicator that serves as a proxy for the scale of business operations and thus the likely scale of operational risk exposure within each of these business lines. The capital charge for each business line is calculated by multiplying gross income by a factor (denoted beta) assigned to that business line. Beta serves as a proxy for the industry-wide relationship between the operational risk loss experience for a given business line and the aggregate level of gross income for that business line. The total capital charge is calculated as the three-year average of the simple summation of the regulatory capital charges across each of the business lines in each year.

The table below summarises the capital requirement for operational risk converted by a 12.5 times multiplier to arrive at the RWA equivalent:

CHF millions	31 December 2021	31 December 2020	Change in %
Capital requirement for operational risk	162.0	158.2	2.3%
<i>Multiplier</i>	12.5	12.5	
<i>RWA equivalent</i>	2,025.6	1,978.0	2.3%
Total RWA	2,025.6	1,978.0	2.3%

The increase is mostly related to higher operating income for the period 2019 to 2021 compared to 2018 to 2020.

9. Liquidity risk management³¹

Liquidity risks arise when financing activities are difficult or expensive as a result of liquidity crisis on the markets or reputational issues. They also arise when it is difficult to meet own commitments in a timely manner due to a lack of very liquid assets.

Liquidity risk has a twofold dimension: funding risk and asset liquidity risk. The two liquidity risk types are connected, as asset liquidity risk could directly increase funding risk, if EFG International is not any more able to raise sufficient liquidity in case of need.

As defined in the risk appetite framework approved by the Board of Directors, the liquidity risk strategies are defined as follows:

- EFG International holds sufficient liquid assets that it could survive a sustained and severe run on its deposit base, without any recourse to mitigating actions beyond liquidating those assets, and without breaching regulatory liquidity limits
- EFG International funds the balance sheet primarily from customer deposits, using capital markets opportunistically, without being subject to funding concentration, due to a small number of funding sources or clients

EFG International manages liquidity risk in such a way as to ensure that ample liquidity is available to meet commitments to customers, both in demand for loans and repayments of deposits and to satisfy EFG International's own cash flow needs within all of its business entities. EFG International customer deposit base, capital and liquidity reserves position and conservative gapping policy, when funding customer loans, ensure that EFG International runs only limited liquidity risks.

EFG International's liquidity risk management process is carried out by the Asset & Liability Management Committee and monitored by the Financial Risk Committee, in accordance with the principles and the risk appetite defined in the liquidity risk policy, which defines the organisational structure, responsibilities, limit systems and maximum acceptable risk set by the Board of Directors.

Liquidity is handled by the Treasury function, which ensures the ongoing process of sourcing new funds, in the case of a lack of liquidity, or the investing of funds, if there is an

excess of liquidity. Main subsidiaries/regions have their own local Treasury departments, regulated by the Group Treasury function. The Treasury function reports to the Head of Global Markets and Treasury.

The principal aim of the Assets and Liability Management and Liquidity Risk function is to ensure that EFG International has an appropriate liquidity risk management framework in place for identifying, assessing, mitigating, monitoring and reporting risks under its responsibility. The Assets and Liability Management and Liquidity Risk function reports to the Chief Risk Officer.

The liquidity risk management process includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers
- 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
- Managing the concentration and profile of funding

EFG International aims to avoid concentrations of its funding facilities. It observes its current liquidity situation and determines the pricing of its assets and credit business through the liquidity transfer pricing model. The liquidity risk management process also includes EFG International's contingency funding plans. The contingency measures include, among other actions, the activation of repo transactions with prime counterparties, the liquidation of marketable securities and/or drawdowns on lines of credit (liquidity shortage financing) with the Swiss National Bank.

EFG International has a liquidity management process in place that includes stress tests, which are undertaken regularly, as part of the reporting requirements established within EFG International risk guidelines

EFG International manages liquidity risk in such a way as to ensure that ample liquidity is available to meet commitments to customers, both in demand for loans and repayments of deposits and to satisfy EFG International's own cash flow needs within all of its business entities.

EFG International has a liquidity risk management process in place that includes contingency funding plans, and stress tests that are undertaken to highlight EFG International's liquidity profile in adverse conditions, analysing also intraday liquidity stress scenarios.

³¹ FINMA Circular 2016/1 Table LIQA

Liquidity risk mitigation

The liquidity risk management process includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers
- 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
- Managing the concentration and profile of funding

EFG International aims to avoid concentrations of its funding facilities. It observes its current liquidity situation and determines the pricing of its assets and credit business through the liquidity transfer pricing model. The liquidity risk management process also includes EFG International's contingency funding plans. The contingency measures include, among other actions, the activation of repo transactions with prime counterparties, the liquidation of marketable securities and/or drawdowns on lines of credit (liquidity shortage financing) with the Swiss National Bank.

Overall, EFG International, through its business units, enjoys a favourable funding base with stable and diversified customer deposits, which provide the vast majority of EFG International's total funding. The surplus of stable customer deposits over loans and other funding resources are placed by Treasury units in compliance with the local regulatory requirements and internal guidelines.

EFG International manages the liquidity and funding risks on an integrated basis. The liquidity positions of the business units are monitored and managed daily and internal limits are more conservative than the regulatory minimum levels, as required by EFG International's risk appetite framework and liquidity risk policy.

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 EFG International's overall committed level of risk appetite. Sources of liquidity are regularly assessed in terms of diversification by currency, geography, provider, term and product.

Liquidity transfer pricing model

EFG International's liquidity transfer pricing model enables the management of the balance sheet structure and the measurement of risk-adjusted profitability, taking into account liquidity risk, maturity transformation and interest

rate risk. The liquidity allocation mechanism allows to credit providers of funds for the benefit of liquidity and to charge users of funds.

