EFG Bank (Luxembourg) S.A .

Société Anonyme

Audited financial statements
for the year ended
December 31, 2021

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

Management Report for the year ended December 31, 2021

Overview

In 2021, EFG Group (hereinafter the "Group" or "EFG") and EFG Bank (Luxembourg) S.A. (hereinafter the "Bank") achieved strong growth and delivered an excellent operational performance, taking profitability of Luxembourg operations to a significantly higher level compared to the previous year and recorded Assets under Management & Custody of EUR 16.8 billion.

The Bank continued to systematically leverage its investment capabilities and expertise during the year. It has been increasingly successful in delivering its entire expertise and full range of products and services to clients, resulting in a strong increase in net banking fee and commission income. In combination with the continued disciplined approach to costs, the Luxembourg operations report a significant improvement of the underlying cost to income ratio to 77.6% (improvement 4.2% as compared to 2020).

In 2021, EFG and the Bank made further progress in optimising its global footprint and simplifying its operating model. In this respect during July 2021 the Bank has completed the disposal of the wholly owned subsidiary EFG Fund Management S.A._and reported a gain of EUR 1.7 million.

As announced by the Group in November 2021, the Bank will terminate its presence in Milan and close the local branch during 2022. The decision had a negative impact on the Bank's profitability as the losses of the year for the branch are reported at EUR 17.5 million mainly due to operational losses of EUR 8.7 million and restructuring provisions of EUR 8.5 million. In addition, the Luxembourg operations recorded an additional provision of EUR 1.1 million for local obligations in relation to the closing of its branch.

Economic and political events that shaped the market

Year 2020 was characterised by the COVID crisis, where credit spreads increased materially while interest rates reached very low levels due to central banks accommodative policies. These market conditions continued during 2021.

Key Financials

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

Amounts in EUR '000	2021	2020	Δ%
Operating income	57,703	51,965	11%
Operating expense	-54,748	-53,193	3%
Operating profit/(loss)	2,955	-1,228	341%
Depreciation, amortization, provisions and exceptional items	-10,160	-3,484	192%
Result before taxes	-7,206	-4,712	53%
Income tax (current and deferred)	1,763	3,388	-48%
Result after taxes	-5,443	-1,324	311%

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

The operating income has increased as compared to prior year mainly because of the increase of fee based income due to growth of the business of the Luxembourg operations.

Operating expenses increased compared to the prior year by EUR 1.6 million mainly due to the increased expenses of regulators, unrecoverable VAT and staff costs. Portugal branch expenses have also increased due to growth of the business.

The net operating profit of the Bank including its branches is reported at a profit of EUR 3.0 million. Excluding the operating losses of the Italian and Portuguese branches, the Luxembourg operations are reporting a record operating profit of EUR 12.5 million, improvement by EUR 3.2 million.

The net result of the Bank (loss of EUR 5.4 million) has deteriorated as compared to prior year (loss of EUR 1.3 million) by EUR 4.1 million. The main driver of the increased losses of the year are the losses of the Italian branch (related losses and provisions EUR 18.6 million).

On the positive side, the losses have been reduced by the improved Luxembourg profits after tax of EUR 13.2 million against the prior year reported profit of EUR 10.7 million. The increase was mainly due to the increased operating profit and the gain on the disposal of EFG Fund Management S.A. for an amount of EUR 1.7 million.

Balance Sheet

Amounts in EUR ‘000	2021	2020	Δ%
Assets			
Cash and balances with central banks	2,114,465	1,542,718	37%
Due from banks	161,050	523,461	-69%
Loans and advances to customers	953,716	772,279	23%
Investment Securities & treasury bills	-	52,759	0%
Derivative financial instruments	13,762	6,508	111%
Assets classified as held for sale	-	1,242	0%
Participation	12	12	0%
Other non-financial assets	51,846	65,779	-21%
	3,294,851	2,964,757	11%
Liabilities			
Due to banks	134,974	104,867	29%
Due to customers	2,960,326	2,678,857	11%
Derivative financial instruments	14,602	19,199	-24%
Other non-financial liabilities	48,087	39,227	23%
	3,157,989	2,842,150	11%
Equity			
Share Capital	138,000	118,000	17%
Other equity items	-1,138	4,607	-125%
	136,862	122,607	12%

The balance sheet increased in 2021 by approximately 11% as compared to the previous year mainly because of the increase of customer deposits by 11% (EUR 281 million) while loans to customers have increased by 23% (EUR 181 million).

The increased net customer funding position have been placed mainly to Central Bank of Luxembourg (increased EUR 572 million). The Bank also transferred during 2021 its own investment securities portfolio to the Group.

The total equity of the Bank has increased from EUR 123 million in 2020 to EUR 137 million in 2021 mainly due to the share capital increase of EUR 20 million offset by the impact of the losses of the current year (EUR 5.4 million).

Research & Developments

Consistently with prior years, the Bank did not invest into research and development during 2021.

Acquisition of own shares

The Bank did not acquire own shares during the year 2021.

Branches

Greek branch

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

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

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

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

The Athens branch is preparing to further extend its activities and offer the following services to clients in 2022:

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

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

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

Cyprus branch

The Bank opened a branch in Cyprus in June 2015. The branch is not a booking entity with a registered address in Nicosia.

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

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

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

Strategically this license extension was obtained:

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

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

Most of the employees have been transferred to another entity of EFG Group in Cyprus, and the Branch is now staffed with 2 employees including the Branch Manager. The Branch activity during 2021 consisted solely of providing Depositary services. These services are expected to be transferred during 2022 to another entity of EFG Group in Cyprus. The transfer of the services are not expected to have any significant impact on the financial position and results of the Bank.

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

Italian branch

Following the 2017 acquisition of BSI Europe S.A. in Luxembourg, the Bank became the Head Office of its branch in Milan, passported to perform client booking locally. In May 2017, the Bank of Italy requested the implementation of certain measures which restricted the business activities of the branch that may have led to a possible closure of the branch itself. In November 2017, the Bank of Italy decision was revoked and EFG decided to maintain its presence in Milan. The branch was formally authorised to restart its activities

on December 28, 2018. The Bank decided not to re-start its activities immediately as it was still focused on re-organising the governance and operations of the branch.

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

In April 2021 based on the branch's performance and significant losses in front of the growth strategy, decision was taken to close the branch.

The closing of the branch is expected to be completed during 2022 as follows:

- Close cooperation with CSSF and Bank of Italy to provide them with closure plan and regular updates;
- Staff and trade unions are informed accordingly about the liquidation;
- The intention to close all services and transfer all client by end of June 2022;
- Termination of all outsourced services;
- Post-closing activities organisation.

The branch reported for 2021 record losses of EUR 17.5 m (2020 EUR 9.7 million) mainly because of the operational losses of EUR 8.7 million (2020: EUR 8.8 m) and the booking of an additional amount of EUR 8.5 million relating to termination costs. The termination costs relate mainly to staff, IT systems, financial advisors and external service providers.

In addition, local laws require several activities to be performed after the closing of the branch. The most significant activities relate mainly to the maintenance of physical & electronical files for 10 years after the closing, legal reporting to supervisory authorities, tax reporting, potential tax inspection. The Bank as the owner of the branch will be responsible for these post closure activities and recorded in the Luxembourg books an additional provision for an amount of EUR 1.1 million.

The cumulative effect of the provisioning for 2021 generated total losses for an amount of EUR 18.6 million (EUR 17.5 million in the Italian branch books and EUR 1.1 million in the Luxembourg books).

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

Portuguese branch

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

The Portuguese branch's main objective is to attract High Net Worth clients, introduce them to the Head Office and to offer a diverse range of services and acting as one stop shop for their needs, aiming to enhance the AuMs and revenues of Bank from wealth management services.

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

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

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

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

The branch with offices in Lisbon and Porto, has been locally staffed at the end of December 2021 with 9 CROs, of which 2 in Porto, 5 CSOs, 2 being in Porto, 1 Country Manager and 1 Compliance Liaison Officer.

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

Distribution of Profits (Result allocation)

The Board of Directors proposes to approve the 2021 annual accounts and to carry forward the net loss of the year as follows:

Net loss of the year	EUR	(5 443 175)
Transfer to retained earnings	EUR	(5 443 175)

Bank's perspective 2022

Improving the operational efficiency of our business remains one of our key priorities, as it will ultimately lead to a better client experience and to operational leverage for our organisation. As part of these efforts, EFG and the Bank aims to boost efficiency and further improve client experience through the centralisation of activities, the streamlining and automation of processes as well as the introduction of new digital solutions.

The Funds Services will continue to support the Luxembourg asset management market while the Portugal branch will be continue its growth trajectory as per its business plan.

For the Italian and Cyprus branches, it is expected that it will be the final year of operations.

Risk management

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

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

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

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

Within the support functions, the Bank's organization includes two Control Functions, Compliance and Risk Management. Together with the Internal Audit function, these functions are responsible for controlling that the policies and procedures of the Bank are

respected and for identifying and evaluating their appropriateness in respect to both internal and external developments in the context of their specific domain. They are independent functions which can report directly to the Board of Directors.

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

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

Taking into account the scope of the business activity, the Board of Directors has drawn up a risk strategy which details the following taxonomy of risk:
- Credit risks (Client, Counterparty and Country exposure risk, Default risk, Recovery risk, Settlement risk, Concentration risk);
- Market risks (Equity risk, foreign currency (FX) risk, Interest Rate risk in the Banking Book (IRRBB), Longevity risk, Correlation risk);
- Liquidity risks (Asset liquidity risk, Funding liquidity risk);
- Operational risks (Operational risk, Compliance (Financial Crime/Conduct) risk, Legal risk, Tax risk);
- Other risks (Business/Strategic risk, Reputational risk, Emerging risk).

