EFG Private Bank Limited

Annual Report and Financial Statements

for the year ended 31 December 2021

Registered No. 2321802

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Overview

Profile

EFG Private Bank Limited

EFG Private Bank Limited (the "Company") provides banking, wealth management and investment advisory services for private clients and their corporate interests. The Company is active in both deposit taking and lending, as well as transactions in securities, off-balance sheet instruments and derivatives.

The Company has a wholly owned subsidiary in Cyprus, EFG Cyprus Ltd , as well as a branch in Jersey, through which similar services are offered to those of the Company. The previously wholly owned subsidiary, Guernsey, EFG Private Bank (Channel Islands) Limited ("EFGIG"), was sold to EFG Bank AG ('EFG AG') during 2021.

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

Immediate parent company

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

Highlights

	31 December 2021 £m	31 December 2020 £m
Operating and Investing Income	142	116
Profit before tax	99	11
Loans and advances to customers	2,769	2,178
Due to customers	4,153	3,015
Total equity	267	264[1]
Total assets	5,059	3,915
Assets under management ("AUM")	17,590	16,530

[1]The prior year comparative numbers have been restated. Please refer to note 34 for further information.

Company information

Directors
J Reed - Chairman
R Thomas – Chief Executive
O Meredith (Appointed on 15 February 2022)
E Barnett
D Politis
G Pradelli
S Robertson*
A Simmonds
H Price (Resigned 18 June 2021)

* Director of EFGI

Company secretary
A Evans

Independent auditors
BDO LLP

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

Registered number
2321802

Registered office of EFGI
EFG International AG
Bleicherweg 8
P.O. Box 6012 - 8022 Zurich

Strategic Report

Business review

The Company generated a net profit for the year of £101.2 million (2020: £11.3 million). The growth in the profit arose primarily as a result of higher dividend income (£30.0 million, 2020: £9.8 million), and profit on sale of EFGIG for £68.9 million. Net interest income increased to £46.2 million (2020: £41.6 million) due to loan growth and higher interest margins. Growth in assets under management ('AUM') lead to an increase in fee and commissions income to £60.3 million (2020: £56.1 million). Administrative expenses increased during the year to £31.9 million (2020: £30.4 million) and personnel expenses increased to £74.9 million (2020: £71.0 million). The change in corporation tax rate from 19% to 25%, as announced by the Chancellor in March 2021 resulted in an increase in the tax credit to £2.1 million (2020: £0.7 million).

The Company achieved net new assets of £1,103.3 million (2020: £1,152.1 million) despite the continued impact of the COVID-19 pandemic on the UK and the global economy. During the year the Company's staff continued to operate effectively from home transitioning to mixed home office working as the COVID-19 situation recovered. Further details of the impact the crisis had on the Company's key risks are highlighted in the paragraphs below on credit, employees and capital & funding.

The Company completed the sale of its shares in subsidiary EFGIG, to EFG AG in September 2021 and EFGIG merged with EFG AG in December 2021. EFGIG clients were offered a range of options, with options to transfer their business to the Company in London or its Jersey branch. All clients were to maintain their relationship with their existing UK Client Relationship Officers ('CRO'), except EU residents who can no longer be managed from the UK and who were introduced to CROs of the wider EFG Group.

The crisis in Ukraine is being felt around the world, and will continue to develop across the Global economy, impacting many sectors, including Private Banking. The Company has controls in place to actively screen its client base, has imposed blocks on the trading of relevant securities, implemented enhanced monitoring on fund flows and is actively assessing risk exposures to cyber-attacks.

As at the date of this report, no material risks relating to the crisis in Ukraine have crystallised.

Financial performance

During 2021, the Company experienced continuing strong demand for lending in prime central London as well as an additional £377.7 million in loans transferred from EFGIG to the Company following the sale of shares. This resulted in growth of the loan book of 27.1% to £2,768.9 million (2020: £2,178.3 million) during the year.

Operating income before dividends increased to £112.2 million (2020: £106.6 million), as a result of the following factors; an increase in net interest income of 11.2% to £46.2 million (2020: £41.6 million) which was driven by the increase in the Company's loan book, whilst maintaining margins. Net fee and commission income increased by 7.4% to £60.3 million (2020: £56.1 million), as a result of growth in assets under management, increasing by 6.4% to £17,590 million (2020: £16,530 million). A resilient stock market during 2021, resulted in less disposals of financial assets and therefore a reduction in gains on disposals of financial assets during 2021 to £0.1 million (£3.5million In 2020).

Operating expenses increased by 5.4% to £112.0 million (2020: £106.3 million), principally due to an increase in staff costs, driven by the introduction of role-based allowances for CROs and new senior hires in the Private Bank. There was an increase in the outsourced investment management service costs linked to the increase in clients' portfolio values. The increase in costs was offset by the increase in the Company's revenues resulting in a reduction in the cost income ratio to 78.7% (2020: 91.4%).

There was no significant charge to the credit impairment provision during the year (2020: £0.5 million charge). A number of watchlist cases in were repaid during 2021, with no loss to the Company. The Credit Committee monitors all active watchlist cases; further detail on this process is included on page 6.

Key financials

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Operating income before dividends	112.2	106.6
Dividend income	30.0	9.8
Operating expenses	(112.0)	(106.3)
Profit on disposal of subsidiary	68.9	-
Loss allowance on financial assets	-	0.5
Profit before tax	99.0	10.6

Key performance indicators

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Net new assets	1,103.32	1,152.1
Return on assets[1]	83bps	68bps
Operating profit	30.2	10.1
Cost income ratio[2]	79%	91%

[1] Return on assets is calculated as operating income less dividends over the simple average of opening and closing AUM booked in the Company.
[2] As commentated in the Financial performance section, the increase in costs in 2021 was offset by high revenues from dividends and profit on disposal of subsidiary, therefore reducing the cost to income ratio

Capital

The Prudential Regulation Authority ("PRA") supervises the Company on a stand-alone basis.

The Common equity tier 1 ("CET1") capital ratio increased to 14.8% (2020: 13.1%) due to both increased CET1 capital and decreased risk weighted assets ('RWA'). CET1 capital increased by £14.3 million to £195.2 million (2020: £180.9 million) as a result net dividend receipts and audited profits. Despite increased risk weighted mortgage lending, risk weighted assets decreased by £67.5 million to £1,317.8 million (2020: £1,385.3 million), principally due to the Company's adoption of the financial collateral comprehensive method. The total capital ratio increased to 19.9% (2020: 17.9%).

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Common equity tier 1 capital	195.2	180.9
Total capital	261.8	247.5
Total risk weighted assets	1,317.8	1,385.3

Funding

The Company's Treasury function manages the Company's funding and liquidity to support the Private Banking business and manage interest rate and currency risk. In 2021 the Company maintained a consistent and successful approach to its funding.

Total funding increased by 30.2% to £4,959.2 million (2020: £3,807.3 million). This was due to a 37.7% increase in customer deposits in the year, in part due to the transfer of clients from EFGIG.

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Customer deposits	4,152.8	3,015.3
Banks	539.2	527.6
Additional tier 1 capital	66.6	66.6[1]
Other equity and reserves balances	200.6	197.8
Total funding	4,959.2	3,807.3

[1]The prior year comparative numbers have been restated. Please refer to note 34 for further information.

Liquidity

The Company maintains a strong liquidity position, ensuring that it is comfortably ahead of both its internal risk appetite and also regulatory requirements. The Company maintains funds on deposit with the Bank of England, and a portfolio of high-quality liquid assets, details of which are contained below and in the notes to the accounts.

The Company regularly assesses, and stress tests its liquidity requirements and continues to comfortably exceed our internal liquidity limits , with the liquidity coverage ratio of 212% at 31 December 2021 (2020: 178%).

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Cash & balances at central banks	1,244.3	791.3
Other banks	125.0	107.3
Investment securities:		
Government	384.3	327.9
Other public sector	-	78.5
Banks	468.5	331.2
Other issuers	-	12.4
Treasury assets	2,222.1	1,648.6

Principal risks and uncertainties

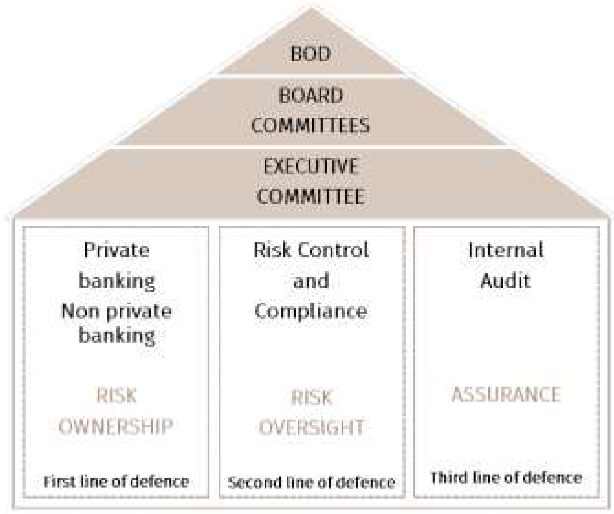
Risk management

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

Approach to risk management

The Company uses the three lines of defence model and there are independent Risk and Compliance functions with clearly defined objectives. Assurance is provided over this through an internal audit function. There is a defined risk strategy and risk appetite, including a risk management framework with policies, standards, and procedures to govern risk management and the effectiveness and efficiency of risk management is supervised by the board of directors with the support and advice of a dedicated Risk Committee.

The three lines of defence model;



The role of risk culture in supporting effective risk management

The Company believes that employee behaviour is key to ensure sound risk management, and that this is guided by the risk culture of the organisation. Accordingly, the risk culture is viewed as a core component of effective risk management. This is facilitated across through training sessions delivered to all staff focused around raising awareness and understanding of the Company risk culture. This is done during onboarding and throughout their employment. Financial and non-financial incentives are reviewed to ensure they do not encourage excessive risk-taking. The board of directors sets and approves the risk strategy, the risk appetite, and the risk management framework of the Company at least annually and monitors its risk profile, as well as the effectiveness of risk management.

Risks and uncertainties

The following pages set out the principal risks and uncertainties that may impact the Company's ability to deliver its strategy, how it seeks to mitigate these risks and the change in the perceived level of risk in the year. The Company's principal activities remain unchanged, notwithstanding the transfer of clients from EFGIG during the year. As a result, the principal risks and uncertainties that the Company faces and our approach to mitigating them remain broadly consistent with prior years. The Company also assesses new and emerging risk ('horizon risks'); the principal horizon risks have also been broadly consistent to prior year.

Strategic Report

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

Credit risk

As a lender, the Company is exposed to credit losses if customers are unable to repay loans and outstanding interest and fees.

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

We seek to minimise our exposure to credit losses from lending by:
- applying strict lending criteria to borrowers;
- maintaining consistent and conservative loan to value ratios;
- lending on a predominantly secured basis against identifiable assets such as property or investment portfolios;
- a clear, consistent and robust process for managing arrears; and
- operating a strong control and governance framework for our CROs with oversight by a central credit risk team.

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

At 31 December 2021 the Company had loans and advances to customers amounting to £2.8 billion (2020: £2.2 billion). There were no loans written off during the year to 31 December 2021 (2020: £62 thousand). The settlement of a number of older loans at nil loss to the Company resulted in a £0.03 million reduction (2020: £0.5 million credit) from credit loss provisions relative to a loan book of £2.8 billion (2020: £2.2 billion). During 2021, as a direct result of the COVID-19 pandemic, clients were allowed payment holidays on their loans. As of 31 December 2021, all clients had resumed payment of their loans.

The Company's counterparty exposures are broadly unchanged, with most of our liquidity requirements and surplus funding placed with the Bank of England or in high quality liquid assets. We continue to monitor the UK and global economic outlooks.

Further commentary on the credit quality of our loan book is outlined in Note 26. Further details on debt securities and loans and advances to customers are held are in Notes 12 and 13. Our approach to credit risk management and monitoring, as well as further details on the value of collateral held, is outlined in more detail in note 26.

Employees

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

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

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

Our people have continued to deliver successful results for our customers and the Company despite the continued impact of COVID-19. Our incentive model for CRO remuneration has successfully enabled the Company to hire and retain talent allowing continuity of our client relationships.

The Company continues its focus on the wellness of its employees, through continuing to offer a hybrid flexible working approach coupled with regular communication, During the year the Company launched the EFG women's network, a significant step in our diversity and inclusion journey.

