

**EFG Bank (Luxembourg) S.A.**  
**Société Anonyme**

**Audited financial statements**  
**for the year ended**  
**December 31, 2020**

**56, Grand-Rue**  
**L-1660 Luxembourg**  
**R.C.S. Luxembourg: B 113 375**

## INDEX TO THE REPORT AND FINANCIAL STATEMENTS

	<b>Page</b>
Management Report for the year ended December 31, 2020	2
Audit report	12
Statement of profit and loss and other comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the financial statements	21

*The figures presented in the financial statements tables may in some cases show non-significant differences due to the use of rounding. These differences do not affect in any way the fair view of the financial statements of the Bank.*

## **Management Report for the year ended December 31, 2020**

### **Overview**

In 2020, EFG Group (hereinafter the “Group” or “EFG”) and EFG Bank (Luxembourg) S.A. (hereinafter the “Bank”) against the backdrop of the coronavirus pandemic (COVID-19), demonstrated their operational and financial resilience as they continued to execute their strategic plan and successfully grew their business in terms of net new asset (NNA) inflows, Assets under Management (AuM) and profitability.

The global spread of the coronavirus presented unprecedented challenges for economies, markets, organisations and individuals worldwide. For EFG, the primary focus was on safeguarding the wellbeing of its employees and clients, while ensuring uninterrupted high-quality private banking services. Thanks to the dedication and commitment of its employees, EFG seamlessly adapted to the new circumstances and remained close to its clients throughout the year, supporting them to navigate the challenging environment.

Despite the uncertainties caused by the coronavirus crisis and the related market turmoil in the first half of the year, the effects on the Bank’s financial performance and capital position were limited due to the introduced mitigating actions.

Despite adverse effects on revenues due to the pronounced low interest rate environment and particularly the decrease in US dollar interest rates, Luxembourg operations (excluding branches) increased underlying income by EUR 0.6 million (+1.2%), as we implemented strategic revenue management actions. We substantially increased net commissions – which now account for 66% of the Luxembourg operations revenues.

We continued improving operational efficiency as we consistently continued the tight cost management that resulted to an improvement of the underlying cost to income ratio to 81.8% (+0.5% as compared to 2019). Accompanied with a reduction of provisions and restructuring costs, our underlying net profit increased from EUR 5.7 million in 2019 to EUR 7.6 million in 2020.

The very good performance of the Luxembourg operations was counterbalanced by the strategic growth initiative investments in the Portugal and Italy branches which have launched operations in 2019. As anticipated in the strategic plan, the two branches are in the investment phase and have focused on developing the platform and integrating with the Luxembourg and EFG Group process. Consequently, the two branches have reported losses of EUR 12.3 million (Italy branch EUR 9.7 million & Portugal branch EUR 2.6 million).

### **Economic and political events that shaped the market**

2020 has been an unprecedented year in many respects. Apart from the global coronavirus pandemic, which not only caused significant market turmoil in the first half of the year but also sparked increasing concerns of a global recession, the world was also faced with numerous environmental catastrophes, increasing political tensions, and a critical election in the United States against a background of growing civil unrest. These various factors weighed heavily on investor sentiment.

## Key Financials

The amounts reported in the audited income statement are as follows:

Amounts in EUR '000	2020	2019	Δ%
Operating income	52,806	51,399	3%
Operating expense	-54,034	-51,449	5%
<b>Operating profit/(loss)</b>	<b>-1,228</b>	<b>-50</b>	<b>2358%</b>
Depreciation, amortization, provisions and exceptional items	-3,484	-4,515	-23%
<b>Result before taxes</b>	<b>-4,712</b>	<b>-4,565</b>	<b>3%</b>
Income tax (current and deferred)	3,388	798	324%
<b>Result after taxes</b>	<b>-1,324</b>	<b>-3,767</b>	<b>-65%</b>

*Note: presentation of the table is as per internal management reporting classification*

The operating income has increased as compared to prior year mainly because of the Luxembourg operations which managed to recover the impact of the low USD interest rate environment with the increase of commission income.

Operating expenses increased compared to the prior year by EUR 2.6 million due to the increased expenses of the Italy branch (EUR 1.8 million) and Portugal branch (EUR 0.7 million). The 2 branches were during 2020 in the first year of full operation under the current platform and had additional costs incurred as compared to prior year.

The net operating result of the Bank is reported at a loss of EUR 1.2 million due to the branches of Italy and Portugal which had incurred costs but have not contributed equivalent revenues. Excluding the impact of the branches, the Luxembourg operations are reporting operating result of EUR 9.3 million, improvement by EUR 0.3 million.

The net result of the Bank (loss of EUR 1.3 million) has improved in 2020 as compared to prior year (loss of EUR 3.8 million) by EUR 2.5 million. As mentioned above the main drivers of the losses of the year are the losses of the Italy branch (loss EUR 9.7 million) and the Portugal branch (loss EUR 2.6 million).

On the positive side, Luxembourg improved significantly its results with reported profit after tax to EUR 10.7 million against the prior year reported profit of EUR 6.1 million. The increase was mainly due to reduced restructuring provisions and exceptional expenses by EUR 1.6 million and increase of deferred taxes income by EUR 2.7 million.

## Balance Sheet

Amounts in EUR '000

	2020	2019	Δ%
<b>Assets</b>			
Cash and balances with central banks	1,542,718	1,621,534	-5%
Due from banks	523,461	309,814	69%
Loans and advances to customers (*)	772,278	670,747	15%
Investment Securities & treasury bills	52,759	125,012	-58%
Derivative financial instruments	6,508	4,905	33%
Assets classified as held for sale	1,242	-	100%
Participation	12	1,254	-99%
Other non-financial assets	65,779	53,924	22%
	<b>2,964,757</b>	<b>2,787,190</b>	<b>6%</b>
<b>Liabilities</b>			
Due to banks (*)	104,867	62,090	69%
Due to customers	2,678,857	2,547,531	5%
Derivative financial instruments	19,199	8,804	118%
Other non-financial liabilities	39,227	44,377	-12%
	<b>2,842,150</b>	<b>2,662,802</b>	<b>7%</b>
<b>Equity</b>			
Share Capital	118,000	118,000	0%
Other equity items	4,607	6,388	-28%
	<b>122,607</b>	<b>124,388</b>	<b>-1%</b>

(\*) 2019 figures were reclassified for comparability purposes. Please refer to Notes 17 and 24 for further details.

The balance sheet increased in 2020 by approximately 6% as compared to the previous year mainly because of the increase of customer deposits by 5% (EUR 131 million) while loans to customers have increased by 15% (EUR 155 million).

The increased funding position have been placed mainly with the Group (increase by EUR 160 million) while the balance with central banks and the investment book has decreased (respectively by EUR 79 million and EUR 72 million).

The total equity of the Bank has decreased from EUR 124 million in 2019 to EUR 123 million in 2020 mainly as a result of the losses incurred during the year (EUR 1.3 million).

### Research & Developments

Consistently with prior years, the Bank did not invest into research and development during 2020.

### Acquisition of own shares

The Bank did not acquire own shares during the year 2020.

## **Branches**

### Greek branch

The Bank opened a Representative Office in Athens on September 15, 2014, which was transformed into a branch on July 7, 2017 upon receipt of the approval from the Greek regulator.

The main objective of the presence in Athens has been to promote the Bank and EFG products and services to High Net Worth (HNW) clients in Greece whose accounts are opened and managed in Luxembourg. The Athens branch operates under the European Union passport rules.

The growth strategy of the Athens branch has been focused on organic growth based on the EFG CRO model. This strategy was complimented by an acquisition opportunity in 2016 through a referral agreement between Credit Suisse (Luxembourg) S.A. and the Bank.

The branch has continued to focus on growth and a the team of CROs has been successfully renewed over the years with new hiring in September 2019, October 2020 and February 2021 (the latter being the re-location of a CRO from Luxembourg) to replace departures and continue the growth in NNA and the broadening of the client base.

The Athens branch is preparing to further activate its Passport and offer the following services to clients in 2021:

- Investment advice – investment recommendations, based on market and securities analysis provided by the Luxembourg Head Office and EFG International (EFGI) Group affiliates, in order to meet the investment profiles and the clients' needs;
- The reception of orders from clients and the transmission of these orders to the Head Office.

through a Tri-Partite Agreement between the Bank, the branch and the Client.

The Athens branch is staffed with 9 employees, including a Legal and Compliance Liaison Officer, under the leadership of the branch Manager, Mr. George Korliras.

The branch is under the direct oversight of Ms. Lena Lascari, CEO of the Bank.

### Cyprus branch

The Bank opened a branch in Cyprus in June 2015. During 2020, the branch had two premises, one in Nicosia and one in Limassol. As from January 2021, while the branch keeps its registered address in Nicosia it will only have a business address in Limassol. The branch is not a booking entity.

The corporate governance of the branch was strengthened by the creation in 2018 of an Advisory Board including non-executive independent members from the Cyprus community. The role of the Cyprus Advisory Committee as per its Terms of Reference approved by the Bank Board of Directors is to provide expert advice to assist and support the Bank in its governance and consolidated supervision over its Cyprus branch.

The growth strategy of the Cyprus branch was focused on organic growth based on the EFG CRO model.

The Cyprus branch license (following approval from the Luxembourg and Cyprus Regulators) was extended in 2017 to offer Custodian & Depositary services to Cyprus Alternative Investment Funds with a partial delegation to the Head Office.

Strategically this license extension was obtained:

- To be able to offer depositary services to existing clients of the Bank that are in the form of Cyprus Alternative Investment Funds;
- To establish a dominant position on the Cyprus market, which is a potential emerging fund centre by filling the “gap” of an international credit rated depositary bank;
- To encircle private banking clients (such as Family Offices and High Net Worth Individuals (HNWI)) by offering a diverse range of services and acting as one stop shop for their needs, aiming to enhance the AuMs and revenues of Bank from wealth management services;
- To create cross selling opportunities and expand EFG’s clientele of HNWI and Institutional Investors operating through Cyprus.

During 2020, it also performed commercial activities focusing on UHNW, HNW clients and family offices and is further passported to carry out specific MIFID/investment services (incl. investment advice and reception and transmission of orders). Until now, no agreements for offering investment services to clients locally have been signed.

The Cyprus branch during 2020 was staffed with 5 employees including a Legal and Compliance Liaison Officer under the leadership of the branch Manager.

As of January 2021 and based on new developments in relation to the presence of EFG Group International Group of companies in Cyprus, the Branch governance and activities have been reviewed.

Most of the employees have been transferred to another entity of EFG Group in Cyprus, and the Branch is now staffed with 2 employees including a new Branch Manager (as the previous Branch Manager was transferred to a newly established entity). The Branch activity will mainly consist of providing Depositary services for the year to come and further modifications in the structure of the Branch may be decided in the course of 2021.

The change in the structure is not expected to have significant impact on the Bank’s financial position and net result. However, individual lines of the income statement will be impacted by the reduction of the costs of the branch and the related reduction of revenues billed to other EFG Group entities.

The branch is under the direct oversight of Ms. Lena Lascari, CEO of the Bank.

#### Italian branch

Following the 2017 acquisition of BSI Europe S.A. in Luxembourg, the Bank became the Head Office of its branch in Milan, passported to perform client booking locally. In May 2017, the Bank of Italy requested the implementation of certain measures which restricted the business activities of the branch that may have led to a possible closure of the branch itself. In November 2017, the Bank of Italy decision was revoked and EFG decided to maintain its presence in Milan. The branch was formally authorised to restart its activities on December 28, 2018. The Bank decided not to re-start its activities immediately as it was still focused on re-organising the governance and operations of the branch.

A new branch Manager joined on December 1, 2018 and the activities of the branch were migrated onto a fully outsourced system on April 1, 2019.

The branch officially re-started its activities in June 2019 and started to on-board Financial Advisors and Private Bankers and to open clients’ accounts in September 2019.

At the end of December 2020, the Branch had 35 employees, including 3 Private Bankers (CROs). The Branch also contracted with 6 Financial Advisors (tied agents).

The branch currently offers the following services:

- Non-independent Investment Advisory Service;
- Discretionary Portfolio Management Service;
- Placement and Distribution of financial products (among which: funds, certificates and insurance-based investment products);
- Receipt and transmission of orders on financial instruments;
- Credit products, with a specific focus on Lombard Loans;
- Banking and payment services and payment means, such as current savings and deposit accounts, wire transfers, cheques, credit and debit cards.

The Branch has activated an Internet Banking platform, available also via Mobile application.

As of 31<sup>st</sup> December 2020, the Branch manages about EUR 165 million AuM for about 450 clients (almost all private individuals).

The relaunch of the Branch was impacted by the COVID-19 pandemic that, in combination with other factors, resulted in significant losses for 2020.

The branch is under the direct oversight of Ms. Lena Lascari, CEO of the Bank.

#### Portuguese branch

As part of its constant growth strategy within EU, the Bank during January 2019 filed with the CSSF a new branch passport notification to open a branch in Portugal located in Lisbon to offer specific investment services. The regulator transmitted the passport request to the Bank of Portugal who approved the creation of the branch in March 2019.

The Portuguese branch's main objective is to attract High Net Worth clients, introduce them to the Head Office and provide the following investment services:

- Investment advice – investment recommendations, based on market and securities analysis provided by the Luxembourg Head Office and EFG International (EFGI) Group affiliates, in order to meet the investment profiles and the clients' needs;
- The reception of orders from clients and the transmission of these orders to the Head Office.

As these investment services will be provided locally, the respective agreement is executed between the Portuguese branch and its clients.

The branch is acting as a non-booking branch, i.e. no client accounts are opened and maintained with the branch, no clients' assets are kept with the branch, no purchase or sale trades in securities or investment products and no credit transactions are entered into the branch's books.

The activities of the branch have officially started in September 2019 with an inauguration that took place on the 26th September 2019.

A new country manager was hired by the branch in September 2019 to assist in the growth strategy of the branch.

The branch with offices in Lisbon and Porto, has been locally staffed at the end of December 2020 with 14 CROs, of which 4 in Porto, 2 CSOs, one being in Porto, 1 Country Manager and 1 Compliance Liaison Officer. In the course of 2020, it was also decided by the Head Office to terminate the contract of the local Branch Manager that was there at the inception of the project.

The branch is under the direct oversight of Ms. Lena Lascari, CEO of the Bank.



### **Distribution of Profits (Result allocation)**

The Board of Directors proposes to approve the 2020 annual accounts and to carry forward the net loss of the year as follows:

Net loss of the year	EUR	(1 323 812)
Transfer to retained earnings	EUR	(1 323 812)

### **Bank's perspective 2021**

In order to further drive profitability despite the persistent pressure on revenues and margins, we plan to implement revenue management actions and optimization of operational efficiency, using centralization and automation. Consistently and in cooperation with the EFG Group we will be shifting our focus from integration to optimisation that will drive profitable and sustainable growth.

For Portugal branch, 2021 will be the year to cement the presence in the local market, track its business plan and gradually reach break-even.

For the Italian branch, the Bank and the Group are currently considering the strategy and the operating model in order to minimise the losses. A conclusion on the revised strategy is expected in the following months.

### **Risk management**

The Authorized Management is responsible for introducing appropriate internal control mechanisms and for providing sufficient and competent human resources to ensure sound and prudent risk management of the activities of the Bank and adherence to the risk appetite approved by the Audit and Risk Committee and ratified by the Board of Directors in the overall context of the Bank's Risk Strategy.

The Authorized Management implements, through internal risk policies and procedures and in alignment with regulatory requirements, all risk management principles defined by the Board of Directors through the Risk Management Framework of the Bank.

The Risk Management principles are outlined in the Risk Management Framework, which has been approved by the Audit and Risk Committee and ratified by the Board of Directors and are set out in the Bank's procedures, which are approved by the Authorized Management.

The organization is set up according to the concept of the three-lines of defence model, distinguishing operational units, support functions and the Internal Audit function.

Within the support functions, the Bank's organization includes two Control Functions, Compliance and Risk Management. Together with the Internal Audit function, these functions are responsible for controlling that the policies and procedures of the Bank are respected and for identifying and evaluating their appropriateness in respect to both internal and external developments in the context of their specific domain. They are independent functions which can report directly to the Board of Directors.