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

1. *Credit risk:*

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

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

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

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

2. *Market risk:*

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

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

3. *Liquidity risk:*

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

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

4. *Operational risk:*

The operational risk is the risk of loss resulting from inadequate or failed internal processes, failure of people and/or system operations, internal or external frauds or from external non idiosyncratic events. In addition, the Bank has identified among others the following "non -pure operational" categories falling within the greater perimeter of operational risks:

- Compliance (Financial Crime and Conduct) risk;
- Outsourcing risk;
- Legal risk;
- Wealth Management risk;
- IT risk;
- Tax risk.

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

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

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

5. *Other risks:*

- Reputational:

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

- Strategic & Business risk:

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

- Emerging risk:

New risks or familiar risks become apparent in new or unfamiliar conditions. Their sources can be natural or human, and often are both. Relevant emerging risk of the Bank may arise from environmental and climate aspects affecting other risk categories. However, social and governance aspects (ESG) can be affecting the Bank.

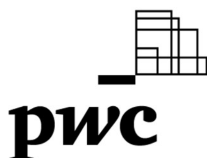
The Bank reviews on a regularly basis the strategy drawn up and the financial results. In addition, periodic monitoring of the financial key figures is performed to ensure the adherence with the strategic plan of the Bank.

Subsequent Events

On February 2022, the Ukrainian conflict started which triggered an unprecedented EU sanctions-related regulations and significant market volatility. The Bank is following very closely the developments and assess on an ongoing basis the impact on its clientele operations, financial position and profitability. Based on the circumstances until the date of issuance of the financial statements, the Bank considers that the impact will be limited.

March 29, 2022

Lena Lascari Chief Executive Officer	Christos Deligiannis Chief Financial Officer



Audit report

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

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of EFG Bank (Luxembourg) S.A. (the "Bank") as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Bank's financial statements comprise:

- the statement of profit and loss and other comprehensive income as at 31 December 2021;
- the statement of financial position as at 31 December 2021;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

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

The non-audit services that we have provided to the Bank and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 34 to the financial statements.

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Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax assets As disclosed in Note 11 to the financial statements as at 31 December 2021, the Bank has recognised EUR 17 512 005 of deferred tax assets. We focused on the recoverability of the deferred tax assets, as those are of material significance for the financial statements and that significant judgement is required to assess their recoverability. Indeed, the recoverability is depending on the future profitability of the Bank, as the origin of those deferred tax assets is the tax losses previously accumulated by the Bank.	Our audit focused on assessing the appropriateness of Management's judgement about the recoverability of deferred tax assets through the following procedure: - We evaluated Management's assessment on the sufficiency of future taxable profits in support of the recognition of deferred tax assets by comparing Management's forecasts of future profits (business plan) to historic results; - We checked the main assumptions used by the Management for the forecast of future profits; - We checked the computation of the deferred tax assets; - We ensured that the taxes generated by future profits forecasted are sufficient to offset the deferred tax assets recognised on-balance sheet. Finally, in relation to the present financial statements, we checked that the disclosures on deferred taxes in the notes are in compliance with IFRS as adopted by the European Union.
Valuation of provision related to the closing of the Italian branch and provision and contingent liabilities of ongoing litigations We refer to Note 25 of the financial statements, which states a provision of EUR 8 683 125. We focused on the valuation of the provisions as those are of material significance for the financial statements. Indeed, the Bank took the decision to close the Italian branch in 2021 which impacts the	We obtained Management's assessment and their assumptions used to determine the provisions related to the closure of the Italian branch and the ongoing litigations in Luxembourg and its branches: - We assessed Management's process to identify new possible obligations and changes in existing obligations in compliance with IAS 37 requirements; - We analysed significant changes from prior years and obtained from the Management a detailed understanding of these items and assumption used; - We inspected the agreements reached with various stakeholders (employees, suppliers, etc) involved in the closing of the Milan branch;

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provisions as at 31 December 2021 for an amount of EUR 7 064 801. The Bank has also some pending and ongoing legal disputes in Luxembourg and its branches. The evaluation of Management's judgements, including those that involve estimations in assessing the valuation of the provision and the likelihood that a pending claim will succeed, or a liability will arise, as well as the quantification of those have been of most significance during the current year.	- We inspected the list of client complaints for Luxembourg and its branches and performed an external lawyer's circularization; - We checked the correspondance with the local regulators as well as the minutes of meetings of the Board of Directors and Audit & Risk Committee; Finally, in relation to the present financial statements, we verified that the disclosures related to the provisions are in line with the requirements of IAS 37.
Valuation of the Goodwill During 2017, the Bank acquired 100% of the voting rights of UBI Banca International S. A. (UBI) as disclosed in Note 20 to the financial statements. The Bank has determined this acquisition as being a business combination for which the purchase price had been allocated between acquired assets and liabilities, identified intangible assets and contingent liabilities, the difference between the purchase price and the net assets being recognised as a goodwill for an amount of EUR 2 724 142. As disclosed in Note 20 to the financial statements, this goodwill has been decreased to an amount of EUR 1 914 106 during the year 2018 following the reduction of a deferred consideration in accordance with IFRS 3. We focused on the valuation of the goodwill, as this is of material significance for the financial statements and that significant	Our audit focused on assessing the appropriateness of Management's judgement about the valuation of the goodwill through the following procedures: - We evaluated Management's assessment on the methodology used for the computation of the impairment test; - We checked the main assumptions used by the Management in the context of the impairment test performed; - We checked the computation of the calculation of the value of the goodwill; - We ensured that the value of the goodwill is higher than the value it is accounted for. Finally, in relation to the present financial statements, we checked that the disclosures on goodwill in the notes are in compliance with IFRS as adopted by the European Union.

judgement is required to assess its valuation.

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

Other information

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

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

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

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

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

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

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

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

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

We have been appointed as “Réviseur d’Entreprises Agréé” by the Board of Directors on 8 April 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 16 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 30 March 2022

Nicolas Grillot

Statement of profit and loss and other comprehensive income for the year ended December 31, 2021

	Note	2021 EUR	2020 EUR
Interest income	5	15 314 553	15 778 920
Interest expense	5	(10 004 320)	(14 049 885)
Net interest income		5 310 233	1 729 035
Banking Fee and commission income	6	43 125 294	37 106 363
Banking Fee and commission expense	6	(2 935 088)	(2 706 583)
Net banking fee and commission income		40 190 205	34 399 780
Net other income	7	13 889 494	15 181 231
Operating income		59 389 933	51 310 046
Operating expenses	2, 8	(56 951 039)	(55 864 642)
Provisions	25	(9 594 410)	(134 054)
Loss allowances		(50 231)	(23 604)
Profit/(loss) before tax		(7 205 747)	(4 712 254)
Income tax	10	1 762 572	3 388 443
Net profit/(loss) for the year		(5 443 175)	(1 323 812)
Other comprehensive income items that may be reclassified subsequently to the income statement:			
Fair value gains and losses on financial assets at fair value through other comprehensive income		-	(102 277)
Tax effect on financial assets at fair value through other comprehensive income		-	25 508
Other comprehensive income/(loss) for the year, net of tax		-	(76 769)
Total comprehensive income for the year		(5 443 175)	(1 400 581)

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

Statement of financial position as at December 31, 2021

	Note	2021 EUR	2020 EUR
ASSETS			
Cash and balances with central banks	12, 13	2 114 464 868	1 542 718 238
Due from other banks	14	161 049 904	523 460 848
Derivative financial instruments	15	13 762 145	6 508 483
Financial assets at fair value through other comprehensive income	18	-	52 758 782
Loans and advances to customers	16, 17	953 716 260	772 278 574
Participations	19	12 000	12 000
Property, plant and equipment	21	16 407 125	21 800 741
Intangible assets	20	4 003 390	5 908 226
Deferred income tax assets	11	17 512 005	15 518 188
Other assets	22	13 923 415	22 551 423
Assets classified as held for sale		-	1 241 662
Total assets		3 294 851 110	2 964 757 165
LIABILITIES			
Due to other banks	23	134 974 466	104 866 841
Due to customers	24	2 960 325 645	2 678 857 451
Derivative financial instruments	15	14 602 079	19 199 001
Current income tax liabilities	11	165 170	93 935
Deferred income tax liabilities	11	343 175	384 110
Provisions	25	8 683 125	1 656 446
Other liabilities	26	38 895 133	37 092 131
Total liabilities		3 157 988 792	2 842 149 915
EQUITY			
Share capital	27	138 000 000	118 000 000
Other equity	35	2 569 827	2 899 060
Revaluation reserve		-	(27 475)
Retained earnings	28	(3 707 510)	1 735 665
Total equity		136 862 317	122 607 250
Total equity and liabilities		3 294 851 110	2 964 757 165