Capital and liquidity

The Company's ability to access capital and funding remains key to support our lending activities and the liquidity requirements. Liquidity is assessed daily, and capital is assessed at least weekly to ensure adequate liquidity and capital is held and remains readily accessible in stressed conditions.

The Company's term deposits increased by 65.8% to £2.2 billion (2020: £1.3 billion). In part as clients' deposits were transferred from EFGIG also increasing the current account balances by 37.7% to £2.0 billion (2020: £1.4 billion). Further commentary on funding and liquidity is provided on pages 5 and note 28. Further financial analysis of our liquidity is shown in note 28.

Economic environment

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

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

Economic uncertainty and risk to the macroeconomic outlook reduced in 2021, particularly due to the reducing impact of the COVID-19 pandemic and the success of the vaccination programme. The potential economic impacts of future events are closely monitored through our horizon risk framework. In line with Government guidelines, the Company welcomed back its workforce to the office on a flexible basis in August 2021.

Legal and regulatory

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

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

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

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

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

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

In line with the Regulatory roadmap, from 1 April 2021, the Company ceased new issuance of GBP LIBOR (and other LIBOR settings) products and commenced offering products linked to the overnight index rate (OIR). Details of the LIBOR transition are discussed further in the notes to the financial statements, accounting developments on page 24.

Operational risk

The Company is exposed to various operational risks through its day-to-day operations.

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

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

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

Competition

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

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

We continued to refocus our business on profitable growth. These efforts translated into significant net new asset inflows and, as a result, our AUM increased from £16,530 million to £17,590 million and the strong loan book growth in 2021 positions us well to benefit in 2022.

Market risk

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

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

The Company's approach and the underlying risks are unchanged. Further detail on the Company's exposure to market risk is outlined in note 27.

The sensitivity analysis on interest rate exposures shown in note 27.1.2 demonstrates the limited level of exposure to interest rate and foreign exchange movements.

Cyber risk

Cyber risk refers to the risk of financial loss, disruption or reputational damage arising from data leakage, including hacking and/or other cyber-attacks on the Company's Information Technology systems.

The Company is exposed to Cyber Risk through use of computerized systems, including our core banking platforms, email and electronic banking, which are core to our business proposition.

The Company aims to continuously assess our controls over cyber security, as well as our internal processes to ensure adequate mitigation of the rapidly evolving risks in the area of IT security, client confidentiality and data protection. The Company aims to ensure our staff are well trained in identifying and preventing legal and operational risks from cyber-attacks, via a culture of reporting incidents, ongoing information security training and annual user account reviews amongst others.

The external environment remains challenging, with increased risk associated with current geo-political events. The Company is responding to this by closely monitoring cyber threat intelligence sources, such as the UK National Cyber Security Centre to get updates about the ongoing threats and attacks, scanning our networks for related Indicators of Compromise as they are published and continuously reviewing our controls adjusting them where necessary.

Horizon risks

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

Climate change

The Company has developed a framework for the management of financial risks arising from climate change under the direction of the Chief Risk Officer, overseen by the Risk Committee. The main areas of focus of the framework are:

- overview of physical and transition risk and examples of how they may manifest across financial risk (market, credit, investment, liquidity/funding) and non-financial risk (reputational, operational);
- risk appetite and risk tolerance in terms of protecting the Company's assets; protecting clients' investments; and deployment of capital;
- risk identification and materiality assessment;
- risk monitoring: metrics, limits and thresholds to be monitored across credit (loans and related collateral), treasury (investment portfolio) and investment solutions (clients' investments), and the reporting process for these; and
- third party risk management to include environmental, social and governance ('ESG') considerations in vetting processes for third parties.

Physical risk arises from shift in specific weather or shifts in climate. Transition risk arises from the process of adjustment towards a low carbon economy required by governments and regulatory bodies.

The Company's lending portfolio is primarily focussed on central London, where collateral is expected to have limited exposure to both physical and transition risk. However potential risks may arise from tightening energy efficient standards for domestic and commercial buildings impacting the risks in buy-to-let portfolios. The Company's Lombard portfolio is collateralised mainly by portfolios investing in well diversified equity and fixed income funds as well as cash deposits. The Company's investment portfolio is mainly exposed to sovereign issuers and financial institutions with short maturities and is not therefore expected to have material climate change exposure. The Company has no direct exposure to the car industry, energy sector or other companies in the wider economy vulnerable to a failure to adapt towards a low carbon-economy.

Section 172 statement

The directors have acted in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

- the likely consequences of any decision in the long term;

- the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, customers and others; and the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

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

The key activities and principal decisions undertaken by the board in 2021 are detailed in the strategic report on page 3. When making each decision the board carefully considers the impacted on the success of the Company, its long-term (financial and non-financial) impact and had due regard to the other matters set out in section 172(1) (a) to (f) of the Companies Act 2006.

The impact of our principal decisions made during the year on the stakeholders identified above are as follows;

Clients
As relationship focused business, the return-to-work guidelines impacted the nature of how our CROs approached client relationship management. Government guidance was adhered to, and the nature of the relationship shifted to a digital world.

During 2021, as a direct result of the COVID-19 pandemic, clients were allowed payment holidays on their loans. These payment holidays did not represent a significant increase in credit risk. As of 31 December 2021, all clients had resumed payment of their loans.

Regulators.
The Company paid a dividend of £89 million (2020: nil) to its parent Company EFGI. This dividend was approved by the board after due consideration of the impact on the stakeholders of the Company.

Workforce
The Company's long-term success is predicated on the commitment of our workforce to our purpose and its demonstration of our values on a daily basis.

The return-to-work guidelines following the COVID-19 pandemic were monitored closely to consider the impacts on employees. A return to office working group was operationalised to ensure all necessary arrangements were in place for the safe and welcomed return of clients and colleagues. Government guidance was adhered to in terms of the ongoing guidance issued to staff regarding working from home and return to office as well as in relation to testing and isolation requirements. On return to work, a flexible working approach was adopted. Guidance was issued to allow colleagues to work from home, with the caveat that 60-80% of the team were in the office on any one day allowing for a high level of client care to be maintained, a consistent demand for office space and to deliver an effective collaborative working environment. Flexible start and finish times were also encouraged to avoid travelling in peak passenger times.

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

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

A Evans

a -Evans

Company Secretary
20 April 2022

Directors' Report

The directors present their report together with the audited Financial Statements of the Company for the year ended 31 December 2021.

Results and dividends

The results for the year are set out on page 18 of the Financial Statements. The directors recommended a dividend for the year of £89 million (2020: nil) which was paid during the year.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements are given on page 3 of this Annual Report. All directors listed on that page were directors throughout the year, apart from Helen Price, who resigned on 18 June 2021 and Oliver Meredith who was appointed on 15 February 2022.

Details on the directors' remuneration can be found in the note 7 of the financial statements.

Directors' indemnities and insurance

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

Strategic report

The Company's Strategic Report can be found on pages 4 to 9 of this Annual Report.

Business activities

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

Charitable donations

During the year the Company made donations totalling £6,409 (2020: £6,473) to various charities in support of their social responsibility objectives.

Diversity and equality

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

Employees

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

Financial instruments

Details of the Company's financial instruments can be found in note 26.7.

Financial risk management

The Company has procedures in place to identify, monitor and evaluate the significant risks it faces. The Company reviews and adjusts its risk appetite annually as part of its strategy-setting process. This aligns risk-taking with the achievement of strategic objectives. Adherence to the risk appetite is monitored by the Company's Risk Committee. The Company's principal risks and uncertainties are described on pages 4 to 9 and the risks associated with the Company's financial instruments are analysed in note 26 of the Annual Report statements. The Company's hedging policy can be found in note 11 of the Annual Report.

Post balance sheet events

The crisis in Ukraine is being felt around the world, and will continue to develop across the Global economy, impacting many sectors, including Private Banking. The Company has controls in place to actively screen its client base, has imposed blocks on the trading of relevant securities, implemented enhanced monitoring on fund flows and is actively assessing risk exposures to cyber-attacks. As at the date of this report, no material risks relating to the crisis in Ukraine have crystallised.

There have been no other material post balance sheet events.

Branches

The Company has a branch in Jersey.

Capital structure

The issued ordinary share capital of the Company as at 1 January 2021 and 31 December 2021 comprised of 31,595,906 ordinary shares of £1 each.

Political donations

No political donations were made during the year (2020: Nil).

Greenhouse gas ("GHG") emissions

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

	Year ended 31 December 2021	Year ended 31 December 2020
Total energy usage (MWh)	534	997
Total GHG emissions (tCO_2e)	124	233
GHG emissions per employee (tCO_2e)	0.3594	0.5785

The table above includes scope 2 emissions associated with the Company's operations, (there are no material scope 1 emissions). These predominantly relate to purchased electricity and gas relating to the operation of the Company's offices. The total purchased energy has been recorded based on data from the Company's suppliers and the relevant government conversion factors used to calculate the tCO2e. The decrease in tCO2e year on year was a result of staff working less hours in the Company's London office. As part of the procurement process around the premises move to Park House starting in quarter two of 2022, an Environmental Standards and Certification rating of Gold has been achieved.

Directors' Report

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

Independent Auditor

Following a selection process overseen by the Chairman of the Audit Committee in 2019, BDO LLP were recommended to the Company's board to be appointed as external Auditor for the period beginning 1 January 2021.

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

Disclosure of information to the auditors

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

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

Going Concern

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

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

Directors' Responsibility Statement

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

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have prepared the Financial Statements in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 has been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

The directors' Report was approved by the board and signed by order of the board:

A Evans

Company Secretary
20 April 2022

Independent auditor's report to the members of EFG Private Bank Limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of EFG Private Bank Limited (the 'company') for the year ended 31 December 2021 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 24 May 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ended 31 December 2021.

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

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the appropriateness of the assumptions and judgements made in the forecasts used to support the going concern assessment by considering the consistency of the forecasts with our understanding of the business, as well as considering the historic accuracy of the forecasts by comparing them with actual results.
- Assessing the capital and liquidity of the company by reviewing the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), and capital adequacy ratio with the assistance of our regulatory experts.
- Making enquiries of the Directors and reviewing their stress testing performed to understand the impact of various scenarios, including Covid-19 and the ongoing conflict between Russia and Ukraine, on the company's recent financial performance, business operations and regulatory capital and liquidity ratios.
- Reviewing correspondence with the Regulators, to identify any concerns they might have which could impact going concern.
- Reviewing the adequacy of the going concern disclosures in the financial statements in reference to the requirements of the financial reporting framework, our understanding of the company and consistency with the Directors going concern assessment.

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

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

Overview

Key audit matters	*Expected Credit Losses ("ECL") allowance* *Taxation (Transfer Pricing)* *Sale of EFG Private Bank (Channel Islands) Limited ("EFGIG") and transfer of assets* *Revenue (commission income)*
Materiality	*£1,500,000 based on 0.75% of net assets. before correction of the prior period error as detailed in note 34 related to additional tier 1 capital.*

Independent auditor's report to the members of EFG Private Bank Limited

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Company provides banking, stockbroking, wealth management and investment advisory services out of the London Branch, Jersey Branch and Harris Allday investment management division with support from its immediate parent EFG International AG which is domiciled in Switzerland. In line with the financial statements that recognise EFG Private Bank Limited as one operating segment domiciled in the United Kingdom, we perform a full scope audit of the financial statements of the company as a whole as a single component, and have therefore, assessed the EFG Private Bank Limited financial statement line items, as a whole, against both quantitative and qualitative factors in order to tailor our audit to address any identified risks, including any identified significant risks.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters 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.

<table>
<tr><th colspan="2">Key Audit Matter</th><th>How we addressed the key audit matter in out audit</th></tr>
<tr><td>Expected Credit Loss ("ECL") allowance

Refer to: Note 1(a) - Critical accounting estimates and judgements in applying accounting policies and Notes 13 Loans and advances to customers & 26 Credit risk</td><td>A principal activity of the Company is the provision of credit services principally to high-net-worth customers.

Determining ECLs involves management judgement which include assumptions on key aspects of the ECL model such as estimating the probability of default and the selection of forward-looking scenarios. Determining ECLs is therefore subject to a high degree of estimation uncertainty.

