EFG Bank (Luxembourg) S.A.
Société Anonyme

Audited financial statements
for the year ended
December 31, 2019

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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, 2019

Overview

In 2019, EFG Group and EFG Bank (Luxembourg) S.A. (hereinafter the "Bank") successfully refocused its business on profitable growth, returning to sustainable net asset inflows and improving net profitability of the Luxembourg operations.

Against the backdrop of a challenging operating environment, with further decreases in interest rates and continued margin pressure – particularly in the private banking industry – the Bank has focused in delivering growth accompanied with process optimization, realization of synergies and tight cost management. The Bank has also focused to complete the UBI and BSI integrations, remove any related uncertainties in respect to the potential attrition of the clientele and improve the overall profitability of the UBI acquired portfolio.

The combined efforts have produced for the Luxembourg operations a significant decrease of the underlying cost to income ratio by 8.4% (2018 90.6% against 2019 82.2%) and the return to profits after tax of EUR 6.1 million against the prior year reported losses of EUR 3.3 million.

The very good performance of the Luxembourg operations was counterbalanced by the strategic growth initiative investments in the Portugal and Italy branches which have launched operations in 2019. As anticipated in the strategic plan, the two branches are in the investment phase and have focused on developing the platform and integrating with the Luxembourg and EFG Group process. Consequently, the two branches have reported losses of EUR 10.2 million (Italy branch EUR 7 million & Portugal branch EUR 3.2 million).

Economic and political events that shaped the market

The financial year 2019 was a period of global uncertainty. The world was faced with growing trade tensions – not only between the US and China but also Europe – and central banks partially reversed the previous monetary policy, once again moving towards more expansionary measures, to counter fears of a global recession and continued deflationary forces. At the same time, markets were impacted by the ongoing uncertainty surrounding Brexit as well as the growing unrest in Hong Kong and Latin America. These various factors weighed heavily on investor sentiment.

Key Financials

The amounts reported in the audited income statement are for the first time comparable to prior year as during 2018 we had a full year of BSI and UBI.

Amounts in EUR '000	**2019** Audited	**2018** Audited	**Δ%**
Operating income	51 290	52 843	-3%
Operating expense	-51 340	-50 827	1%
Operating profit/(loss)	**-50**	**2 016**	**-102%**
Depreciation, amortization, provisions and exceptional items	-4 515	-6 753	-33%
Result before taxes	**-4 565**	**-4 737**	**-4%**
Income tax (current and deferred)	798	-1 318	-161%
Result after taxes	**-3 767**	**-6 055**	**-38%**

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

The operating income has decreased as compared to 2018 mainly because of the adverse market condition of the 4th quarter 2018 / 1st quarter 2019 and the impact of customers exits of 2018 that impacted the 2019 results on a full year basis.

Operating expenses increased compared to the prior year by EUR 513 thousand due to the increased expenses of the Italy branch (EUR 3.2 million) and Portugal branch (EUR 2.9 million) which exceeded the significant cost reduction of expenses of Luxembourg. As mentioned above, the 2 branches were during 2019 in the phase of establishing the platform and had significant additional costs incurred as compared to prior year.

The net operating result of the Bank is reported marginally negative due to the branches of Italy and Portugal which had incurred costs but have not contributed any significant revenues. Excluding the impact of these 2 branches, the Luxembourg operations are reporting significant increase of operating result of EUR 9 million, improvement by EUR 4.4 million.

The net result of the Bank (loss of EUR 3.8 million) has improved in 2019 as compared to prior year (loss of EUR 6.1 million) by EUR 2.3 million. As mentioned above the main driver of the losses of the year are the losses of the Italy branch (loss EUR 7 million) and the Portugal branch (EUR 3.2 million). On the positive side, Luxembourg improved significantly its results with reported profits after tax of EUR 6.1 million against the prior year reported losses of EUR 3.3 million. Finally, the restructuring provisions and exceptional expenses recognised during 2019 are lower than those of 2018 by EUR 2.2 million.