Customers' loans are charged for the usage of liquidity, based on the liquidity risk embedded in business activities. Short- and long-term loans receive differentiated charges for the cost of liquidity.

Liquidity adjustments are introduced for loans that have the same duration, but due to differing liquidity attributes are not of the same value or cost.

Customers' deposits are credited for the benefit of liquidity based on their likelihood of withdrawal. As a general rule, sticky money, such as term deposits, are less likely to be withdrawn and, therefore, receive larger credits than volatile money, such as demand deposits, savings and transaction accounts, which are more likely to be withdrawn at any time.

9.1 Liquidity coverage ratio

The LCR is an international regulatory standard. The LCR ensures that a bank has enough liquidity to withstand a 30-calendar-day liquidity stress scenario. It is the ratio between the amount of high-quality liquid assets (HQLA) available and potential net cash outflows over a 30-day period. The term net cash outflows is defined as the total potential cash outflows (such as withdrawals from sight deposits and non-renewals of borrowings with a maturity of

less than 30 days) less the total potential cash inflows (such as the repayment of receivables with a maturity of less than 30 days) in a stress situation. For banks that, like EFG are not systemically important, the minimum requirement for the LCR is 100%.

Note that the FINMA require disclosure of the average monthly LCR (see Appendix 12.3) that reflects the average of each 3-month period. The table below summarises the LCR at 31 December 2021.

CHF millions	31 December 2021 Weighted values	31 December 2020 Weighted values
Total high-quality liquid assets (HQLA)	14,304.0	12,111.9
Total cash outflows	11,627.7	10,408.5
Total cash inflows	4,027.0	3,971.8
Total net cash outflows	7,600.8	6,436.7
Liquidity coverage ratio (in %)	188%	188%

The LCR for the Group remains robust at 188 % as at 31 December 2021.

The Bank's SNB account makes up 33% of its HQLA. The remaining HQLA are primarily US, Hong Kong and Singaporean-issued securities that have a credit rating of between AAA and AA.

Withdrawals from retail and corporate client deposits account for around 80% of total potential cash outflows. This reflects the fact that client deposits are the Bank's primary source of funding and also therefore the primary source of potential fund outflows in the event of a liquidity run.

Other cash outflows relate mainly to:

- Derivatives maturing within 30 days and margin calls relating to credit support annexes;
- The undrawn part of credit facilities granted to clients;
- Contingent liabilities (e.g., guarantees and letters of credit).

Loans to clients and banks maturing within 30 days account for around 87% of potential cash inflows. The remaining cash inflows primarily come from derivatives maturing within 30 days. The LCR in Swiss francs is 160%, a large percentage of HQLA are denominated in Swiss francs (cash deposited at the SNB).

9.2 Net stable funding ratio

The NSFR ensures that a bank maintain strong and stable funding structure to operate in the long term. This ratio put in relation the amount of available stable funding (ASF) and required stable funding (RSF), the requirement is 100%.

Total ASF represents liabilities and capital that will remain for long term (i.e. more than one year). ASF factor is attributed following the type of funding e.g. 100% for Tier I capital, 95% for well divided retail deposits. Total RSF means stable funding that the bank is required to keep given the

residual maturity and type of assets positions (liquidity characteristic). Each RSF items is assigned a RSF factor following the degree of financing obligation (from 0% to 100%).

The table below summarises the NSFR at 31 December 2021 and FINMA table as per 2016/1 Circular is presented in section 12.4.

CHF millions	31 December 2021 Weighted values	31 December 2020 Weighted values
Available stable funding (ASF)	23,467.0	22,890.0
Required stable funding (RSF)	15,000.9	16,120.2
Net stable funding ratio (%)	156%	142%

The NSFR for the Group remains robust at 156 % as at 31 December 2021.

Available stable funding remains strong with CHF 23,467.0 million of stable funding after weighting of which :

- Capital Tier I and Tier II before capital deduction following CAO art.32 for CHF 2,276.7 million
- Retail and small business customers accounting for CHF 14,062.1 million of stable funding
- CHF 7,051.5 million of non-operational deposit from non-financial corporates

Required stable funding accounts for CHF 15,000.9 million as per end of December mostly generated by:

- Clients loans and mortgages accounting for CHF 9,919.1 million, of which 31% with residential mortgages and 23% with retail customers
- Non-HQLA securities unencumbered for CHF 2,119.4 million
- Bank's balances and loans representing CHF 1,087.6 million

10. Comparison to IFRS basis

Reconciliation of Swiss GAAP to IFRS Regulatory Capital

	31 December 2021 CHF millions	31 December 2020 CHF millions
Total RWA: Swiss GAAP	9,918.4	9,918.8
Difference between FINMA and BIS rules	(593.2)	(534.6)
IFRS 9 impacts	(72.6)	(40.8)
Other financial assets not recognised under Swiss GAAP	300.0	110.4
Total RWA: IFRS	9,552.6	9,453.8
Total Regulatory Capital: Swiss GAAP	2,171.2	1,969.4
Common Equity Tier 1 (CET1) Capital adjustments	(107.0)	(347.1)
Additional tier 1 (AT1) adjustments	(10.7)	
Tier 2 (T2) adjustments	3.5	10.5
Total Regulatory Capital: IFRS	2,057.0	1,632.8
The main variances in CET1 above relate to the following:		
– IAS 19 Pension (net of tax)	18.2	(95.5)
– Valuation differences	(123.1)	(234.4)
– Other	(2.1)	(17.2)
Total CET1 adjustments	(107.0)	(347.1)
IFRS Common Equity Tier 1 Ratio	15.8%	13.4%
IFRS Total Eligible Capital Ratio	21.5%	17.3%

Risk weighted assets

The risk weighted assets for FINMA reporting purposes are higher than for IFRS/BIS EU purposes primarily due to the treatment of mutual funds. These are effectively not eligible as collateral for FINMA purposes, but under BIS EU are able to look through to the underlying assets of the fund.