Reflecting the high quality of the Company's credit book, the majority of ECL relates to stage 3 ECL. The ECL allowance is a significant risk for the audit specifically considering the existence and valuation of collateral as expected credit losses for these are driven by lower loan to value exposures.</td><td>Our procedures included the following:

We tested the operating effectiveness of relevant controls, including:
• The use of an approved surveyor panel for property collateral.
• Revaluation of property collateral.
• Monitoring the valuation of marketable security collateral.
• Loan authorisation and disbursement.
• Recording of loan data into the loan system.
• IT controls over the systems used to record customer lending and repayments.

We tested the compliance of the ECL methodologies and that relevant assumptions were included to meet the requirements of IFRS 9.

With the assistance of our internal valuation experts, we assessed elements of the modelling. This included the probability of default and the Company's forward-looking assumptions by considering the approach and available external support.

To assess the completeness of the watchlist control, we selected a sample of loans to check that if they met managements criteria they were included on this list.

Selected a sample of Stage 3 loans and assessed the adequacy of the ECL allowance considering the exposure and collateral.

For a sample of collateral types, we agreed the valuation to independent prices, external or internal or custodian valuation reports as applicable. We also checked that the Company has legal charge over the collateral.

Our findings
Based on our audit work performed, we consider management's judgements and the ECL allowance estimate for its loans and advances to be reasonable.</td></tr>
<tr><td>Taxation (Transfer Pricing)

Refer to: Note 1(b) - Critical accounting</td><td>The Company remains subject to a transfer pricing ("TP") enquiry from HMRC in relation to the appropriateness of the</td><td>Our procedures included the following:

With the use of our internal tax experts we held discussions with management to understand any current year issues that have been identified, including updates on the HMRC investigation, and review of the Company's on-going</td></tr>
</table>

Independent auditor's report to the members of EFG Private Bank Limited

estimates and judgements in applying accounting policies and Notes 9 Income taxes & 20 Provisions	pricing of various intercompany services. Fees between entities should be calculated at an arm's length rate. Considering the judgement required in order to determine an appropriate arm's length fee and the materiality of this fee, we have determined that tax provisions relating to transfer pricing will be a key audit matter.	correspondence with HMRC. Testing management's assessment of the potential impact and resultant accounting treatment, in conjunction with our Transfer Pricing experts, in relation to areas of uncertainty involving transfer pricing judgements and estimates. Reassessing the reasonableness of Uncertain Tax Provision ("UTP") based on any changes in facts during 2021. Evaluating the disclosures made in the financial statements against the requirements of IAS 12 Income Taxes, IAS 1 Presentation of Financial Statements and IFRIC 23 Uncertainty over income tax treatments. Key observations Based on our audit work performed, we consider the judgments made by management in calculating the provision to be reasonable.
Sale of EFG Private Bank (Channel Islands) Limited ("EFGIG") and transfer of assets Refer to: *Note 1(c) - Critical accounting estimates and judgements in applying accounting policies and Notes 14 investment in subsidiary undertakings*	A subsidiary, EFG Private Bank (Channel Islands) Limited ("EFGIG" or "Guernsey"), was sold during the year post transfer of various loans and deposit portfolios to the Company. The purchase consideration for the Guernsey portfolios and the sales proceeds of the shares held in the Guernsey entity being determined, by management with the assistance of an external expert, at fair market value. Due to the level of complexity involved in determining fair valuations, there is a risk that fair value is incorrectly calculated. Furthermore, there is risk that the related party transaction is not conducted at an arm's length or disclosures are not made in the financial statements as required by IAS 24 *Related party disclosures*.	Our procedures included the following: Sales proceeds of the shares held in the Guernsey entity being determined at fair market value With the assistance of our internal valuation experts, we determined the reasonableness of the valuation methodology used by management. We vouched key inputs, such as multiples, to external support. We agreed the proceeds from the sale of the shares to the cash receipt. Fair value of loans transferred to the Company We reviewed relevant agreements for evidence of the existence of and transactions with the related parties during the period. With the assistance of our internal valuation experts, we determined the reasonableness of the valuation methodology and range used by management. For the sale of EFGIG and transfer of assets Evaluated the independence, objectivity, and competence of the third-party expert used by management to determine the fair values. Assessed the appropriateness of the disclosures in the financial statements in respect of related party transactions, against the requirements of IAS 24 and our understanding of the transaction. Key observations Based on our audit work, we consider the fair value to be materially correct, the transaction conducted at an arm's length, and the disclosure to be appropriate.
Revenue (commission income) Refer to: *Note 4 Net fee and commission income*	We have assessed that there is a risk of fraud within revenue which is likely to be at the initiation of transactions and inputting of information into the system which drives the generation of commission income. Commission income is earned by the company	Our procedures included: Obtaining an understanding of the commission fee generation process and testing the design and operating effectiveness of the key controls implemented over the commission income process, including controls designed by management to ensure that: • The correct fee is calculated and charged in accordance with the given transaction requested and executed, • There are approvers and reviews of transactions executed by the Company and leading to the generation of fees for the Company,

Independent auditor's report to the members of EFG Private Bank Limited

	based on trades executed on behalf of customers. The executed trade then drives the amount of commission income earned and is based on fees agreed with each customer.	• Customer (requesting the transactions) information is accurate (i.e. onboarding controls for new customers exist, as well as, controls for account closures and amendments). For a sample of transactions, obtaining underlying data from the system and testing that the commission charged is appropriate for the given transaction. We tested the data to the underlying supporting documentation, including the initial transaction being in line with instructions received by the Company and the commission being in line with the pricing agreements. Key observation Based on our audit work performed, no material misstatements were noted in the commission fees charged.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

Materiality	£1,500,000
Basis for determining materiality	0.75% of net assets before correction of the prior period error as detailed in note 34 related to additional tier 1 capital.
Rationale for the benchmark applied	Net assets was chosen as the materiality benchmark as it closely corresponds to regulatory capital. We have determined this to be the most suitable basis considering the following: • the Company is part of a larger group where profit is a key measure at the overall parent level, however, the parent company has a focus on both the profit and regulatory capital for the Company. • the statutory profit before tax of the Company fluctuates significantly. • the Company is restructuring the group and in the process has sold a significant subsidiary. • Regulators are principally focused on the regulatory capital of the Company.
Performance materiality	£975,000
Basis for determining performance materiality	65% of materiality
Rationale for the benchmark applied	As this is the first year we are conducting the audit, we have reduced the maximum performance materiality that we could apply from 75% to 65% while we build our understanding of the company and its operations. We believe this will allow us to identify and address any additional risks that arise from this first year audit.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £30,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the strategic report and the directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements are not in agreement with the accounting records and returns; or • certain disclosures of directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibility Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006 and UK adopted International Accounting Standards. We also considered the company's compliance with licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and relevant tax legislation.

Independent auditor's report to the members of EFG Private Bank Limited

We focused on laws and regulations with which non-compliance could give rise to a material misstatement in the company financial statements.

Our procedures included:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above,
- enquiring of management regarding their controls and processes in place to ensure compliance with the requirements of the respective authorities,
- made enquiries in respect of any instances of known or suspected fraud and any non-compliance with laws and regulations of management, internal audit and the audit committee, and
- reading minutes of meetings of those charged with governance, as well as, reviewing correspondence with the FCA and PRA, in order to identify any non-compliance with laws and regulations and any known or suspected fraud.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be within accounting estimates such as the expected credit losses, those applied in raising provisions, as well as, revenue recognition and management override of controls:

- in addressing the risk of fraud through management override of controls, testing the appropriateness of a sample of journal entries and other adjustments, by obtaining an understanding of the journals from management and, where relevant, agreeing these back to supporting documentation,
- Testing samples of commission income in addressing the risk of fraud related to revenue recognition (as documented in our Key Audit Matters above), and
- Assessing whether the judgements made in accounting estimates, including but not limited to those identified above in our Key Audit Matters related to ECL allowances, taxation (transfer pricing), and sale of EFGIG and transfer of assets, are indicative of a potential bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Ariel Grosberg
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Ariel Grosberg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street, London, W1U 7EU
20 April 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Interest income		59,764	64,433
Interest expense		(13,548)	(22,877)
Net interest income	3	46,216	41,556
Banking fee and commission income		63,082	59,864
Banking fee and commission expense		(2,781)	(3,731)
Net fee and commission income	4	60,301	56,133
Dividend income	2 b(i)	30,000	9,830
Net trading income and foreign exchange gains less losses	2 b(ii)	5,609	5,335
Gains less losses on disposal of financial assets	2 b(iii)	60	3,512
Net other income		35,669	18,677
Operating and Investing income		142,186	116,366
Operating expenses	5	(112,020)	(106,311)
Profit on disposal of subsidiary		68,900	-
(Loss allowance) / reversal of loss allowance on financial assets at amortised cost and debt instruments measured at fair value through Other Comprehensive Income		(37)	532
Profit before tax		99,029	10,587
Income tax credit	9	2,133	689
Net profit after tax		101,162	11,276

The notes on pages 23 to 61 form an integral part of these Financial Statements

Statement of Comprehensive Income

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Net profit for the year		101,162	11,276
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to the Income Statement			
Net (losses) on investments in debt instruments measured at fair value through Other Comprehensive Income ("FVOCI")		(11,318)	(1,815)
Net gains / (losses) on designated hedges over debt instruments measured at FVOCI		9,158	(760)
Transfers to the Income Statement on realised gains / (losses) on FVOCI debt instruments		12	2,415
Items that may not be reclassified subsequently to the Income Statement			
Net (losses) / gains on investments in equity instruments designated at FVOCI		(51)	303
Income tax relating to components of Other Comprehensive Income		-	(284)
Total other comprehensive expense / (income) for the year		(2,199)	(141)
Total comprehensive income for the year		98,963	11,135

The notes on pages 23 to 61 form an integral part of these Financial Statements

Balance Sheet

	Note	31 December 2021 £'000	31 December 2020 £'000 Restated[1]
Assets			
Cash and balances with central banks	10	1,244,267	791,333
Due from other banks	10	124,974	107,297
Derivative financial instruments	11	10,099	9,400
Financial assets at fair value through Other Comprehensive Income	12	852,764	750,004
Loans and advances to customers	13	2,768,909	2,178,300
Investments in subsidiaries	14	1,320	10,045
Property, plant and equipment	15	24,002	9,232
Intangible assets		1,798	1,259
Deferred income tax assets	16	5,553	4,112
Other assets	17	24,994	53,679
Total assets		5,058,680	3,914,661
Liabilities			
Due to other banks	18	539,184	527,589
Due to customers	19	4,152,829	3,015,265
Derivative financial instruments	11	22,109	37,493
Current income tax liabilities		1,742	2,925
Provisions	20	3,427	2,347
Other liabilities	21	72,125	64,665
Total liabilities		4,791,416	3,650,284
Equity			
Share capital	23	31,596	31,596
Share premium		96,639	96,639
Capital redemption reserve		10,000	10,000
Other equity and reserves	24	73,325	75,519
Retained earnings		55,704	50,623
Total equity		267,264	264,377
Total equity and liabilities		5,058,680	3,914,661

[1] Additional Tier 1 Capital was reclassified from Subordinated debt to other reserves during the year, please refer to note 34 on details of the prior year adjustment.

The Financial Statements on pages 18 to 61 were approved by the board of Directors on 20 April 2022 and signed on its behalf by:

O Meredith
Chief Financial Officer

Statement of Changes in Equity

	Attributable to owners of the parent					
	Share capital GBP'000	Share premium GBP'000	Capital Redemption reserves GBP'000	Other equity and reserves GBP'000	Retained earnings GBP'000	Total equity GBP'000
At 1 January 2020 restated [1]	31,596	96,639	10,000	76,416	44,438	259,089
Net profit for the year	-	-	-	-	11,276	11,276
Net gains on investments in debt instruments measured at FVOCI	-	-	-	143	-	143
Income tax relating to components of other comprehensive expense	-	-	-	(284)	-	(284)
Total Comprehensive Income for the year	-	-	-	(141)	11,276	11,135
						-
AT1 interest treated as appropriation of retained earnings	-	-	-	-	(5,431)	(5,431)
Employee equity incentive plans amortisation and net of exercise costs	-	-	-	(416)	-	(416)
Transfers to retained earnings	-	-	-	(340)	340	-
At 31 December 2020 restated [1]	31,596	96,639	10,000	75,519	50,623	264,377
Net profit for the year	-	-	-	-	101,162	101,162
Net gains on investments in debt instruments measured at FVOCI	-	-	-	(2,223)	-	(2,223)
Total Comprehensive Income for the year	-	-	-	(2,223)	101,162	98,939
						-
AT1 interest treated as appropriation of retained earnings	-	-	-	-	(5,401)	(5,401)
Employee equity incentive plans amortisation and net of exercise costs	-	-	-	(1,651)	-	(1,651)
Payment of ordinary dividends	-	-	-	-	(89,000)	(89,000)
Transfers to retained earnings	-	-	-	1,680	(1,680)	-
At 31 December 2021	31,596	96,639	10,000	73,325	55,704	267,264

[1] Additional Tier 1 Capital was reclassified from Subordinated debt to other reserves during the year, please refer to note 34 on details of the prior year adjustment.