Balance Sheet

Amounts in '000	**2019** Audited	**2018** Audited	**Δ%**
Assets			
Cash and balances with central banks	1 621 534	1 446 749	12%
Treasury bills and other eligible bills	15 008	-	0%
Due from banks	309 814	314 082	-1%
Loans and advances to customers	721 350	639 830	13%
Investment Securities	110 004	114 411	-4%
Derivative financial instruments	4 905	6 273	-22%
Other non-financial assets	55 179	30 919	78%
	2 837 794	**2 552 264**	**11%**
Liabilities			
Due to banks	112 693	140 533	-20%
Due to customers	2 547 531	2 246 572	13%
Derivative financial instruments	8 804	4 567	93%
Other non-financial liabilities	44 378	32 474	37%
	2 713 406	**2 424 146**	**12%**
Equity			
Share capital	118 000	118 000	0%
Other equity items	6 388	10 119	-37%
	124 388	**128 119**	**-3%**

The balance sheet increased in 2019 by approximately 11% as compared to the previous year.

The customer related balances have increased as compared to prior year. Both customer deposits and loans to customers have increased by 13% (respectively by EUR 301 million and EUR 82 million).

While the customer deposits have increased, the deposits from other banks have decreased by 20% (EUR 28 million). The relevant funding has been placed mainly to Central Bank of Luxembourg which has increased by 12% (EUR 175 million). Consequently, the relevant deposits to other banks have remained stable with a slight decrease of 1% (EUR 4 million).

The total equity of the Bank has slightly decreased from EUR 128 million in 2018 to EUR 124 million in 2019 mainly as a result of the losses incurred during the period (EUR 3.8 million).

Research & Developments
Consistently with prior years, the Bank did not invest into research and development during 2019.

Acquisition of own shares
The Bank did not acquire own shares during the year 2019.

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 of the Greek regulator.

The main objective of the presence in Athens was to promote the EFG products and services to High Net Worth 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.

In 2019, the branch has continued to focus on internal growth and a new CRO joined the branch in September 2019.

The Athens branch contemplates to activate its Passport and offer the following services to clients locally in 2020:

- Local reception and transmission of orders;
- Local advisory services

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

The Athens branch is staffed with 8 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 Lena Lascari, CEO of the Bank.

Cyprus branch

The Bank opened a branch in Cyprus in June 2015. The branch has two premises, one in Nicosia and one in Limassol. The branch is not a booking entity, it performs commercial activities focusing on UHNW, HNW clients and family offices and is further passported to carry out specific MIFID/investment services (incl. investment advice and reception and transmission of orders). Until now no agreements for offering investment services to clients locally have been signed. The corporate governance of the branch has been 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 has been focused on organic growth based on the EFG CRO model. Additionally, 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.

The reasoning behind the extension of the Cyprus branch license was to be able to service Cyprus Alternative Investment Funds with depositary services after July 2017 as per the provisions of the AIFM Directive (allowing only to depositaries established in the home Member State of the AIF to offer depositary services) ending on July 22, 2017.

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.

The Cyprus branch is staffed with 6 employees including a Legal and Compliance Liaison Officer and 2 senior employees in charge of the depositary function under the leadership of the branch Manager, Mr. Costas Stylianou.

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

Italian branch

Following the acquisition of BSI Europe S.A. in Luxembourg in 2017 the Bank became the Head Office of its branch in Milano, 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 above Italian offices and could have led to the closure of the branch. However, 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 (however EFG decided not to re-start its activities immediately as it was still focused on re-organising the governance and operations of the branch).

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

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

At the end of December 2019, the branch had 34 employees, including 4 Private Bankers (CROs). The branch also contracted with 4 Financial Advisors (tied agents).

The branch currently offers investment banking depository, investment services of investment advice (based on the Non-Independent Advisory Service model as per the MiFID II regulations) and reception and transmission of orders (RTO), and distribution of funds. The local activity will be subsequently complemented with discretionary management, credits, and distribution of life insurance policies. The branch also plans to offer its services through internet.