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

Statement of changes in equity for the year ended December 31, 2021

	Attributable to equity holder of the Bank				
	Share capital	Other equity	Revaluation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
Balance at January 1, 2020	118 000 000	3 432 765	(104 244)	3 059 477	124 387 997
Employee share option plan	-	(533 705)	-	-	(533 705)
Capital increase	-	-	-	-	-
Dividend	-	-	-	-	-
Profit/(loss) for the year	-	-	-	(1 323 812)	(1 323 812)
Other comprehensive income	-	-	76 769	-	76 769
Balance at December 31, 2020	118 000 000	2 899 060	(27 475)	1 735 665	122 607 250
Balance at January 1, 2021	118 000 000	2 899 060	(27 475)	1 735 665	122 607 250
Employee share option plan	-	(329 233)	-	-	(329 233)
Capital increase	20 000 000	-	-	-	20 000 000
Dividend	-	-	-	-	-
Profit/(loss) for the year	-	-	-	(5 443 175)	(5 443 175)
Other comprehensive income	-	-	-	-	-
Net amount reclassified to income statement of asset available for sale	-	-	27 475	-	27 475
Balance at December 31, 2021	138 000 000	2 569 827	-	(3 707 510)	136 862 317

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

Statement of cash flows for the year ended December 31, 2021

	Note	2021 EUR	2020 EUR
Cash flows from operating activities			
Interest income	5	15 314 553	15 778 920
Interest expense	5	(10 004 320)	(14 049 885)
Fee and commission income	6	45 348 024	36 986 036
Fee and commission expense	6	(2 935 088)	(2 706 583)
Net operating income received (paid)	7	2 037 997	23 971 847
Operating expenses	8	(49 966 569)	(54 444 944)
Income tax paid	10	(200 944)	(149 793)
Net Cash flows from operating profits before change in operating assets and liabilities		**(406 348)**	**5 385 598**
Changes in operating assets and liabilities			
Net (increase)/decrease in loans and advances to banks		64 389	428 715
Net (increase)/decrease in Treasury bills and other eligible bills		-	15 008 308
Net (increase)/decrease in loans and advances to customers		(181 486 721)	(101 554 745)
Net (increase)/decrease in other assets		8 296 840	(8 714 363)
Net increase/(decrease) in due to banks		30 107 625	42 776 779
Net increase/(decrease) in due to customers		281 468 194	126 856 784
Net increase/(decrease) in provisions		(2 567 731)	(69 343)
Net increase/(decrease) in other liabilities		1 308 843	3 167 348
Net cash flows from operating activities		**137 191 439**	**77 899 483**
Cash flows from investing activities			
Purchase of investment securities		-	(17 756 295)
Proceeds from sale/maturity of investments securities		52 758 782	72 701 530
Purchase of intangible assets	20	(69 418)	(1 167 385)
Purchase of property, plant and equipment	21	(73 185)	(2 136 845)
Net cash flows from investing activities		**52 616 179**	**51 641 004**
Cash flows from financing activities			
Issue of ordinary shares	27	20 000 000	-
Net cash flows from financing activities		**20 000 000**	**-**
Net increase (decrease) in cash and cash equivalents		**209 401 270**	**134 926 084**
Cash and cash equivalent at beginning of the financial year		2 066 113 502	1 931 187 419
Cash and cash equivalents at end of year	13	**2 275 514 772**	**2 066 113 502**

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

1. General

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

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

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

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

These financial statements have been approved and issued by the Board of Directors on 29 March 2022.

2. Summary of significant accounting policies and valuation rules

Basis of preparation

The financial statements are for the year ended December 31, 2021. These financial statements have been prepared in accordance with (i) International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union and (ii) interpretations issued by the IFRS Interpretation Committee (IFRIC) applicable to companies reporting under IFRS.

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the financial statements for the year ended December 31, 2020.

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

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

New and amended standards applied by the Bank

The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing January 01, 2021:

- Covid-19 related rent concessions – amendments to IFRS 16,
- Interest Benchmark Reform – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Bank. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

New and amended standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Bank. These standards are not expected to have a material impact on the entity in the current or future reporting periods and foreseeable future transactions.

(a) Business combination

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

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

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

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

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

The acquisition date is the date on which the Bank (as acquirer) effectively obtains control of the acquiree. The consideration transferred in a business combination is measured at fair

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

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

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

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

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

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

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

(b) Foreign currencies

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

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

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

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

(c) Derivative financial instruments

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

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

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

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

(d) Offsetting financial instruments

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

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

(e) Income statement

(i) Interest income and expenses

Interest income and expenses are recognised for all interest-bearing instruments on an accrual basis, using the effective interest method. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and any other premiums or discounts. Negative interest on assets is

recorded as an interest expense, and negative interest on liabilities is recorded as interest income. For financial assets at amortised cost or debt instruments at fair value through other comprehensive income classified in Stage 3 for expected credit loss purposes, the original effective interest rate is applied to the amortised cost of the asset rather than to the gross carrying amount.

(ii) Banking Fee and commission

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

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

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

(f) Property, plant and equipment

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

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:
- Computer hardware: 3–10 years;
- Furniture, equipment and motor vehicles: 3–10 years;
- Right-of-use assets: over the non-cancellable period for which the Bank has the right to use an asset, including optional periods when the Bank is reasonably certain to exercise an option to extend (or not to terminate) a lease.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the income statement.
The Bank primarily leases office premises, as well as some IT equipment. Rental contracts vary from fixed periods of six months to 15 years.

(g) Intangible assets

This includes the following categories:

Computer software

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

Client relationships

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

Entry Remuneration Plan of Italian branch Financial Advisors

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

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

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

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

Goodwill

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

Under IFRS, goodwill is not amortised but is tested for impairment at least annually and is carried at cost less accumulated impairment losses. Intangible assets are amortised on a systematic basis over their useful lives.

Intangible assets are tested for impairment when there is any indication that the asset may be impaired. Intangible assets are carried at cost less amortisation and accumulated impairment losses.

(h) Financial assets and liabilities

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

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

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

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

(ii) Initial recognition and measurement

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

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

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

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

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

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

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

(iv) Fair value through profit or loss

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

Gains and losses on equity investments at fair value through profit and loss are included in "Net other income".

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

(v) Impairment

The Bank assesses loss allowances at each reporting date as further detailed in note 4. The measurement of expected credit loss reflects:

- An unbiased and probability-weighted value that is determined by evaluating a range of possible outcomes;
- Time value of money;

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

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

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

(vii) Derecognition of financial assets and liabilities

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

(i) Investment in subsidiaries

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

(j) Income tax expense

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

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

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

(k) Employee benefits

(i) Retirement benefit obligations

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

(ii) Short-term employee benefits

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

(iii) Share-based compensation

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

(l) Related party transactions

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

(m) Provisions

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

conjunction with the Bank's legal and other advisors, requires the judgement of the Bank's Management.

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

(n) Share Capital and dividends

Ordinary shares issued are classified as equity.

(i) Share issue costs

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

(ii) Dividends on ordinary shares

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

(o) Fiduciary activities

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

(p) Cash and cash equivalents

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

(q) Comparatives

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

3. Critical accounting estimates and judgements in applying accounting policies

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

(a) Expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

Explanation of the inputs, assumptions and estimation techniques used in measuring the expected credit losses are further detailed in note 4, which also sets out the key sensitivities of the expected credit losses to changes in these elements.

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

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

(b) Income taxes and deferred taxes

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

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

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

(c) Provisions

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

(d) Impairment of intangible assets

The Bank tests at least annually whether goodwill has suffered impairment in accordance with the accounting policy stated in note 2 (g). The recoverable amounts of cash-generating units are the higher of the assets' value in use and fair value less costs of disposal which is determined on the basis of the best information available on the amount that could be obtained from the disposal of the assets in an arm's-length transaction, after deduction of the costs of disposal. The value in use is determined by using a discounted cash flow calculation based on the estimated future operating cash flows of the asset. An impairment is recorded when the carrying amount exceeds the recoverable amount. For key assumptions used in value in use calculations and further information please refer to note 20.

(e) Fair value of financial instruments

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

4. Financial risk management

4.1 Financial risk factors

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

4.2 Credit risk

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

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

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

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

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

Credit loss measurement

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

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

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

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

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

This includes all assets that are classified as follows:
- Cash and balances with central banks;
- Treasury bills and other eligible bills;
- Due from other banks; and
- Financial assets at fair value through other comprehensive income (FVTOCI).

Inputs and assumptions

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

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

Estimation techniques

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

Significant increase in credit risk

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

Definition of default

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

Lombard lending

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

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

Inputs and assumptions

The ECL for Lombard loans are estimated with two components:
- ECL due to adverse market price movements in the collateral that captures the risk that a shortfall arises when collateral values decrease to a level insufficient to cover the respective Lombard loan exposure; and

- ECL due to a default of a large single collateral position (top 1 to top 5) yielding a shortfall for the Lombard loan exposure.

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

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

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

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

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

Estimation techniques

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

Significant increase in credit risk

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

Definition of default

Lombard loans that were closed-out or have their collateral liquidated, resulting in an actual

shortfall, or where liquidation is still in progress resulting in a potential shortfall are considered credit-impaired and classified as Stage 3.

Residential and commercial mortgages

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

Inputs and assumptions

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

Estimation techniques

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

The GDP forecasts impact the migration matrices used to determine the PD and the probability to cure considered in the LGD:
- GDP growth for Switzerland is estimated with an explicit forecast for Switzerland; and
- GDP growth for all countries but Switzerland is estimated with a weighted forecast for the major global economies.

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

Significant increase in credit risk

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

Definition of default

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

Other loans

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

Inputs and assumptions

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

Estimation techniques

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

Significant increase in credit risk

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

Definition of default

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

Contractual modifications

The Bank modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment

forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgment of Management, indicate that payment will most likely continue.