Common equity tier 1

As at 31 December 2021, the main difference between IFRS and Swiss ARB accounting principles affecting the Group's common equity tier 1 relates to:

- Swiss ARB does not require any actuarial pension asset or liability to be calculated based on short term interest rates to be recognised for defined contribution plans (except if the pension plan showed an actuarial deficit to

be calculated based on a reference average long term interest rate and the employer was due to the fund that deficit). Under IFRS, an additional post tax pension asset of CHF 18.2 million is recognised on the balance sheet.

- A difference of CHF (123.1) million arises due to valuation differences between IFRS and Swiss ARB. These differences primarily relate to valuation differences. Under Swiss ARB certain financial instruments are valued on an amortised cost basis, and on a fair value basis for IFRS purposes. The majority of this difference arises from the Group's intention to hold until maturity certain assets (including the life insurance related assets) which under IFRS are required to be fair valued, whilst under Swiss ARB are carried at amortised cost.

11. Leverage ratio

The leverage ratio at 31 December 2021 is 4.6% compared to the regulatory requirement of 3.0%

The denominator of the ratio is effectively the Tier 1 capital of CHF 1,990.7 million divided by the Total Exposure of CHF 43,400.8 million. Total exposure reflects all the on-balance sheet assets primarily adjusted for:

- Deducting assets already deducted from Tier 1 capital (goodwill and certain deferred tax assets)
- Grossing up securities financing transactions
- Derivatives exposure adjustments
- Other off-balance sheet exposures

See Section 12.1 for detailed calculations.

12. Appendices

12.1 Information on leverage ratio³²

The following provides the details of the calculation of the Basel III leverage ratio.

CHF millions	a 31 December 2021	b 31 December 2020
On-balance sheet exposures		
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral) (Cm 14-15 FINMA Circ. 15/3)	41,283.3	31,139.6
2 Assets that must be deducted in determining the eligible Tier 1 capital (Margin nos. 7 and Cm 16-17 FINMA Circ 15/3)	(133.9)	(167.9)
3 Total on-balance sheet exposures within the leverage ratio framework, excluding derivatives and SFTs	41,149.4	30,971.7
Derivative exposures		
4 Replacement values associated with all derivatives transactions, including those with CCPs, taking into account the margin payments received and netting agreements in accordance with Margin nos. 22-23 and 34-35 FINMA Circ. 15/3	973.6	1,211.6
5 Add-on amounts for PFE associated with all derivatives transactions (Margin nos. 22 and 25 FINMA Circ. 15/3)	411.3	383.4
7 (Deduction of receivables assets for cash variation margin provided in derivatives transactions, in accordance with Margin no. 36 FINMA Circ. 15/3)	(180.4)	(473.5)
8 (Deduction relating to exposures to QCCPs if there is no obligation to reimburse the client in the event of the QCCP defaulting) (Margin no. 39 FINMA Circ. 15/3)		
9 Adjusted effective notional amount of written credit derivatives, after deduction of negative replacement values (Margin no. 43 FINMA Circ. 15/3)	528.6	552.7
10 Adjusted effective notional offsets of bought/written credit derivatives (Margin nos. 44-50 FINMA Circ. 15/3) and add-on deductions for written credit derivatives (Margin no. 51 FINMA Circ. 15/3)	(46.6)	(48.4)
11 Total derivative exposures	1,686.5	1,625.8
Securities financing transaction exposures		
12 Gross SFT assets with no recognition of netting (except in the case of novation with a QCCP as per margin no. 57 FINMA Circ. 15/3) including sale accounting transactions (Margin no. 69 FINMA Circ. 15/3), less the items specified in Margin no. 58 FINMA Circ. 15/3)	305.0	1,633.8
14 CCR exposure for SFT assets (Margin nos. 63-68 FINMA Circ. 15/3)	1.0	105.7
15 Agent transaction exposures (Margin nos. 70-73 FINMA Circ. 15/3)		
16 Total securities financing transaction exposures	306.0	1,739.5
Other off-balance sheet exposures		
17 Off-balance-sheet exposure at gross national amounts before application of credit conversion factors	482.0	478.3
18 (Adjustments for conversion to credit equivalent amounts) (Margin nos. 75-76 FINMA Circ. 15/3)	(223.1)	(229.4)
19 Off-balance sheet items	258.9	248.9
Capital and total exposures		
20 Tier 1 capital (Margin no. 5 FINMA Circ. 15/3)	1,990.7	1,618.1
21 Total exposures (sum of Rows 3, 11, 16 and 19)	43,400.8	34,585.9
Leverage ratio		
22 Leverage ratio (Margin nos. 3-4 FINMA Circ. 15/3)	4.6%	4.7%

³² FINMA Circular 2016/1 Table LR2

The main driver of the decrease in Leverage ratio was primarily due to the exclusion of central bank placements defined within FINMA Guidance for December 2020 period.

12.2 Summary comparison of accounting assets versus leverage ratio exposure measure ³³

The table below summarises the reconciliation between the total balance sheet assets and the Leverage ratio exposure used as the denominator for the Leverage ratio calculation.