Cash Flow Statement

	Note	Year ended 31 December 2021 £'000	Restated[1] Year ended 31 December 2020 £'000
Cash flows from operations			
Profit before tax		99,029	10,587
Adjustments for			
Depreciation of fixed assets		4,752	4,407
Amortisation of intangibles		434	563
Amortisation of IFRS 2 reserve through profit and loss		4,030	4,430
Loss allowance provision		37	(532)
Loss/ (gain) on sale of subsidiary as investment activity		(68,900)	-
Gains less losses on disposal of financial assets		(60)	(3,512)
Dividend paid by subsidiary included in investment income		(30,000)	(9,830)
Payments to parent for participation in share scheme		(5,681)	(4,847)
Lease interest per IFRS16		156	186
Changes in operating assets and liabilities			
Derivative financial instruments		(15,336)	26,653
(Increase) in Loans and advances to customers		(590,609)	(393,757)
Decrease / (increase) in other assets		28,685	(968)
Increase / (decrease) in due to other banks		11,595	(24,365)
Increase in due to customers		1,137,564	416,339
Decrease / (increase) in in other liabilities		12,154	4,548
Corporation tax paid		(1,183)	(2,228)
Net cash from operating activities		586,667	27,674
Cash flows from investing activities			
(Purchase) of investment securities		(453,370)	(1,159,118)
Proceeds from sale of investment securities		340,452	1,347,499
(Purchase) of capital in subsidiaries		(1,275)	(45)
Proceeds from disposal of subsidiary		78,900	-
(Purchase) of property plant & equipment		(176)	(476)
(Purchase) of intangible assets		(973)	(289)
Proceeds from dividends		30,000	9,830
Net cash from investing activities		(6,442)	197,401
Cash flows from financing activities			
Payment of AT1 Interest		(5,389)	(5,434)
Payment of dividends		(89,000)	-
Lease principal repaid		(3,028)	(4,736)
Net cash from financing activities		(97,417)	(10,170)
Net cash inflows		482,808	214,905
Effect of foreign exchange on cash flows		(12,197)	(4,612)
Cash **and cash equivalents** at the beginning of the period		898,630	688,337
Cash and cash equivalents at the end of the period	10	1,369,241	898,630

[1]The basis of preparation of the statement of cash flows has been restated to the indirect method per IAS 7.

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A General Information

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

B Basis of preparation

The Financial Statements are for the year ended 31 December 2021. These Financial Statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historic cost convention modified by revaluation of financial assets and financial liabilities held at fair value. The directors have confirmed it is appropriate to use the going concern assumption as a basis for presenting these Financial Statements.

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

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

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

C Consolidation

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

D Accounting Developments

New and amended standards adopted by the Company:

The following new or updated standards are effective for the year ended 31 December 2021 but do not have a material impact on the Company's financial statements:

- COVID-19-Related Rent Concessions (Amendments to IFRS 16);
- IBOR reform and its effects on financial reporting – Phase 2.

The legacy LIBOR products transition commenced at the start of the third quarter of 2021. As at 31 December 2021, the Company has transitioned the majority of its legacy LIBOR exposure to overnight index swaps;

- The remaining deposits were transitioned in January 2022;
- Lending was transitioned on roll date over the first quarter of 2022; and
- Internal interest rate swaps with EFGI AG will transition to the overnight index rate on the rate reset date over the first half of 2022.

New and amended standards not yet adopted:

Mandatorily effective for periods beginning on or after 1 January 2022

- Annual Improvements to IFRSs - 2018-2020 cycle.
- IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use).
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts - Cost of Fulfilling a Contract).
- IFRS 3 Business Combinations (Amendment – Reference to the Conceptual Framework).

Mandatorily effective for periods beginning on or after 1 January 2023;

- IFRS 17 Insurance Contracts.
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current).
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment – Disclosure of Accounting Policies).
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Accounting Estimates).
- IAS 12 Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction).

1. Critical accounting estimates and judgements in applying accounting policies

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

(a) Expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost and fair value through Other Comprehensive Income ("FVOCI") is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g., the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring the ECL are further detailed in note 26.3.1, which also sets out the key sensitivities of the ECL to changes in these elements.

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

(b) Income taxes and deferred tax

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

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

(c) Disposal of EFGIG and transfer of assets to the Company

Upon closure of EFGIG a book of business assets transfer (‘subject portfolio’) was initiated to transferred assets from the EFGIG entity to the Company, to the London Private Bank and Jersey branch as well as to EFGI. The Company assessed the fair value of the subject portfolio and assets were transferred at fair value, which was equivalent to the cost base. The subject portfolio being transferred included investment securities, loans and advances, deposits and assets under custody (‘AUC’). A range of estimates was used in arriving at this fair value;

- Investment securities held at fair value, were recorded appropriately in line with IFRS 13, we further detail the valuation of investment securities in note 12 and 25.
- Deposits and cash are short dated instruments, and their book value is approximated to the market value.
- The market rates of loans transferring is slightly different from interest rates charged on the Company’s lending. Fair value differences were materially offset across each side of the mortgage and lombard portfolios, and no adjustment to book value was necessary.
- AUC are short dated client agreements which can be terminated with minimal notice, therefore the fair value estimate on these is immaterial.
- The market interest rate of transferred deposits is in line with the peer group ‘other Private Banks’ so no adjustment was necessary.

2. Principal accounting policies

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

(a) Foreign currencies

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges.

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

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

(i) Dividend income

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

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

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

(iii) Gains less losses on disposal of financial assets

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

(c) Financial assets and liabilities

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

Measurement methods:

Amortised cost and effective interest rate

The Company recognises amounts due from or to other banks, loans and advances to customers, amounts due to customers and subordinated lending at amortised cost. Amortised cost is the value at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial value and the maturity value and, for financial assets, adjusted for any loss allowance.

Amortised cost and effective interest rate (continued)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying value of a financial asset or to the amortised cost of a financial liability. The calculation does not consider expected credit loss ("ECL") and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees. For credit-impaired financial assets the Company calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying value and incorporates the impact of ECL in estimated future cash flows.

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

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

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

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

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

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

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

Impairment
On a forward-looking basis, the Company assesses the ECL associated with debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises an ECL for such losses at each reporting date. The measurement of ECL reflects:
- an unbiased and probability-weighted value that is determined by evaluating a range of possible outcomes;
- the time value of money;
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Further detail is provided in note 26 credit risk.

Classification and subsequent measurement of financial liabilities
In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at FVTPL. This classification is applied to derivatives, financial liabilities held for trading (e.g., short positions in the trading booking). Gains or losses on financial liabilities designated at FVTPL are presented partially in Other Comprehensive Income (the value of change in the fair value of the financial liability that is attributable to changes in the Company's credit risk of that liability, which is determined as the value that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining value of change in the fair value of the liability). This does not apply to derivatives or held for trading liabilities. This is unless such a presentation would create, or enlarge, an accounting mismatch in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the profit or loss;

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;
- the Company transfers substantially all the risks and rewards of ownership, or
- the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

In case of modification of loans when the Company renegotiates or otherwise modifies the contractual cash flows of a loan, it assesses whether or not the new terms are substantially different from the original terms, considering a range of factors that include reduction in cash flows when the borrower is expected to be able to pay, new substantial terms are introduced, extension of the loan term, changes in interest rate and currency or insertion of collaterals or credit enhancement facilities. If terms are substantially different after the modification, the Company derecognises the original financial asset and recognises a new asset at fair value, recalculating a new effective interest rate for the asset. If the terms of the modified asset are not substantially different, the asset is not derecognised, but the Company creates new cash flows, resulting in a modification gain or loss.

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

(d) Intangible assets
Computer software and licences are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over a 5-year basis. The acquisition cost of software capitalised is based on the cost to acquire and bring into use the specific software. Impairment is assessed when there is indicators for impairment. Management have identified no indications of impairment over software assets during 2021.

3. Net interest income

Accounting Policy

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

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

	2021 £'000	2020 £'000
Banks and customers	52,758	49,235
Financial assets at FVTPL	74	629
Financial assets at FVOCI	6,932	14,569
Total interest income	59,764	64,433
Banks and customers	(7,420)	(15,510)
Financial liabilities at FVTPL	(150)	(66)
Financial liabilities at FVOCI	(5,978)	(7,301)
Total interest expense	(13,548)	(22,877)
Net interest income	46,216	41,556

4. Net fee and commission income

Accounting Policy

The Company earns fee and commission income from a range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

When the Company provides a service to its customers, consideration is generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time. The Company's fee and commission income from services where performance obligations are satisfied over time are:

Wealth Management
These fees are earned for the provision of wealth management services, which include portfolio diversification and rebalancing. These management fees are recognised over time in line with the agreed fee rates as services are provided to customers on an ongoing basis. Where these fees and expenses are recognised in advance of billing they are included as accrued income.

Intercompany Service Fees
Services provided where the Company's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction and include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities.

Commission Income
The Company buys and sells securities on behalf of its customers and receives a fixed commission for each transaction. The Company's performance obligation is to execute the trade on behalf of the customer and revenue is recognised once each trade has been executed (i.e., on the trade date). Payment of the commission is typically due on the trade date.

	2021 £'000	2020 £'000
Wealth management fees	41,661	33,467
Commission income	9,974	11,706
Intercompany service fees	11,447	14,691
Total fee and commission income	63,082	59,864
Wealth management expenses	(1,484)	(2,863)
Brokerage expenses	(1,105)	(400)
Intercompany service fees expenses	(192)	(468)
	(2,781)	(3,731)
Net fee and commission income	60,301	56,133

5. Operating expenses

	Note	2021 £'000	2020 £'000
Staff costs	6	(74,940)	(71,042)
Administrative expenses		(31,894)	(30,395)
Depreciation of property, plant and equipment	15	(4,752)	(4,311)
Amortisation of intangible assets	16	(434)	(563)
Operating expenses		(112,020)	(106,311)

6. Staff costs

	Note	2021 £'000	2020 £'000
Wages, salaries and staff bonuses		(59,408)	(56,212)
Social security costs		(8,071)	(7,615)
Pension costs		(2,788)	(2,785)
Share options granted to directors and employees	32	(4,673)	(4,430)
Staff costs		(74,940)	(71,042)

	2021	2020
Full-time equivalent employees by location at year end		
EFG Private Bank - London	225	244
EFG Private Bank – Harris Allday	108	110
EFG Private Bank – Jersey Branch	12	8
	345	362

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

Staff costs of 2020 included 6 Cyprus staff, which is not consolidated within the EFG Private Bank Limited Annual Report.

7. Directors' remuneration

Details of the remuneration of employees who served as directors during the year, or subsequent to year end, is as follows;	2021 £'000	2020 £'000
Short-term employment benefits	1,823	2,307
Share-based payments	304	441
Defined contribution pension payments	108	187
Number of directors awarded share options	2	3
Number of directors exercising share options	1	2
Highest paid director		
Short-term employment benefits	752	606
Share-based payments	263	203
Defined contribution pension contributions	60	64
Total	1,075	873

The highest paid director exercised 48,114 share options during 2021 (2020: nil).

8. Auditors' remuneration

	2021 £'000	2020 £'000
Fees payable for the statutory audit of the Company pursuant to legislation	682	474
Fees payable for the interim profit verification	49	-
Fees payable for services in relation to regulatory findings and regulatory audits	77	215
Total	808	689

The above table is representative of the remuneration to the current external auditors, BDO LLP. In the previous year, PwC were the external auditors and BDO LLP performed a shadow engagement in respect of the year ending 31 December 2020, ahead of their new role as external auditors. The remuneration in respect of this shadow engagement is £63,000 and is not incorporated in the above table.