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

Write off policy

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

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

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

Macro-economic scenario and sensitivity analysis

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

The most significant assumptions affecting the ECL are as follows:

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

		2022	2023	2024	2025	2026
World GDP growth	Base	4.9%	3.6%	3.4%	3.3%	3.3%
	Upside	5.9%	4.4%	4.0%	3.7%	3.5%
	Downside	3.9%	2.8%	2.8%	2.9%	3.1%
Switzerland GDP growth	Base	3.0%	1.4%	1.8%	1.2%	1.8%
	Upside	4.0%	2.2%	2.4%	1.6%	2.0%
	Downside	2.0%	0.6%	1.2%	0.8%	1.6%
Weighted GDP growth	Base	4.7%	2.0%	1.6%	1.5%	1.5%
	Upside	5.7%	2.8%	2.2%	1.9%	1.7%
	Downside	3.7%	1.2%	1.0%	1.1%	1.3%
House price index Switzerland	Base	1.7%	1.3%	1.0%	2.0%	2.2%
	Upside	3.7%	2.9%	2.2%	2.8%	2.6%
	Downside	(0.3%)	(0.3%)	(0.2%)	1.2%	1.8%
House price index UK (London)	Base	2.3%	1.4%	2.0%	2.7%	7.6%
	Upside	8.3%	6.2%	5.6%	5.1%	8.8%
	Downside	(3.7%)	(3.4%)	(1.6%)	0.3%	6.4%

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

Portfolio	**Parameter**	**Scenario**	
		Upside sensitivity	Downside sensitivity
Mortgages and other loans	GDP Growth	(0.2)	0.2
	House Price Indexes	(0.5)	0.7
Lombard loans	Volatilities	0.0	0.2

Exposure to credit risk

Quality of assets and liabilities measured at amortised cost

The table below summarises the carrying values, expected credit loss allowance by stage of those financial assets that were measured at amortised cost (or at fair value through other comprehensive income) as of December 31, 2021:

		ECL Staging			
31 December 2021	**Total carrying value EUR**	Stage 1	Stage 2	Stage 3	**ECL allowance included in carrying values EUR**
Cash and balances with central banks	2 114 465 224	(356)	-	-	2 114 464 868
Due from other banks	161 051 100	(1 196)	-	-	161 049 904
Loans and advances to customers	954 169 990	(64 721)	(10 066)	(378 943)	953 716 260
Other assets	13 923 415	-	-	-	13 923 415
Total on-balance sheet assets as at 31 December 2021	3 243 609 729	(66 273)	(10 066)	(378 943)	(455 282)
Commitments and financial guarantees	37 251 911	(3 446)	(61 886)	-	(65 332)
Total	3 280 861 640	(69 719)	(71 952)	(378 943)	(520 614)

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

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

Loss allowances

Total

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

allowances:

Loss allowance	Stage 1 12-month ECL EUR	Stage 2 Lifetime ECL EUR	Stage 3 Lifetime ECL EUR	Total EUR
Loss allowance as at 1 January 2021	(171 499)	(55 566)	(1 842 998)	(2 070 063)
Increase due to origination and acquisition	(12 990)	-	-	(12 990)
Decrease due to derecognition	25 183	37 155	-	62 338
Changes due to change in credit risk (net)	98 631	9 807	(185 958)	(77 520)
Changes due to modifications without derecognition (net)	-	-	-	-
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	-	1 650 013	1 650 013
Other adjustments	(5 598)	(1 462)	-	(7 060)
Loss allowance as at 31 December 2021	(66 273)	(10 066)	(378 943)	(455 282)
Gross carrying amount transfers:				
Transfer from Stage 1 to Stage 2	(17 634 779)	17 634 779	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	13 173 577	(13 173 577)	-	-

Cash and balances with central banks

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

Loss allowance	Stage 1 12-month ECL EUR	Stage 2 Lifetime ECL EUR	Stage 3 Lifetime ECL EUR	Total EUR
Loss allowance as at 1 January 2021	(289)	-	-	(289)
Increase due to origination and acquisition	-	-	-	-
Decrease due to derecognition	-	-	-	-
Changes due to change in credit risk (net)	(67)	-	-	(67)
Changes due to modifications without derecognition (net)	-	-	-	-
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	-	-	-
Other adjustments	-	-	-	-
Loss allowance as at 31 December 2021	(356)	-	-	(356)
Gross carrying amount transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	--
Transfer from Stage 1 to Stage 3	-	-	-	--
Transfer from Stage 2 to Stage 1	-	-	-	--

Due from other banks

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

Loss allowance	Stage 1 12-month ECL EUR	Stage 2 Lifetime ECL EUR	Stage 3 Lifetime ECL EUR	Total EUR
Loss allowance as at 1 January 2021	(7 549)	-	-	(7 549)
Increase due to origination and acquisition	(1 200)	-	-	(1 200)
Decrease due to derecognition	8 499	-	-	8 499
Changes due to change in credit risk (net)	72	-	-	72
Changes due to modifications without derecognition (net)	-	-	-	-
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	-	-	-
Other adjustments	(1 017)	-	-	(1 017)
Loss allowance as at 31 December 2021	(1 195)	-	-	(1 195)
Gross carrying amount transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-

Loans and advances to customers

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

Loss allowance	Stage 1 12-month ECL EUR	Stage 2 Lifetime ECL EUR	Stage 3 Lifetime ECL EUR	Total EUR
Loss allowance as at 1 January 2021	(162 258)	(55 566)	(1 842 998)	(2 060 821)
Increase due to origination and acquisition	(11 790)	-	-	(11 790)
Decrease due to derecognition	16 684	37 155	-	53 839
Changes due to change in credit risk (net)	98 626	9 807	(185 958)	(77 525)
Changes due to modifications without derecognition (net)	-	-	-	-
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	-	1 650 013	1 650 013
Other adjustments	(5 983)	(1 462)	-	(7 745)
Loss allowance as at 31 December 2021	(64 721)	(10 066)	(378 943)	(453 730)
Gross carrying amount transfers:				
Transfer from Stage 1 to Stage 2	(17 634 779)	17 634 779	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	13 173 577	(13 173 577)	-	-

Financial assets at fair value through other comprehensive income

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

Loss allowance	Stage 1 12-month ECL EUR	Stage 2 Lifetime ECL EUR	Stage 3 Lifetime ECL EUR	Total EUR
Loss allowance as at 1 January 2021	(1 404)	-	-	(1 404)
Increase due to origination and acquisition	-	-	-	-
Decrease due to derecognition	-	-	-	-
Changes due to change in credit risk (net)	-	-	-	-
Changes due to modifications without derecognition (net)	-	-	-	-
Changes due to update in the institution's methodology for estimation (net)	-	-	-	-
Decrease in allowance account due to write-offs	-	-	-	-
Other adjustments	1 404	-	-	1 404
Loss allowance as at 31 December 2021	-	-	-	-
Gross carrying amount transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-

Collateral and other credit enhancements

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

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

Concentration of risks of financial assets with credit risk exposure

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

4.3 Market Risk

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

(a) Price risk

Price risk is the potential for the decline in the price of an asset or security relative to the rest of the market. The Bank has no treasury and trading activities for its own account.

(b) Foreign exchange risk

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

The table below summarises the Bank's exposure to foreign currency exchange rate risk at December 31, 2021. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency.

			2021 EUR			
	GBP	USD	EUR	CHF	Other	Total
Assets						
Cash and balances with central banks	5 290	41 216	2 114 404 309	14 053	-	2 114 464 868
Due from other banks	1 363 831	53 630 028	27 567 457	40 838 232	37 650 355	161 049 904
Derivative financial instruments	-	2 678 016	11 053 654	30 475	-1	13 762 145
Loans and advances to customers	79 585 897	196 729 066	669 294 605	5 064 028	3 042 666	953 716 260
Participations	-	-	12 000	-	-	12 000
Property, plant and equipment	-	-	16 407 125	-	-	16 407 125
Intangible assets	-	-	4 003 390	-	-	4 003 390
Deferred income tax asset	-	-	17 512 005	-	-	17 512 005
Other assets	55 182	43 356	13 746 083	-	78 795	13 923 415
Total assets	81 010 199	253 121 681	2 874 000 627	45 946 787	40 771 815	3 294 851 110
Liabilities						
Due to other banks	3 689 274	3 181 964	123 330 242	1 935 558	2 837 428	134 974 466
Due to customers	107 682 706	934 911 065	1 666 814 551	104 163 455	146 753 867	2 960 325 645
Derivative financial instruments	-	118 023	14 484 055	-	1	14 602 079
Current income tax liabilities	-	-	165 170	-	-	165 170
Deferred income tax liabilities	-	-	343 175	-	-	343 175
Provision	14 296	-	8 668 829	-	-	8 683 125
Other liabilities	5 436	253 787	38 635 909	-	-	38 895 133
Total liabilities	111 391 712	938 464 839	1 852 441 932	106 099 013	149 591 296	3 157 988 792
Net balance sheet position	(30 381 513)	(685 343 157)	1 021 558 695	(60 152 225)	(108 819 481)	136 862 317
Contingent liabilities and Commitments	-	(6 278)	5 160 560	-	-	5 154 282

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

The Bank performs on a daily basis a Value at Risk (VaR) on its FX exposures. In regard to VaR calculations, a 10D VaR is calculated with 99% confidence interval-meaning that the Bank is 99% confident that the most of losses will not exceed 1% (Historical 501 days). At the end of December 2021, the VaR is evaluated at EUR (8 521) (2020: EUR (2 820)).