CHF millions	a 31 December 2021
1 Total assets as per annual financial statements	42,257.0
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation (Margin nos. 6-7 FINMA Circ. 15/3), as well as adjustment for assets deducted from Tier 1 capital (Margin nos. 16-17 FINMA Circ. 15/3)	(133.9)
4 Adjustment for derivative financial instruments (Margin nos. 21-51 FINMA Circ. 15/3)	712.9
5 Adjustment for securities financing transactions (SFTs) (Margin nos. 52-73 FINMA Circ. 15/3)	305.9
6 Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures) (Margin nos. 74-76 FINMA Circ. 15/3)	258.9
7 Other adjustments	–
8 Leverage ratio exposure	43,400.8

Total consolidated assets year-on-year have remained stable in 2021.

³³ FINMA Circular 2016/ 1 Table LR1

12.3 Information on liquidity coverage ratio³⁴

CHF millions	31 December 2021		30 September 2021	
	Unweighted values ¹	Weighted values ¹	Unweighted values ¹	Weighted values ¹
1 Total high-quality liquid assets (HQLA)		14,336.1		14,104.5
B. Cash outflows				
2 Retail deposits	15,115.3	1,813.3	15,495.6	1,880.7
3 <i>of which, stable deposits</i>				
4 <i>of which, less stable deposits</i>	15,115.3	1,813.3	15,495.6	1,880.7
5 <i>Unsecured wholesale funding</i>	18,111.4	8,364.1	17,773.6	7,773.9
6 <i>of which, operational deposits (all counterparties) and deposits in networks of cooperative banks</i>				
7 <i>of which, non-operational deposits (all counterparties)</i>	18,111.4	8,364.1	17,773.6	7,773.9
8 <i>of which, unsecured debt</i>				
9 <i>Secured wholesale funding and collateral swaps</i>		398.7		360.2
10 <i>Other outflows Additional requirements</i>	928.7	825.6	1,121.4	863.2
11 <i>of which, outflows related to derivative exposures and other transactions</i>	870.1	810.2	998.3	836.6
12 <i>of which, outflows related to loss of funding on asset-backed securities, covered bonds and other structured financing instruments, asset-backed commercial papers, conduits, securities investment vehicles and other such financing facilities</i>				
13 <i>of which, outflows related to committed credit and liquidity facilities</i>	50.2	13.3	65.2	14.1
14 <i>Other contractual funding obligations</i>	12.5		22.9	
15 <i>Other contingent funding obligations</i>	951.5	465.8	948.6	400.4
16 Total cash outflows		11,867.5		11,278.4
C. Cash inflows				
17 <i>Secured lending (e.g. reverse repos)</i>				
18 <i>Inflows from fully performing exposures</i>	5,694.1	4,136.6	5,423.2	3,974.6
19 <i>Other cash inflows</i>	451.6	216.4	531.1	262.6
20 Total cash inflows	6,145.7	4,353.0	5,954.3	4,237.2
21 Total high-quality liquid assets (HQLA)		14,336.1		14,104.5
22 Total net cash outflows		7,514.3		7,041.2
23 <i>Liquidity coverage ratio (in %)</i>		191%		200%

¹ Monthly average for quarter

³⁴ FINMA Circular 2016/1 Table LIQ1

12.4 Information on net stable funding ratio³⁵

CHF millions	December 2021				September 2021					
	Unweighted value by residual maturity			Weighted value	Unweighted value by residual maturity			Weighted value		
	No maturity	< 6 months	< 1 year		>= 1 year	No maturity	< 6 months		< 1 year	>= 1 year
Available stable funding (ASF) item										
1	Capital:	2,305.0			2,305.0	2,378.2	-	-	-	2,378.2
2	Regulatory capital (1)	2,305.0			2,305.0	2,378.2	-	-	-	2,378.2
3	Other capital instruments					-	-	-	-	-
4	Retail deposits and deposits from small business customers:	15,556.1	68.5		14,062.1	-	15,651.7	39.6	2.4	14,124.6
5	Stable deposits					-	-	-	-	-
6	Less stable deposits	15,556.1	68.5		14,062.1	-	15,651.7	39.6	2.4	14,124.6
7	Wholesale funding:	17,884.1	161.3	98.5	7,073.9	-	18,465.8	157.4	71.5	6,971.0
8	Operational deposits					-	-	-	-	-
9	Other wholesale funding	17,884.1	161.3	98.5	7,073.9	-	18,465.8	157.4	71.5	6,971.0
10	Liabilities with matching interdependent assets					-	-	-	-	-
11	Other liabilities:	5,166.6	1.8	25.0	25.9	-	5,498.2	2.4	14.5	15.6
12	NSFR derivative liabilities					-	-	-	-	-
13	All other liabilities and equity not included in the above categories	5,166.6	1.8	25.0	25.9	-	5,498.2	2.4	14.5	15.6
14	Total ASF				23,467.0	-	-	-	-	23,489.4
Required stable funding (RSF) item										
15	Total NSFR high-quality liquid assets (HQLA)				143.8					172.2
16	Deposits held at other financial institutions for operational purposes									
17	Performing loans and securities:	14,034.8	1,753.3	8,048.9	13,126.9		14,108.2	1,744.9	8,799.2	13,817.6
18	Performing loans to financial institutions secured by category 1 and 2a HQLA									
19	Performing loans to financial institutions secured by non-category 1 and 2a HQLA and unsecured performing loans to financial institutions	3,285.4	68.0	812.3	1,339.1		3,148.6	158.0	840.5	1,391.7
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	8,572.6	1,063.2	2,137.8	6,635.0		8,762.0	789.3	2,304.7	6,734.6
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk									
22	Performing residential mortgages, of which:	1,814.9	473.9	2,904.9	3,032.6		1,813.4	511.4	3,063.1	3,153.4
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	1,814.9	473.9	2,904.9	3,032.6		1,813.4	511.4	3,063.1	3,153.4
24	Securities that are not in default and do not qualify as HQLA,	361.9	148.2	2,194.0	2,120.3		384.2	286.2	2,590.9	2,537.9