9. Income tax

	2021 £'000	2020 £'000
Current year tax credit	1,143	773
Foreign tax charge	(184)	(138)
Adjustments for current tax of prior periods	(7)	(642)
	952	(7)
Deferred tax – Current year	1,250	562
Deferred tax – Adjustments for prior periods	(70)	134
Total income tax credit	2,133	689

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

	2021 £'000	2020 £'000
Profit before tax	99,029	10,587
Tax at the applicable rate of 19%	(18,815)	(2,011)
Tax effect of:		
Non-taxable income	5,700	1,868
Non-allowable expenses	22	(384)
Adjustments for current tax of prior periods	(76)	(508)
Deferred tax and rate differences	1,250	390
Stock options	218	67
AT1 Interest (appropriation of earnings)	1,026	1,032
Jersey branch profit	(19)	124
Gain on disposal of subsidiary	13,091	-
Other items	(263)	111
Total income tax credit / (charge)	2,133	689

10. Cash and cash equivalents

Accounting Policy

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

	31 December 2021 £'000	31 December 2020 £'000
Cash in hand	153	202
Balances with central banks	1,244,114	791,131
Total cash and balances with central banks	1,244,267	791,333
Due from other banks - at sight	109,260	89,013
Due from other banks - at term	15,714	18,284
Total due from other banks	124,974	107,297
Total cash and cash equivalents	1,369,241	898,630
Pledged due from other banks	15,714	22,767

11. Derivative financial instruments

Accounting Policy

Derivative financial instruments are initially recognised in the Balance Sheet at fair value on the date on which the derivative contract is entered and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

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

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

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

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

11. Derivative financial instruments (continued)

Derivatives

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

	31 December 2021			31 December 2020		
	Contract/ notional amount £'000	Fair values Assets £'000	Fair values Liabilities £'000	Contract/ notional amount £'000	Fair values Assets £'000	Fair values Liabilities £'000
Derivatives held for trading						
Foreign exchange derivatives	2,393,243	5,340	(16,452)	2,276,114	9,207	(26,238)
Interest rate swaps	101,410	1,520	(872)	29,795	1	(215)
Total derivative assets/liabilities held for trading	2,494,653	6,860	(17,324)	2,305,909	9,208	(26,453)
Derivatives held for hedging and designated as fair value hedges						
Interest rate swaps	298,411	3,239	(4,785)	321,985	192	(11,040)
Total derivative assets/liabilities held for hedging	298,411	3,239	(4,785)	321,985	192	(11,040)
Total derivative assets/liabilities	2,793,064	10,099	(22,109)	2,627,894	9,400	(37,493)

11.1 Hedge effectiveness

The Company applies hedge accounting to interest rate risk on fixed rate bonds (fair value hedge). The Company holds a portfolio of fixed rate bonds and therefore is exposed to changes in fair value due to movements in market interest rates. The Company manages the risk exposure by entering interest rate swaps that pay fixed rates matching the coupons of the bonds and receive floating interest rates. Only the interest rate element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Company. The interest rate risk component is determined as the change in fair value of the long-term fixed rate bond arising solely from changes of the interest rate environment. Such changes are usually the largest component of the overall changes in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the bonds attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps. The Company enters the swap at the same time as purchasing the bond, while structuring the swap so that the principal terms of the swap exactly match those of the bond. As a result, the hedging ratio is 100% and there is minimal ineffectiveness. The Company had the following fair value hedges in place at year end:

	31 December 2021 £'000	31 December 2020 £'000
Derivatives held for hedging - Interest rate swaps		
Notional amount of hedging instrument	298,411	321,985
Fair value of assets	3,239	192
Fair value liabilities	(4,785)	(11,040)
Change in fair value used for calculating hedge ineffectiveness	9,158	(9,186)
Hedged items - Fixed rate bonds held at FVOCI		
Carrying amount of hedged item	301,075	331,690
Accumulated amount of fair value adjustments on the hedged item	888	9,676
Change in fair value of hedged item for ineffectiveness assessment	(8,788)	9,568

£138 million of the derivatives designated as fair value hedging instruments have maturity longer than 12 months (2020: £258 million). The average fixed rate paid on derivatives designated as fair value hedges is 1.73% (2020: 1.95%).

12. Financial assets at fair value through Other Comprehensive Income

Accounting Policy

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

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

	31 December 2021			31 December 2020		
	Gross Carrying amount	Loss allowance	Net Carrying amount	Gross Carrying amount	Loss allowance	Net Carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000
Government	384,270	14	384256	327,906	18	327,888
Other public sector	-	-	-	78,500	4	78,496
Banks	468,521	13	468508	331,187	15	331,172
Other issuers	-	-	-	12,449	1	12,448
Total	852,791	27	852,764	750,042	38	750,004

13. Loans and advances to customers

Accounting Policy

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

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

In determining whether the business model is a 'hold to collect' model, the objective of the business model must be to hold the financial asset to collect contractual cash flows rather than holding the financial asset for trading or short-term profit taking purposes. While the objective of the business model must be to hold the financial asset to collect contractual cash flows this does not mean the Company is required to hold the financial assets until maturity. When determining if the business model objective is to collect contractual cash flows the Company will consider past sales and expectations about future sales. There has historically been a small a portfolio of loans securitised to Chestnut II Mortgage Financing II plc. The size of the loans securities is minimal and has no impact on the Company's business model of holding financial assets to collect contractual cash flows. From August 2022 the portfolio will no longer continue to be securitised and will run down over the remaining contractual life of the loans.

	31 December 2021	31 December 2020
	£'000	£'000
Mortgages	1,809,606	1,437,360
Other loans	960,987	742,527
Gross loans and advances	2,770,593	2,179,887
Less: Loss allowance	(1,684)	(1,587)
Loans and advances to customers	2,768,909	2,178,300

14. Investment in subsidiary undertakings

The following is a listing of the Company's subsidiaries at 31 December 2021:

Name	Line of business	Country of incorporation	Ownership %	Non-controlling interest %	31 December 2021 £'000	31 December 2020 £'000
Private Asset Management Limited	Dormant	United Kingdom	100%	0%	-	-
Harris Allday Limited	Dormant	United Kingdom	100%	0%	-	-
PBTC Nominees Limited	Dormant	United Kingdom	100%	0%	-	-
HALB Nominees Limited	Dormant	United Kingdom	100%	0%	-	-
The Private Bank and Trust Company Limited	Dormant	United Kingdom	100%	0%	-	-
EFG Cyprus Limited	Investment Management	Cyprus	100%	0%	1,320	45
EFG Private Bank Limited, Jersey Branch*	Banking	Jersey	100%	0%	-	-
EFG Private Bank (Channel Islands) Limited	Banking	Guernsey	0%	0%	-	10,000
Private Bank and Trust Company (Guernsey) Limited	Banking	Guernsey	0%	0%	-	-
EFGIG Nominees Limited	Dormant	Guernsey	0%	0%	-	-
					1,320	10,045

* Branch of EFG Private Bank Limited.

The accounting reference date for all companies is 31 December. During the year the Company's shares in EFG Private Bank (Channel Islands) Limited was sold to EFG Bank AG. As part of this transfer, the Private Bank, Trust Company (Guernsey) Limited and EFGIG Nominees Limited were transferred to EFG Bank AG, as 100% owned subsidiaries of EFG Private Bank (Channel Islands) Limited.

15. Property, plant and equipment

Accounting Policy

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

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

During 2021 the Company entered a new lease at 116 Park St, London W1K 6AF. Premises leases are recognised as a right-of-use asset at the date at which the leased asset is available for use by the Company. Right-of-use assets are measured at cost comprising the following:
– the amount of the initial measurement of lease liability;
– any lease payments made at or before the commencement date, less any lease incentives received;
– any initial direct costs.

Where it has been identified that fully depreciated, fully written down and aged assets are no longer in use, the Company elects to dispose of these assets. The accounting for this is disclosed in the lines ‘disposal within the year – cost’ and ‘disposal within the year - accumulated depreciation,’ for each relevant asset class. There is a nil net book value impact of this accounting.

Other fixed assets comprises antiques and artwork, furniture and equipment and computer hardware. To reflect the most suitable information to the user of the accounts, the asset classes are consolidated into ‘Other fixed assets’. 31 December 2020 comparative information has also been adjusted on this basis.

	Right of use assets £‘000	Leasehold improvements £‘000	Other fixed assets £‘000	Total £‘000
At 1 January 2020				
Cost	14,017	5,636	9,565	29,218
Accumulated depreciation	(3,587)	(3,991)	(8,573)	(16,151)
Net book value at 1 January 2020	10,430	1,645	992	13,067
Additions	268	4	204	476
Depreciation charge for the year	(3,519)	(368)	(424)	(4,311)
Net book value at 31 December 2020	7,179	1,281	772	9,232
At 31 December 2020				
Cost	14,285	5,640	9,769	29,694
Accumulated depreciation	(7,106)	(4,359)	(8,997)	(20,462)
Net book value at 31 December 2020	7,179	1,281	772	9,232
Additions	19,346	37	140	19,523
Depreciation charge for the year	(3,811)	(572)	(370)	(4,753)
Disposals during the year - cost base	-	(70)	(6,163)	(6,233)
Disposals during the year - accumulated depreciation	-	70	6,163	6,233
Net book value at 31 December 2021	22,714	746	542	24,002
At 31 December 2021				
Cost	33,631	5,607	3,746	42,984
Accumulated depreciation	(10,917)	(4,861)	(3,204)	(18,982)
Net book value at 31 December 2021	22,714	746	542	24,002

16. Deferred tax assets and liabilities

Accounting Policy

Deferred income tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using the enacted UK Corporation tax rate of 19%, (2020: 19%). Deferred tax is measured using substantively enacted rates which are expected to apply when the temporary difference reverses. The principal temporary differences arise from goodwill impairment, property, plant and equipment depreciation, stock options, and revaluation of certain financial assets and liabilities, including derivative instruments. The Chancellor announced on 3 March 2021 that the rate of corporation tax paid on the Company profits will increase from 19% to 25% with effect from 1 April 2023. The newly announced 25% tax rate was included in the Finance Bill 2021 which was published on 11 March 2021 and substantively enacted on 24 May 2021. As the rate is substantively enacted at 31 December 2021, this increase affect the amounts of current or deferred income taxes recognised by £1,330,000.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered in the future. Deferred tax relating to changes in fair values of financial assets classified as FVOCI is charged or credited directly to Other Comprehensive Income and is subsequently recognised in the Income Statement together with the deferred gain or loss. A potential deferred asset of £1,687,077 (2020: £1,282,178) arising on unrelieved capital losses carried forward of £6,748,307 has not been recognised in the financial statements as it uncertain whether the Company will generate sufficient capital gains in future periods to utilise the asset.

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

	31 December 2021 £'000	31 December 2020 £'000
The movement on the net deferred income tax account is as follows:		
At 1 January	4,112	3,699
Credit to Income Statement	1,441	697
(Charge) to equity	-	(284)
At 31 December	5,553	4,112
Analysis of deferred taxation balance:		
Fixed assets	67	39
Intangible assets	2,490	2,130
Stock options	2,451	1,686
Tax losses	-	172
Dilapidation provision	194	-
Other	351	85
Deferred income tax assets	5,553	4,112

17. Other assets

Accounting Policy

Assets, other than those specifically accounted for under a separate policy, are stated at their cost less impairment cost. Financial assets are recognised at amortised cost in accordance with IFRS 9, which includes the requirement to calculate expected credit losses on initial recognition. The presentation of this note has changed from the prior year to disaggregate intercompany receivables from accrued income.