(c) Interest rate risk

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

The table below summarises the Bank's exposure to interest rate risk at December 31, 2021. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	2021					
	Up to 3 months EUR	3 - 12 months EUR	1- 5 years EUR	Over 5 years EUR	Non-interest bearing EUR	Total EUR
Assets						
Cash and balances with central banks	2 114 464 868	-	-	-	-	2 114 464 868
Due from other banks	160 985 904	64 000	-	-	-	161 049 904
Loans and advances to customers	616 668 808	262 126 055	54 421 397	20 500 000	-	953 716 260
Derivative financial instruments	-	-	-	-	13 762 145	13 762 145
Participations	-	-	-	-	12 000	12 000
Intangible assets and goodwill	-	-	-	-	4 003 390	4 003 390
Property, plant and equipment	-	-	-	-	16 407 125	16 407 125
Deferred income tax asset	-	-	-	-	17 512 005	17 512 005
Other assets	-	-	-	-	13 923 415	13 923 415
Total assets	2 892 119 580	262 190 055	54 421 397	20 500 000	65 620 080	3 294 851 110
Liabilities						
Due to banks	83 322 239	19 683 361	11 868 820	20 100 047	-	134 974 466
Due to customers	2 921 744 565	38 581 080	-	-	-	2 960 325 645
Derivative financial instruments	-	-	-	-	14 602 079	14 602 079
Provisions	-	-	-	-	8 683 125	8 683 125
Deferred income tax liabilities	-	-	-	-	343 175	343 175
Current income tax liabilities	-	-	-	-	165 170	165 170
Other liabilities	-	-	-	-	38 895 133	38 895 133
Total liabilities	3 005 066 804	58 264 441	11 868 820	20 100 047	62 688 682	3 157 988 793
Net balance sheet position	(112 947 224)	203 925 614	42 552 577	399 953	2 931 398	136 862 317
Contingent liabilities and commitments	5 154 282	-	-	-	-	5 154 282

Impact of stress testing in relation with interest rate is detailed in note 4.5.

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

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

4.4 *Liquidity risk*

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

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

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

The Bank's liquidities, which are constituted of clients deposits and the capital, are either placed with the Banque Centrale du Luxembourg (65.40%) (December 31, 2020: 53.08%), used to finance the loan book (29.50%) (December 31, 2020: 28.43%), placed with the Group entities (4.30%) (December 31, 2020: 15.45%) (as a result of an exemption granted by the CSSF on the intra-group limit according to their letter dated September 21, 2010).

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

(a) Non-derivative cash flows

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

	2021					
	Up to 1 month EUR	1 - 3 months EUR	3 - 12 months EUR	1 - 5 years EUR	Over 5 years EUR	Total EUR
Financial Liabilities						
Due to other banks	91 137 998	512 647	11 354 997	11 868 820	20 100 004	134 974 466
Due to customers	2 807 026 498	114 718 067	38 581 080	-		2 960 325 645
Total Financial liabilities (Contractual maturity dates)	2 898 164 496	115 230 714	49 936 077	11 868 820	20 100 004	3 095 300 110
Guarantees and loan commitments	9 970 494	243 300	1 704 857	8 748 949	16 584 311	37 251 911

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

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

(b) Derivative cash flows

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

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

At December 31, 2021	Up to 1 month	1-3 months	3-12 months	Total
	EUR	EUR	EUR	EUR
Derivatives held for trading				
• Foreign exchange derivatives				
o Outflow	1 004 870 079	542 216 996	229 251 781	1 776 338 856
o Inflow	1 004 851 003	541 585 126	229 341 222	1 775 777 351

At December 31, 2020	Up to 1 month	1-3 months	3-12 months	Total
	EUR	EUR	EUR	EUR
Derivatives held for trading				
• Foreign exchange derivatives				
o Outflow	766 087 694	388 572 593	39 791 835	1 194 452 122
o Inflow	760 403 011	381 771 602	39 808 413	1 181 983 026

4.5 Stress tests and scenario analysis

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

The Economic Value of Equity (EVE) sensitivity refers to risks on the Bank’s Tier 1, arising from adverse movements in interest rates that affect the Bank’s banking book positions. Changes

in interest rates affect the underlying value of the Bank's assets, liabilities and off-balance sheet items and hence its economic value.

The impact on the Statement of profit and loss and other comprehensive income of a stress testing on the Bank of +200 basis points parallel shift in interest rate results to EUR 2 375 036 (2020: EUR 2 444 157).

The European Banking Authority IRRBB stress scenario approach prescribes that the Bank's EVE sensitivity deriving from the worst of the six stress scenarios must not exceed 15% of Tier 1 capital.

The worst scenario concludes to an impact of EUR (796 050) (2020: EUR (1 031 924)).

4.6 Fair values of financial assets and liabilities

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

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

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

Fair value hierarchy

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

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

Assets and liabilities measured at fair value

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

	2021 EUR				2020 EUR			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments	-	13 762 145	-	13 762 145	-	6 508 483	-	**6 508 483**
Financial assets at fair value through OCI	-	-	-	-	52 758 782	-	-	**52 758 782**
Total assets measured at fair value	**-**	**13 762 145**	**-**	**13 762 145**	**52 758 782**	**6 508 483**	**-**	**59 267 265**
Derivative financial instruments	-	14 602 079	-	14 602 079	-	19 199 001	-	**19 199 001**
Total liabilities measured at fair value	**-**	**14 602 079**	**-**	**14 602 079**	**-**	**19 199 001**	**-**	**19 199 001**
Net measured at fair value	**-**	**(839 934)**	**-**	**(839 934)**	**52 758 782**	**(12 690 518)**	**-**	**40 068 264**

Assets and liabilities not measured at fair value

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

(i) Due from other banks

Due from other banks includes inter-bank placements and items in the course of collection. The fair value of floating rate placements, overnight deposits and term deposits with a maturity of less than 90 days is based on a discounted cash flow method and is assumed to be their carrying amount, as the effect of discounting is not significant and as there is no significant change of the credit risk during that period. The fair values are within Level 2 of the fair value hierarchy. The carrying values equal to the fair values as at December 31, 2021 and December 31, 2020.

(ii) Loans and advances to customers

Loans and advances to customers are net of provisions for impairment. The estimated fair value of loans and advances to customers is considered to assimilate the discounted amount of estimated future cash flows expected to be received up to the next interest reset date. Determined fair values are within Level 2 of the fair value hierarchy. The carrying values equal to the fair values as at December 31, 2021 and December 31, 2020.

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

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. Expected cash flows are discounted at current market rates to determine the fair value. Determined fair values are within Level 2 of the fair value hierarchy. The carrying values of deposits are considered to assimilate the fair values as at December 31, 2021 and December 31, 2020.

5. Net interest income

	2021 EUR	2020 EUR
Interest income		
Banks	670 533	1 381 927
Customers	14 528 626	13 750 426
Investment securities	115 394	646 567
Total interest income	15 314 553	15 778 920
Interest expense		
Banks	90 684	(1 722 762)
Customers	(1 109 734)	(4 834 993)
Central Banks	(8 910 074)	(7 431 282)
Lease liabilities	(75 195)	(60 848)
Total interest expense	(10 004 320)	(14 049 885)
Net interest income	5 310 233	1 729 035

6. Net banking fee and commission income

	2021 EUR	2020 EUR
Commissions related to securities and investment activities	35 048 042	29 975 004
Commission income from other services	8 077 252	7 131 359
Commission income	**43 125 294**	**37 106 363**
Commission expense	(2 935 088)	(2 706 583)
Commission expense	**(2 935 088)**	**(2 706 583)**
Net banking fee and commission income	**40 190 205**	**34 399 780**

7. Net other income

	2021 EUR	2020 EUR
Net foreign exchange income	10 291 823	13 259 969
Client relationship services income	1 900 581	2 711 535
Net other intercompany income / expense	713 410	577 075
Net other operating income	3 486 629	340 324
Net wealth tax	(553 278)	(588 730)
Operational losses	(1 055 282)	(433 480)
Client relationship services expense	(894 389)	(685 462)
Net other income	**13 889 494**	**15 181 231**

8. Operating expenses

	2021 EUR	2020 EUR
Staff costs (note 9)	(34 969 108)	(36 258 543)
General and administrative expenses	(18 213 054)	(15 504 295)
Depreciation of property, plant and equipment (Note 21)	(581 884)	(630 274)
Amortisation of intangible assets (Note 21)	(744 947)	(667 591)
Computer software and licences (Note 20)	(73 139)	(73 280)
Client relationships (Note 20)	(157 380)	(157 380)
Other intangible assets (Note 20)	(514 428)	(436 931)
Impairment of intangible assets (Note 20)	(40 000)	-
Depreciation of tangible fixed assets – Leasing (Note 21)	(2 402 045)	(2 803 940)
Operating expenses	(56 951 039)	(55 864 642)

General and administrative expenses comprise of an amount of EUR 5 880 423 (2020: EUR 6 081 679) which corresponds to royalties and services paid to Group's entities.

The European Regulation UE n°806/2014 of 15 July 2014 determined the financing means of resolution mechanisms within the European Banking Union through the establishment of a Single Resolution Fund (SRF), represented in Luxembourg by the "Fonds de Resolution Luxembourgeois" (Luxembourg Resolution Fund). In addition to this instrument, the "Fonds de Résolution Nationale" (National Resolution Funds) exists for institutions subject to this resolution mechanisms, but not to the SRF.