(1) Prior capital deductions

³⁵ FINMA Circular 2016/1 Table LIQ2

	including exchange-traded equities										
25	Assets with matching interdependent liabilities										
26	Other assets:	555.0	1,987.0	4.5	1,199.8	1,715.8	645.0	2,337.0	3.9	1,278.5	2,059.9
27	Physical traded commodities, including gold	555.0				471.7	645.0				548.2
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs										
29	NSFR derivative assets				973.6					1,053.9	
30	NSFR derivative liabilities before deduction of variation margin posted				215.2	215.2				212.4	212.4
31	All other assets not included in the above categories	1,987.0	4.5	11.0	1,028.9		2,337.0	3.9	12.2	1,299.2	
32	Off-balance sheet items	225.8				14.4	129.2				3.4
33	Total RSF					15,000.9					16,053.1
34	Net Stable Funding Ratio (%)					156%					146%

12.5 Regulatory capital instruments

The below table summarises the Tier 1 and Tier 2 capital instruments and their key features³⁶.

		31 December 2021			
		Ordinary Shares	Bons de Participation	Additional Tier I	Tier 2
1	Issuer	EFG International AG	Banque de Luxembourg (on a fiduciary basis)	EFG International AG	EFG International (Guernsey) Limited. Guaranteed by EFG International AG
2	Unique identifier	CH0022268228	XS0204324890	CH0593093229	XS1591573180
3	Governing law of the instrument	Zurich, Switzerland / Swiss law	Luxembourg / Laws of the Grand Duchy of Luxembourg	Zurich, Switzerland / Swiss law	Zurich, Switzerland / Swiss law
Regulatory treatment					
5	Under post-transitional Basel III rules (CET1/AT1/T2)	Common equity tier 1	Additional tier 1	Additional tier 1	Tier 2
6	Eligible at single-entity, group/single-entity and group levels	Group	Group	Group	Group
7	<i>Equity securities/debt securities/hybrid instruments/other instruments</i>	<i>Equity securities</i>	<i>Subordinated debt</i>	<i>Subordinated debt</i>	<i>Subordinated debt</i>
8	Amount recognised in regulatory capital (CHF millions)	152.0	13.8	361.7	180.5
9	Par value of instrument	CHF 0.50	EUR 1000	USD 1000	USD 1000
10	Accounting classification (Swiss ARB)	Equity	Equity	Liability	Liability
11	Original date of issuance	12.10.2005	10.11.2004	21.01.2021	05.04.2017
12	<i>Perpetual or dated</i>	<i>Perpetual</i>	<i>Perpetual</i>	<i>Perpetual</i>	<i>Dated</i>
13	<i>Original maturity date</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>05.04.2027</i>
14	Issuer call (subject to prior approval from supervisory authority)	No	Yes	Yes	Yes
15	<i>Optional call date/contingent call dates/redemption amount</i>	<i>N/A</i>	<i>30.04.2010</i>	<i>25.07.2027 - 25.01.2028</i>	<i>05.04.2022</i>
16	<i>Subsequent call dates, if applicable</i>		<i>Every Dividend Payment Date following 30.04.2010 at par</i>	<i>Every interest payment date after 25.01.2028; callable upon Tax Event or Regulatory Event</i>	<i>No regular subsequent call date; callable upon Tax Event or Capital Event only</i>

³⁶ FINMA Circular 2016/1 Table CCA

31 December 2021

	Ordinary Shares	Bons de Participation	Additional Tier I	Tier 2	
Coupons / dividends					
17	Fixed/floating rate/initially fixed and subsequently floating rate/initially floating rate and subsequently fixed	Variable	Variable	Fixed	Fixed
18	Coupon rate and any related index		EUR 10year swap + 0.25%, capped at 8%	5.5% up to 25 January 2028 then CMT rate + 4.659%	5% up to 05.04.2022 then USD 5Y swap + 2.978%
19	Existence of a dividend stopper (non-payment of dividend on the instrument prohibits the payment of dividends on common shares)	No	Yes	Yes	No
20	Coupon payment/dividends: fully discretionary/partially discretionary/mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
30	Write-down feature	No	No	Yes	Yes
31	Write-down trigger(s)			High trigger (7% CET1 Ratio); Viability Event (FINMA, Public Support)	Viability Event (FINMA, Public Support)
32	Full/partial			Partial	Full write down
33	Permanent or temporary			Permanent	Permanent
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Senior debt
36	Features that prevent full recognition under Basel III	No	No	No	No
37	If yes, specify non-compliant features				