	31 December 2021 £'000	31 December 2020 £'000
Prepaid expenses and accrued income	11,101	7,386
Settlement balances	1,873	5,632
Other receivables	3,571	6,541
Intercompany receivables	8,449	34,120
Other assets	24,994	53,679

18. Due to other banks

	31 December 2021	31 December 2020
	£'000	£'000
Due to other banks at sight	36,111	85,813
Due to other banks at term	503,073	441,776
Due to other banks	539,184	527,589

19. Due to customers

	31 December 2021	31 December 2020
	£'000	£'000
Current accounts	1,964,323	1,694,977
Term deposits	2,188,506	1,320,288
Due to customers	4,152,829	3,015,265

20. Provisions

Accounting Policy

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

	Provision for dilapidations	Other provisions	Total
	£'000	£'000	£'000
At 31 December 2020	777	1,570	2,347
Expected payment within 12 months	-	1,570	1,570
Expected payment thereafter	777	-	777
At 31 December 2020	777	1,570	2,347
Movement through profit or loss	980	112	1,092
Provisions utilised	-	(12)	(12)
At 31 December 2021	1,757	1,670	3,427
Expected payment within 12 months	777	1,670	2,447
Expected payment thereafter	980	-	980
At 31 December 2021	1,757	1,670	3,427

Provision for dilapidations

A dilapidations provision is recognised when there are future obligations relating to the return of leasehold properties to their original condition at the end of the lease term. The provision is based on management's best estimate of the cost of meeting the Company's obligations under its lease contracts. The Company is expected to utilise the Leconfield House dilapidations provision over the next year upon moving to the new London office in Park House.

Other provisions

Other provisions include amounts provided for in relation to ongoing HMRC enquiries. No provisions are required to be provided for operational claims / losses and litigation.

21. Other liabilities

Accounting Policy

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

	Note	31 December 2021 £'000	31 December 2020 £'000
Trade creditors		1,384	4,810
Deferred income and accrued expenses		35,775	43,331
Settlement balances		1,857	5,588
Short term compensated absences		466	802
Other liabilities		10,294	3,769[1]
Lease liabilities	22	22,349	6,365
Total other liabilities		72,125	64,665

[1]The prior year comparative numbers have been restated. Please refer to note 34 for further information.

22. Lease liabilities

Accounting Policy

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

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

	31 December 2021 £'000	31 December 2020 £'000
Amounts payable		
Payable within one year	1,320	3,669
Payable between one and five years	7,242	3,477
Payable over five years	13,787	166
Total minimum lease payments	22,349	7,312
Principal owing		
Current liability	1,506	2,722
Non-current liability	21,029	3,643
Total principal owing	22,535	6,365

23. Share capital

Accounting Policy

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

	Authorised Ordinary Share Capital Number	Issued, allotted and fully paid Number	Nominal value per share GBP	Ordinary shares issued, allotted and fully paid £'000
At 31 December 2020	31,595,906	31,595,906	1.00	31,596
At 31 December 2021	31,595,906	31,595,906	1.00	31,596

No share capital was issued, allotted, or consolidated during 2021 (2020: Nil).

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

24. Other equity and reserves

Accounting Policy

This reserve comprises amounts taken to equity in respect of share-based payments, revaluations of outright bonds, hedged bonds, hedging swaps and treasury shares held at fair value through other comprehensive income, in addition to additional tier 1 capital held at cost.

The Company has borrowed £66,630,000 in additional tier I qualifying subordinated loan from its immediate parent company which it holds at amortised cost. The subordinated loan does not have a maturity date. The loan has a fixed interest rate of 8.095% due to reset on 12 December 2022. At that date the loan will fix at the 5-year £Mid-Market Swap Rate plus a margin of 700bps. The loan can be called by the immediate parent company after 12 December 2022. The loan contract contains clauses that can force a write down should the capital ratio of the Company fall below a specified threshold, and / or upon the occurrence of a viability event.

25. Financial assets and liabilities

25.1 Financial assets and liabilities measured at fair value

Accounting Policy

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

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the Balance Sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. Instruments included in level 1 comprise primarily of quoted bonds and equity instruments.
Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets:				
At 31 December 2020				
Derivative financial instruments	-	9,400	-	9,400
Debt instruments	750,004	-	-	750,004
Total assets measured at fair value	750,004	9,400	-	759,404
At 31 December 2021				
Derivative financial instruments	-	10,099	-	10,099
Debt instruments	852,764	-	-	852,764
Total assets measured at fair value	852,764	10,099	-	862,863
At 31 December 2020				
Derivative financial instruments	-	37,493	-	37,493
Total liabilities measured at fair value	-	37,493	-	37,493
Liabilities:				
At 31 December 2021				
Derivative financial instruments	-	22,109	-	22,109
Total liabilities measured at fair value	-	22,109	-	22,109
Assets less liabilities measured at fair value at 31 December 2020	750,004	(28,093)	-	721,911
Assets less liabilities measured at fair value at 31 December 2021	852,764	(12,010)	-	840,754

There were no transfers between levels in the current year.

25. Financial assets and liabilities (continued)

25.2 Financial assets and liabilities measured at amortised cost

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

		Carrying value £'000	Fair Value £'000	Difference £'000
As at 31 December 2021				
Financial assets				
Cash and balances with central banks	(i)	1,244,267	1,244,267	-
Due from other banks	(i)	124,974	124,974	-
Loans and advances to customers	(ii)	2,768,909	2,774,187	(5,278)
		4,138,150	4,143,428	(5,278)
Financial liabilities				
Due to other banks	(iii)	539,184	558,455	(19,271)
Due to customers	(iii)	4,152,829	4,228,387	(75,558)
		4,692,013	4,786,842	(94,829)
As at 31 December 2020				
Financial assets				
Cash and balances with central banks	(i)	791,333	791,333	-
Due from other banks	(i)	107,297	107,153	(144)
Loans and advances to customers	(ii)	2,178,300	2,186,540	8,240
		2,285,597	2,293,693	8,096
Financial liabilities				
Due to other banks	(iii)	527,589	527,232	(357)
Due to customers	(iii)	3,015,265	3,015,298	33
		3,542,854[1]	3,542,530[1]	(324)[1]

[1]The prior year comparative numbers have been restated. Please refer to note 34 for further information.

(i) Cash and cash equivalents
Cash and cash equivalents includes balances with central banks and other inter-bank placements and items in the course of collection. The fair value of floating rate placements, overnight deposits and term deposits with a maturity of less than 90 days is assumed to be their carrying amount, as the effect of discounting is not significant. The fair values are within level 2 of the fair value hierarchy.

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

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

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

26. Credit risk

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

26.1 Credit risk management

(a) Loans and advances

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

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

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

(b) Debt securities and other bills

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

26.2 Risk limit control and mitigation policies

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

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

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

The Company's management of exposure to financial institutions is based on a system of counterparty limits which is coordinated at the EFGI Group level, adapted for the Company's country limits. Limits for exposure to counterparties are granted based upon the Company's internal analysis. The limits are set and supervised by the relevant Group Committees depending on each counterparty's S&P or Moody's ratings (with reference to individual and support ratings) and on the counterparty's total equity. These limits are annually reported to the Company's Risk Committee. The Company's other specific areas of consideration and mitigation measures are outlined below.

26. Credit risk (continued)

(a) Collateral

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

(b) Derivatives

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

(c) Credit related commitments

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

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

26.3 Credit loss measurement

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

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

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

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

26.3.1 Due from banks and investment securities

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

26. Credit risk (continued)

Inputs and assumptions

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

Estimation techniques

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

Significant increase in credit risk

A rapid deterioration in credit quality triggers an ad hoc review of the individual asset. An internal expert panel performs a quarterly assessment to determine if an asset is subject to a SICR. 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.

26.3.2 Residential and commercial mortgages

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

Inputs and assumptions

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

Estimation techniques

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

The GDP forecasts impact the migration matrices used to determine the PD and the probability to cure considered in the LGD.
- GDP growth for the United Kingdom is estimated with a weighted forecast.
- House price movements for the UK are estimated with an explicit forecast for the London area. The house prices impact the LTV ratios used to calculate the LGD.
- Post-model adjustments have been recognised on selected individual cases for which risks and uncertainties cannot be adequately reflected with the existing models.

Significant increase in credit risk

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

Definition of default

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

26. Credit risk (continued)

26.3.3 Lombard lending

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

Inputs and assumptions

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

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

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

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

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

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

Estimation techniques

ECL measurement for Lombard loans does not consider the PD of the borrower; this is a difference to the general measurement approach. The measurement approach for Lombard loans calculates the probability that a given loan hits its close-out trigger level, and conditional on this, its expected positive exposure is then calculated. This corresponds to an uncovered shortfall which in combination with the LGD parameter determines the ECL. For Lombard lending, no additional macro-conditioning of variables are necessary as macroeconomic effects are captured through parameters like volatility and LTV levels. Post-model adjustments have been recognised on selected individual cases for which risks and uncertainties cannot be adequately reflected with the existing models.

Significant increase in credit risk

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

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.

26. Credit risk (continued)

26.3.4 Other loans

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

Inputs and assumptions

The ECL for other loans is estimated by four components:

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

Estimation techniques

Forward-looking macroeconomic effects are incorporated with forecasts on GDP growth and house price developments. See residential and commercial mortgages for details in note 26.3.2.

Significant increase in credit risk

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

Definition of default

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

26.4 Contractual modifications

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

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

26.5 Write-off policy

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

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

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

26.6 Macro-economic scenario and sensitivity analysis

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

- for amounts due from other banks the most significant assumption is world GDP, given its correlation with counterparties' business environment and ability to repay the loans;

26. Credit risk (continued)

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

Most significant macro-economic scenario assumptions

		2022	2023	2024	2025	2026
World GDP growth	Base	4.9%	3.6%	3.4%	3.3%	3.3%
	Upside 33%	5.9%	4.4%	3.8%	3.5%	3.5%
	Downside (33%)	3.9%	2.8%	3.0%	3.1%	3.1%
Weighted GDP growth	Base	4.7%	2.0%	1.6%	1.5%	1.5%
	Upside 33%	5.7%	2.8%	2.0%	1.7%	1.7%
	Downside (33%)	3.7%	1.2%	1.2%	1.3%	1.3%
House Price Index UK (London)	Base	2.3%	1.4%	2.0%	2.7%	7.6%
	Upside 33%	8.3%	6.2%	5.6%	5.1%	8.8%
	Downside (33%)	(3.7%)	(3.4%)	(1.6%)	0.3%	6.4%

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

31 December 2021

Portfolio	Scenario	% Impact on ECL	Impact on ECL £'000	Scenario	% Impact on ECL	Impact on ECL £'000
Due from Customers – Mortgage & unsecured lending	+100 bps GDP	(3.0%)	(39)	-100 bps GDP	3.3%	43
Due from Customers – Mortgage lending	+600 bps house price index	(0.6%)	(8)	-600 bps house price index	0.8%	
Due from Customers – Lombard & other lending	50% asset volatility	(14.1%)	12	200% asset volatility	346.0%	-
31 December 2020						
Due from Customers – Mortgage & unsecured lending	+100 bps GDP	(3.3%)	(93)	-100 bps GDP	3.5%	95
Due from Customers – Mortgage lending	+600 bps house price index	(16.5%)	(813)	-600 bps house price index	22.6%	1,123
Due from Customers – Lombard & other lending	50% asset volatility	(0.8%)	27	200% asset volatility	31.2%	-

26. Credit risk (continued)

26.7 Credit risk exposure

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

	AAA–AA	A	BBB–BB	B–C	Unrated	Total carrying value
31 December 2021	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances with central banks	1,244,113	-	-	-	154	1,244,267
Due from other banks	12,540	103,856	2	-	8,576	124,974
Loans and advances to customers	2,511,942	166,758	23,043	54,119	13,047	2,768,909
Investment securities – FVOCI	852,764	-	-	-	-	852,764
Other financial assets	100	8,449	706	-	2,012	11,267
Total assets as at 31 December 2021	4,621,459	279,063	23,751	54,119	23,789	5,002,181
Loan Commitments	72,513	49,536	990	38	3,462	126,539
Financial Guarantees	6,056	-	-	-	-	6,056
Total	4,700,028	328,599	24,741	54,157	27,251	5,134,776
31 December 2020						
Cash and balances with central banks	791,333	-	-	-	-	791,333
Due from other banks	2,342	103,968	491	-	496	107,297
Loans and advances to customers	843,286	1,175,027	60,306	83,520	16,161	2,178,300
Investment securities – FVOCI	750,004	-	-	-	-	750,004
Total assets as at 31 December 2020	2,386,965	1,278,995	60,797	83,520	16,657	3,826,934
Loan Commitments	74,598	103,944	5,335	7,388	1,430	192,695
Financial Guarantees	3,388	129,108	-	-	9,653	142,149
Total	2,464,951	1,512,047	66,132	90,908	27,740	4,161,778

	Fair value of collateral held	Total carrying value	ECL Staging Stage 1	Stage 2	Stage 3	ECL allowance included in carrying values
31 December 2021	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances with central banks	-	1,244,267	-	-	-	-
Due from other banks	-	124,974	-	-	-	-
Loans and advances to customers	5,810,666	2,768,909	134	118	1,432	1,684
Investment securities - FVOCI	-	852,764	27	-	-	27
Other financial assets	-	11,063	-	-	-	-
Total assets as at 31 December 2021	5,810,666	5,001,977	161	118	1,432	1,711
Loan commitments	-	126,539	-	-	-	-
Financial guarantees	-	6,056	-	-	-	-
Total	5,810,666	5,134,572	161	118	1,432	1,711
31 December 2020						
Cash and balances with central banks	-	791,333	-	-	-	-
Due from other banks	-	107,297	-	-	-	-
Loans and advances to customers	4,713,919	2,178,300	135	68	1,384	1,587
Investment securities - FVOCI	-	750,004	38	-	-	38
Total assets as at 31 December 2020	4,713,919	3,826,934	173	68	1,384	1,625
Loan commitments	-	192,695	-	-	-	-
Financial guarantees	-	142,149	-	-	-	-
Total	4,713,919	4,161,778	173	68	1,384	1,625

Maximum exposure to credit risk for cash and balances with central banks is £1,244,267 (2020: £791,333), due from other banks is £124,974 (2020: £107,297), loans and advances to customers is £2,768,909 (2020: £2,178,300), and investment securities is GBP852,764 (2020: £750,004).