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

Portuguese branch

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

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

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

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

The branch will act as a non-booking branch, i.e. no client accounts will be opened and maintained with the branch, no clients' assets will be kept with the branch, no purchase or sale trades in securities or investment products and no credit transactions will be 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 has offices in Lisbon and is also currently finalizing the installation of a second small office in Porto (installation to be completed by April 2020). The branch had 19 staff at the end of December 2019 including 15 CROs, 1 CSO, 1 branch Manager, 1 Country Manager 1 Compliance Liaison Officer.

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

Distribution of Profits (Result allocation)
The Board of Directors proposes to approve the 2019 annual accounts and to carry forward the net loss of the year as follows:

Net loss of the year	EUR	(3 766 520)
Transfer to retained earnings	EUR	(3 766 520)

Bank's perspective 2020
In 2020 and going forward, we will concentrate on maintaining and accelerating the momentum by systematically executing our growth plan and strategic initiatives. In view of the challenging market environment, we will aim to increase the revenue margin, we will maintain our strict cost discipline and strive to enhance our operational efficiency. As part of these efforts and in order to support our strategic growth initiatives, we plan to execute further cost management actions and streamline our processes. These efforts are designed to support our strategic growth initiatives and to help us achieve our end-2022 cost/income ratio target of 72%-75% for Luxembourg. Several of these actions have already been initiated and are expected to benefit our overall operational efficiency throughout 2020.

2020 will be also a milestone year as will be the first fully operational year after the relaunch of the Milan branch and the establishment of the Portugal branch with the target to be profitable as from the end of 2022.

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

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

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

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

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

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

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

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

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

1. *Credit risk:*

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

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

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

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

2. *Market risk:*

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

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

3. *Liquidity risk:*

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

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

4. *Operational risk:*

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

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

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

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

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

5. *Other risks:*

- Reputational:

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

- Strategic & Business risk:

The strategic risk is the risk to earnings and capital resulting from adverse or delayed strategic business decisions, which may prove to be sub-optimal even though they could have been correct at the time they were taken based on the available information.
The Bank reviews on a regularly basis the strategy drawn up and the financial results. In addition, periodic monitoring of the financial key figures is performed to ensure the adherence with the strategic plan of the Bank.

Subsequent Events

In the first months of 2020 the coronavirus (COVID 19) rapidly spread across the globe and has been recognized as a pandemic. The pandemic and the related actions taken to contain the spread have caused significant volatility in the global financial markets and expect to adversely impact global business and economic activity. The Bank is closely monitoring developments and is currently assessing the impact on its operations and the related financial results.

The valuation of the goodwill, investment and financial assets as at 31 December 2019 as disclosed in the financial statements reflect the economic conditions in existence at that date.

Starting January 1st, 2020 Mrs Elli Giannopoulou joined the authorized management of the Bank and will be acting as Chief Operating Officer.

March 31, 2020

Lena Lascari Chief Executive Officer	Laurent Breulet Authorized Manager

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 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Bank's financial statements comprise:

- the statement of profit and loss and other comprehensive income for the year ended 31 December 2019;
- the statement of financial position as at 31 December 2019;
- 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

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

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

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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
Provisions and contigent liabilities of ongoing litigations We refer to Note 26 of the financial statements, which states a provision for litigation of EUR 1.6 million. We focused on this area because there are some pending and ongoing legal disputes involving the Bank. Accordingly, the Management exercises significant judgements in estimating the level of provision required. The evaluation of Management's judgements, including those that involve estimations in assessing the likelihood that a pending claim will succeed, or a liability will arise, and the quantification of the ranges of potential financial settlement have been a matter of most significance during the current year.	We obtained Management's assessment and found it in alignment with the provision of IAS 37. We satisfied ourselves with the procedures performed below as to Management's assumptions used to determine the provisions related to ongoing litigations to be booked: • 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 assumptions used; • We inspected the list of client complaints, the correspondence with the local regulator as well as the minutes of meetings of the Board of Directors and Audit & Risk Committee for indications of potential lawsuits; • We performed an external lawyer's circularization. Finally, in relation to the present financial statements, we verified that the disclosure related to the provisions is in line with the requirements of IAS 37.