Finally, the Internal Audit function conducts audit missions according to a duly approved audit plan which covers all the activities of the Bank.

The Bank is also under the consolidated supervision of EFG Group.

Taking into account the scope of the business activity, the Board of Directors has drawn up a risk strategy which details the following taxonomy of risk:

- Credit risks (Credit and Counterparty risk, Residual risk, Settlement risk, Concentration risk);
- Market risks (Equity risk, foreign currency (FX) risk, Interest Rate risk in the Banking Book (IRRBB), Transfer risk);
- Liquidity risks (Market liquidity risk, Funding liquidity risk);
- Operational risks (Operational risk, Compliance risk, Legal risk, Model risk);
- Other risks (Business/Strategic risk, Reputational risk, Macroeconomic risk, Securitization risk, and Underwriting risk).

Below there is a description of those risk areas that constitute material risk.

*1. Credit risk:*

The credit risk is the risk of loss due to the default by a client of the Bank. The credit risk includes the risk in relation with the loans secured by financial assets and those secured by real estate, granted on a very restrictive basis.

To mitigate this risk, the Bank has established an organizational structure assigning responsibilities, administration, approval and control of credit activities escalated in management depending on the level of exposure. Credit operations are governed by a comprehensive set of policies and procedures to ensure that all aspects of credit risk are adequately covered.

The counterparty risk is the risk of loss due to the default by a financial institution or professional counterparty.

The global policy of the Bank is to select only highly rated counterparties. The Bank has received an exemption from the Regulator concerning intra-group exposures in respect to the limit regulation towards credit institutions. The Bank monitors the counterparty risk through a set of limits and performs controls on a regular basis on the different counterparties to ensure that there is no breach against these limits.

*2. Market risk:*

The market risk comprises the risk of losses on-balance-sheet and off-balance-sheet items as a result of price movements in the equity, interest rate and foreign exchange markets. Given the Bank's activity, the market risk consists mainly in interest rate risk and foreign currency risk. The Bank does not have exposure on Equity or commodities.

The Bank with the support of the Market Risk Control department of the Group monitors daily interest rate and FX risks through historical Value at Risk and Exposure at Risk, standard shocks on interest and FX rates and other stress testing scenarios ensuring that Capital and Earnings sensitivities move within the set internal market limits.

*3. Liquidity risk:*

Liquidity risk is the risk that the Bank will have insufficient liquid assets to meet its commitments or to fund its asset base.

With regard to Luxembourg statutory requirements, the Bank endeavours to always maintain regulatory liquidity ratios at a high level (well above the regulatory 100% for the Liquidity Coverage ratio and the NSFR ratio). In addition, the Bank maintains adequate liquidity in order to conduct its business in a prudent manner and to be able to meet its obligations.

#### 4. Operational risk:

The operational risk is the risk of loss resulting from inadequate or failed internal processes, failure of people and/or system operations, internal or external frauds or from external non idiosyncratic events. Thus, from an operational aspect, the Bank has identified among others the following categories falling within the operational risks:

- Compliance and Legal risk;
- Outsourcing risk;
- Model risk;
- Wealth Management risk;
- IT risk;
- Tax risk.

The Bank has implemented a comprehensive manual of procedures covering the activities of all departments and respects a strict segregation of duties. Detailed workflows provide all employees with a valuable tool in order to perform their daily duties and controls. Internal processes and systems are continuously monitored and improved.

The Bank has also introduced a business continuity plan designed to enable it to continue operations under all circumstances. An IT system back-up has been put in place so that normal business can be resumed as soon as possible in the event of major problems.

The Bank considers Compliance and Legal risk as one of the main drivers of the Operational risk embedded in the Institution and has taken all necessary steps in terms of Governance, staffing, controls and processes in order to mitigate this the above.

#### 5. Other risks:

##### - Reputational:

Reputation risk is the risk of harm to the Bank as a result of damage to its image or reputation. The Bank endeavours to mitigate the reputation risk in various ways including selective client acceptance policy, non-participation in non-standard or non-transparent activities, employees hiring process, Code of Conduct and ethical standards.

##### - Strategic & Business risk:

The strategic risk is the risk to earnings and capital resulting from adverse or delayed strategic business decisions, which may prove to be sub-optimal even though they could have been correct at the time they were taken based on the available information.

The Bank reviews on a regularly basis the strategy drawn up and the financial results. In addition, periodic monitoring of the financial key figures is performed to ensure the adherence with the strategic plan of the Bank.

**Subsequent Events**

As disclosed in Note 20 of the financial statements, in the last months of 2020, the Bank has entered into negotiations to dispose the share capital of the wholly owned subsidiary “EFG Fund Management S.A.”.

On 18 February 2021 the Bank signed an agreement for the sale of the subsidiary. The agreement is subject to certain conditions precedent and regulatory approvals. The agreed consideration is EUR 1.5 million plus the payment to the Bank of the excess capital of the subsidiary which has been estimated at the date of the agreement to approximately EUR 1.5 million. Once all conditions precedent are satisfied and regulatory approval obtained, the Bank will close the sale, derecognise the carrying value of EUR 1.2 million and is expected to recognise a gain of approximately EUR 1.7 million.

April 8, 2021

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Lena Lascari  
Chief Executive Officer

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Christos Deligiannis  
Chief Financial Officer



## Audit report

To the Board of Directors of  
**EFG Bank (Luxembourg) S.A.**

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## Report on the audit of the financial statements

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### Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of EFG Bank (Luxembourg) S.A. (the “Bank”) as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### *What we have audited*

The Bank’s financial statements comprise:

- the Statement of profit and loss and other comprehensive income for the year ended as at 31 December 2020;
- the statement of financial position as at 31 December 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for opinion

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We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to the Bank and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 35 to the financial statements.

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*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)  
R.C.S. Luxembourg B 65 477 - TVA LU25482518*




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## Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Provisions and contingent liabilities of ongoing litigations</i></p> <p>We refer to Note 26 of the financial statements, which states a provision for litigation of EUR 1.66 million.</p> <p>We focused on this area because there are some pending and ongoing legal disputes involving the Bank. Accordingly, the Management exercises significant judgements in estimating the level of provision required.</p> <p>The evaluation of Management's judgements, including those that involve estimations in assessing the likelihood that a pending claim will succeed, or a liability will arise, and the quantification of the ranges of potential financial settlement have been a matter of most significance during the current year.</p>	<p>We obtained Management's assessment and found it in alignment with the provision of IAS 37.</p> <p>We satisfied ourselves with the procedures performed below as to Management's assumptions used to determine the provisions related to ongoing litigations to be booked:</p> <ul style="list-style-type: none"> <li>• We assessed Management's process to identify new possible obligations and changes in existing obligations in compliance with IAS 37 requirements;</li> <li>• We analysed significant changes from prior years and obtained from the Management a detailed understanding of these items and assumptions used;</li> <li>• We inspected the list of client complaints, the correspondence with the local regulator as well as the minutes of meetings of the Board of Directors and Audit &amp; Risk Committee for indications of potential lawsuits;</li> <li>• We performed an external lawyer's circularization.</li> </ul> <p>Finally, in relation to the present financial statements, we verified that the disclosure related to the provisions is in line with the requirements of IAS 37.</p>
<p><i>Valuation of the goodwill</i></p> <p>During 2017, the Bank acquired 100% of the voting rights of UBI Banca International S. A.</p> <p>(UBI) as disclosed in Note 21 to the financial statements. The Bank has determined this acquisition as being a business combination for which the purchase price had been allocated</p>	<p>Our audit focused on assessing the appropriateness of Management's judgment about the valuation of the goodwill through the following procedures:</p> <ul style="list-style-type: none"> <li>• We evaluated Management's assessment on the methodology used for the computation of the impairment test;</li> </ul>

between acquired assets and liabilities, identified intangible assets and contingent liabilities, the difference between the purchase price and the net assets being recognised as a goodwill for an amount of EUR 2 724 142.

As disclosed in Note 21 to the financial statements, this goodwill has been decreased to an amount of EUR 1 914 106 during the year 2018 following the reduction of a deferred consideration in accordance with IFRS 3.

We focused on the valuation of the goodwill, as this is of material significance for the financial statements and that significant judgment is required to assess its valuation.

Indeed, the valuation is depending on the future profitability of the underlying business that will generate this goodwill.

- We checked the main assumptions used by the Management in the context of the impairment test performed;
- We checked the computation of the calculation of the value of the goodwill;
- We ensured that the value of the goodwill is higher than the value it is accounted for.

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#### *Recoverability of deferred taxes*

As disclosed in Note 11 to the financial statements as at 31 December 2020, the Bank has recognised EUR 15 518 188 of deferred tax assets.

We focused on the recoverability of the deferred tax assets, as those are of material significance for the financial statements and that significant judgment is required to assess their recoverability.

Indeed, the recoverability is depending on the future profitability of the Bank, as the origin of those deferred tax assets is the tax losses previously accumulated by the Bank.

Our audit focused on assessing the appropriateness of Management's judgment about the recoverability and valuation of deferred tax assets through the following procedures:

- We evaluated Management's assessment on the sufficiency of future taxable profits in support of the recognition of deferred tax assets by comparing Management's forecasts of future profits (business plan) to historical results;
- We checked the main assumptions used by the Management for the forecasts of future profits;
- We checked the computation of the deferred tax assets;
- We ensured that the taxes generated by future profits forecasted are higher than the deferred tax assets recognised on-balance sheet.

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#### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information stated in the management report but does not include the financial statements and our audit report thereon.



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

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

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**Responsibilities of the Board of Directors and those charged with governance for the financial statements**

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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**Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the financial statements**

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;





- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

## **Report on other legal and regulatory requirements**

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the Board of Directors on 5 April 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 15 years.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 14 April 2021

Roxane Haas

## EFG Bank (Luxembourg) S.A.

### Statement of profit and loss and other comprehensive income for the year ended December 31, 2020

	Note	2020 EUR	2019 EUR
Interest income (*)	5	15 778 920	17 019 814
Interest expense (*)	5	<u>(14 049 885)</u>	<u>(18 096 458)</u>
<b>Net interest income</b>		<b><u>1 729 035</u></b>	<b><u>(1 076 644)</u></b>
Banking Fee and commission income	6	37 106 363	32 210 139
Banking Fee and commission expense	6	<u>(2 706 583)</u>	<u>(1 995 472)</u>
<b>Net banking fee and commission income</b>		<b><u>34 399 780</u></b>	<b><u>30 214 667</u></b>
<b>Net other income</b>	7	<b><u>15 181 231</u></b>	<b><u>21 652 600</u></b>
<b>Operating income</b>		<b><u>51 310 046</u></b>	<b><u>50 790 623</u></b>
<b>Operating expenses</b>	2, 8	<b><u>(55 864 642)</u></b>	<b><u>(55 472 192)</u></b>
<b>Provisions</b>	26	<b><u>(134 054)</u></b>	<b><u>140 770</u></b>
<b>Loss allowances</b>		<b><u>(23 604)</u></b>	<b><u>(24 638)</u></b>
<b>Profit/(loss) before tax</b>		<b><u>(4 712 254)</u></b>	<b><u>(4 565 437)</u></b>
Income tax	10	3 388 443	798 917
<b>Net profit/(loss) for the year</b>		<b><u>(1 323 812)</u></b>	<b><u>(3 766 520)</u></b>
<b>Other comprehensive income items that may be reclassified subsequently to the income statement:</b>			
Fair value gains and losses on financial assets at fair value through other comprehensive income		(102 277)	(338 600)
Tax effect on financial assets at fair value through other comprehensive income		25 508	84 447
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b><u>(76 769)</u></b>	<b><u>(254 153)</u></b>
<b>Total comprehensive income for the year</b>		<b><u>(1 400 581)</u></b>	<b><u>(4 020 673)</u></b>

(\*) Comparative figures were reclassified for comparability purposes

The notes to the financial statements are an integral part of these financial statements.

## EFG Bank (Luxembourg) S.A.

### Statement of financial position as at December 31, 2020

	Note	2020 EUR	2019 EUR
<b>ASSETS</b>			
Cash and balances with central banks	12, 13	1 542 718 238	1 621 534 420
Treasury bills and other eligible bills	15	-	15 008 308
Due from other banks	14	523 460 848	309 814 314
Derivative financial instruments	16	6 508 483	4 904 576
Financial assets at fair value through other comprehensive income	19	52 758 782	110 003 919
Loans and advances to customers (*)	17, 18	772 278 574	670 747 433
Participations	20	12 000	1 253 662
Property, plant and equipment and right-of-use assets	22	21 800 741	22 793 645
Intangible assets	21	5 908 226	5 408 431
Deferred income tax assets	11	15 518 188	12 005 414
Other assets	23	22 551 423	13 716 733
Assets classified as held for sale	20	1 241 662	-
<b>Total assets</b>		<b><u>2 964 757 165</u></b>	<b><u>2 787 190 855</u></b>
<b>LIABILITIES</b>			
Due to other banks (*)	24	104 866 841	62 090 062
Due to customers	25	2 678 857 451	2 547 531 314
Derivative financial instruments	16	19 199 001	8 804 478
Current income tax liabilities	11	93 935	61 000
Deferred income tax liabilities	11	384 110	442 507
Provisions	26	1 656 446	1 591 735
Other liabilities	2, 27	37 092 131	42 281 762
<b>Total liabilities</b>		<b><u>2 842 149 915</u></b>	<b><u>2 662 802 858</u></b>
<b>EQUITY</b>			
Share capital	28	118 000 000	118 000 000
Other equity	36	2 899 060	3 432 765
Revaluation reserve	19	(27 475)	(104 244)
Retained earnings	29	1 735 665	3 059 476
<b>Total equity</b>		<b><u>122 607 250</u></b>	<b><u>124 387 997</u></b>
<b>Total equity and liabilities</b>		<b><u>2 964 757 165</u></b>	<b><u>2 787 190 855</u></b>

(\*) Comparative figures were reclassified for comparability purposes

The notes to the financial statements are an integral part of these financial statements.

## EFG Bank (Luxembourg) S.A.

### Statement of changes in equity for the year ended December 31, 2020

	Attributable to equity holder of the Bank				Total EUR
	Share capital EUR	Other equity EUR	Revaluation reserve EUR	Retained earnings EUR	
<b>Balance at January 1, 2019</b>	<b>118 000 000</b>	<b>3 142 661</b>	<b>149 909</b>	<b>6 825 997</b>	<b>128 118 567</b>
Employee share option plan	-	290 104	-	-	290 104
Capital increase	-	-	-	-	-
Dividend	-	-	-	-	-
Profit/(loss) for the year (restated)	-	-	-	(3 766 520)	(3 766 520)
Other comprehensive income	-	-	(254 154)	-	(254 154)
<b>Balance at December 31, 2019</b>	<b>118 000 000</b>	<b>3 432 765</b>	<b>(104 244)</b>	<b>3 059 476</b>	<b>124 387 997</b>
<b>Balance at January 1, 2020</b>	<b>118 000 000</b>	<b>3 432 765</b>	<b>(104 244)</b>	<b>3 059 477</b>	<b>124 387 997</b>
Employee share option plan	-	(533 705)	-	-	(533 705)
Capital increase	-	-	-	-	-
Dividend	-	-	-	-	-
Profit/(loss) for the year	-	-	-	(1 323 812)	(1 323 812)
Other comprehensive income	-	-	76 769	-	76 769
<b>Balance at December 31, 2020</b>	<b>118 000 000</b>	<b>2 899 060</b>	<b>(27 475)</b>	<b>1 735 665</b>	<b>122 607 250</b>

The notes to the financial statements are an integral part of these financial statements.