[1] The financial assets and liabilities in 2020 included non-financial assets of £10,957,000.

26. Credit risk (continued)

26.8 Cash and balances with central banks – gross exposures, movements and loss allowances

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

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross carrying value as at 1 January 2020	634,026	-	-	634,026
Financial assets derecognised during the period other than write-offs	(7,897,588)	-	-	(7,897,588)
New financial assets originated or purchased	8,054,895	-	-	8,054,895
Gross carrying value as at 31 December 2020	791,333	-	-	791,333
Financial assets derecognised during the period other than write-offs	(6,735,085)	-	-	(6,735,085)
New financial assets originated or purchased	7,188,019	-	-	7,188,019
Gross carrying value as at 31 December 2021	1,244,267	-	-	1,244,267
Loss allowance as at 1 January 2020	1	-	-	1
Movements with P&L impact	(1)	-	-	(1)
Loss allowance as at 31 December 2020	-	-	-	-
Movements with P&L impact	-	-	-	-
Loss allowance as at 31 December 2021	-	-	-	-
Net carrying value as at 31 December 2020	791,333	-	-	791,333
Net carrying value as at 31 December 2021	1,244,267	-	-	1,244,267

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

26.9 Due from other banks– gross exposures, movements and loss allowances

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

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross carrying value as at 1 January 2020	54,313	-	-	54,313
Financial assets derecognised during the period other than write-off	(54,313)	-	-	(54,313)
New financial assets originated or purchased	107,297	-	-	107,297
Gross carrying value as at 31 December 2020	107,297	-	-	107,297
Financial assets derecognised during the period other than write-off	(107,297)	-	-	(107,297)
New financial assets originated or purchased	124,973	-	-	124,973
Gross carrying value as at 31 December 2021	124,973	-	-	124,973
Loss allowance as at 1 January 2020	1	-	-	1
Financial assets derecognised during the period other than write-offs	(1)	-	-	(1)
New financial assets originated or purchased	-	-	-	-
Loss allowance as at 31 December 2020	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Loss allowance as at 31 December 2021	-	-	-	-
Net carrying value as at 31 December 2020	107,297	-	-	107,297
Net carrying value as at 31 December 2021	124,973	-	-	124,973

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

26. Credit risk (continued)

26.10 Investment Securities – gross exposures, movements and loss allowances

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

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross carrying value as at 1 January 2020	932,297	-	-	932,297
Financial assets derecognised during the period other than write-offs	(1,347,499)	-	-	(1,347,499)
New financial assets originated or purchased	1,159,313	-	-	1,159,313
Changes in fair value	5,995	-	-	5,995
Changes in interest accrual	(2,479)	-	-	(2,479)
FX and other movements	2,415	-	-	2,415
Gross carrying value as at 31 December 2020	750,042	-	-	750,042
Financial assets derecognised during the period other than write-offs	(340,462)	-	-	(340,462)
New financial assets originated or purchased	453,370	-	-	453,370
Changes in fair value	(11,330)	-	-	(11,330)
Changes in interest accrual	424	-	-	424
FX and other movements	747	-	-	747
Gross carrying value as at 31 December 2021	852,791	-	-	852,791
Loss allowance as of 1 January 2020	48	-	-	48
Movements with P&L impact - New financial assets originated or purchased	(10)	-	-	(10)
Loss allowance as at 31 December 2020	38	-	-	38
Movements with P&L impact - New financial assets originated or purchased	(11)	-	-	(11)
Loss allowance as at 31 December 2021	27	-	-	27
Net carrying value as at 31 December 2020	750,004	-	-	750,004
Net carrying value as at 31 December 2021	852,764	-	-	852,764

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

26. Credit risk (continued)

26.11 Loans and Advances to customers – gross exposures, movements and loss allowances

Loans and advances to customers comprise the following;

		31 December 2021	31 December 2020
		£'000	£'000
(I) Mortgage loans	Gross	1,809,606	1,437,360
	ECL	(1,660)	(1,473)
(ii) Other and lombard loans	Gross	960,987	742,527
	ECL	(24)	(114)
Total loans and advances to customers		2,768,909	2,178,300

(i) Mortgage loans - gross exposures, movements and loss allowances

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

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Gross carrying value as of 1 January 2020	1,036,459	49,577	41,424	1,127,460
Transfer (from) Stage 1 to other stages	(63,062)	44,037	19,025	-
Transfer (from) Stage 2 to other stages	8,428	(24,489)	16,061	-
Transfer (from) Stage 3 to other stages	-	8,474	(8,474)	-
Financial assets derecognised during the period	(221,001)	(13,453)	(27,611)	(262,065)
Reclassified from other and lombard loans during the period	10,130	489	20	10,639
New financial assets originated	555,560	-	-	555,560
Change in exposure on existing loans	5,842	110	(186)	5,766
Gross carrying value as at 31 December 2020	1,332,356	64,745	40,259	1,437,360
Transfer (from) Stage 1 to other stages	(82,456)	43,007	39,449	-
Transfer (from) Stage 2 to other stages	22,393	(25,415)	3,022	-
Transfer (from) Stage 3 to other stages	2,718	5,811	(8,529)	-
Financial assets derecognised during the period	(236,015)	-	-	(236,015)
Reclassified from other and lombard loans during the period	9,646	12	(123)	9,535
New financial assets originated	662,523	-	-	662,523
Change in exposure on existing loans	(14,867)	(35,934)	(12,996)	(63,797)
Gross carrying value as at 31 December 2021	1,696,298	52,226	61,082	1,809,606
Loss allowance as at 1 January 2020	144	37	1,393	1,574
Transfer (from) Stage 1 to other stages	(159)	10	149	-
Transfer (from) Stage 2 to other stages	13	(14)	1	-
Transfer (from) Stage 3 to other stages	-	8	(8)	-
Financial assets derecognised during the period	(20)	(29)	(301)	(350)
Reclassified from other and lombard loans during the period	2	-	4	6
New financial assets originated	202	-	-	202
Change in value on existing loans	8	4	29	41
Loss allowance as at 31 December 2020	190	16	1,267	1,473
Transfer (from) Stage 1 to other stages	(2)	2	-	-
Transfer (from) Stage 2 to other stages	21	(41)	20	-
Transfer (from) Stage 3 to other stages	199	30	(229)	-
Financial assets derecognised during the period	(288)	110	(471)	(649)
Reclassified from / (to) other and lombard loans during the period	3	-	35	38
New financial assets originated	63	15	728	806
Change in value on existing loans	(57)	(33)	82	(8)
Loss allowance as at 31 December 2021	129	99	1,432	1,660

There were no purchased credit impaired balances during the reporting period, and no terms of contracts were modified. No amounts (2020: £62,000) were written-off in the period.

26. Credit risk (continued)

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

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

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Gross carrying value as at 1 January 2020	631,981	23,730	3,151	658,862
Transfer (from) Stage 1 to other stages	(4,741)	3,150	1,591	-
Transfer (from) Stage 2 to other stages	713	(713)	-	-
Transfer (from) Stage 3 to other stages	-	220	(220)	-
Financial assets derecognised during the period	(121,006)	(10,195)	(2,491)	(133,692)
Reclassified to mortgage loans during the period	(10,130)	(489)	(20)	(10,639)
New financial assets originated	196,135	-	-	196,135
Change in exposure on existing loans	31,697	508	(344)	31,861
Gross carrying value as at 31 December 2020	724,649	16,211	1,667	742,527
Transfer (from) Stage 1 to other stages	(8,797)	5,920	2,877	-
Transfer (from) Stage 2 to other stages	9,814	(9,814)	-	-
Transfer (from) Stage 3 to other stages	-	-	-	-
Financial assets derecognised during the period	(83,027)	-	(1,090)	(84,117)
Reclassified to mortgage loans during the period	(9,646)	(12)	123	(9,535)
New financial assets originated	289,270	-	-	289,270
Change in exposure on existing loans	22,927	(50)	(35)	22,842
Gross carrying value as at 31 December 2021	945,190	12,255	3,542	960,987
Loss allowance as of 1 January 2020	202	2	-	204
Transfer from Stage 1 to other stages	(90)	40	50	-
Financial assets derecognised during the period	(154)	(23)	-	(177)
Reclassified to mortgage loans during the period	(1)	(4)	-	(5)
New financial assets originated	95	-	-	95
Change in value on existing loans	(2)	(2)	-	(4)
Loss allowance as at 31 December 2020	50	13	50	113
Financial assets derecognised during the period	(35)	(13)	(15)	(63)
Reclassified to mortgage loans during the period	(3)	-	(35)	(38)
New financial assets originated	2	14	-	16
Change in value on existing loans	(10)	6	-	(4)
Loss allowance as at 31 December 2021	4	20	-	24

27. Market risk

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

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

27.1 Market risk measurement methodology

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

27.1.1 Value at risk

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

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

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

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

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

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

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

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

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

27. Market risk (continued)

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

IRRBB - Economic value of equity (GBP)	31 December 2021	31 December 2020
	£'000	£'000
	Impact	Impact
IRRBB moves 200bps down	50,210	85,404
IRRBB moves 200bps up	(8,236)	(2,977)

27.1.3 Stress tests

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

27.2 Market risk hedging strategies

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

27.2.1 Fair value hedging strategies

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

27.2.2 Cash flow hedging strategies

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

27.3 Market risk measurement and value at risk

VaR Summary

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

VaR by risk type	At 31 December	12 months to 31 December		
		Average	High	Low
	£'000	£'000	£'000	£'000
VAR on Currency risk – 31 December 2021	13	40	1,278	5
VAR on Currency risk – 31 December 2020	27	31	193	4

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

27.4 Market risk measurement and capital management strategies

The strategic report details the company approach to managing capital on pages 4 to 5. CET1 capital increased by £14.3 million to £195.2 million (2020: £180.9 million) as a result net dividend receipts and audited profits.