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 21 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 goodwil for an amount of EUR 2 724 142. As disclosed in Note 22 to the financial statements, this goodwill has been decreased to an amount of EUR 1 914 106 during the year following the reduction of a deferred consideration in accordance with IFRS 3. We focused on the valuation of the goodwill, as this is of material significance for the financial statements and that significant judgment is required to assess its valuation. Indeed, the valuation is depending on the future profitability of the underlying business that will generate this goodwill.	Our audit focused on assessing the appropriateness of Management's judgment 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.
Recoverability of deferred taxes As disclosed in Note 12 to the financial statements as at 31 December 2019, the Bank has recognised EUR 12 005 414 of deferred tax assets. We focused on the recoverability of the deferred tax assets, as those are	Our audit focused on assessing the appropriateness of Management's judgment about the recoverability and valuation of deferred tax assets through the following procedures: • We evaluated Management's assessment on the sufficiency of future taxable profits in support of the recognition of deferred tax assets by comparing Management's forecasts of future profits (business plan) to historical results;

of material significance for the financial statements and that significant judgment is required to assess their recoverability. Indeed, the recoverability is depending on the future profitability of the Bank, as the origin of those deferred tax assets is the tax losses previously accumulated by the Bank.	• We checked the main assumptions used by the Management for the forecasts of future profits; • We checked the computation of the deferred tax assets; • We ensured that the taxes generated by future profits forecasted are higher than the deferred tax assets recognised on-balance sheet.

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” of the Bank by the Board of Directors on 5 April 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 14 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 2 April 2020

Roxane Haas

EFG Bank (Luxembourg) S.A.

Statement of profit and loss and other comprehensive income for the year ended December 31, 2019

	Note	2019 EUR	2018 EUR
Interest income	6	18 346 014	19 689 909
Interest expense	6	(19 422 658)	(13 382 751)
Net interest income		**(1 076 644)**	**6 307 158**
Banking Fee and commission income	7	32 210 139	32 045 476
Banking Fee and commission expense	7	(1 995 472)	(2 268 364)
Net banking fee and commission income		**30 214 667**	**29 777 112**
Net other income	8	**21 652 600**	**15 063 634**
Operating income		**50 790 623**	**51 147 904**
Operating expenses *(*)*	2, 9	**(55 472 192)**	**(55 228 998)**
Provisions *(*)*	26	**140 770**	**(806 948)**
Loss allowances		**(24 638)**	**150 820**
Profit/(loss) before tax		**(4 565 437)**	**(4 737 222)**
Income tax	11	798 917	(1 317 505)
Net profit/(loss) for the year		**(3 766 520)**	**(6 054 727)**
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		(338 600)	(110 797)
Tax effect on financial assets at fair value through other comprehensive income		84 447	28 818
Other comprehensive income/(loss) for the year, net of tax		**(254 153)**	**(81 979)**
Total comprehensive income for the year		**(4 020 673)**	**(6 136 706)**