## EFG Bank (Luxembourg) S.A.

### Statement of cash flows for the year ended December 31, 2020

	Note	2020 EUR	2019 EUR
<b>Cash flows from operating activities</b>			
Interest income	5	15 778 920	18 246 115
Interest expense	5	(14 049 885)	(19 422 658)
Fee and commission income	6	36 986 036	32 471 188
Fee and commission expense	6	(2 706 583)	(1 995 472)
Net operating income received (paid)	7	23 971 847	27 673 880
Operating expenses	8	(54 444 944)	(51 807 142)
Income tax paid	10	(149 793)	(66 730)
<b>Net Cash flows from operating profits before change in operating assets and liabilities</b>		<b>5 385 598</b>	<b>5 099 181</b>
<b>Changes in operating assets and liabilities</b>			
Net (increase)/decrease in loans and advances to banks		428 715	20 859 395
Net (increase)/decrease in Treasury bills and other eligible bills		15 008 308	(15 008 308)
Net (increase)/decrease in loans and advances to customers		(101 554 745)	(81 544 740)
Net (increase)/decrease in other assets		(8 714 363)	(3 241 923)
Net increase/(decrease) in due to banks		42 776 779	(27 839 521)
Net increase/(decrease) in due to customers		126 856 784	287 391 105
Net increase/(decrease) in provisions		(69 343)	(2 579 620)
Net increase/(decrease) in other liabilities		3 167 348	5 532 254
<b>Net cash flows from operating activities</b>		<b>77 899 483</b>	<b>183 568 642</b>
<b>Cash flows from investing activities</b>			
Purchase of investment securities		(17 756 295)	(21 259 090)
Proceeds from sale/maturity of investments securities		72 701 530	26 300 092
Purchase of intangible assets	21	(1 167 385)	(1 402 676)
Purchase of property, plant and equipment	22	(2 136 845)	(929 507)
Proceeds from sale of property, plant and equipment		-	-
Other		-	-
<b>Net cash flows from investing activities</b>		<b>51 641 004</b>	<b>15 277 406</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares	28	-	-
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>134 926 084</b>	<b>191 376 642</b>
Cash and cash equivalent at beginning of the financial year		1 931 187 419	1 739 810 777
<b>Cash and cash equivalents at end of year</b>	13	<b>2 066 113 502</b>	<b>1 931 187 419</b>

The notes to the financial statements are an integral part of these financial statements.

# **EFG Bank (Luxembourg) S.A.**

## Notes to the financial statements

### **1. General**

EFG Bank (Luxembourg) S.A. (the “Bank”) was incorporated in Luxembourg on January 10, 2006 as a “Société Anonyme”.

The Bank is engaged in the business of providing private banking services and offers following services to Undertakings for Collective Investments (“UCI”): custody, transfer agent and register, paying and listing agent.

EFG Bank (Luxembourg) S.A. is included in the consolidated accounts of EFG International AG (“EFGI”), whose registered office is in Zurich where the consolidated accounts are available. These consolidated accounts represent the biggest group of companies, which the Bank belongs to as a subsidiary. They can be viewed on the Group’s website [www.efginternational.com](http://www.efginternational.com) and they will be delivered to the Registrar of Companies in Luxembourg, together with the consolidated financial statements of EFG Investment (Luxembourg) S.A., the immediate parent company of the Bank and the smallest group of companies.

The Bank has branches in Greece, Cyprus, Portugal and Italy. The Bank’s financial statements include the operations of the branches.

These financial statements have been approved and issued by the Board of Directors on 8 April 2021.

### **2. Summary of significant accounting policies and valuation rules**

#### ***Basis of preparation***

The financial statements are for the year ended December 31, 2020. These financial statements have been prepared in accordance with (i) International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union and (ii) interpretations issued by the IFRS Interpretation Committee (IFRIC) applicable to companies reporting under IFRS.

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the financial statements for the year ended December 31, 2019.

The preparation of financial statements in conformity with IFRS, as adopted by the European Union, require the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Please also refer to Note 4 regarding the accounting estimates and judgements.

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

#### ***New and amended standards applied by the Bank***

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 01, 2020:

- Definition of Material – amendments to IAS 1 and IAS 8;
- Definition of a Business – amendments to IFRS 3;
- Revised Conceptual Framework for Financial Reporting;
- Interest Benchmark Reform – amendments to IFRS 9 and IFRS 7.

These standards and amendments did not have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### ***New and amended standards not yet adopted***

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Bank. These standards are not expected to have a material impact on the entity in the current or future reporting periods and foreseeable future transactions.

#### ***(a) Business combination***

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Transactions sometimes referred to as ‘true mergers’ or ‘mergers of equals’ are also business combinations as that term is used in IFRS 3.

A business combination may be structured in a variety of ways for legal, taxation or other reasons, which include but are not limited to:

- one or more businesses become subsidiaries of an acquirer or the net assets of one or more businesses are legally merged into the acquirer;
- one combining entity transfers its net assets, or its owners transfer their equity interests, to another combining entity or its owners;
- all of the combining entities transfer their net assets, or the owners of those entities transfer their equity interests, to a newly formed entity (sometimes referred to as a roll-up or put-together transaction); or
- a Group of former owners of one of the combining entities obtains control of the combined entity.

The Bank shall account for each business combination by applying the acquisition method that requires:

- identifying the acquirer;
- determining the acquisition date;
- recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- recognising and measuring goodwill or a gain from a bargain purchase. This means allocating, at the acquisition date, the purchase price to the assets acquired and liabilities and contingent liabilities assumed.

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

The acquisition date is the date on which the Bank (as acquirer) effectively obtains control of the acquiree. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the Bank (as the acquirer), liabilities incurred by the Bank to the former owners of the acquirees and the equity interests issued by the Bank in exchange for control of the acquiree with specific exception for employee benefit, income taxes, contingent liabilities, reacquired rights, share-based payment transactions and assets held for sale. After the business combination, the assets acquired and liabilities assumed are measured in accordance with the respective IFRS.

Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

The Bank as acquirer shall recognise goodwill as of the acquisition date measured as the excess of (a) over (b) below:

- a) the aggregate of:
  - the consideration transferred measured in accordance with IFRS 3, which generally requires acquisition-date fair value except for the above exceptions;
  - the amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3; and
  - in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.
- b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3.

After initial recognition, goodwill is measured at cost and tested for impairment at least annually. Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the amount (b) exceeds the aggregate of the amounts (a). If that excess remains after applying the requirements in IFRS 3, the acquirer shall recognise the resulting gain in profit or loss on the acquisition date. The gain shall be attributed to the acquirer.

In addition, the Bank as acquirer shall recognise, separately from goodwill, the identifiable intangible assets acquired in a business combination. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal criterion. After initial recognition, these intangible assets are measured at cost less accumulated depreciation and impairment losses.

However, IFRS 3 does not apply to a business combination of entities or businesses under common control. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. IFRS principles do not cover accounting treatment that should be applied to business combinations involving entities under common control.

#### ***(b) Foreign currencies***

The Bank's functional and presentation currency is Euro (EUR).

Monetary assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date.



## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items valued at fair value, such as derivatives, are reported as part of the fair value gain or loss.

#### ***(c) Derivative financial instruments***

Derivative financial instruments, including foreign exchange contracts such as currency forwards and currency swaps, are initially recognised in the balance sheet at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the option in a structured product, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement, unless the Bank chooses to designate the hybrid contracts at fair value through profit and loss. The Bank does not have any such embedded derivatives.

The Bank does not use hedge accounting. Changes in the fair value of any derivative instrument are recognised immediately in the income statement.

#### ***(d) Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Such a right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- In the normal course of business;
- In the event of default;
- In the event of insolvency or bankruptcy.

#### ***(e) Income statement***

##### ***(i) Interest income and expenses***

Interest income and expenses are recognised for all interest-bearing instruments on an accrual basis, using the effective interest method. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and any other premiums or discounts. Negative interest on assets is recorded as an interest expense, and negative interest on liabilities is recorded as interest income. For financial assets at amortised cost or debt instruments at fair value through other comprehensive income classified in Stage 3 for expected credit loss purposes,

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

the original effective interest rate is applied to the amortised cost of the asset rather than to the gross carrying amount.

#### *(ii) Fees and commissions*

Fees and commissions are recognised on an accrual basis.

The Bank generates fees and commission income from services provided over time (such as portfolio management and advisory services) or when the Bank delivers a specific transaction at a point in time (such as brokerage services). The Bank recognises fees earned on transaction-based arrangements at a point in time when the service has been fully provided to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

Except for certain portfolio management and advisory fees, all fees are generated at a fixed price. Portfolio management and advisory fees can be variable depending on the size of the customer portfolio and the Bank's performance as fund manager. Variable fees are recognised when the performance benchmark has been met and when collectability is assured. The Group acts as principal in the majority of contracts with customers. When the Bank acts as agent (in certain brokerage, custody and retrocession arrangements), it recognises income net of fees payable to other parties in the arrangement.

Fee income generated from providing a service that does not result in the recognition of a financial instrument is presented within banking fees and commission income. Fees generated from the acquisition, issue or disposal of a financial instrument are presented in the income statement in line with the balance sheet classification of that financial instrument. Performance-related fees or fee components are recognised when the performance criteria are fulfilled and the fee can be reliably measured.

#### ***(f) Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:

- Computer hardware: 3–10 years;
- Furniture, equipment and motor vehicles: 3–10 years;
- Right-of-use assets: over the non-cancellable period for which the Bank has the right to use an asset, including optional periods when the Bank is reasonably certain to exercise an option to extend (or not to terminate) a lease.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the income statement.

The Bank primarily leases office premises, as well as some IT equipment. Rental contracts vary from fixed periods of six months to 15 years.

Under IFRS 16, the Bank recognises lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 01, 2019, or the date of entering the lease if after January 01, 2019.

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

The remeasurements to the lease liabilities are recognised as adjustments to the related right-of-use assets immediately after the date of initial application. Right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet.

#### ***(g) Intangible assets***

This includes the following categories:

##### *Computer software*

Amortisation is calculated using the straight-line method over a 3- to 10- year basis. The acquisition cost of software capitalised is on the basis of the cost to acquire and bring into use the specific software.

##### *Other intangible assets – Client relationships*

Amortisation is calculated on the basis of a 13- to 14-year useful life. The remaining life is reviewed periodically for reasonableness.

##### *Other intangible assets – Entry Remuneration Plan of Italian branch Financial Advisors*

The Italian branch adopted in 2019 a remuneration model of the Financial Advisors which involves a one-off payment based on the initial Assets under Management that the Advisor is referring to the branch.

These payments are qualifying as assets because generate future commissions and as a consequence, future economic benefits expected to flow to the branch. In depth these are considered intangible assets because the conditions provided by IAS 38 (identifiability, control, and future economic benefits) are met.

As per IAS 38, these intangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is determined with straight line method over a period of 5 years (period during which the advisor is contractually required to proportionally return payments received in case he leaves the branch).

At the end of each reporting period the carrying value of the intangible assets are tested for impairment.

##### *Other intangible assets – Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

#### ***(h) Financial assets and liabilities***

All financial assets are recorded on the day the transaction is undertaken, with the exception of loans and advances to customers, which are entered in the balance sheet on their respective value dates. Purchases and sales of other financial assets at fair value or amortised cost are recognised on trade date, which is the date on which the Bank commits to purchase or sell the asset. Loans and advances to customers are recognised when cash is advanced to the borrowers.

##### *(i) Measurement methods: Amortised cost and effective interest rate*

The amortised cost does not consider expected credit losses and does include transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired at initial recognition), the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying value and incorporates the impact of expected credit losses in estimated future cash flows.

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

##### *(ii) Initial recognition and measurement*

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

**Business models:** The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as 'other' business model and measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key Management personnel, how risks are assessed and managed and how Management are compensated.

**Solely Payment of Principal and Interest (SPPI):** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instrument's cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, based on qualitative or quantitative criteria, the related financial asset is classified and measured at fair value through profit or loss.

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

#### *(iii) Fair value through other comprehensive income (FVTOCI)*

Debt instruments that are held for collection of contractual cash flows and for selling the assets, where the asset's cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for loss allowances, interest revenue and foreign exchange gains and losses on the instruments amortised cost, which are recognized in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "Net gains/losses on derecognition of financial assets and liabilities". Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Equity instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit and loss, except where the Bank's Management has elected at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments in fair value through other comprehensive income when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit and loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit and loss as other income when the Bank's right to receive payment is established.

#### *(iv) Fair value through profit or loss*

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. Other movements in the fair value (for example from interest rate or credit risk changes) which are not part of a hedging relationship, are presented in the income statement within "Fair value gains less losses on financial instruments measured at fair value" in the period in which they arise.

Gains and losses on equity investments at fair value through profit and loss are included in "Fair value gains less losses on financial instruments measured at fair value".

The Bank does not have financial assets classified at fair value through profit or loss except derivatives.

#### *(v) Impairment*

The Bank assesses loss allowances at each reporting date. The measurement of expected credit loss reflects:

- An unbiased and probability-weighted value that is determined by evaluating a range of possible outcomes;
- Time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

#### *(vi) Classification and subsequent measurement of financial liabilities, financial guarantees contracts and loan commitments*

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

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

#### *(vii) Derecognition of financial assets and liabilities*

A financial asset, or a portion thereof, is derecognised when the contractual rights to receive cash flows from the asset have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control. A financial liability is derecognised when extinguished (i.e. the obligation specified in the contract is discharged, cancelled or expires).

#### ***(i) Investment in subsidiaries***

The Bank has elected, as allowed by IAS 27, to account for the investment in subsidiaries at cost. In case of impairment indicators the Bank measures and records the impairment loss in the reporting period. The Bank determines that investments are potentially impaired when there has been a significant or prolonged decline in the fair value of the investments below their cost.

#### ***(j) Income tax expense***

Current tax expense comprises income tax payable on profits, based on the applicable tax law in each jurisdiction, and is recognised as an expense in the period in which profits arise.

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

Deferred income tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The expected effective tax rates are used to determine deferred income tax. The principal temporary differences arise from intangible amortisation, pension obligations, and revaluation of certain financial assets and liabilities.

Deferred tax assets are only recognised to the extent that it is probable that they will crystallise in the future. Deferred tax relating to changes in fair values of financial assets classified as “Fair value through other comprehensive income”, which is taken directly to the “Statement of other comprehensive income”, is charged or credited directly to other comprehensive income and for debt instruments is subsequently recognised in the income statement together with the deferred gain or loss on disposal.

#### **(k) Employee benefits**

##### *(i) Retirement benefit obligations*

The Bank operates a defined contribution pension plan. The Bank pays the contribution to publicly or privately administered pension plans and has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

##### *(ii) Short-term employee benefits*

The Bank recognises short-term compensated absences and approved bonuses as a liability and an expense.

##### *(iii) Share-based compensation*

The parent company EFG International AG operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options or restricted stock units is recognised as an expense over the vesting period for options or restricted stock units granted under the plan.

#### **(l) Related party transactions**

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

#### **(m) Provisions**

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The determination of whether an outflow is probable and the amount, which is assessed by the Bank’s Management in conjunction with the Bank’s legal and other advisors, requires the judgement of the Bank’s Management.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**(n) Share Capital and dividends**

Ordinary shares issued are classified as equity.

*(i) Share issue costs*

Incremental costs directly attributable to the issue of new shares or Bons de Participation are shown in equity as a deduction from the proceeds attributable to share premium.

*(ii) Dividends on ordinary shares*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholder.

**(o) Fiduciary activities**

Where the Bank acts in a fiduciary capacity, such as nominee, trustee or agent, assets and income arising on fiduciary activities, together with related undertakings to return such assets to customers, are excluded from the financial statements.

**(p) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, short-term deposits and other short-term highly liquid investments with original maturities of three months or less.

**(q) Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

**3. Critical accounting estimates and judgements in applying accounting policies**

In the process of applying the accounting policies, the Bank's Management makes various judgements, estimates and assumptions that affect the reported amounts of assets and liabilities recognised in the financial statements in future periods. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(a) Expected credit loss allowance**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring the expected credit losses are further detailed in note 5, which also sets out the key sensitivities of the expected credit losses to changes in these elements.



## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

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

- Determining the criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated expected credit losses;
- Establishing groups of similar financial assets for the purposes of measuring the expected credit losses.

#### ***(b) Income taxes and deferred taxes***

The Bank and its branches are subject to income taxes in various jurisdictions. Estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Bank is also subject to a tax consolidation in Luxembourg with its parent company, EFG Investment (Luxembourg) S.A., which is effective since the fiscal year 2007.

Significant estimates are required to determine the current and deferred tax assets and liabilities. A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. To the extent that it is not probable that taxable profit will be available against which unused tax losses can be utilised, the deferred tax asset is not recognised.