12.6 Detailed regulatory capital calculation³⁷

CHF millions		<u>31 December 2021</u>	Reference
		Net amounts	
Common Equity Tier 1 (CET1)			
1	Issued fully paid-up capital, fully eligible	152.0	d
2	Retained earnings	(343.8)	
3	Capital reserves	2,032.2	
5	Minority interests	42.0	e
6	Common Equity Tier 1 (CET1) before adjustments	1,882.4	
Adjustments referring to Common Equity Tier 1			
8	Goodwill (net of related tax liability)	(16.4)	a
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	(3.9)	b
10	Deferred tax assets that rely on future profitability	(81.4)	c
26b	Other deductions	(165.5)	
28	Total regulatory adjustments to CET1	(267.2)	
29	Common Equity Tier 1 capital (net CET1)	1,615.2	
Additional Tier 1 Capital (AT1)			
30	Issued and paid in instruments, fully eligible	375.5	
31	<i>of which: classified as equity under applicable accounting standards</i>	13.8	
32	<i>of which: classified as liabilities under applicable accounting standards</i>	361.7	
44	Additional Tier 1 capital (net AT1)	375.5	
45	Tier 1 Capital (T1 = CET1 + AT1)	1,990.7	
Eligible Tier 2 capital (T2)			
46	Issued and paid in instruments, fully eligible	180.5	
58	Tier 2 capital (net T2)	180.5	
59	Regulatory capital (net T1 & T2)	2,171.2	
60	Sum of risk-weighted positions	9,918.4	

³⁷ FINMA Circular 2018/1 Table CC1

12.7 Detailed capital ratios³⁸

	a	b
	31 December 2021	
CHF millions	Net amounts	Reference
Capital ratio		
61 Common equity Tier 1 (item 29, as a percentage of risk-weighted assets)	16.3%	
62 Tier 1 (item 45, as a percentage of risk-weighted assets)	20.1%	
63 Total regulatory capital (item 59, as a percentage of risk-weighted assets)	21.9%	
64 CET1 requirements in accordance with the Basel minimum standards (capital buffer + counter-cyclical buffer) plus the capital buffer for systemically important banks (as a percentage of risk-weighted assets)	2.5%	
65 <i>of which, capital buffer in accordance with Basel minimum standards (as a percentage of risk-weighted assets)</i>	2.5%	
66 <i>of which, countercyclical buffer in accordance with the Basel minimum standards (as a percentage of risk-weighted assets)</i>	0.0%	
67 <i>of which, capital buffer for systemically important institutions in accordance with the Basel minimum standards (as a percentage of risk-weighted assets)</i>	0	
68 CET1 available to meet minimum and buffer requirements as per the Basel minimum standards, after deduction of the AT1 and T2 requirements met by CET1 (as a percentage of risk-weighted assets)	11.8%	
68a CET1 total requirement target in accordance with Annex 8 of the CAO plus the countercyclical buffer (as a percentage of risk-weighted assets)	7.8%	
68b Of which countercyclical buffer as per Art. 44 and 44a CAO (as a percentage of risk-weighted assets)	0.0%	
68c CET1 available (as a percentage of risk-weighted assets)	16.3%	
68d T1 total requirement in accordance with Annex 8 of the CAO plus the counter-cyclical buffer (as a percentage of risk-weighted assets)	9.6%	
68e T1 available (as a percentage of risk-weighted assets)	20.1%	
68f Total requirement for regulatory capital as per Annex 8 of the CAO plus the counter-cyclical buffer (as a percentage of risk-weighted assets)	12.0%	
68g Regulatory capital available (as a percentage of risk-weighted assets)	21.9%	
Amounts below threshold for deductions (before risk weighting)		
72 Non-qualified participation in the financial sector		
73 Other qualified participations in the financial sector (CET1)		
74 Mortgages servicing rights (net of related tax liability)		
75 Deferred tax assets arising from temporary differences (net of related tax liability)	3.4	
Applicable caps on the inclusion of provisions in Tier 2		
76 Valuation adjustments eligible in T2 in the context of the SA-BIS approach		
77 Cap on inclusion of valuation adjustments in T2 in the context of the SA-BIS approach		
78 Valuation adjustments eligible in T2 in the context of the IRB approach		
79 Cap on inclusion of valuation adjustments in T2 in the context of the IRB approach		

³⁸ FINMA Circular 2016/1 Table CC1

12.8 Balance sheet³⁹

The below balance sheet is on the basis of Swiss ARB. For the IFRS balance sheet see Annual Report.

CHF millions	31 December 2021		References
	According to the accounting rules	According to the regulatory scope of consolidation	
Assets			
Liquid assets	9,868.9	9,868.9	
Amounts due from banks	3,243.5	3,243.5	
Amounts due from securities financing transactions	305.0	305.0	
Amounts due from customers	11,897.3	11,897.3	
Mortgage loans	5,758.7	5,758.7	
Trading portfolio assets	633.9	633.9	
Positive replacement values of derivative financial instruments	973.6	973.6	
Other financial instruments at fair value	146.7	146.7	
Financial investments	8,638.5	8,638.5	
Accrued income and prepaid expenses	191.1	191.1	
Participations			
Tangible fixed assets	267.6	267.6	
Intangible assets	20.3	20.3	
<i>Of which goodwill</i>	16.4	16.4	a
<i>Of which other intangible assets</i>	3.9	3.9	b
Other assets	311.9	311.9	
<i>Of which deferred taxes depending on future profits</i>	81.4	81.4	c
<i>Of which deferred taxes from temporary differences</i>	3.4	3.4	
Total assets	42,257.0	42,257.0	
Liabilities			
Amounts due to banks	786.1	786.1	
Amounts due in respect of customer deposits	32,982.7	32,982.7	
Trading portfolio liabilities	68.6	68.6	
Negative replacement values of derivative financial instruments	1,075.8	1,075.8	
Liabilities from other financial instruments at fair value	417.6	417.6	
Bond issues and central mortgage institution loans	4,530.3	4,530.3	
Accrued expenses and deferred income	328.6	328.6	
Other liabilities	51.6	51.6	
Provisions	133.1	133.1	
Total Liabilities	40,374.4	40,374.4	
<i>Of which subordinated loans, eligible for Tier 1 capital (AT1)</i>	361.7	361.7	
<i>Of which subordinated loans, eligible for Tier 2 capital (T2)</i>	180.5	180.5	