The Single Resolution Fund, established in January 2016, shall receive annual contributions (included in General and administrative expenses) from the participating European financial institutions. By the end of 2023, the available financial means of the Fund shall reach at least 1% of the amount of covered deposits of all these participating financial institutions. A share of the annual contributions can be provided through irrevocable payment commitments (IPC).

Following the September 9, 2020 decision of European Court of Justice on a dispute of a EU domiciled bank with ECB, the Bank has opted to adopt an accounting policy which allows to recognise the IPC as a contingent liability and the related deposit under other assets. IPCs can be defined as an obligation on the part of credit institutions to pay their contributions in the future. The IPCs are mandatorily backed by a cash collateral for the same amount as the IPCs. The SRB is entitled to call for payment of the IPC by sending a notice to the credit institution.

In this respect, the Bank entered into the standard IPC agreement with the Single Resolution Board for the 2021 contributions. The related 2021 contribution is analysed as follows:

Total contribution (EUR)	1,371,684
IPC deposit (15% of total)	205,753
Contribution expensed	1,165,931

As of the December 31, 2021 and at the date of issuance of the financial statements there are no indications that the Single Resolution Board would call for cash payment (and so no present obligation), no provision has been set up for the IPC contingent liability.

9. Staff costs

	2021 EUR	2020 EUR
Wages, salaries and bonuses	(28 492 157)	(28 876 386)
Social security costs	(3 279 898)	(3 480 546)
Pension plan expenses - defined contribution	(1 137 788)	(1 195 853)
Employee Equity Incentive Plans	(1 065 023)	(1 007 451)
Other	(994 242)	(1 698 307)
Total staff costs	(34 969 108)	(36 258 543)

10. Income tax

	2021 EUR	2020 EUR
Current tax expense	(272 179)	(182 728)
Total current tax expense	(272 179)	(182 728)
Increase (decrease) in deferred expense tax	2 034 751	3 571 171
Total deferred tax income (expense)	2 034 751	3 571 171
Income tax income (expense)	1 762 572	3 388 443

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

	2021 EUR	2020 EUR
Taxable profit (loss) before tax	(7 205 747)	(4 712 254)
Applicable standard deferred tax rate	24.94%	24.94%
Theoretical deferred tax (expense)/income	1 797 113	1 175 236
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	(181 245)	(193 218)
Tax effect related to the branch with permanent establishment outside Luxembourg	113 574	5 168

Deferred tax not recognised on branches	(4 560 517)	(3 133 246)
Deferred tax not recognised on Luxembourg	3 101 277	1 973 668
Other	-	26 940
Deferred tax income (expense) before tax integration	270 202	(145 452)
Deferred tax income (expense) from tax integration	1 492 370	3 533 895
Total income tax (expense)/income	1 762 572	3 388 443

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

During the year the Bank has recognised deferred tax assets relating to cumulative tax losses for an amount of EUR 2 million (Luxembourg EUR 1.5 million and Portugal EUR 0.5 million) on the basis that the Luxembourg operations reports sustainable taxable profits and Portugal branch will be able to recover partially the accumulated tax losses in the foreseeable future. The Bank has used prudent assumptions to ensure that adequate taxable profits will be available in the foreseeable future.

11. Deferred income taxes

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

Deferred income tax assets and liabilities comprise the following:

	2021 EUR	2020 EUR
Deferred income tax assets	17 512 005	15 518 188
Deferred income tax liabilities	(343 175)	(384 110)
Net deferred income tax assets	**17 168 830**	**15 134 078**

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

	2021 EUR	2020 EUR
Beginning of year	**15 134 078**	**11 562 907**
Deferred tax gain/(loss) for the year in the income statement	2 034 751	3 545 663
Financial assets at fair value through other comprehensive income	-	25 508
Net deferred income tax assets	**17 168 830**	**15 134 078**

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

	2021	2020
Tax losses carried forward	17 398 547	15 417 847
IFRS 9	113 458	100 341
Deferred income tax assets	**17 512 005**	**15 518 188**
Arising from acquisition of intangible assets	343 175	377 258
Other differences between local tax rules and accounting standards	-	6 852
Deferred income tax liabilities	**343 175**	**384 110**
Net deferred income tax assets	**17 168 830**	**15 134 078**

Current Tax Liabilities

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

12. Cash and balances with central banks

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

	2021 EUR	2020 EUR
Cash in hand	742 674	505 564
Balances with central banks	2 113 722 550	1 542 212 963
Less: Loss Allowance	(356)	(289)
Cash and balances with central banks	**2 114 464 868**	**1 542 718 238**

13. Cash and cash equivalents

	2021 EUR	2020 EUR
Cash and balances with central banks (Note 12)	2 114 464 868	1 542 718 238
Due from other banks (Note 14)	161 049 904	523 395 264
Cash and cash equivalents	**2 275 514 772**	**2 066 113 502**

Maturities of cash and cash equivalents are disclosed in Note 30.

14. Due from other banks

	2021 EUR	2020 EUR
Due from other banks at sight	77 952 337	75 087 118
Due from other banks at term, maturing within 3 months	83 098 763	448 315 695
Less: Loss Allowance	(1 196)	(7 549)
Included in cash and cash equivalents	161 049 904	523 395 264
Due from other banks at term, maturing after 3 months	-	65 584
Less: Loss Allowance	-	-
Due from other banks	**161 049 904**	**523 460 848**
Due from other banks without Loss allowance	**161 051 100**	**523 468 397**

Maturities of assets due from other banks are disclosed in Note 30.

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

Rating	2021 EUR	2020 EUR
Aa2	1 813 184	651 734
A1	157 454 352	507 001 142
A2	129	2 193 943
AA	5 881	-
Ba1	182 828	141 669
Baa1	196 139	-
Baa2	718 732	-
Baa3	-	730 154
BBB	263 092	-
BBB+	382 643	-
Caa1	34 120	35 235
Not rated	-	12 714 520
	161 051 100	523 468 397

As at December 31, 2021 and 2020, there are no impaired loans nor loans past due but not impaired.

15. Derivative financial instruments

The derivative financial instruments relate to forward exchange transactions and options outstanding as at December 31, 2021.

	December 31, 2021 EUR			December 31, 2020 EUR		
		Fair values			Fair values	
	Contract/ notional amount	Assets	Liabilities	Contract/ notional amount	Assets	Liabilities
Derivatives held for trading						
Currency forwards	497 743 715	3 053 709	2 823 036	539 815 985	3 663 888	3 372 218
Currency swaps	975 629 764	1 647 323	2 717 930	481 573 682	2 178 838	15 161 025
Options	271 537 788	9 061 113	9 061 113	73 528 985	665 757	665 757
Total derivative assets/liabilities held for trading	**1 744 911 267**	**13 762 145**	**14 602 079**	**1 094 918 652**	**6 508 483**	**19 199 001**

Derivative financial instruments held for trading generated a valuation gain for the year of EUR 11.9 million (2020: loss EUR 8.8 million) which is included under "Net other income" (Note 7).

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

	December 31, 2021 EUR			
	Contract/ notional amount	Risk-equivalent amounts – Provisions	Collateral/ Guarantees	Net risk exposure
Internal rating (see Note 16)				
1	1 238 210 325	11 968 011	6 892 233	5 075 778
2	876 325	6 990	24 124	(17 134)
3	234 286 829	2 250 740	-	2 250 740
Total	1 473 373 479	14 225 741	6 916 357	7 309 384

	December 31, 2020 EUR			
	Contract/ notional amount	Risk-equivalent amounts – Provisions	Collateral/ Guarantees	Net risk exposure
Internal rating (see Note 16)				
1	708 312 591	6 173 998	1 409 541	4 764 457
2	5 028 869	46 892	-	46 892
3	308 012 350	2 903 333	6 372 711	(3 469 378)
5	35 857	334	-	334
Total	1 021 389 667	9 124 557	7 782 252	1 342 305

16. Loans and advances to customers

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

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

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

Internal Rating	2021		2020	
	EUR	%	EUR	%
1 Top	360 841 740	37.84%	443 291 488	57.41%
2 High	313 308 918	32.85%	92 864 238	12.02%
3 Very good	177 106 814	18.57%	150 009 794	19.42%
4 Good	81 534 604	8.55%	78 633 794	10.18%
5 Acceptable	3 665 454	0.38%	3 749 986	0.49%
6 Weak	13 591 083	1.43%	-	0.00%
8 Unacceptable	3 667 077	0.38%	3 729 274	0.48%
10 Loss	569	0.00%	-	-
	953 716 260	100.00%	772 278 574	100.00%

Maturities of loans and advances to customers are disclosed in Note 30.

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

	2021		2020	
	EUR	%	EUR	%
Private individuals	329 622 192	34.56%	295 039 275	38.20%
Financial companies	287 095 048	30.10%	204 857 813	26.53%
Private non-financial business	271 454 580	28.46%	216 773 443	28.07%
Services	47 540 049	4.98%	37 016 103	4.79%
Other	18 004 391	1.89%	18 591 940	2.41%
	953 716 260	100%	772 278 574	100%

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

17. Collateral for loans and commitments

Loans and advances to customers are secured as follows:

	2021	2020
	EUR	EUR
Loans and advances to customers		
Secured by cash deposits and securities	769 752 321	593 234 304
Secured by immovable property	182 046 867	178 811 888
Unsecured	1 917 072	232 382
	953 716 260	772 278 574
Off Balance-sheet commitments		
Commitment secured by cash deposits and securities	4 606 865	3 866 696
Commitment unsecured		-
	4 606 865	3 866 696

The fair value of the collateral of each individual non-impaired loan is greater than the carrying value of the receivable amount.

18. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) are detailed in the tables below. During 2021 the Bank has disposed all of the financial assets was holding to EFG Group.

	2021 EUR	2020 EUR
Financial assets at FVOCI	-	52 760 186
Less: Loss Allowance	-	(1 404)
Total Financial assets at FVOCI	-	52 758 782

	2021 EUR	2020 EUR
Issued by public bodies		
- public banks	-	12 629 087
Issued by others	-	40 131 099
Less: Loss Allowance	-	(1 404)
Total Financial assets at FVOCI	-	52 758 782

	2021 EUR	2020 EUR
Listed on a stock exchange	-	42 826 131
Unlisted	-	9 934 055
Less: Loss Allowance	-	(1 404)
Total Financial assets at FVOCI	-	52 758 782

	2021 EUR	2020 EUR
Debt Investment	-	52 760 186
Less: Loss Allowance	-	(1 404)
Total Financial assets at FVOCI	-	52 758 782

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

	2021				2020			
Rating	Government	Public Banks	Others	Total	Government	Public Banks	Others	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Aaa	-	-	-	-	-	12 629 087	-	12 629 087
Aa+	-	-	-	-	-	-	2 866 001	2 866 001
Aa	-	-	-	-	-	-	5 330 810	5 330 810
Aa-	-	-	-	-	-	-	15 741 232	15 741 232
A+	-	-	-	-	-	-	5 759 381	5 759 381
A	-	-	-	-	-	-	499 620	499 620
NR	-	-	-	-	-	-	9 934 055	9 934 055
Total	-	-	-	-	-	12 629 087	40 131 099	52 760 186

19. Participations & Assets classified as Held for Sale

As at December 31, 2021, the Bank held the following unlisted participation:

	Acquisition value	Carrying value	Proportion of capital held	Net Equity [1]
	EUR	EUR	%	EUR
EFG Alternative Investment GP	12 000	12 000	100	12 000
Total	12 000	12 000	100	12 000

(1) Unaudited figures as at December 31, 2021

EFG Fund Management S.A.

As disclosed in the prior year financial statements, in the last months of 2020, the Bank has entered negotiations to dispose the share capital of the wholly owned subsidiary of EFG Fund Management S.A.. As of December 31, 2020 the criteria of the relevant accounting standard (IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations") have been satisfied and the carrying value on the balance sheet of EUR 1.2 million had been reclassified from "Participations" to "Assets classified as held for sale". There was no impact on the Income statement and the cash flow statement as the subsidiary is not consolidated, is held at cost and no dividend has been received during the current or prior year.

On February 18, 2021 the Bank signed an agreement for the sale of the entity. The agreement was subject to certain conditions precedent and regulatory approval.

On July 30, 2021 all conditions precedent have been satisfied. The final agreed consideration is EUR 1.6 million plus the payment to the Bank of the excess capital of the entity of EUR 1.5 million.

As a result the Bank has derecognised the carrying value of EUR 1.2 million and has recognised a gain, net of related expenses (EUR 0.3 million), of EUR 1.7 million which has been reported under the caption Net other income.

20. Intangible assets

	Computer software and Licences	Client relationships & other intangibles	Goodwill on acquisition of business	Total Intangible assets
	EUR	EUR	EUR	EUR
At December 31, 2020				
Cost	1 070 679	5 426 581	1 914 106	8 411 366
Accumulated amortisation	(657 960)	(1 104 196)	-	(1 762 159)
Accumulated impairment	-	(740 982)	-	(740 982)
Net book value at December 31, 2020	**412 719**	**3 581 403**	**1 914 106**	**5 908 226**
Cost				
At December 31, 2020	1 070 679	5 426 581	1 914 106	8 411 366
Additions	-	69 418	-	69 418
Adjustment	-	-	-	-
At December 31, 2021	**1 070 679**	**5 495 999**	**1 914 106**	**8 480 784**
Accumulated amortisation				
At December 31, 2020	(657 960)	(1 104 196)	-	(1 762 156)
Amortisation charge for the year	(73 140)	(671 809)	-	(744 949)
Disposals	-	-	-	-
At December 31, 2021	**(731 100)**	**(1 776 005)**	**-**	**(2 507 105)**
Impairment				
At December 31, 2020	-	(740 982)	-	(740 982)
Impairment for the year	-	(40 000)	-	(40 000)
Write-off	-	(1 189 307)	-	(1 189 307)
At December 31, 2021	**-**	**(1 970 289)**	**-**	**(1 970 289)**
Total At December 31, 2021				
Cost	1 070 679	5 495 999	1 914 106	8 480 784
Accumulated amortisation	(731 100)	(1 776 005)	-	(2 507 105)
Impairment	-	(780 982)	-	(780 982)
Write-off	-	(1 189 307)	-	(1 189 307)
Net book value at December 31, 2021	**339 579**	**1 749 705**	**1 914 106**	**4 003 390**

The current year write-off of EUR 1 189 307 relates to the termination of activities in Milan Branch.

Impairment test on BSI related intangible asset

In accordance with IFRS 3, the customer relationship/contracts arising from business combinations recognized at the date of acquisition (i.e. 1st January 2017) in relation with BSI for an amount of EUR 1 769 202.

As at end of December 2017, an impairment of an amount of EUR 740 982 on the intangible asset related to BSI has been recognised due to the loss of all clients of the Italian branch during 2017.

As at end of December 2021, the unamortized carrying value of the BSI related intangible asset (EUR 585 473) has been tested for impairment at year end.

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

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

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

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

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

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

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

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

Description	Assumption	Basis
Customer AuM	5% per year reduction	Prudent assumption
Return on AuM	21 bps	Based on past experience
Cost to income ratio	80%	Based on prudent scenario that the ratio of the Luxembourg operations will not improve over the next years

The recoverable amount of the CGU was estimated to be higher (approximately for an amount of EUR 7.5 million) than the carrying amount of the Goodwill (EUR 1 914 106) and the intangible asset (EUR 769 810). Hence no impairment was required.

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

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

21. Property, plant and equipment

	Leasehold improvements EUR	Furniture and equipment EUR	Computer hardware EUR	Right-of-use assets EUR	Total Property, plant and equipment and right-of-use assets EUR
At December 31, 2020					
Cost	2 543 121	1 836 607	2 599 766	24 078 417	31 057 910
Accumulated depreciation	(889 006)	(1 062 920)	(2 278 248)	(5 026 994)	(9 257 168)
Net book value at December 31, 2020	1 654 115	773 687	321 518	19 051 423	21 800 741
Cost					
At January 1, 2021	2 543 121	1 836 607	2 599 766	24 078 417	31 057 910
Additions	8 956	390	27 981	35 858	73 185
Disposals/eliminations	(45 674)	(43 049)	(57 988)	20 701	(126 010)
Write-Off	-	-	-	(3 383 426)	(3 383 426)
At December 31, 2021	2 506 403	1 793 948	2 569 759	20 751 550	27 621 660
Accumulated depreciation					
At January 1, 2021	(889 006)	(1 062 920)	(2 278 248)	(5 026 994)	(9 257 168)
Depreciation charge for the year	(238 101)	(131 230)	(212 554)	(2 402 046)	(2 983 930)
Disposals/eliminations	45 674	22 208	54 589	18 073	140 544
Write- Off	-	-	-	886 020	886 020
At December 31, 2021	(1 081 433)	(1 171 942)	(2 436 213)	(6 524 946)	(11 214 534)
Total At December 31, 2021					

Cost	2 506 403	1 793 948	2 569 759	20 751 550	27 621 660
Accumulated depreciation	(1 081 433)	(1 171 942)	(2 436 213)	(6 524 946)	(11 214 534)
Net book value at December 31, 2021	1 424 970	622 007	133 546	14 226 604	16 407 127

The right-of-use assets as at December 31, 2021 are composed of office premises for EUR 14.2 million (19 million as at December 31, 2020).

The current year write-off of EUR 886 020 relates to the termination of activities in Milan Branch.

22. Other assets

	2021 EUR	2020 EUR
Fees receivables	3 065 063	2 352 948
Transitory accounts	6 112	1 174 560
Prepaid expenses and accrued income	560 410	3 495 255
VAT recoverable	5 438 133	2 311 571
Guarantee deposits (*)	448 308	249 413
Intercompany receivables	1 697 901	1 071 650
Other	2 707 488	815 926
Margin account	-	11 080 100
Other assets	13 923 415	22 551 423

(*) The amount includes the IPC contribution for the year ended 31 december 2021, refer to note 8.

23. Due to other banks

	2021 EUR	2020 EUR
Due to other banks at sight	1 932 716	9 119 196
Due to other banks – term deposits	133 041 750	95 747 645
Due to other banks	134 974 466	104 866 841

24. Due to customers

	2021 EUR	2020 EUR
Current accounts	2 665 996 738	2 339 282 711
Term deposits	294 328 906	339 574 740
Due to customers	2 960 325 645	2 678 857 451

Maturities of Due to customers are disclosed in Note 30.