#### ***(c) Provisions***

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The determination of whether an outflow is probable and the amount, which are assessed by Bank's Management in conjunction with the Bank's and EFG Group's legal and other advisors, requires the judgement of the Bank's Management.

#### ***(d) Impairment of intangible assets***

The Bank tests at least annually whether goodwill has suffered impairment in accordance with the accounting policy stated in note 2 (g). The recoverable amounts of cash-generating units are the higher of the assets' value in use and fair value less costs of disposal which is determined on the basis of the best information available on the amount that could be obtained from the disposal of the assets in an arm's-length transaction, after deduction of the costs of disposal. The value in use is determined by using a discounted cash flow calculation based on the estimated future operating cash flows of the asset. An impairment is recorded when the carrying amount exceeds the recoverable amount. For key assumptions used in value in use calculations and further information please refer to note 21.

#### ***(e) Fair value of financial instruments***

The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are validated before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty),

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### **4. Financial risk management**

##### **4.1 Financial risk factors**

The Bank's Management has implemented risk management procedures which are based on policies and procedures of EFGI. Ultimate responsibility for the risk management of the Bank lies with the Bank's Board of Directors, who set the Bank policies and risk appetite in collaboration with EFGI's Group Risk Committee (GRC).

##### **4.2 Credit risk**

Credit risk is the risk of loss due to borrower or counterparty default. To address this risk, the Bank has established an organizational structure allocating responsibilities, administration, approval and control of credit activities. Credit operations are governed by a comprehensive set of policies and procedures to ensure that all aspects of credit risk are adequately covered.

Credit risk related to transactions with clients of the Bank is managed according to the Bank Credit competence procedure. The credit approval process is under the responsibilities of the Head of Credit department and the Regional Business Head for approval of credits up to the lending limit delegated to the Credit Committee in accordance with this procedure.

Management of exposure to financial institutions is based on a system of counterparty limits. Financial institutions as well as country risk exposures are the responsibility of the Bank's Credit Function. Both exposures are coordinated at the EFGI level with the Central Correspondent Banking Unit.

The Bank's Management ensures the implementation of the credit policies and procedures defined by the Board of Directors and the approval of the client credit risks according to the competencies defined by the Board of Directors. The Credit department monitors credit exposures against approved limits and pledged collateral on a daily, weekly, and monthly basis. The Bank applies additional margins if the loan and the collateral are not in the same currency. Management insists on a thorough understanding of the underlying collateral and the purpose of the loan, ordinarily property or cash. The credit policy of the Bank and the nature of the loans ensure that the Bank's loan book is of high quality.

Each exposure receives a grading from 1 to 10, whereas 1 (top) is the best and 10 (expected loss) is the worst grading. The classification into one of the grading levels depends mainly on the provided collateral.

##### **Credit loss measurement**

The Bank applies the "three-stage" approach introduced by IFRS 9 for impairment measurement based on changes in credit quality since initial recognition:

- Stage 1: financial assets that have not experienced a significant increase in credit risks (SICR) since initial recognition;
- Stage 2: SICR since initial recognition but not yet deemed to be credit-impaired; and
- Stage 3: credit-impaired on payment default.

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

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

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

Specific ECL measurements have been developed for each type of credit exposure. Generally the three components of ECL are exposure at default, probability of default and loss given default, defined as follows:

- Exposure at default (EAD) is based on the amounts the Bank expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur;
- Probability of default (PD) represents the likelihood of a borrower defaulting on its financial obligation (as per 'definition of default' below), either over the next 12 months (12-month PD), or over the remaining lifetime (Lifetime PD) of the obligation; and
- Loss given default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of EAD expected to be non-recoverable if the default occurs in the next 12 months and lifetime LGD is the percentage of EAD expected to be non-recoverable, the default occurs over the remaining expected lifetime of the loan.

#### **Due from other banks and financial assets at fair value through other comprehensive income**

This includes all assets that are classified as follows:

- Cash and balances with central banks;
- Treasury bills and other eligible bills;
- Due from other banks; and
- Financial assets at fair value through other comprehensive income (FVTOCI).

#### **Inputs and assumptions**

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

- EAD: Depending on the product and on the IFRS 9 asset classification; book value for amortised cost assets and purchase value adjusted for amortisation and discount unwind for assets designated as FVTOCI;
- PD: Estimated for a 12-month and lifetime period based on external counterparty credit risk rating information (Standard & Poor's annual global corporate default study and rating transition); and
- LGD: For Stage 1 and Stage 2 assets. LGD for sovereign, bank and corporate exposure is approximated by an expert judgement aligned to the credit default swap ISDA market standard that estimates a recovery rate for sovereign exposure of 40%, resulting in 60% LGD. In case of Stage 3 assets, LGD value is determined on an individual basis for sovereign, bank and corporate exposure.

# EFG Bank (Luxembourg) S.A.

## Notes to the financial statements

### **Estimation techniques**

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

### **Significant increase in credit risk**

An internal expert panel performs a quarterly assessment to determine if an asset is subject to a significant increase in credit risk. A rapid deterioration in credit quality triggers an ad-hoc review of the individual asset. In addition to the quantitative SICR test based on changes in the rating agency's rating for the respective financial instrument, the assessment of the expert panel considers a range of external market information (e.g. credit default spreads, rating outlook).

### **Definition of default**

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

### **Lombard lending**

This includes assets that are classified within loans and advances to customers, including Lombard loans and other exposures covered by financial collaterals.

Lombard loans are loans secured by diversified portfolios of investment securities, and the risk of default of the loan is driven by the valuation of the collateral. The lending decision is not based on "traditional lending" criteria such as affordability and is typically undertaken by clients with an existing investment portfolio who wish to leverage their portfolio in pursuit of higher investment returns or for diversification reasons or who have short-term liquidity needs.

### **Inputs and assumptions**

The ECL for Lombard loans are estimated with two components:

- ECL due to adverse market price movements in the collateral that captures the risk that a shortfall arises when collateral values decrease to a level insufficient to cover the respective Lombard loan exposure; and
- ECL due to a default of a large single collateral position (top 1 to top 5) yielding a shortfall for the Lombard loan exposure.

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

ECL due to adverse market price movements are based on assumptions regarding:

- Loan-to-value (LTV) close-out trigger levels;
- Market price volatility of underlying collateral sub-asset class;
- Currency mismatch between loan and collateral;
- Close-out periods;

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

- Exposure at close-out considering a credit conversion factor for undrawn lombard credit lines; and
- LGD considering sales cost incurred during collateral liquidation.

ECL due to default of a large single collateral position are based on assumptions regarding:

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

#### **Estimation techniques**

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

#### **Significant increase in credit risk**

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

#### **Definition of default**

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

#### **Residential and commercial mortgages**

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

#### **Inputs and assumptions**

The ECL for mortgages is estimated by four components:

- EAD: the exposure considers contractual repayments, as well as potential drawdown over the lifetime of the loan;
- Rank ordering of loans: each loan is assigned to a risk grade on the basis of its credit quality (i.e. rank order estimation);
- PD are derived from historical transition matrices. To derive forward-looking default estimates, these matrices are conditioned to the macroeconomic expectation of the Bank; and

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

- LGD: the loss estimate is calculated based on the possibility to cure (derived from the transition matrix), as well as loss given loss (LGL) component. The LGL takes into account the current LTV and the future recovery value of the underlying collateral. The recovery value depends on parameters such valuation haircuts and their volatility, time to sell the collateral, as well as associated selling costs. The house price development until sale, as well as the effective interest rate are also taken into account.

#### **Estimation techniques**

Forward-looking macroeconomic effects are incorporated with forecasts on gross domestic product (GDP) growth and house price development.

The GDP forecasts impact the migration matrices used to determine the PD and the probability to cure considered in the LGD:

- GDP growth for Switzerland is estimated with an explicit forecast for Switzerland; and
- GDP growth for all countries but Switzerland is estimated with a weighted forecast for the major global economies.

House price developments for Switzerland, France and Singapore are estimated with explicit forecasts for Switzerland, France and Singapore, respectively. House price developments for the UK are estimated with an explicit forecast for the London area. House prices for countries other than the before markets are estimated with a weighted forecast that includes the major global economies. The house prices impact the LTV ratios used to calculate the LGD.

#### **Significant increase in credit risk**

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

#### **Definition of default**

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

#### **Other loans**

This includes assets that are classified within loans and advances to customers that are not Lombard loans nor mortgage loans and includes commercial loans and overdrafts.

#### **Inputs and assumptions**

The ECL for other loans is estimated by four components:

- EAD: the exposure considers contractual repayments, as well as potential drawdown over the lifetime of the loan;
- Rank ordering of loans: each loan is assigned to a risk grade on the basis of its credit quality (i.e. rank order estimation);
- PDs are derived from historical transition matrices for commercial loans. To derive forward-looking default estimates, these matrices are conditioned to the macro-economic expectation of the Bank. Other, non-commercial loans, used an adjusted transition matrix that replicated their historical default rates due to the insufficient number of historical observations; and

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

- LGD: the loss estimate is calculated based on the possibility to cure (derived from the transition matrix), as well as an LGL component. The LGL takes into account the current LTV level and the future recovery value of the underlying collateral, for collateralised or partially collateralised exposures. Expert-based LGL rates are used for exposures without collateral.

#### **Estimation techniques**

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

#### **Significant increase in credit risk**

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

#### **Definition of default**

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

#### **Contractual modifications**

The Bank modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgment of Management, indicate that payment will most likely continue.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms of initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 in accordance with the new terms for the six consecutive months or more.

#### **Write off policy**

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- Ceasing enforcement activity; and
- Where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

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

## EFG Bank (Luxembourg) S.A.

### Notes to the financial statements

#### Macro-economic scenario and sensitivity analysis

The ECL results are based on forward-looking projections. These projections consider different macroeconomic scenarios, in particular a baseline, upside and downside scenario is considered.

The most significant assumptions affecting the ECL are as follows:

- For residential and commercial mortgages: house price index (HPI), given the impact it has on mortgage collateral valuations; gross domestic product (GDP), given the correlation with the customers' wealth, as well as the commercial clients' business environment, hence in turn their ability to repay the loans;
- For due from customers – Lombard lending: asset volatility, given the impact it has on financial collateral valuations.

		2021	2022	2023	2024	2025
World GDP Growth	Base	5.2%	4.2%	3.8%	3.6%	3.5%
	Upside	6.2%	5.0%	4.5%	4.1%	3.9%
	Downside	4.2%	3.4%	3.2%	3.1%	3.1%
Switzerland GDP Growth	Base	3.6%	2.1%	1.4%	1.9%	1.3%
	Upside	4.6%	2.9%	2.1%	2.4%	1.7%
	Downside	2.6%	1.3%	0.8%	1.4%	0.9%
Weighted GDP Growth	Base	3.9%	2.9%	2.1%	1.7%	1.5%
	Upside	4.9%	3.7%	2.7%	2.2%	1.9%
	Downside	2.9%	2.1%	1.5%	1.2%	1.1%
House Price Index Switzerland	Base	-	0.9%	1.4%	1.8%	2.1%
	Upside	2.0%	2.9%	3.4%	3.8%	4.1%
	Downside	(2.0%)	(1.1%)	(0.6%)	(0.2%)	0.1%
House Price Index France	Base	1.1%	2.7%	1.9%	1.4%	1.8%
	Upside	7.1%	8.7%	7.9%	7.4%	7.8%
	Downside	(4.9%)	(3.3%)	(4.1%)	(4.6%)	(4.2%)
House Price Index Singapore	Base	2.9%	4.2%	4.3%	4.3%	4.3%
	Upside	9.9%	11.2%	11.3%	11.3%	11.3%
	Downside	(4.1%)	(2.8%)	(2.7%)	2.7%	2.7%
House Price Index UK (London)	Base	1.5%	4.8%	4.0%	4.3%	7.7%
	Upside	7.5%	10.8%	10.0%	10.3%	13.7%
	Downside	(4.5%)	(1.2%)	(2.0%)	(1.7%)	1.7%
Weighted House Price Index	Base	0.9%	3.2%	3.0%	3.2%	5.4%
	Upside	3.9%	6.2%	6.0%	6.2%	8.4%
	Downside	(2.1%)	0.2%	-	0.2%	2.4%



## EFG Bank (Luxembourg) S.A.

### Notes to the financial statements

The table below illustrates the results from reasonably possible changes in the main parameters from the actual assumptions used. For mortgages and other loans the upside and downside ECL scenarios have been applied while for Lombard loans the volatilities have been doubled (downside scenario) and halved (upside scenario):

Portfolio	Parameter	Scenario	
		Upside sensitivity	Downside sensitivity
Mortgages and other loans	GDP Growth	(0.2)	0.2
	House Price Indexes	1.2	1.6
Lombard loans	Volatilities	(0.1)	0.1

#### Exposure to credit risk

#### **Quality of assets and liabilities measured at amortised cost**

The table below summarises the carrying values, expected credit loss allowance by stage of those financial assets that were measured at amortised cost (or at fair value through other comprehensive income) as of December 31, 2020:

	Total carrying value EUR	ECL Staging			ECL allowance included in carrying values EUR
		Stage 1	Stage 2	Stage 3	
31 December 2020					
Cash and balances with central banks	1 542 718 238	(289)	-	-	(289)
Due from other banks	523 460 848	(7 549)	-	-	(7 549)
Loans and advances to customers	772 278 574	(162 258)	(55 566)	(1 842 998)	(2 060 821)
Financial assets at fair value through other comprehensive income	52 758 782	(1 404)	-	-	(1 404)
Other assets	73 540 723	-	-	-	-
<b>Total on-balance sheet assets as at 31 December 2020</b>	<b>2 964 757 165</b>	<b>(171 499)</b>	<b>(55 566)</b>	<b>(1 842 998)</b>	<b>(2 070 063)</b>
Commitments and financial guarantees	38 455 002	(6 266)	(48 008)	-	(54 274)
<b>Total</b>	<b>3 003 212 167</b>	<b>(177 765)</b>	<b>(103 574)</b>	<b>(1 842 998)</b>	<b>(2 124 337)</b>

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

The table below summarises the carrying values, expected credit loss allowance by stage of those financial assets that were measured at amortised cost (or at fair value through other comprehensive income) as of December 31, 2019:

	Total carrying value EUR	ECL Staging			ECL allowance included in carrying values EUR
		Stage 1	Stage 2	Stage 3	
31 December 2019					
Cash and balances with central banks	1 621 534 420	(4 339)	-	-	(4 339)
Treasury bills and other eligible bills	15 008 308	(737)	-	-	(737)
Due from other banks	309 814 314	(13 002)	-	-	(13 002)
Loans and advances to customers	670 747 433	(33 514)	(125 278)	(1 881 245)	(2 040 037)
Financial assets at fair value through other comprehensive income	110 003 919	(6 070)	-	-	(6 070)
Other assets	60 082 461	-	-	-	-
<b>Total on-balance sheet assets as at 31 December 2019</b>	<b>2 787 190 855</b>	<b>(57 662)</b>	<b>(125 278)</b>	<b>(1 881 245)</b>	<b>(2 064 185)</b>
Commitments and financial guarantees	32 669 320	(2 791)	(33 103)	-	(35 894)
<b>Total</b>	<b>2 819 860 175</b>	<b>(60 453)</b>	<b>(158 381)</b>	<b>(1 881 245)</b>	<b>(2 100 079)</b>

### Loss allowances

#### Total

The table below presents the total aggregate changes in gross carrying values and loss allowances:

Loss allowance	Stage 1	Stage 2	Stage 3	Total
	12-month ECL EUR	Lifetime ECL EUR	Lifetime ECL EUR	
<b>Loss allowance as at 1 January 2020</b>	<b>(57 662)</b>	<b>(125 278)</b>	<b>(1 881 245)</b>	<b>(2 064 185)</b>
Increase due to origination and acquisition	(64 465)	-	-	(64 465)
Decrease due to derecognition	31 696	2 885	40 472	75 053
Changes due to change in credit risk (net)	(87 242)	65 471	(3 145)	(24 916)
Changes due to modifications without derecognition (net)	-	-	-	-
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	-	-	-
Other adjustments	6 174	1 356	920	12 501
<b>Loss allowance as at 31 December 2020</b>	<b>(171 499)</b>	<b>(55 566)</b>	<b>(1 842 998)</b>	<b>(2 070 063)</b>
<b>Gross carrying amount transfers:</b>				
Transfer from Stage 1 to Stage 2	(11 138 698)	11 138 698	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	36 258 301	(36 258 301)	-	-