27. Market risk (continued)

27.5 Market risk measurement, repricing gaps

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

	Up to 3 months £'000	3–12 months £'000	1–5 years £'000	Over 5 years £'000	Non-interest bearing £'000	Total £'000
As at 31 December 2021						
Assets						
Cash and balances with central banks	1,244,114	-	-	-	153	1,244,267
Due from other banks	103,577	-	-	-	21,397	124,974
Derivative financial instruments	4,818	-	-	-	5,281	10,099
Financial assets at FVOCI	255,177	295,529	234,523	64,277	3,258	852,764
Loans and advances to customers	2,715,564	1,670	33,635	10,603	7,437	2,768,909
Investment in subsidiary	-	-	-	-	1,320	1,320
Other assets	-	-	-	-	11,267	11,267
Total financial assets	4,323,250	297,199	268,158	74,880	50,113	5,013,600
Liabilities						
Due to other banks	538,934	-	-	-	250	539,184
Due to customers	2,995,115	466,394	-	-	691,320	4,152,829
Derivative financial instruments	4,236	-	-	-	17,873	22,109
Other liabilities	679	642	7,241	13,787	12,906	35,255
Total financial liabilities	3,538,964	467,036	7,241	13,787	722,349	4,749,377
On-Balance Sheet interest repricing gap	784,286	(169,837)	260,917	61,093	(672,236)	264,223
Off-Balance Sheet interest repricing gap	1,152	(3,330)	(106,134)	17,826	1	(90,485)
As at 31 December 2020						
Assets						
Cash and balances with central banks	791,131	-	-	-	202	791,333
Due from other banks	104,212	-	-	-	3,085	107,297
Derivative financial instruments	8,656	548	-	-	196	9,400
Financial assets at FVOCI	210,325	212,604	294,083	29,954	3,038	750,004
Loans and advances to customers	2,119,993	1,615	41,547	11,190	3,955	2,178,300
Investment in subsidiary	-	-	-	-	10,045	10,045
Other assets	-	-	-	-	53,679	53,679
Total financial assets	3,234,317	214,767	335,630	41,144	74,200	3,900,058
Liabilities						
Due to other banks	527,421	-	-	-	168	527,589
Due to customers	2,528,192	40,688	-	-	446,385	3,015,265
Derivative financial instruments	25,821	311	-	-	11,361	37,493
Other liabilities	710	2,752	3,480	161	57,271	64,374
Total financial liabilities	3,082,144	43,751	3,480	161	515,185	3,644,721
On-Balance Sheet interest repricing gap	152,173	171,016	332,150	40,983	(440,985)	255,337
Off-Balance Sheet interest repricing gap	(27,956)	(43,331)	(115,304)	(6,977)	-	(193,568)

The financial assets and liabilities in 2020 include non-financial assets of £10,957,000 and include non-financial liabilities of £41,611,000.

28. Liquidity risk

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

28.1 Liquidity risk management process

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

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

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

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

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

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

28.2 Concentration risk

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

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

28.3 Financial liabilities cash flows

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

For more detailed information on off-Balance Sheet exposures by maturity, refer to note 33.

28. Liquidity risk (continued)

28.3 Financial liabilities cash flows (continued)

	Up to 1 month £'000	1–3 months £'000	3–12 months £'000	1–5 years £'000	Over 5 years £'000	Total £'000
31 December 2021						
Liabilities						
Due to other banks	67,392	-	244,833	226,959	-	539,184
Due to customers	3,047,146	599,417	506,266	-	-	4,152,829
Derivative financial instruments	10,262	6,300	1,843	3,704	-	22,109
Other liabilities	13,415	51	761	7,241	13,787	35,255
Total financial liabilities	3,138,215	605,768	753,703	237,904	13,787	4,749,377
31 December 2020						
Liabilities						
Due to other banks	158,644	222,416	-	146,529	-	527,589
Due to customers	2,639,748	288,603	86,914	-	-	3,015,265
Derivative financial instruments	8,694	17,985	2,146	8,662	6	37,493
Other liabilities	31,221	21,134	4,167	7,567	285	64,374
Total financial liabilities	2,838,307	550,138	93,227	162,758	291	3,644,721

Other liabilities in 2020 includes non-financial liabilities of £4 ,611,000.

29. Key management compensation

Accounting Policy

The Company's key management personnel comprise the members of the Executive Committee and the board's non-executive directors. The following amounts have been included in respect of these individuals. Aggregate amounts paid or treated as paid to key management in respect of qualifying services is as follows:

	31 December 2021 GBP	31 December 2020 GBP
Short-term employment benefits	4,238	4,636
Share-based payments	405	496
Defined contribution pension contributions	408	466
Total	5,051	5,598

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

30. Contingent liabilities

The Company is involved in various legal and arbitration proceedings in the normal course of its business operations. The Company establishes provisions (see Note 20) for current and threatened pending legal proceedings if management is of the opinion that the Company is more likely than not to face payments or losses and if the amount of such payments or losses can be reliably estimated. As at 31 December 2021 there are no contingent liabilities.

31. Employee equity incentive plans

Accounting Policy

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

The value of the share-based awards was determined using a model which considers the present value of the expected dividends during the period between the grant date and the earliest exercise date. The significant inputs into the model were the arithmetic average share price (closing) of the five consecutive business days following the earnings announcement (CHF 7.58) and the discount determined by management (20%) based on the expected life of the restricted stock units.

	2021 Number	2020 Number
The number of share-based awards outstanding at start of the year	2,991,953	2,843,852
Granted	1,016,116	1,199,501
Exercised	(1,099,392)	(951,609)
Forfeited	(36,637)	(99,791)
Outstanding at the end of the year	2,872,040	2,991,953
Weighted average remaining contractual life of awards outstanding in years	1.7	1.9
Number of share-based awards exercisable at the end of the year	557,199	639,426
The weighted average market price at the date of exercise	CHF 7.24	CHF 5.85
The range of exercise prices for shares exercised during the year	CHF 5.91 to 7.94	CHF 4.30 to 7.23*
Total expense related to the Plan in the Income Statement	£4,673,000	£4,430,000

*The currency of this comparative has changed from £to CHF to more accurately reflect the nature of share options

32. Related party transactions

Accounting Policy

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

A number of banking transactions are entered into with related parties. These include loans, deposits, derivative transactions and provision of services. The amounts due from other banks reflect cash deposits, which like other third-party amounts classified as due from other banks are unsecured. Key management personnel comprise directors, key members of the management of the Company and those of EFGI, as well as closely linked parties. No provisions have been recognised in respect of loans given to related parties (2020: nil).

32. Related party transactions (continued)

	2021		2020	
	Companies within the EFGI Group	Key management personnel	Companies within the EFGI Group	Key management personnel
	£'000	£'000	£'000	£'000
As at 31 December				
Assets				
Due from other banks	80,696	-	48,719	-
Loans and advances to customers	-	8,971	-	8,971
Derivatives	6,655	-	5,356	-
Other assets	8,495	-	34,279	-
Liabilities				
Due to other banks	533,096	-	517,637	-
Due to customer	102,157	48,590	35,054	26,193
Derivatives	21,297	-	28,628	-
Other liabilities	10,906	-	11,010	-
Guarantees issued	1,066	-	128,405	-
Credit limits	-	-	-	61
Payments for shares in EFGI	(5,681)	-	(4,847)	-
Year ended 31 December				
Interest income	1,083	583	1,055	98
Interest expense	(13,803)	(12)	(14,538)	59
Net fee and commission income	11,070	836	14,308	945
Net other income	77,179	2	(8,389)	27
Operating expenses	(17,865)	-	(12,479)	-
Dividend income	30,000	-	9,830	-
Dividends paid	(89,000)	-	-	-

The subsidiary EFGIG was sold during the year to EFGI AG. The proceeds on sale were £78,900,000, which represented a gain of £68,900,000 against the recorded investment price of £10,000,000.

33. Off-Balance Sheet items

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

	Not later than 1 year	1–5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000
31 December 2021				
Guarantees issued in favour of third parties	3,990	1,000	-	4,990
Guarantees issued in favour of group companies	976	90	-	1,066
Irrevocable commitments	12,311	110,436	3,792	126,539
Total	17,277	111,526	3,792	132,595
31 December 2020				
Guarantees issued in favour of third parties	12,096	1,645	-	13,741
Guarantees issued in favour of group companies	128,408	-	-	128,408
Irrevocable commitments	52,524	133,193	6,977	192,694
Total	193,028	134,838	6,977	334,843

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

34. Prior year restatements

Prior year restatement to the statement of cash flows

The Company changed the presentation of its statement of cash flows for the year ended 2021 to the indirect method. As a result of this change, a prior year restatement is required. As a result of this, a number of adjustments were made to underlying numbers on the sub schedules to ensure consistency with the 2020 reported results. The detail of the re-statement is laid out in the table below.

Operating activity cash flows now follows the indirect method starting with profit before tax, as a result the cash flows before changes in operating activities is laid out differently to 2020. Both the 2020 original, and restated amounts consist of numbers brought from the primary statements. The changes in operating assets and liabilities now reconciles to the primary statements within the financial statements, without incorporating various adjustments to the numbers from 2020 original, relating to the original items in the lines above. Financing activities were corrected to include payments to the parent for AT1 interest and lease principal repayments.

	Year ended 31 December 2020 £'000	Year ended 31 December 2020 restated £'000
Cash flows from operations		
Profit before tax	-	10,587
Adjustments for		
Depreciation of fixed assets		4,407
Amortisation of intangibles	-	563
Amortisation of IFRS 2 reserve through profit and loss	-	4,430
Loss allowance provision	-	(532)
Gains less losses on disposal of financial assets	3,513	(3,512)
Dividend paid by subsidiary included in investment income	-	(9,830)
Lease interest per IFRS16	-	186
Cash flows from operating activities		
Interest received	68,609	-
Interest paid	(23,674)	-
Banking fee and commission received	53,680	-
Banking fee and commission paid	(3,656)	-
Net trading income	5,335	-
Staff costs	(65,711)	-
Other operating expenses	(20,942)	-
RSU payments to parent	-	(4,847)
Cash flows from operating activities before changes in operating assets and liabilities	17,154	1,452
Changes in operating assets and liabilities		
Net decrease in derivative financial instruments	15,672	26,653
Net increase in loans and advances to customers	(394,123)	(393,757)
Net decrease / (increase) in other assets	4,364	(968)
Net (decrease) in due to / from other banks	(29,510)	(24,365)
Net increase in due to customers	421,412	416,339
Net (decrease) / increase in other liabilities	(14,759)	4,548
Corporation tax paid	(2,511)	(2,228)
Net cash flows from operating activities	17,699	27,674
Cash flows from investing activities		
(Purchase) of investment securities	(1,159,313)	(1,159,118)
Proceeds from sale of investment securities	1,347,499	1,347,499
(Purchase) of capital in subsidiaries	(45)	(45)
(Purchase) of property plant & equipment	(476)	(476)
(Purchase) of intangible assets	(289)	(289)
Proceeds from dividends	9,830	9,830
Net cash flows from investing activities	197,206	197,401
Cash flows used in financing activities		
Repayment of AT1 Interest	-	(5,434)
Lease principal repaid	-	(4,736)
Net cash flows from financing activities	-	(10,170)
Cash and cash equivalents at beginning of period	688,337	688,337
Net change in cash and cash equivalents	214,905	214,905
Net foreign exchange difference	(4,612)	(4,612)
Cash and cash equivalents at the end of the period	898,630	898,630

34. Prior year restatements (continued)

Prior year restatement to additional tier 1 capital (AT1 capital)

The Company reclassified the treatment of AT1 Capital on the balance sheet from a financial liability to equity as it meets the definition of an equity instrument under IAS32. The treatment of the interest coupons as drawings from equity remains unchanged. The Company has correctly and consistently treated this instrument within its CET1 ratio for both reporting periods. This has previously been incorrectly classified as a liability on the balance sheet.

This reclassification has impacted, and required changes to, the following in the financial statements: note 21, note 24, note 25, note 26, note 27, note 28, note 32.

Balance sheet	Year ended 31 December 2020	Year ended 31 December 2020 restated
Liabilities		
Due to other banks	527,589	527,589
Due to customers	3,015,265	3,015,265
Derivative financial instruments	37,493	37,493
Current income tax liabilities	2,925	2,925
Provisions	2,347	2,347
Other liabilities	64,374	64,665
Subordinated debt	66,921	-
Total liabilities	3,716,914	3,650,284
Equity		
Share capital	31,596	31,596
Share premium	96,639	96,639
Capital redemption reserve	10,000	10,000
Other equity and reserves	8,889	75,519
Retained earnings	50,623	50,623
Total equity	197,747	264,377

Statement of changes in equity – other equity and reserves	Year ended 31 December 2020	Year ended 31 December 2020 restated
At 1 January 2020 restated	9,786	76,416
Net gains on investments in debt instruments measured at FVOCI	143	143
Income tax relating to components of other comprehensive expense	(284)	(284)
Total Comprehensive Income for the year	(141)	(141)
Employee equity incentive plans amortisation and net of exercise costs	(416)	(416)
Transfers to retained earnings	(340)	(340)
At 31 December 2020 restated	8,889	75,519