25. Provisions

	2021 EUR	2020 EUR
Additional provision through profit and loss	(9 661 640)	(154 294)
Write back through profit and loss	67 231	20 240
Total provision through profit and loss	**(9 594 410)**	**(134 054)**

	2021 EUR	2020 EUR
Opening balance	1 656 446	1 591 735
Increase in provision recognised in the Income Statement	9 661 640	154 294
Release of provision recognised in the Income Statement	(67 231)	(20 240)
Provisions used during the year	(2 567 731)	(69 343)
Total provisions	**8 683 125**	**1 656 446**

The increase in provisions is related to the closure of the Italian branch, i.e. staff indemnities, termination of contracts and post closure activities. A significant portion of the provisions is expected to be utilized in the next 2 years.

26. Other liabilities

	2021 EUR	2020 EUR
Preferential creditors	8 092 764	5 407 976
Accrued expenses	10 918 922	8 768 352
Lease liabilities	14 585 839	19 626 864
Other	3 267 707	3 288 939
Margin account	2 029 900	-
Total other liabilities	**38 895 133**	**37 092 131**

	2021					
	Up to 1 month EUR	1 - 3 months EUR	3 - 12 months EUR	1- 5 years EUR	Over 5 years EUR	Total EUR
Lease liabilities	18 506	37 106	1 856 194	9 352 752	3 321 281	14 585 839
Total lease liabilities	18 506	37 106	1 856 194	9 352 752	3 321 281	14 585 839

27. Share capital

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

As at June 29, 2021, the extraordinary shareholder's meeting has decided to increase the number of ordinary shares by issuing 200 000 new shares with a value of EUR 100 per share.

As at December 31, 2021, the total authorised number of ordinary shares at year-end is 1 380 000 with a value of EUR 100 per share. All issued shares are fully paid. 100% of the capital is held by EFG Investment (Luxembourg) S.A..

28. Retained earnings

Legal reserve

In accordance with Luxembourg law the Bank is required to transfer at least 5% of its annual profit to legal reserve until this equals at least 10% of subscribed capital. The legal reserve is not available for distribution to shareholders. As at December 31, 2021, the legal reserve amounts to EUR 1 394 672 (2020: EUR 1 394 672).

Special reserve

As at December 31, 2021 following the legal merger with BSI, the special reserve amounts to EUR 1 280 623 (2020: EUR 1 280 623).

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

29. Guarantees and commitments

	2021 EUR	2020 EUR
Guarantees:		
Guarantees issued in favour of third parties	32 097 629	34 588 306
	32 097 629	34 588 306

The guarantees are as follows:

	2021 EUR	2020 EUR
Guarantees:		
Credit card guarantees	14 898 257	13 369 382
Other guarantees	16 467 900	20 525 416
Rent guarantees	731 472	693 508
	32 097 629	34 588 306

30. Maturity of assets and liabilities

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at December 31, 2021 to the contractual maturity date.

	2021			2020		
	Up to 1 year EUR	Over 1 year EUR	Total EUR	Up to 1 year EUR	Over 1 year EUR	Total EUR
Assets						
Cash and balances with central banks	2 114 464 868	-	2 114 464 868	1 542 718 238	-	1 542 718 238
Due from other banks	161 049 904	-	161 049 904	523 396 475	64 373	523 460 848
Derivative financial instruments	13 762 145	-	13 762 145	6 434 080	74 403	6 508 483
Financial assets at fair value through other comprehensive income	-	-	-	27 140 269	25 618 513	52 758 782
Participations	-	12 000	12 000	-	12 000	12 000
Loans and advances to customers	703 536 635	250 179 625	953 716 260	517 490 396	254 788 178	772 278 574
Property plant and equipment	2 762 076	13 645 046	16 407 122	2 831 058	18 969 683	21 800 741
Intangible assets	360 791	3 642 598	4 003 390	375 723	5 532 503	5 908 226
Deferred income tax assets	-	17 512 005	17 512 005	-	15 518 188	15 518 188
Other assets	11 628 199	2 295 216	13 923 415	19 897 750	2 653 673	22 551 423
Assets classified as held for sale	-	-	-	1 241 662	-	1 241 662
Total assets	**3 007 564 618**	**287 286 490**	**3 294 851 110**	**2 641 525 651**	**323 231 514**	**2 964 757 165**
Liabilities						
Due to other banks	103 005 642	31 968 824	134 974 466	76 111 673	28 755 168	104 866 841
Due to customers	2 960 325 645	-	2 960 325 645	2 678 857 451	-	2 678 857 451
Derivative financial instruments	14 602 079	-	14 602 079	19 124 598	74 403	19 199 001
Current income tax liabilities	165 170		165 170	93 935	-	93 935
Deferred income tax liabilities	46 102	297 073	343 175	46 102	338 008	384 110
Provisions	8 683 125	-	8 683 125	1 656 446	-	1 656 446
Other liabilities	26 221 099	12 674 033	38 895 133	19 739 538	17 352 593	37 092 131
Total liabilities	**3 113 048 862**	**44 939 931**	**3 157 988 793**	**2 795 629 743**	**46 520 172**	**2 842 149 915**
Net liquidity gap	**(105 484 244)**	**242 346 562**	**136 862 317**	**(154 104 092)**	**276 711 342**	**122 607 250**

31. Capital management

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

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

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

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

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

The solvency ratio (unaudited) is equal to 26.46% (2020: 24.2%).

32. Return on assets

The return on assets of the Bank for the year ended December 31, 2021 stands to -0.17% (-0.04% as at December 31, 2020). The return on assets is calculated as being the net profit divided by the total balance sheet.

33. Related party transactions

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

	2021		2020	
	Group EUR	Key Management personnel EUR	Group EUR	Key Management personnel EUR
Assets				
Due from other banks	138 949 697		449 414 033	
Derivative financial instruments	9 295 807		4 426 812	
Participations	12 000		12 000	
Other assets	1 697 901		12 367 951	
Assets classified held for sale	-		1 241 662	
Liabilities				
Due to other banks	134 967 451		104 823 181	
Due to customers	10 885 921	567 915	68 760 348	469 115
Derivative financial instruments	8 099 911		15 399 963	
Other liabilities	792 928		1 249 491	
Interest income	725 331		1 443 792	
Interest expense	197 262		(1 672 935)	
Net banking fee and commission income	(1 468 306)		(1 405 280)	
Net other income	1 778 082		2 604 610	
Operating expenses (note 8)	(5 880 353)		(6 084 834)	
Guarantees issued in favour of related parties	-	10 000	1 302 300	10 000

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

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

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

34. Fees of the independent auditor

The fees for the independent auditor of the Bank for the year ending December 31, 2021 are as follows:

	2021 EUR	2020 EUR
Audit services	533 293	466 453
Non-audit services	5 700	22 692
Total	538 993	489 145

35. Staff and directors

a) *Staff*

Average number of employees during the financial year:

	2021	2020
Senior Management	5	3
Employees	196	217
Total	201	220

b) *Information relating to Directors and Management*

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

	2021 EUR	2020 EUR
Cash compensation (salary + Vested Contribution cash)	1 835 652	1 880 121
Pension contributions	127 185	143 039
Other compensation and social charges	168 155	188 266
Restricted stock units	436 272	573 756
Total	2 567 264	2 785 182

Board members received emoluments in respect of their duties totalling to a gross amount of EUR 173 445 (2020: EUR 222 928).

The Bank did not grant any credit to Board members, Senior Management or supervisory bodies during the year (2020: EUR 0).

c) Employee Equity Incentive Plan

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

The expense recorded in the statement of profit and loss spreads the cost of the grants equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Total expense related to the Plan in the Income Statement for the period ended December 31, 2021 was EUR 1 065 023 (2020: EUR 1 007 451).

As at December 31, 2021 the Bank has recognized in equity, as a contribution from the parent, a total amount of EUR 2 569 827 (2020: EUR 2 899 060) corresponding to the rights attributed to the Management.

The table below summarises the outstanding options and restricted stock units at December 31, 2021 which, when exercised, will each result in the issuance of one ordinary share:

	31 December 2021
At 01 January	680 963
Granted	218 549
Lapsed	(169 221)
Exerciced	(163 914)
At 31 December	566 376

2021 incentive plan

The EFG Group granted 218 549 restricted stock units in 2021 to employees and managers of the Bank (2020: 358 625).

There are two classes of restricted stock units as follows:
- With a 3-year lock-up restriction ("Restricted stock units with 3- year lock-up"); and
- With no lock-up condition attached ("Restricted stock units with 1/3 exercisable annually").

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

The deemed value of each restricted stock unit granted in 2021 is CHF 7.23 for the one vesting in 12 month, CHF 6.85 for the one vesting in 24 month and CHF 6.44 for the one vesting in 36 month. The values of the restricted stock units were determined by the EFG Group using a model which takes into account the present value of the expected dividends during the period between the grant date and the earliest exercise date. The significant inputs into the model were the spot share price (CHF 7.58), market consensus discount pay-out and the expected life of the restricted stock units (12 to 36 months).

d) 2022 incentive plan

In 2022 and going forward, shares will be delivered instead of RSUs. EFG International will grant shares in June 2022 at prices to be determined based on the relevant valuation inputs on the date of issue.

e) Complementary Pension Plan

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

36. Post balance sheet events

There are no significant subsequent events that require adjustment.

On February 2022 the Ukrainian conflict started which triggered an unprecedented EU sanctions-related regulations and significant market volatility. The Bank is following very closely the developments and assess on an going basis the impact on its clientele operations, financial position and profitability. Based on the circumstances until the date of issuance of the financial statements, the Bank considers that the impact will be limited.