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

Cash and balances with central banks

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

Loss allowance	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	EUR	EUR	EUR	EUR
<b>Loss allowance as at 1 January 2020</b>	<b>(4 339)</b>	-	-	<b>(4 339)</b>
Increase due to origination and acquisition	-	-	-	-
Decrease due to derecognition	4 050	-	-	4 050
Changes due to change in credit risk (net)	-	-	-	-
Changes due to modifications without derecognition (net)	-	-	-	-
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
<b>Loss allowance as at 31 December 2020</b>	<b>(289)</b>	-	-	<b>(289)</b>
<b>Gross carrying amount transfers:</b>				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-

Due from other banks

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

Loss allowance	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	EUR	EUR	EUR	EUR
<b>Loss allowance as at 1 January 2020</b>	<b>(13 002)</b>	-	-	<b>(13 002)</b>
Increase due to origination and acquisition	(8 528)	-	-	(8 528)
Decrease due to derecognition	12 848	-	-	12 848
Changes due to change in credit risk (net)	92	-	-	92
Changes due to modifications without derecognition (net)	-	-	-	-
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	-	-	-
Other adjustments	1 041	-	-	1 041
<b>Loss allowance as at 31 December 2020</b>	<b>(7 549)</b>	-	-	<b>(7 549)</b>
<b>Gross carrying amount transfers:</b>				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-

## EFG Bank (Luxembourg) S.A.

### Notes to the financial statements

#### Loans and advances to customers

The table below presents the aggregate changes in gross carrying values and loss allowances for Loans and advances to customers:

Loss allowance	Stage 1 12-month ECL EUR	Stage 2 Lifetime ECL EUR	Stage 3 Lifetime ECL EUR	Total EUR
<b>Loss allowance as at 1 January 2020</b>	<b>(33 514)</b>	<b>(125 278)</b>	<b>(1 881 245)</b>	<b>(2 040 037)</b>
Increase due to origination and acquisition	(55 686)	-	40 472	(15 214)
Decrease due to derecognition	10 749	2 885	-	13 634
Changes due to change in credit risk (net)	(87 896)	65 471	(3 145)	25 570
Changes due to modifications without derecognition (net)	-	-	-	-
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	-	-	-
Other adjustments	4 089	1 356	920	6 366
<b>Loss allowance as at 31 December 2020</b>	<b>(162 258)</b>	<b>(55 566)</b>	<b>(1 842 998)</b>	<b>(2 060 821)</b>
<b>Gross carrying amount transfers:</b>				
Transfer from Stage 1 to Stage 2				
Transfer from Stage 1 to Stage 3				
Transfer from Stage 2 to Stage 1				

#### Financial assets at fair value through other comprehensive income

The table below presents the aggregate changes in gross carrying values and loss allowances for financial assets at fair value through other comprehensive income:

Loss allowance	Stage 1 12-month ECL EUR	Stage 2 Lifetime ECL EUR	Stage 3 Lifetime ECL EUR	Total EUR
<b>Loss allowance as at 1 January 2020</b>	<b>(6 070)</b>	-	-	<b>(6 070)</b>
Increase due to origination and acquisition	(251)	-	-	(251)
Decrease due to derecognition	4 049	-	-	4 049
Changes due to change in credit risk (net)	562	-	-	562
Changes due to modifications without derecognition (net)	-	-	-	-
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	-	-	-
Other adjustments	306	-	-	306
<b>Loss allowance as at 31 December 2020</b>	<b>(1 404)</b>	-	-	<b>(1 404)</b>
<b>Gross carrying amount transfers:</b>				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

#### Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate the credit risk. The most traditional of these is the taking of security for credit exposures. The Bank implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:

- Financial instruments such as debt securities and equities; and
- Mortgages over residential and to a limited extent commercial properties.

#### Concentration of risks of financial assets with credit risk exposure

The Bank manages the risk of concentration by monitoring and reviewing on a regular basis its large exposures.

### **4.3 Market Risk**

Market risk is the risk of the fair value or cash flow of the financial instruments will fluctuate due to change in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The exposure of the Bank to the market risk is considered as limited as no investment in equity, metals and commodities portfolios and no treasury and trading activity for its own account. The Bank's portfolio on derivative instrument is for covering customer transactions. Their mirroring on the Bank's side is managed through a Service Level Agreement with EFGI. The Back-Office department of the Bank ensures that no exposure to any market risk stays open at the end of the day, by verifying correct mirroring of clients' transactions.

#### **(a) Price risk**

Price risk is the potential for the decline in the price of an asset or security relative to the rest of the market. The Bank have a limited risk as investment securities are mainly composed of sovereign and public bank's bonds and participation in other EFG entities. The Bank has no treasury and trading activities for its own account.

#### **(b) Foreign exchange risk**

The Bank carries out foreign currency operations for its clients. As a general rule, the Bank does not take any forex exposure. All contracts initiated by clients are directly mirrored/covered by the Bank. The Cash Operations department monitors on a daily basis the eventual foreign exchange exposure that the Bank may encounter. In most of the cases, such exposures are caused by automatic currency conversion done within the Bank main banking application (limited to specific transactions and amounts). As the Cash Operations department monitors constantly this exposure over the day, the Bank takes the appropriate action to cover its exposure whenever appropriate.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

The table below summarises the Bank's exposure to foreign currency exchange rate risk at December 31, 2020. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency.

	2020					Total
	GBP	USD	EUR	CHF	Other	
<b>Assets</b>						
Cash and balances with central banks	4 110	33 714	1 542 672 713	7 700	-	1 542 718 238
Treasury bills and other eligible bills	-	-	-	-	-	-
Due from other banks	3 410 399	354 957 630	36 935 534	52 997 902	75 159 382	523 460 847
Derivative financial instruments	29 722	410 977	6 038 568	29 038	180	6 508 483
Financial assets at fair value through OCI	-	39 821 359	12 937 423	-	-	52 758 782
Loans and advances to customers	50 027 147	146 371 363	567 181 549	5 755 817	2 942 699	772 278 575
Participations	-	-	12 000	-	-	12 000
Property, plant and equipment	-	-	21 800 741	-	-	21 800 741
Intangible assets	-	-	5 908 226	-	-	5 908 226
Deferred income tax asset	-	-	15 518 188	-	-	15 518 188
Other assets	30 370	30 260	22 417 983	-	72 810	22 551 423
Assets classified as held for sale	-	-	1 241 662	-	-	1 241 662
<b>Total assets</b>	<b>53 501 748</b>	<b>541 625 303</b>	<b>2 232 664 587</b>	<b>58 790 457</b>	<b>78 175 071</b>	<b>2 964 757 165</b>
<b>Liabilities</b>						
Due to other banks	-	1 434	102 072 687	2 201	2 790 519	104 866 841
Due to customers	79 737 463	808 114 996	1 630 952 907	70 904 479	89 147 606	2 678 857 451
Derivative financial instruments	29 721	410 976	18 729 085	29 038	181	19 199 001
Current income tax liabilities	-	-	93 935	-	-	93 935
Deferred income tax liabilities	-	-	384 110	-	-	384 110
Provision	865	-	1 655 581	-	-	1 656 446
Other liabilities	87 072	105 494	35 999 704	899 861	-	37 092 131
<b>Total liabilities</b>	<b>79 855 121</b>	<b>808 632 900</b>	<b>1 789 888 009</b>	<b>71 835 579</b>	<b>91 938 306</b>	<b>2 842 149 915</b>
<b>Net balance sheet position</b>	<b>(26 353 373)</b>	<b>(267 007 597)</b>	<b>442 776 578</b>	<b>(13 045 122)</b>	<b>(13 763 235)</b>	<b>122 607 250</b>
Contingent liabilities and commitments	-	-	3 866 696	-	-	3 866 696

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

	2019					
	EUR					Total
	GBP	USD	EUR	CHF	Other	
<b>Assets</b>						
Cash and balances with central banks	2 874	35 159	1 621 484 117	12 270	-	1 621 534 420
Treasury bills and other eligible bills	-	-	15 008 308	-	-	15 008 308
Due from other banks	1 101 506	9 376 515	260 459 822	926 663	37 949 808	309 814 314
Derivative financial instruments	735 741	389 766	1 866 002	1 178 857	734 211	4 904 576
Financial assets at fair value through OCI	-	77 965 970	32 037 950	-	-	110 003 919
Loans and advances to customers	52 344 006	130 400 242	476 417 685	8 491 078	3 094 423	670 747 433
Participations	-	-	1 253 662	-	-	1 253 662
Property, plant and equipment	-	-	22 793 645	-	-	22 793 645
Intangible assets	-	-	5 408 431	-	-	5 408 431
Deferred income tax asset	-	-	12 005 414	-	-	12 005 414
Other assets	60 679	104 994	13 160 637	390 423	-	13 716 733
<b>Total assets</b>	<b>54 244 805</b>	<b>218 272 646</b>	<b>2 461 895 672</b>	<b>10 999 291</b>	<b>41 778 441</b>	<b>2 787 190 855</b>
<b>Liabilities</b>						
Due to other banks	-	29 923 304	30 677 697	-	1 489 062	62 090 062
Due to customers	75 278 413	727 164 545	1 602 179 492	76 434 956	66 473 908	2 547 531 314
Derivative financial instruments	162 670	69 305	7 451 221	650 777	470 505	8 804 478
Current income tax liabilities	-	-	61 000	-	-	61 000
Deferred income tax liabilities	-	-	442 507	-	-	442 507
Provision	-	-	1 591 735	-	-	1 591 735
Other liabilities	9	49 528	40 338 486	1 815 477	78 261	42 281 762
<b>Total liabilities</b>	<b>75 441 092</b>	<b>757 206 682</b>	<b>1 682 792 138</b>	<b>78 901 210</b>	<b>68 511 736</b>	<b>2 662 802 858</b>
<b>Net balance sheet position</b>	<b>(21 196 286)</b>	<b>(538 934 037)</b>	<b>779 153 534</b>	<b>(67 901 919)</b>	<b>(26 733 295)</b>	<b>124 387 997</b>
Contingent liabilities and commitments	-	6 502	7 428 358	-	-	7 434 860

The Bank performs on a daily basis a VaR on its FX exposures. In regard to VaR calculations, a 10D VaR is calculated with 99% confidence interval-meaning that the Bank is 99% confident that the most of losses will not exceed 1% (Historical 501 days). At the end of December 2020, the VaR is evaluated at EUR (2 820) (2019: EUR (28 526)).

**(c) Interest rate risk**

The cash flow interest rate risk is limited as there is a matching process between the assets and liabilities. The Bank's income and operating cash flows are substantially independent of changes in market interest rates. The Bank maintains small interest rate risks in its banking book and a high level of balance sheet liquidity as a matter of policy by adhering to conservative gapping limits and through its substantial excess funding from client deposits.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

The table below summarises the Bank's exposure to interest rate risk at December 31, 2020. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	2020					Total EUR
	Up to 3 months EUR	3 - 12 months EUR	1- 5 years EUR	Over 5 years EUR	Non-interest bearing EUR	
<b>Assets</b>						
Cash and balances with central banks	1 542 212 673	-	-	-	505 565	1 542 718 238
Treasury bills and other eligible bills	-	-	-	-	-	-
Due from other banks	523 331 263	65 211	64 373	-	-	523 460 847
Loans and advances to customers	534 021 254	176 190 203	40 267 118	21 800 000	-	772 278 575
Derivative financial instruments	-	-	-	-	6 508 483	6 508 483
Investment securities	38 348 139	4 477 560	-	-	9 933 083	52 758 782
Participations	-	-	-	-	12 000	12 000
Intangible assets and goodwill	-	-	-	-	5 908 226	5 908 226
Property, plant and equipment	-	-	-	-	21 800 741	21 800 741
Deferred income tax asset	-	-	-	-	15 518 188	15 518 188
Other assets	-	-	-	-	22 551 423	22 551 423
Assets classified as held for sale	-	-	-	-	1 241 662	1 241 662
<b>Total assets</b>	<b><u>2 637 913 329</u></b>	<b><u>180 732 974</u></b>	<b><u>40 331 491</u></b>	<b><u>21 800 000</u></b>	<b><u>83 979 371</u></b>	<b><u>2 964 757 165</u></b>
<b>Liabilities</b>						
Due to banks	55 681 341	20 430 332	8 755 168	20 000 000	-	104 866 841
Due to customers	2 621 669 597	57 187 854	-	-	-	2 678 857 451
Derivative financial instruments	-	-	-	-	19 199 001	19 199 001
Provisions	-	-	-	-	1 656 446	1 656 446
Deferred income tax liabilities	-	-	-	-	384 110	384 110
Current income tax liabilities	-	-	-	-	93 935	93 935
Other liabilities	-	-	-	-	37 092 131	37 092 131
<b>Total liabilities</b>	<b><u>2 677 350 938</u></b>	<b><u>77 618 186</u></b>	<b><u>8 755 168</u></b>	<b><u>20 000 000</u></b>	<b><u>58 425 623</u></b>	<b><u>2 842 149 915</u></b>
<b>Net balance sheet position</b>	<b><u>(39 437 609)</u></b>	<b><u>103 114 788</u></b>	<b><u>31 576 323</u></b>	<b><u>1 800 000</u></b>	<b><u>25 553 748</u></b>	<b><u>122 607 250</u></b>
Contingent liabilities and commitments	3 866 696	-	-	-	-	3 866 696

Impact of stress testing in relation with interest rate is detailed in note 5.5.



**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

The table below summarises the Bank's exposure to interest rate risk at December 31, 2019. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	2019					Total EUR
	Up to 3 months EUR	3 - 12 months EUR	1- 5 years EUR	Over 5 years EUR	Non-interest bearing EUR	
<b>Assets</b>						
Cash and balances with central banks	1 474 078 768	-	-	-	147 455 652	1 621 534 420
Treasury bills and other eligible bills	15 008 308	-	-	-	-	15 008 308
Due from other banks	309 652 991	161 323	-	-	-	309 814 314
Loans and advances to customers	502 442 271	145 334 411	16 470 751	6 500 000	-	670 747 433
Derivative financial instruments	-	-	-	-	4 904 576	4 904 576
Investment securities	96 996 214	-	13 007 705	-	-	110 003 919
Participations	-	-	-	-	1 253 662	1 253 662
Intangible assets and goodwill	-	-	-	-	5 408 431	5 408 431
Property, plant and equipment	-	-	-	-	22 793 645	22 793 645
Deferred income tax asset	-	-	-	-	12 005 414	12 005 414
Other assets	-	-	-	-	13 716 733	13 716 733
<b>Total assets</b>	<b><u>2 398 178 553</u></b>	<b><u>145 495 734</u></b>	<b><u>29 478 455</u></b>	<b><u>6 500 000</u></b>	<b><u>207 538 113</u></b>	<b><u>2 787 190 855</u></b>
<b>Liabilities</b>						
Due to banks	36 729 619	21 690 964	3 669 479	-	-	62 090 062
Due to customers	2 477 591 489	69 939 825	-	-	-	2 547 531 314
Derivative financial instruments	-	-	-	-	8 804 478	8 804 478
Provisions	-	-	-	-	1 591 735	1 591 735
Deferred income tax liabilities	-	-	-	-	442 507	442 507
Current income tax liabilities	-	-	-	-	61 000	61 000
Other liabilities	-	-	-	-	42 281 762	42 281 762
<b>Total liabilities</b>	<b><u>2 514 321 108</u></b>	<b><u>91 630 789</u></b>	<b><u>3 669 479</u></b>	<b><u>-</u></b>	<b><u>53 181 481</u></b>	<b><u>2 662 802 858</u></b>
<b>Net balance sheet position</b>	<b><u>(116 142 556)</u></b>	<b><u>53 864 945</u></b>	<b><u>25 808 976</u></b>	<b><u>6 500 000</u></b>	<b><u>154 356 632</u></b>	<b><u>124 387 997</u></b>
Contingent liabilities and commitments	7 434 860	-	-	-	-	7 434 860

## EFG Bank (Luxembourg) S.A.

### Notes to the financial statements

#### 4.4 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due.

The Bank's liquidity risk management process is carried out by Cash Operations department and monitored by the Chief Risk Officer and the Head of Accounting in collaboration with the Head Office. It includes:

- The day-to-day review of placements, balances and limits to ensure respect of Group and regulator principles, is done by Cash Operations department;
- The day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met, is done by Cash Operations Department;
- The monitoring balance sheet, liquidity ratios against internal and regulatory requirements is done by Finance and Accounting department;
- The communication of any modifications in term of eligible assets and liquidity buffer on a monthly basis is done by the Chief Risk Officer; and
- The global control, management and reporting of limit with Head Office, is done by the Chief Risk Officer.