³⁹ FINMA Circular 2016/1 Table CC2

Balance sheet (continued)

CHF millions	31 December 2021		References
	According to the accounting rules	According to the regulatory scope of consolidation	
Equity			
Share capital	152.2	152.2	
<i>Of which eligible for CET1</i>	152.0	152.0	<i>d</i>
<i>Of which eligible for AT1</i>	0.2	0.2	
Capital reserve / Retained earnings and other reserve	1,688.4	1,688.4	
Minority interests	42.0	42.0	
<i>Of which eligible for CET1</i>	31.7	31.7	<i>e</i>
<i>Of which eligible for AT1</i>			
Total own funds	1,882.6	1,882.6	

12.9 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories⁴⁰

There are no differences between the carrying values as reported in the Swiss ARB financial statements and the carrying values under the scope of regulatory consolidation. For differences between the Group's published IFRS financial statements and the Group's Swiss ARB financial statements see Section 10. Subject to credit risk section doesn't include exposure subject to non-counterparty credit risk.

CHF millions	a	b	c	d	e	f	g
	Carrying values as reported in financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Liquid assets	9,868.9	9,868.9	9,868.9				
Amounts due from banks	3,243.5	3,243.5	3,243.5				
Amounts due from securities financing transactions	305.0	305.0		305.0			
Amounts due from customers	11,897.3	11,897.3	11,865.1				32.2
Amounts due secured by mortgage	5,758.7	5,758.7	5,758.7				
Trading portfolio assets	633.9	633.9				633.9	
Positive replacement values of derivative financial instruments	973.6	973.6		973.6			
Other financial instruments at fair value	146.7	146.7	146.7				
Financial investments	8,638.5	8,638.5	8,248.3			376.2	
Accrued income and prepaid expenses	191.1	191.1	191.1				
Participations							
Tangible fixed assets	267.6	267.6					
Intangible assets	20.3	20.3					20.3
Other assets	311.9	311.9	224.9				81.4
Total assets 31 December 2021	42,257.0	42,257.0	39,547.2	1,278.6	-	1,010.1	133.9

⁴⁰ FINMA Circular 2016/1 Table LI1

CHF millions	Carrying values						
	Carrying values as reported in financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Liabilities							
Amounts due to banks	786.1	786.1					786.1
Amounts due in respect of customer deposits	32,982.7	32,982.7					32,982.7
Trading portfolio liabilities	68.6	68.6				68.6	
Negative replacement values of derivative financial instruments	1,075.8	1,075.8		1,075.8			
Liabilities from other financial instruments at fair value	417.6	417.6				417.6	
Bond issues and central mortgage institution loans	4,530.3	4,530.3					4,530.3
Accrued expenses and deferred income	328.6	328.6					328.6
Other liabilities	51.6	51.6					51.6
Provisions	133.1	133.1					133.1
Total liabilities							
31 December 2021	40,374.4	40,374.4	-	1,075.8	-	486.2	38,812.4

12.10 Composition of collaterals for counterparty credit risk exposure⁴¹

CHF millions	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received Segregated	Fair value of collateral received Unsegregated	Fair value of posted collateral Segregated	Fair value of posted collateral Unsegregated	Fair value of collateral received	Fair value of posted collateral
31 December 2021						
Cash – CHF			14.9			
Cash – other currencies	117.5		165.5		58.2	220.2
Swiss Confederation sovereign debt						
Other sovereign debt						
Government agency debt						
Corporate bonds					2,637.2	1,853.9
Equity securities					198.3	153.2
Other collateral						55.8
Total	117.5	-	180.4	-	2,893.7	2,283.1

⁴¹ FINMA Circular 2016/1 Table CCR5

12.11 Counterparty credit risk: Credit derivatives exposures⁴²

CHF millions	a		b
	31 December 2021		
	Protection bought		Protection sold
Notionals			
Single-name credit default swaps	9.1		
Index credit default swaps	36.5		528.6
Total return swaps			
Credit options			
Other credit derivatives			
Total notionals	45.6		528.6
Fair values			
Positive replacement values (assets)	0.7		
Negative replacement values (liabilities)	0.5		5.6

12.12 Geographical distribution of credit exposures used in the countercyclical capital buffer⁴³

The following table summarises the countercyclical buffer requirements based on jurisdictions where EFG international has non-bank private sector exposures subject to countercyclical buffer requirement.

CHF millions	a				b				c				d
					31 December 2021								
Geographical breakdown	Counter-cyclical capital buffer rate		Risk weighted assets used in the computation of countercyclical buffer		Bank Specific countercyclical capital buffer rate		countercyclical buffer capital requirement						
	Hong-Kong	1.0%		193.7		0.0%							
Luxembourg	0.5%		56.5		0.0%								
Total	0.0%		5,305.4		0.0%							4.1	

⁴² FINMA Circular 2016/1 Table CCR6

⁴³ FINMA Circular 2016/1 Table CCyB1

13. FINMA requirements table

The FINMA requirements are covered in this report by reference to the following tables and sections:

FINMA table number	Description	EFG section reference
KM1	Basic regulatory key figures	Section 2.1
CC2	Reconciliation of regulatory capital to balance sheet	Section 12.8
CC1	Composition of regulatory capital	Section 12.6
CCyB1	Geographic separation of exposures for the extended countercyclical buffer according to the Basel Minimum Standards	Section 12.12
PV1	Prudential value adjustments	Not required
OVA	Bank risk management approach	Section 4
OV1	Overview of risk-weighted assets	Section 3
L1	Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	Section 12.9
L12	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Section 3.2
LIA	Explanations of differences between accounting and regulatory exposure amounts	Section 3.2
CRA	Credit risk: general information	Section 5
CR1	Credit risk: credit quality of assets	Section 5.1
CR2	Credit risk: changes in stock of defaulted loans and debt securities	Section 5.2
CRB	Credit risk: additional disclosure related to the credit quality of assets	Section 5.1
CRC	Credit risk: qualitative disclosure requirements related to mitigation techniques	Section 5
CR3	Credit risk: overview of mitigation techniques	Section 5.3
CRD	Credit risk: qualitative disclosures of banks' use of external credit ratings under the standardised approach	Section 5
CR4	Credit risk: exposure and credit risk mitigation (CRM) effects under the standardised approach	Section 5.4
CR5	Credit risk: exposures by exposure category and risk weights under the standardised approach	Section 5.5
CRE	IRB: qualitative disclosures related to IRB models	Not required
CR6	IRB: credit risk exposures by portfolio and PD range	Not required
CR7	IRB: effect on RWA of credit derivatives used as CRM techniques	Not required
CR8	IRB: RWA flow statements of credit risk exposures	Not required
CR9	IRB: back testing of probability of default (PD) per portfolio	Not required
CR10	IRB: specialised lending and equities under the simple risk weight method	Not required
CCRA	Counterparty credit risk: qualitative disclosure	Section 5.6
CCR1	Counterparty credit risk: analysis by approach	Section 5.7
CCR2	Counterparty credit risk: credit valuation adjustment (CVA) capital charge	Section 5.8
CCR3	Counterparty credit risk: standardised approach to CCR exposures by exposure category and risk weights	Section 5.6
CCR4	IRB: CCR exposures by exposure category and PD scale	Not required
CCR5	Counterparty credit risk: composition of collateral for CCR exposure	Section 12.10
CCR6	Counterparty credit risk: credit derivatives exposures	Section 12.11
CCR7	Counterparty credit risk: RWA flow statements of CCR exposures under the IMM (EPE model method)	Not required
CCR8	Counterparty credit risk: exposures to central counterparties	Section 5.10
SECA	Securitisations: qualitative disclosure requirements related to securitisation exposures	Not required
SEC1	Securitisation: exposures in the banking book	Not required

FINMA table number	Description	EFG section reference
SEC2	Securitisations: exposures in the trading book	Not required
SEC3	Securitisations: exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor	Not required
SEC4	Securitisations: exposures in the banking book and associated capital requirements – bank acting as investor	Not required
MRA	Market risk: general information	Section 6
MRB	Market risk: qualitative disclosures for banks using the Internal Models Approach (IMA)	Not required
MR1	Market risk: minimum capital requirements under standardised approach	Section 6.1
MR2	Market risk: RWA flow statements of market risk exposures under an IMA	Not required
MR3	Market risk: IMA values for trading portfolios	Not required
MR4	Market risk: comparison of VaR estimates with gains/losses	Not required
ORA	Qualitative disclosure requirements related to operational risks	Section 8
IRRBA1	Interest rate risk: quantitative information on the exposure's structure and interest rate fixing date	Section 7.2
IRRBB1	Interest rate risk: quantitative information on the exposure's net present value and interest rate income	Section 7.3
IRRBB	Interest rate risk: Objectives and guidelines for the management of interest rate risk in the banking book	Section 7.1
CCA	Presentation of material features of regulatory capital instruments	Section 12.5
LR1	Leverage ratio: comparison of accounting assets versus leverage ratio exposure measure	Section 12.2
LR2	Leverage ratio: detailed presentation	Section 12.1
LIQ1	Information about the liquidity coverage ratio	Section 12.3
LIQ2	Liquidity: information relating to the funding ratio	Section 12.4
LIQA	Liquidity: Liquidity risk management	Section 9

14. Abbreviations

ALCO	Asset & Liabilities Management Committee
ALM	Asset and Liability Management
AT1	Additional Tier 1
BIS	Bank for International Settlements
BoD	Board of Directors
CAO	Capital Adequacy Ordinance - Ordinance of 1 June 2012 concerning capital adequacy and risk diversification for banks and securities traders (known as the “Capital Adequacy Ordinance”)
CCF	Credit conversion factor
CCR	Counterparty credit risk
CET1	Common Equity Tier 1
CLS	Continuous linked settlement
CRM	Credit Risk Mitigation
CSA	Credit Support Annex, an optional annex for ISDA netting agreements
CVA	Credit valuation adjustment: capital requirement aimed at covering the risk of loss in market value as a result of deterioration in the counterparty’s credit quality
EAD	Exposure at default
FINMA	Swiss Financial Market Supervisory Authority
GMRA	Global Master Repurchase Agreement of the Public Securities Association/International Securities Market Association (PSA/ISMA)
GMSLA	Global Master Securities Lending Agreement
HQLA	High-quality liquid assets
ICS	Internal control system
ISDA	International Swaps and Derivatives Association
LCR	Liquidity coverage ratio
OTC	Over the counter
RWA	Risk-weighted assets
SFT	Securities financing transaction
SIC	Swiss Interbank Clearing
SNB	Swiss National Bank
SA-BIS	International Standardised Approach in accordance with the CAO
T2	Tier 2
VaR	Value at risk

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