The Bank's liquidities, which are constituted of clients deposits and the capital, are either placed with the Banque Centrale du Luxembourg (53.08%) (December 31, 2019: 58.23%), used to finance the loan book (28.43%) (December 31, 2019: 25.90%), placed with the Group entities (15.45%) (December 31, 2019: 10.13%) (as a result of an exemption granted by the CSSF on the intra-group limit according to their letter dated September 21, 2010), placed in investment securities (1.82%) (December 31, 2019: 4.49%) or with direct counterparties of the Bank.

The Bank directly trades all client's deposits and exchange transactions with the Treasury Desk of EFG Bank AG, Geneva.

#### (a) Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial instruments by remaining contractual undiscounted cash flows.

	2020					Total EUR
	Up to 1 month EUR	1 - 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	Over 5 years EUR	
<b>Financial Liabilities</b>						
Due to other banks	74 190 258	1 081 134	840 282	8 755 168	20 000 000	104 866 841
Due to customers	2 456 887 172	164 782 425	57 187 854	-	-	2 678 857 451
<b>Total Financial liabilities</b> (Contractual maturity dates)	<b>2 531 077 430</b>	<b>165 863 559</b>	<b>58 028 136</b>	<b>8 755 168</b>	<b>20 000 000</b>	<b>2 783 724 293</b>
<b>Guarantees and loan commitments</b>						
	<b>4 326 696</b>	<b>3 068 265</b>	<b>15 508 337</b>	<b>1 958 699</b>	<b>13 593 005</b>	<b>38 455 002</b>

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

	2019					Total EUR
	Up to 1 month EUR	1 - 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	Over 5 years EUR	
<b>Financial Liabilities</b>						
Due to other banks	29 540 039	7 189 580	21 690 964	3 669 479	-	62 090 062
Due to customers	2 295 758 519	181 832 970	69 939 825	-	-	2 547 531 314
<b>Total Financial liabilities</b> (Contractual maturity dates)	<b>2 325 298 558</b>	<b>189 022 550</b>	<b>91 630 789</b>	<b>3 669 479</b>	-	<b>2 609 621 376</b>
<b>Guarantees and loan commitments</b>						
	<b>32 669 320</b>	-	-	-	-	<b>32 669 320</b>

Assets available to meet all of the liabilities and to cover outstanding loan commitments include “cash and balances with central banks”, “loans and advances to banks” and “investments securities”.

**(b) Derivative cash flows**

The Bank’s derivatives that will be settled on a gross basis include foreign exchange derivatives: currency forwards and currency swaps. There are no derivatives settled on a net basis.

The table below analyses the Bank’s derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Due to the unpredictability of option’s exercise, options are not disclosed in table below.

At December 31, 2020	Up to 1 month EUR	1-3 months EUR	3-12 months EUR	Total EUR
Derivatives held for trading				
• Foreign exchange derivatives				
○ Outflow	766 087 694	388 572 593	39 791 835	<b>1 194 452 122</b>
○ Inflow	760 403 011	381 771 602	39 808 413	<b>1 181 983 026</b>
<b>At December 31, 2019</b>	<b>Up to 1 month EUR</b>	<b>1-3 months EUR</b>	<b>3-12 months EUR</b>	<b>Total EUR</b>
Derivatives held for trading				
• Foreign exchange derivatives				
○ Outflow	936 711 069	2 016 819 175	116 342 988	<b>3 069 873 233</b>
○ Inflow	934 580 176	2 016 231 193	116 468 822	<b>3 067 280 191</b>

**4.5 Stress tests and scenario analysis**

Sensitivity on changes in market circumstances is limited for all the risks linked to market fluctuations (mainly foreign exchange and interest rate risks). The Bank neutralized through forex forward transactions its excess funding in the main currencies.

The Economic Value of Equity (EVE) sensitivity refers to risks on the Bank’s Tier 1, arising from adverse movements in interest rates that affect the Bank’s banking book positions. Changes in interest rates affect the underlying value of the Bank’s assets, liabilities and off-balance sheet items and hence its economic value.

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

The impact of a stress testing on the Bank of + 200 basis points parallel shift in interest rate results to EUR 2 444 157 (2019: EUR 1 458 132).

The European Banking Authority IRRBB stress scenario approach prescribes that the Bank's EVE sensitivity deriving from the worst of the six stress scenarios must not exceed 15% of Tier 1 capital. The worst scenario concludes to an impact of EUR (1 031 924) (2019: EUR (502 734)).

#### **4.6 Fair values of financial assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Therefore, for financial instruments where no market price is available, the fair values are estimated using present value or other estimation and valuation techniques based on current prevailing market conditions.

Transactions undertaken for trading purposes and available for sale investments are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then the fair values are estimated on the basis of discounted cash flows models are based on observable market data.

A significant amount of the Bank's other financial assets and liabilities are at floating rates of interest, which re-price at frequent intervals. Therefore, the Bank has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is similar to their fair value as applicable, unless otherwise stated.

#### **Fair value hierarchy**

IFRS 13 requires classification of financial instruments at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**Assets and liabilities measured at fair value**

There has been no transfer of assets and liabilities measured at fair value between Level 1, Level 2 and Level 3.

	2020				2019			
	EUR				EUR			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative financial instruments		6 508 483		<b>6 508 483</b>	-	4 904 576	-	<b>4 904 576</b>
Financial assets at fair value through OCI	52 758 782			<b>52 758 782</b>	110 003 919	-	-	<b>110 003 919</b>
<b>Total assets measured at fair value</b>	<b>52 758 782</b>	<b>6 508 483</b>		<b>59 267 265</b>	<b>110 003 919</b>	<b>4 904 576</b>	-	<b>114 908 495</b>
Derivative financial instruments		19 199 001		<b>19 199 001</b>	-	8 804 478	-	<b>8 804 478</b>
<b>Total liabilities measured at fair value</b>		<b>19 199 001</b>		<b>19 199 001</b>	-	<b>8 804 478</b>	-	<b>8 804 478</b>
<b>Net measured at fair value</b>	<b>52 758 782</b>	<b>(12 690 518)</b>		<b>40 068 264</b>	<b>110 003 919</b>	<b>(3 899 902)</b>	-	<b>106 104 017</b>

**Assets and liabilities not measured at fair value**

The following financial assets and liabilities are presented on the Bank's balance sheet at their carrying value and not at fair value. Their carrying value is a reasonable approximation of fair value.

*(i) Due from other banks*

Due from other banks includes inter-bank placements and items in the course of collection. The fair value of floating rate placements, overnight deposits and term deposits with a maturity of less than 90 days is based on a discounted cash flow method and is assumed to be their carrying amount, as the effect of discounting is not significant and as there is no significant change of the credit risk during that period. The fair values are within Level 2 of the fair value hierarchy. The carrying values equal to the fair values as at December 31, 2020 and December 31, 2019.

*(ii) Loans and advances to customers*

Loans and advances to customers are net of provisions for impairment. The estimated fair value of loans and advances to customers is considered to assimilate the discounted amount of estimated future cash flows expected to be received up to the next interest reset date. Determined fair values are within Level 2 of the fair value hierarchy. The carrying values equal to the fair values as at December 31, 2020 and December 31, 2019.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

*(iii) & (iv) Due to other banks and customers*

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. Expected cash flows are discounted at current market rates to determine the fair value. Determined fair values are within Level 2 of the fair value hierarchy. The carrying values of deposits are considered to assimilate the fair values as at December 31, 2020 and December 31, 2019.

**5. Net interest income**

	<b>2020</b>	<b>2019</b>
	EUR	EUR
<b>Interest income</b>		
Banks	1 381 927	1 406 613
Customers (*)	13 750 426	13 232 471
Investment securities	646 567	2 380 730
<b>Total interest income</b>	<b>15 778 920</b>	<b>17 019 814</b>
<b>Interest expense</b>		
Banks (*)	(1 722 762)	(898 569)
Customers	(4 834 993)	(10 692 980)
Central Banks	(7 431 282)	(6 446 824)
Lease liabilities	(60 848)	(58 085)
<b>Total interest expense</b>	<b>(14 049 885)</b>	<b>(18 096 458)</b>
<b>Net interest income</b>	<b>1 729 035</b>	<b>(1 076 644)</b>

The decrease of interest income compared to last year is mainly because of the decrease of the interest received on USD denominated receivables and investments due to the reduction of USD interest rates during the first quarter of 2020.

The decrease of interest expense is mainly due to the decrease of interest paid to customer deposits denominated in USD. This decrease was counterbalanced by the full year impact of the increase of interest rates paid to Luxembourg Central Bank in the last months of 2019 and the variation of the average balance as compared to last year.

As the Bank has net liabilities in customer deposits in USD, the decrease of the USD interest expense was higher than the corresponding decrease of USD interest income and as a result the net interest income has improved by approximately EUR 2.8 million.

(\*) EUR 1.3 million of customers interest income reported in 2019 were set off with banks interest expense. They are linked to the set off performed between (i) Loans and advances to customers and (ii) Due to other banks – term deposits due to the risk participation agreement with EFG Group. Please refer to Notes 17 and 24 for further details.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**6. Net banking fee and commission income**

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Commissions related to securities and investment activities	29 975 004	26 385 537
Commission income from other services	7 131 359	5 824 602
<b>Commission income</b>	<b>37 106 363</b>	<b>32 210 139</b>
Commission expense	(2 706 583)	(1 995 472)
<b>Commission expense</b>	<b>(2 706 583)</b>	<b>(1 995 472)</b>
<b>Net banking fee and commission income</b>	<b>34 399 780</b>	<b>30 214 667</b>

**7. Net other income**

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Net foreign exchange income	13 259 969	19 174 795
Client relationship services income	2 711 535	2 634 170
Net other intercompany income / expense	577 075	678 399
Net other operating income	340 324	792 722
Net wealth tax	(588 730)	(591 852)
Operational losses	(433 480)	(118 472)
Client relationship services expense	(685 462)	(917 162)
<b>Net other income</b>	<b>15 181 231</b>	<b>21 652 600</b>

The decrease of net other income is mainly driven by the net foreign exchange income which decreased by EUR 5.9 million compared to last year. This income is related to the economic hedge strategy the Bank has implemented to limit the foreign currency risk and interest rate risk on USD exposure. Due to the reduction of USD interest rates in the first quarter of 2020, the related income has reduced.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**8. Operating expenses**

	2020	2019
	EUR	EUR
<b>Staff costs (note 9)</b>	<b>(36 258 543)</b>	<b>(36 445 862)</b>
General and administrative expenses	(15 504 295)	(15 585 468)
Depreciation of property, plant and equipment (Note 22)	(630 274)	(735 170)
Amortisation of intangible assets (Note 21)	(667 591)	(284 859)
<i>Computer software and licences</i>	(73 280)	(71 770)
<i>Purchase Accounting related Intangibles</i>	(157 380)	(157 380)
<i>Other intangible assets</i>	(436 931)	(55 710)
Depreciation of tangible fixed assets – Leasing (Note 22)	(2 803 940)	(2 420 834)
<b>Operating expenses</b>	<b>(55 864 642)</b>	<b>(55 472 192)</b>

General and administrative expenses comprise of an amount of EUR 6 081 679 (2019: EUR 4 972 543) which corresponds to royalties and services paid to Group's entities.



**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**9. Staff costs**

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Wages, salaries and bonuses	(28 876 386)	(28 796 698)
Social security costs	(3 480 546)	(2 836 095)
Pension plan expenses - defined contribution	(1 195 853)	(989 937)
Employee Equity Incentive Plans	(1 007 451)	(1 213 882)
Other	(1 698 307)	(2 609 250)
<b>Total staff costs</b>	<b>(36 258 543)</b>	<b>(36 445 862)</b>

**10. Income tax**

	<b>2020</b>	<b>2019</b>
	EUR	EUR
<i>Current tax expense</i>	(182 728)	(68 596)
<b>Total current tax expense</b>	<b>(182 728)</b>	<b>(68 596)</b>
<i>Increase (decrease) in deferred expense tax</i>	3 571 171	867 513
<b>Total deferred tax income (expense)</b>	<b>3 571 171</b>	<b>867 513</b>
<b>Income tax income (expense)</b>	<b>3 388 443</b>	<b>798 917</b>

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

The tax on the Bank's loss (profit) before tax differs from the theoretical amount as follows:

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Taxable profit (loss) before tax	(4 712 254)	(4 565 437)
Applicable standard deferred tax rate	24.94%	24.94%
<b>Theoretical deferred tax (expense)/income</b>	<b>1 175 236</b>	<b>1 138 620</b>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	(193 218)	(196 241)
Tax effect related to the branch with permanent establishment outside Luxembourg	5 168	(19 369)
Deferred tax not recognised on branches	(3 133 246)	(2 543 862)
Deferred tax not recognised on Luxembourg	1 973 668	1 513 584
Other	26 940	38 672
<b>Deferred tax income (expense) before tax integration</b>	<b>(145 452)</b>	<b>(68 596)</b>
Deferred tax income (expense) from tax integration	3 533 895	867 513
<b>Total income tax (expense)/income</b>	<b>3 388 443</b>	<b>798 917</b>

The comparative information in the above table has been restated.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

During the year the Bank has recognised deferred tax income relating to cumulative tax losses for an amount of EUR 3.5 million on the basis that the Luxembourg operations have returned to sustainable taxable profits during 2020. The Bank has used prudent assumptions to ensure that adequate taxable profits will be available in the foreseeable future and will reassess its position in 2022.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**11. Deferred income taxes**

Deferred income taxes are calculated on all temporary differences using the enacted local applicable rate.

Deferred income tax assets and liabilities comprise the following:

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Deferred income tax assets	15 518 188	12 005 414
Deferred income tax liabilities	(384 110)	(442 507)
<b>Net deferred income tax assets</b>	<b>15 134 078</b>	<b>11 562 907</b>

The movements on the net deferred income tax assets account are as follows:

	<b>2020</b>	<b>2019</b>
	EUR	EUR
<b>Beginning of year</b>	<b>11 562 907</b>	<b>10 597 138</b>
Deferred tax gain/(loss) for the year in the income statement	3 545 663	881 322
Financial assets at fair value through other comprehensive income	25 508	84 447
<b>Net deferred income tax assets</b>	<b>15 134 078</b>	<b>11 562 907</b>

Deferred income tax assets and liabilities are attributable to the following items:

Tax losses carried forward	15 417 847	11 883 952
IFRS 9	100 341	121 462
<b>Deferred income tax assets</b>	<b>15 518 188</b>	<b>12 005 414</b>
Arising from acquisition of intangible assets	377 258	416 508
Other differences between local tax rules and accounting standards	6 852	25 999
<b>Deferred income tax liabilities</b>	<b>384 110</b>	<b>442 507</b>
<b>Net deferred income tax assets</b>	<b>15 134 078</b>	<b>11 562 907</b>

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**Current Tax Liabilities**

The Bank is liable to taxes on income and net assets as per applicable National laws where the Bank and the branches are located. The caption “Current income tax liabilities” include provisions regarding income taxes.

**12. Cash and balances with central banks**

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	2020 EUR	2019 EUR
Cash in hand	505 564	562 982
Balances with central banks	1 542 212 963	1 620 975 777
Less: Loss Allowance	(289)	(4 339)
<b>Cash and balances with central banks</b>	<b>1 542 718 238</b>	<b>1 621 534 420</b>

**13. Cash and cash equivalents**

	2020 EUR	2019 EUR
Cash and balances with central banks (Note 12)	1 542 718 238	1 621 534 420
Due from other banks (Note 14)	523 395 264	309 652 999
<b>Cash and cash equivalents</b>	<b>2 066 113 502</b>	<b>1 931 187 419</b>

Maturities of cash and cash equivalents are disclosed in Note 31.

**14. Due from other banks**

	2020 EUR	2019 EUR
Due from other banks at sight	75 087 118	69 661 801
Due from other banks at term, maturing within 3 months	448 315 695	240 004 192
Less: Loss Allowance	(7 549)	(12 994)
Included in cash and cash equivalents	523 395 264	309 652 999
Due from other banks at term, maturing after 3 months	65 584	161 323
Less: Loss Allowance	-	(8)
<b>Due from other banks</b>	<b>523 460 848</b>	<b>309 814 314</b>
<b>Due from other banks without Loss allowance</b>	<b>523 468 397</b>	<b>309 827 316</b>

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

Maturities of assets due from other banks are disclosed in Note 31.

The credit quality of exposures on banks without ECL can be assessed by reference to the rating given by Moody's, Standard and Poors or Fitch:

Rating	2020 EUR	2019 EUR
Aa2	651 734	16 253 049
A1	507 001 142	285 156 038
A2	2 193 943	7 744 044
Ba1	141 669	-
Baa1	-	109 445
Baa3	730 154	401 868
Caa1	35 235	149 891
Not rated	12 714 520	12 981
	<b>523 468 397</b>	<b>309 827 316</b>

As at December 31, 2020 and 2019, there are no impaired loans nor loans past due but not impaired.

**15. Treasury bills and other eligible bills**

	2020 EUR	2019 EUR
Treasury bills	-	15 009 045
Less: Loss Allowance	-	(737)
<b>Treasury bills and other eligible bills</b>	<b>-</b>	<b>15 008 308</b>

The decrease compared to previous year is explained by the maturity of the exposure during 2020.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**16. Derivative financial instruments**

The derivative financial instruments relate to forward exchange transactions and options outstanding as at December 31, 2020.

	December 31, 2020			December 31, 2019		
	EUR			EUR		
	Contract/ notional amount	Fair values		Contract/ notional amount	Fair values	
Assets		Liabilities	Assets		Liabilities	
<b>Derivatives held for trading</b>						
Currency forwards	539 815 985	3 663 888	3 372 218	516 855 013	2 361 316	2 276 914
Currency swaps	481 573 682	2 178 838	15 161 025	840 155 338	2 339 940	6 324 244
Options	73 528 985	665 757	665 757	17 289 771	203 320	203 320
<b>Total derivative assets/liabilities held for trading</b>		<b>6 508 483</b>	<b>19 199 001</b>		<b>4 904 576</b>	<b>8 804 478</b>

Derivative financial instruments held for trading generated a valuation loss for the year of EUR 8.8 million (2019: loss EUR 5.6 million) which is included under "Net other income" (Note 7).

Credit risk of OTC derivative instruments is calculated using the original risk method as follows:

	December 31, 2020			
	EUR			
	Contract/ notional amount	Risk-equivalent amounts – Provisions	Collateral/ Guarantees	Net risk exposure
<b>Internal rating (see Note 17)</b>				
1	708 312 591	6 173 998	1 409 541	4 764 457
2	5 028 869	46 892	-	46 892
3	308 012 350	2 903 333	6 372 711	(3 469 378)
5	35 857	334	-	334-
<b>Total</b>	<b>1 021 389 667</b>	<b>9 124 557</b>	<b>7 782 252</b>	<b>1 342 305</b>

	December 31, 2019			
	EUR			
	Contract/ notional amount	Risk-equivalent amounts – Provisions	Collateral/ Guarantees	Net risk exposure
<b>Internal rating (see Note 17)</b>				
1	1 095 515 858	10 391 413	1 229 021	9 162 391
3	231 255 550	2 114 238	3 823 110	(1 708 872)
4	30 238 942	256 611	317 678	(61 066)
<b>Total</b>	<b>1 357 010 350</b>	<b>12 762 262</b>	<b>5 369 809</b>	<b>7 392 453</b>

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**17. Loans and advances to customers**

The ratings of a major rating agency are mapped to the Bank's rating classes based on the long-term average default rates for each external grade. The rating contributes to the determination of the loanable value for the collateral. The Bank uses total standard loanable values to benchmark its internal credit risk assessment.

Bank's rating	Rating	Description of grade	Grade description	Moody's rating
1	Top	Secured by "cash collateral or equivalent" Good diversification	Investment grade	Aaa/Aa1/Aa2
2	High	Secured by "cash collateral or equivalent", imperfect diversification	Investment grade	Aa3/A1
3	Very good	Secured by "other collateral"	Investment grade	A2/A3
4	Good	Partly secured by "cash collateral or equivalent"	Standard monitoring	Baa1/Baa2
5	Acceptable	Unsecured by prime borrower	Standard monitoring	Baa3
6	Weak	Borrower situation/collateral value is deteriorating	Standard monitoring	Ba1/Ba2/Ba3
7	Poor	Conditions of initial credit are no longer being met	Standard monitoring	B1/B2/B3
8	Unacceptable	Interest is no longer being paid collateral is being held	Special monitoring	Caa/Ca/C
9	Potential loss	Bank holds illiquid, uncollectible or no collateral	Substandard	C
10	Loss	No collateral or uncollectible collateral	Substandard	D

Table below presents loans and advances to customers classified according to credit internal rating criteria:

Internal Rating	2020		2019	
	EUR	%	EUR	%
1 Top	443 291 488	57.41%	312 905 155	46.66%
2 High	92 864 238	12.02%	22 837 659	3.40%
3 Very good (*)	150 009 794	19.42%	178 612 077	26.63%
4 Good	78 633 794	10.18%	129 222 358	19.27%
5 Acceptable (*)	3 749 986	0.49%	11 008 428	1.64%
6 Weak	-	0.00%	12 238 495	1.82%
8 Unacceptable	3 729 274	0.48%	3 923 261	0.58%
	<b>772 278 574</b>	<b>100.00%</b>	<b>670 747 33</b>	<b>100.00%</b>

Maturities of loans and advances to customers are disclosed in Note 31.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

Economic sector risk concentrations within the Bank's customer loan portfolio were as follows:

	<b>2020</b>		<b>2019</b>	
	EUR	%	EUR	%
Private individuals (*)	295 039 275	38.20%	222 772 604	33.21%
Financial companies (*)	204 857 813	26.53%	321 933 467	48.00%
Private non-financial business	216 773 443	28.07%	36 378 422	5.42%
Services (*)	37 016 103	4.79%	70 952 605	10.58%
Other	18 591 940	2.41%	18 710 335	2.79%
	<b>772 278 574</b>	<b>100%</b>	<b>670 747 433</b>	<b>100%</b>

Geographic sector risk concentration within the Bank's customer loan portfolio is mainly in Europe.

(\*) EUR 50.6 million of Loans and advances to customers reported in 2019 were set-off with Due to other banks – term deposits. This is related to certain loan agreements granted in the context of a risk participation agreement signed with EFG Group. The Bank does not support any risk linked to these loans.

The classification of these loans as per the internal rating is as follow:

- internal rating "Very good": EUR 49.1 million; and
- internal rating "Acceptable": EUR 1.5 million.

The economic sector risk concentration of these loans is as follow:

- Private individuals : EUR 20.9 million; and
- Financial companies : EUR 26.2 million; and
- Services : EUR 3.5 million.

## 18. Collateral for loans and commitments

Loans and advances to customers are secured as follows:

	<b>2020</b>	<b>2019</b>
	EUR	EUR
<b><u>Loans and advances to customers</u></b>		
Secured by cash deposits and securities	593 234 304	527 018 028
Secured by immovable property	178 811 888	143 729 374
Unsecured	232 382	31
	<b>772 278 574</b>	<b>670 747 433</b>
<b><u>Off Balance-sheet commitments</u></b>		
Commitment secured by cash deposits and securities	3 866 696	7 434 860
Commitment unsecured	-	-
	<b>3 866 696</b>	<b>7 434 860</b>

The fair value of the collateral of each individual non-impaired loan is greater than the carrying value of the receivable amount. For the most significant impaired loan (stage 3) as at December 31, 2020 the fair value of the collateral before prudent haircuts is higher than the carrying value of the receivable.



**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**19. Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income (FVOCI) are detailed as follows:

	2020 EUR	2019 EUR
Financial assets at FVOCI	52 760 186	110 009 989
Less: Loss Allowance	(1 404)	(6 070)
<b>Total Financial assets at FVOCI</b>	<b>52 758 782</b>	<b>110 003 919</b>

	2020 EUR	2019 EUR
Issued by public bodies		
- public banks	12 629 087	40 874 968
Issued by others	40 131 099	69 135 021
Less: Loss Allowance	(1 404)	(6 070)
<b>Total Financial assets at FVOCI</b>	<b>52 758 782</b>	<b>110 003 919</b>

	2020 EUR	2019 EUR
Listed on a stock exchange	42 826 131	100 014 045
Unlisted	9 934 055	9 995 944
Less: Loss Allowance	(1 404)	(6 070)
<b>Total Financial assets at FVOCI</b>	<b>52 758 782</b>	<b>110 003 919</b>

	2020 EUR	2019 EUR
Debt Investment	52 760 186	110 009 989
Less: Loss Allowance	(1 404)	(6 070)
<b>Total Financial assets at FVOCI</b>	<b>52 758 782</b>	<b>110 003 919</b>

The credit quality of the investment securities without ECL can be assessed by reference to the rating given by Moody's, Standard and Poors or Fitch:

Rating	2020				2019			
	Government EUR	Public Banks EUR	Others EUR	Total EUR	Government EUR	Public Banks EUR	Others EUR	Total EUR
Aaa	-	12 629 087	-	12 629 087	-	40 874 968	-	40 874 968
Aa+	-	-	2 866 001	2 866 001	-	-	4 462 216	4 462 216
Aa	-	-	5 330 810	5 330 810	-	-	-	-
Aa-	-	-	15 741 232	15 741 232	-	-	31 235 347	31 235 347
A+	-	-	5 759 381	5 759 381	-	-	22 940 839	22 940 839
A	-	-	499 620	499 620	-	-	499 619	499 619
NR	-	-	9 934 055	9 934 055	-	-	9 997 000	9 997 000
<b>Total</b>	-	<b>12 629 087</b>	<b>40 131 099</b>	<b>52 760 186</b>	-	<b>40 874 968</b>	<b>69 135 021</b>	<b>110 009 989</b>

The comparative information for the Financial assets at fair value through other comprehensive income in the above table has been restated.

## EFG Bank (Luxembourg) S.A.

### Notes to the financial statements

As at December 31, 2020 and 2019, there are no impaired investment securities nor investment securities past due but not impaired.

Maturities of financial assets at fair value through other comprehensive income are disclosed in Note 31.

#### 20. Participations & Assets classified as Held for Sale

As at December 31, 2020, the Bank held the following unlisted participations:

	Acquisition value <sup>(1)</sup>	Carrying value	Proportion of capital held	Net Equity <sup>(2)</sup>
	EUR	EUR	%	EUR
EFG Fund Management S.A.	1 241 662	1 241 662	100	1 767 544
EFG Alternative Investment GP	12 000	12 000	100	12 000
<b>Total</b>	<b>1 253 662</b>	<b>1 253 662</b>	<b>100</b>	<b>1 779 544</b>

(1) Regarding EFG Fund Management S.A., acquisition price is equal to the value at acquisition date via business combination, with BSI Europe S.A..

(2) Unaudited figures as at December 31, 2020

#### EFG Fund Management S.A.

In the last months of 2020, the Bank has entered negotiations to dispose the share capital of the wholly owned subsidiary of EFG Fund Management S.A..

The criteria of the relevant accounting standard (IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”) have been satisfied as the carrying amount of the participation is expected to be recovered principally through a sale transaction rather than through continuing use and the sale was considered highly probable as of December 31, 2020. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

As of the December 31, 2020, the fair value of the participation less costs to sell was estimated higher than the carrying value on the balance sheet of EUR 1.2 million and therefore has been reclassified from “Participations” to “Assets classified as held for sale”. There is no impact on the Income statement and the cash flow statement as the subsidiary is not consolidated, is held at cost and no dividend has been received during the current or prior year.

On February 18, 2021 the Bank signed an agreement for the sale of the entity. The agreement is subject to certain conditions precedent and regulatory approval. The agreed consideration is EUR 1.5 million plus the payment to the Bank of the excess capital of the subsidiary which has been estimated at the date of the agreement to approximately EUR 1.5 million. Once all conditions precedent are satisfied and obtain regulatory approval, the Bank will derecognise the carrying value of EUR 1.2 million and is expected to recognise a gain of approximately EUR 1.7 million.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**21. Intangible assets and goodwill**

**Intangible assets**

	<b>Computer software and Licences</b>	<b>Customer relationship &amp; other intangibles</b>	<b>Goodwill on acquisition of business</b>	<b>Total Intangible assets</b>
	EUR	EUR	EUR	EUR
<b>At December 31, 2019</b>				
Cost	1 070 679	4 259 196	1 914 106	7 243 981
Accumulated amortisation	(584 680)	(509 888)	-	(1 094 568)
Accumulated impairment	-	(740 982)	-	(740 982)
<b>Net book value at December 31, 2019</b>	<b>485 999</b>	<b>3 008 326</b>	<b>1 914 106</b>	<b>5 408 431</b>
<b>Cost</b>				
At December 31, 2019	1 070 679	4 259 196	1 914 106	7 243 981
Additions	-	1 167 385	-	1 167 385
Adjustment	-	-	-	-
<b>At December 31, 2020</b>	<b>1 070 679</b>	<b>5 426 581</b>	<b>1 914 106</b>	<b>8 411 366</b>
<b>Accumulated amortisation</b>				
At December 31, 2019	(584 680)	(509 888)	-	(1 094 568)
Amortisation charge for the year	(73 280)	(594 311)	-	(667 591)
Disposals	-	-	-	-
<b>At December 31, 2020</b>	<b>(657 960)</b>	<b>(1 104 196)</b>	<b>-</b>	<b>(1 762 159)</b>
<b>Impairment</b>				
At December 31, 2019	-	(740 982)	-	(740 982)
Impairment for the year	-	-	-	-
<b>At December 31, 2020</b>	<b>-</b>	<b>(740 982)</b>	<b>-</b>	<b>(740 982)</b>
<b>Total At December 31, 2020</b>				
Cost	1 070 679	5 426 581	1 914 106	8 411 366
Accumulated amortisation	(657 960)	(1 104 196)	-	(1 762 159)
Impairment	-	(740 982)	-	(740 982)
<b>Net book value at December 31, 2020</b>	<b>412 719</b>	<b>3 581 403</b>	<b>1 914 106</b>	<b>5 908 226</b>

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**Impairment test on BSI related intangible asset**

The unamortized carrying value of the BSI related intangible asset (EUR 664 567) has been tested for impairment at year end.

Based on the revenues generated and the related profitability achieved during the year, the Bank has concluded that there are no impairment indicators.

**Impairment test on UBI related goodwill and intangible asset (“Intangibles”)**

On November 1, 2017, the Bank acquired 100% of the voting rights in UBI and recognised the following intangible assets:

Goodwill (as adjusted in 2018)	EUR 1 914 106
Intangible asset related to client contracts	EUR 1 096 000

The Intangibles acquired in business combinations are reviewed at least annually for impairment by comparing the recoverable amount of each cash generating unit (CGU) to which Intangibles have been allocated at carrying value following the approaches described below.

The Bank has estimated the present value of the future cash flows expected to be derived from the Cash Generating Unit (value in use) using a discount rate of 10.18%.

The cash flows projections used to determine the net present values have been limited to 20 years.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent Management’s assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Description	Assumption	Basis
Customer AuM	5% per year reduction	Prudent assumption
Return on AuM	22 bps	Based on past experience
Cost to income ratio	82%	Based on prudent scenario that the ratio of the Luxembourg operations will not improve over the next years

The recoverable amount of the CGU was estimated to be higher (approximately for an amount of EUR 7.2 million) than the carrying amount of the Goodwill (EUR 1 914 106) and the intangible asset (EUR 848 095). Hence no impairment was required.

The Bank has performed a sensitivity analysis and stressed by 20% all the above key assumptions and the discount rate. The only stressed assumption that would indicate an impairment is in case the cost to income ratio of the Luxembourg operations deteriorates by 20%. The deterioration of the assumption by 20% is considered unrealistic because it would require to have a Cost to Income ratio worse than the actual of 2018 which has been negatively impacted from the increased operating costs of BSI & UBI.

The Bank has also stressed the base scenario assumptions by stressing by 10% the net profitability of the CGU. In this scenario, the recoverable amount was also higher than the carrying value.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**22. Property, plant and equipment**

	Leasehold improvements EUR	Furniture and equipment EUR	Computer hardware EUR	Right-of-use assets EUR	Total fixed assets EUR
<b>At December 31, 2019</b>					
Cost	2 249 437	1 756 692	2 472 393	22 336 472	28 814 993
Accumulated depreciation	(657 397)	(928 396)	(2 014 721)	(2 420 834)	(6 021 348)
<b>Net book value at December 31, 2019</b>	<b>1 592 040</b>	<b>828 297</b>	<b>457 671</b>	<b>19 915 638</b>	<b>22 793 645</b>
<b>Cost</b>					
At January 1, 2020	2 249 437	1 756 692	2 472 393	22 336 472	28 814 993
Additions	293 684	80 715	127 374	1 635 074	2 136 845
Disposals/eliminations	-	(799)	-	(157 778)	(158 577)
Reclassification	-	-	-	264 649	264 649
<b>At December 31, 2020</b>	<b>2 543 121</b>	<b>1 836 607</b>	<b>2 599 766</b>	<b>24 078 417</b>	<b>31 057 910</b>
<b>Accumulated depreciation</b>					
At January 1, 2020	(657 397)	(928 396)	(2 014 721)	(2 420 834)	(6 021 348)
Depreciation charge for the year	(231 609)	(135 136)	(263 527)	(2 803 940)	(3 434 212)
Disposals/eliminations	-	612	-	112 906	113 518
Reclassification	-	-	-	84 874	84 874
<b>At December 31, 2020</b>	<b>(889 006)</b>	<b>(1 062 920)</b>	<b>(2 278 248)</b>	<b>(5 026 994)</b>	<b>(9 257 168)</b>
<b>Total At December 31, 2020</b>					
Cost	2 543 121	1 836 607	2 599 766	24 078 417	31 057 910
Accumulated depreciation	(889 006)	(1 062 920)	(2 278 248)	(5 026 994)	(9 257 168)
<b>Net book value at December 31, 2020</b>	<b>1 654 115</b>	<b>773 687</b>	<b>321 518</b>	<b>19 051 423</b>	<b>21 800 741</b>

The right-of-use assets as at December 31, 2020 are composed of office premises for EUR 19 million.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**23. Other assets**

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Fees receivables	2 352 948	1 586 955
Transitory accounts	1 174 560	1 616 670
Prepaid expenses and accrued income	3 495 255	4 140 921
VAT recoverable	2 311 571	1 368 063
Guarantee deposits	249 413	250 690
Intercompany receivables	1 071 650	3 468 445
Other	815 926	1 284 989
Margin account	11 080 100	-
<b>Other assets</b>	<b>22 551 423</b>	<b>13 716 733</b>

**24. Due to other banks**

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Due to other banks at sight	9 119 196	22 955 891
Due to other banks – term deposits (*)	95 747 645	39 134 171
<b>Due to other banks</b>	<b>104 866 841</b>	<b>62 090 062</b>

(\*) EUR 50.6 million of Due to other banks – term deposits reported in 2019 were set-off with Loans and advances to customers. This is related to a risk participation agreement signed with EFG Group for certain loan agreements granted to customers. The Bank does not support any risk linked to these loans.

**25. Due to customers**

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Current accounts	2 339 282 71	2 072 031 775
Term deposits	339 574 740	475 499 539
<b>Due to customers</b>	<b>2 678 857 451</b>	<b>2 547 531 314</b>

Maturities of Due to customers are disclosed in Note 31.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**26. Provisions**

	2020 EUR	2019 EUR
Additional provision through profit and loss	(154 294)	(85 199)
Write back through profit and loss	20 240	225 969
<b>Total provision through profit and loss</b>	<b>(134 054)</b>	<b>140 770</b>

	2020 EUR	2019 EUR
Opening balance	1 591 735	2 175 023
Increase in provision recognised in the Income Statement	154 294	85 199
Release of provision recognised in the Income Statement	(20 240)	(225 959)
Provisions used during the year	(69 343)	(442 528)
<b>Total provisions</b>	<b>1 656 446</b>	<b>1 591 735</b>

**27. Other liabilities**

	2020 EUR	2019 EUR
Preferential creditors	5 407 976	4 565 093
Accrued expenses	8 768 352	12 457 909
Lease liabilities	19 626 864	20 638 074
Other	3 288 939	4 620 686
<b>Total other liabilities</b>	<b>37 092 131</b>	<b>42 281 762</b>

	2020					Total EUR
	Up to 1 month EUR	1 - 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	Over 5 years EUR	
Lease liabilities	214 208	420 297	1 880 753	9 015 255	8 096 351	19 626 864
<b>Total lease liabilities</b>	<b>214 208</b>	<b>420 297</b>	<b>1 880 753</b>	<b>9 015 255</b>	<b>8 096 351</b>	<b>19 626 864</b>

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

#### **28. Share capital**

As at December 31, 2020, the total authorised number of ordinary shares at year-end was 1 180 000 with a value of EUR 100 per share. All issued shares are fully paid 100% of the capital is held by EFG Investment (Luxembourg) S.A..

As at December 31, 2019, the total authorised number of ordinary shares at year-end is 1 180 000 with a value of EUR 100 per share. All issued shares are fully paid 100% of the capital is held by EFG Investment (Luxembourg) S.A..

#### **29. Retained earnings**

##### ***Legal reserve***

In accordance with Luxembourg law the Bank is required to transfer at least 5% of its annual profit to legal reserve until this equals at least 10% of subscribed capital. The legal reserve is not available for distribution to shareholders. As at December 31, 2020, the legal reserve amounts to EUR 1 394 672 (2019: EUR 1 394 672).

##### ***Special reserve***

As at December 31, 2020 following the legal merger with BSI, the special reserve amounts to EUR 1 280 623 (2019: EUR 1 280 623).

In accordance with the tax law in force, the Bank has maintained non-distributable reserves previously recognised by BSI to reduce the Net Wealth Tax (NWT) liability. In order to comply with the tax law, the Bank decided to allocate under non-distributable reserves an amount that corresponds to five times the amount of the reduction of the NWT. This reserve is non-distributable for a period of five years from the year following the one during which the NWT was reduced.



**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**30. Guarantees and commitments**

	2020 EUR	2019 EUR
<b>Guarantees:</b>		
Guarantees issued in favour of third parties	34 588 306	25 234 460
	<b>34 588 306</b>	<b>25 234 460</b>

The guarantees are as follows:

	2020 EUR	2019 EUR
<b>Guarantees:</b>		
Credit card guarantees	13 369 382	12 587 106
Other guarantees	20 525 416	11 724 626
Rent guarantees	693 508	922 727
	<b>34 588 306</b>	<b>25 234 460</b>

**31. Maturity of assets and liabilities**

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at December 31, 2020 to the contractual maturity date.

	2020			2019		
	Up to 1 year EUR	Over 1 year EUR	Total EUR	Up to 1 year EUR	Over 1 year EUR	Total EUR
<b>Assets</b>						
Cash and balances with central banks	1 542 718 238	-	1 542 718 238	1 621 534 420	-	1 621 534 420
Treasury bills and other eligible bills	-	-	-	15 008 308	-	15 008 308
Due from other banks	523 396 475	64 373	523 460 848	309 814 314	-	309 814 314
Derivative financial instruments	6 434 080	74 403	6 508 483	4 904 576	-	4 904 576
Financial assets at fair value through other comprehensive income	27 140 269	25 618 513	52 758 782	82 877 459	27 126 461	110 003 919
Participations	-	12 000	12 000	-	1 253 662	1 253 662
Loans and advances to customers	517 490 396	254 788 178	772 278 574	505 431 195	165 316 238	670 747 433
Property plant and equipment	2 831 058	18 969 683	21 800 741	-	22 793 645	22 793 645
Intangible assets	375 723	5 532 503	5 908 226	-	5 408 431	5 408 431
Deferred income tax assets	-	15 518 188	15 518 188	-	12 005 414	12 005 414
Other assets	19 897 750	2 653 673	22 551 423	13 716 733	-	13 716 733
Assets classified as held for sale	1 241 662	-	1 241 662	-	-	-
<b>Total assets</b>	<b>2 641 525 651</b>	<b>323 231 514</b>	<b>2 964 757 165</b>	<b>2 553 287 005</b>	<b>233 903 851</b>	<b>2 787 190 856</b>
<b>Liabilities</b>						
Due to other banks	76 111 673	28 755 168	104 866 841	58 420 583	3 669 479	62 090 062
Due to customers	2 678 857 451	-	2 678 857 451	2 547 531 314	-	2 547 531 314
Derivative financial instruments	19 124 598	74 403	19 199 001	8 804 478	-	8 804 478
Current income tax liabilities	93 935	-	93 935	61 000	-	61 000
Deferred income tax liabilities	46 102	338 008	384 110	-	442 507	442 507
Provisions	1 656 446	-	1 656 446	1 591 735	-	1 591 735
Other liabilities	19 739 538	17 352 593	37 092 131	24 369 156	17 912 606	42 281 762
<b>Total liabilities</b>	<b>2 795 629 743</b>	<b>46 520 172</b>	<b>2 842 149 915</b>	<b>2 640 778 266</b>	<b>22 024 592</b>	<b>2 662 802 858</b>
<b>Net liquidity gap</b>	<b>(154 104 092)</b>	<b>276 711 342</b>	<b>122 607 250</b>	<b>(87 491 261)</b>	<b>211 879 259</b>	<b>124 387 998</b>

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

#### **32. Capital management**

The Bank's objectives when managing regulatory capital is to comply with the capital requirements set by the regulatory requirements in Luxembourg and to safeguard the Bank's ability to continue as a going concern.

Capital adequacy and the use of regulatory capital are monitored continually by the Bank's Management employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives as implemented by the CSSF for supervisory purposes.

The Bank assesses the capital demand for material risks (not restricted to credit market and operational risks) in an ICAAP (Internal Capital Adequacy Assessment Process) document. Each material risk is assessed, relevant mitigants considered and appropriate levels of capital determined. ICAAP documents are subject to ongoing supervisory review and evaluation.

Capital adequacy is calculated on a quarterly basis as part of the preparation of the CSSF reports that are submitted to the Management.

The eligible capital is mainly composed by Tier 1 capital, including share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of intangible assets is deducted.

The solvency ratio (unaudited) is equal to 24.2% (2019: 26.0%).

#### **33. Return on assets**

The return on assets of the Bank for the year ended December 31, 2020 stands to -0.04% (-0.13% as at December 31, 2019). The return on assets is calculated as being the net profit divided by the total balance sheet.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**34. Related party transactions**

The below table summarizes the transactions of the Bank with the related parties

	2020		2019	
	Group EUR	Key Management personnel EUR	Group EUR	Key Management personnel EUR
<b>Assets</b>				
Due from other banks	449 414 033		282 073 978	-
Derivative financial instruments	4 426 812		3 411 901	-
Participations	12 000		1 253 668	
Other assets	12 367 951		3 540 717	-
Assets classified held for sale	1 241 662		-	
<b>Liabilities</b>				
Due to other banks	104 823 181		40 627 161	-
Due to customers	68 760 348	469 115	65 912 465	434 419
Derivative financial instruments	15 399 963		7 146 333	-
Other liabilities	1 249 491		2 294 055	-
Interest income	1 443 792		691 003	-
Interest expense	(1 672 935)		(1 576 153)	-
Net banking fee and commission income	(1 405 280)		(585 285)	-
Net other income	2 604 610		2 275 089	-
Operating expenses (note 8)	(6 084 834)		(4 411 727)	-
Guarantees issued in favour of related parties	1 302 300	10 000	1 302 300	10 000

The above deposits are unsecured carry variable interest rates and are repayable on demand.

All banking transactions entered into (including with related parties) are in the normal course of business.

Key Management personnel comprise Authorised Management, the Board members, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence.

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**35. Fees of the independent auditor**

The fees for the independent auditor of the Bank for the year ending December 31, 2020 are as follows:

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Audit services	466 453	618 263
Non-audit services	22 692	10 865
<b>Total</b>	<b>489 145</b>	<b>629 128</b>

**36. Staff and directors**

**a) Staff**

Average number of employees during the financial year:

	<b>2020</b>	<b>2019</b>
Senior Management	3	3
Employees	217	205
<b>Total</b>	<b>220</b>	<b>208</b>

**b) Information relating to Directors and Management**

Senior Management received the following remuneration in respect of their duties:

	<b>2020</b>	<b>2019</b>
	EUR	EUR
Cash compensation (salary + Vested Contribution cash)	1 880 121	1 696 386
Pension contributions	143 039	70 532
Other compensation and social charges	188 266	368 766
Restricted stock units	573 756	320 000
<b>Total</b>	<b>2 785 182</b>	<b>2 455 684</b>

Board members received emoluments in respect of their duties totalling to a gross amount of EUR 222 928 (2019: EUR 195 000).

The Bank did not grant any credit to Board members, Senior Management or supervisory bodies during the year (2019: EUR 0).

**EFG Bank (Luxembourg) S.A.**  
Notes to the financial statements

**c) Employee Equity Incentive Plan**

The EFG International Employee Equity Incentive Plan (the “Plan”) has different classes of options and restricted stock units, which have a vesting period of one, two and three years. The different classes have earliest exercise dates varying from three to five years from the grant date and ending seven years from the grant date.

The expense recorded in the statement of profit and loss spreads the cost of the grants equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Total expense related to the Plan in the Income Statement for the period ended December 31, 2020 was EUR 1 007 451 (2019: EUR 1 213 882).

As at December 31, 2020 and in application of IFRIC 11, the Bank has recognized in equity, as a contribution from the parent, a total amount of EUR 2 899 060 (2019: EUR 3 432 765) corresponding to the rights attributed to the Management.

The table below summarises the outstanding options and restricted stock units at December 31, 2020 which, when exercised, will each result in the issuance of one ordinary share:

	<b>31 December 2020</b>
At 01 January	609 714
Granted	358 625
Lapsed	-
Exercised	-287 376
At 31 December	680 963

**2020 incentive plan**

The EFG Group granted 358 625 restricted stock units in 2020 to employees and managers of the Bank (2019: 269 626).

There are two classes of restricted stock units as follows:

- With a 3-year lock-up restriction (“Restricted stock units with 3- year lock-up”); and
- With no lock-up condition attached (“Restricted stock units with 1/3 exercisable annually”).

Both of the classes vest 1/3 every year over the next three years. All restricted stock units have no exercise price.

## **EFG Bank (Luxembourg) S.A.**

### Notes to the financial statements

The weighted average deemed value of each restricted stock unit granted in 2020 is CHF 3.97 (2019: CHF 5.32). The values of the restricted stock units were determined by the EFG Group using a model which takes into account the present value of the expected dividends during the period between the grant date and the earliest exercise date. The significant inputs into the model were the arithmetic average share price (closing) of the five consecutive business days following the earnings announcement (CHF 6.65) and the discount determined by Management (20%) based on the expected life of the restricted stock units and the long-term incentive plan units (12 to 60 months).

#### ***d) 2021 incentive plan***

The EFG Group will grant restricted stock units in the first half of 2021 at prices to be determined from the EFG Group based on the relevant valuation inputs at the date of issue.

#### ***e) Complementary Pension Plan***

In 2007, the Bank contracted a pension plan for all employees under employment contract. This plan is a defined contribution plan and comprises a retirement benefit a death benefit and a disability benefit.

### **37. Post balance sheet events**

There are no significant subsequent events that require adjustment other than those that have already been disclosed in Note 20 for the agreement to dispose the share capital of the wholly owned subsidiary of EFG Fund Management S.A. the investment or accounted for.