(*) Comparative figures were reclassified for comparability purposes

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

Statement of financial position as at December 31, 2019

	Note	2019 EUR	2018 EUR
ASSETS			
Cash and balances with central banks	13, 14	1 621 534 420	1 446 749 157
Treasury bills and other eligible bills	15	15 008 308	-
Due from other banks	14, 15	309 814 314	314 082 330
Derivative financial instruments	16	4 904 576	6 272 886
Financial assets at fair value through other comprehensive income	19	110 003 919	114 411 263
Loans and advances to customers	17, 18	721 350 423	639 830 321
Participations	20	1 253 662	1 681 432
Property, plant and equipment	22	22 793 645	2 683 670
Intangible assets	21	5 408 431	4 290 613
Deferred income tax assets	12	12 005 414	11 211 641
Other assets	23	13 716 733	11 051 087
Total assets		**2 837 793 846**	**2 552 264 400**
LIABILITIES			
Due to other banks	24	112 693 053	140 532 574
Due to customers	25	2 547 531 314	2 246 571 567
Derivative financial instruments	16	8 804 478	4 566 635
Current income tax liabilities	12	61 000	59 134
Deferred income tax liabilities	12	442 507	614 503
Provisions (*)	26	1 591 735	2 175 023
Other liabilities (*)	2, 27	42 281 762	29 626 397
Total liabilities		**2 713 405 849**	**2 424 145 833**
EQUITY			
Share capital	28	118 000 000	118 000 000
Other equity	36	3 432 765	3 142 661
Revaluation reserve	19	(104 244)	149 909
Retained earnings	29	3 059 476	6 825 997
Total equity		**124 387 997**	**128 118 567**
Total equity and liabilities		**2 837 793 846**	**2 552 264 400**

(*) Comparative figures were reclassified for comparability purposes

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

EFG Bank (Luxembourg) S.A.

Statement of changes in equity for the year ended December 31, 2019

	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, 2018	**78 000 000**	**2 152 260**	**231 888**	**12 880 724**	**93 264 872**
Employee share option plan	-	990 401	-	-	990 401
Capital increase	40 000 000	-	-	-	40 000 000
Dividend	-	-	-	-	-
Profit/(loss) for the year (restated)	-	-	-	(6 054 727)	(6 054 727)
Other comprehensive income	-	-	(81 979)	-	(81 979)
Balance at December 31, 2018	**118 000 000**	**3 142 661**	**149 909**	**6 825 997**	**128 118 567**
Balance at January 1, 2019	**118 000 000**	**3 142 661**	**149 909**	**6 825 997**	**128 118 567**
Employee share option plan	-	290 104	-	-	290 104
Capital increase	-	-	-	-	-
Dividend	-	-	-	-	-
Profit/(loss) for the year	-	-	-	(3 766 520)	(3 766 520)
Other comprehensive income	-	-	(254 154)	-	(254 154)
Balance at December 31, 2019	**118 000 000**	**3 432 765**	**(104 244)**	**3 059 476**	**124 387 997**

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

EFG Bank (Luxembourg) S.A.

Statement of cash flows for the year ended December 31, 2019

	Note	2019 EUR	2018 EUR
Cash flows from operating activities			
Interest income	6	18 246 115	19 738 620
Interest expense	6	(19 422 658)	(12 890 647)
Fee and commission income	7	32 471 188	34 827 825
Fee and commission expense	7	(1 995 472)	(4 033 803)
Net operating income received (paid)	8	27 673 880	16 781 874
Operating expenses	9	(51 807 142)	(56 468 560)
Income tax paid	11	(66 730)	(10 770)
Net Cash flows from operating profits before change in operating assets and liabilities		**5 099 181**	**(2 055 461)**
Changes in operating assets and liabilities			
Net (increase)/decrease in loans and advances to banks		20 859 395	16 250 689
Net (increase)/decrease in Treasury bills and other eligible bills		(15 008 308)	-
Net (increase)/decrease in derivative financial instruments		-	(1 469 475)
Net (increase)/decrease in loans and advances to customers		(81 544 740)	38 763 854
Net (increase)/decrease in other assets		(3 241 923)	(517 450)
Net increase/(decrease) in due to banks		(27 839 521)	(406 280 869)
Net increase/(decrease) in due to customers		287 391 105	55 070 887
Net increase/(decrease) in provisions		(2 579 620)	(5 522 459)
Net increase/(decrease) in other liabilities		5 532 254	3 409 348
Net cash flows from operating activities		**183 568 642**	**(300 295 475)**
Cash flows from investing activities			
Purchase of investment securities		(21 259 090)	(23 611 216)
Proceeds from sale/maturity of investments securities		26 300 092	39 525 864
Purchase of intangible assets	21	(1 402 676)	(115 227)
Purchase of property, plant and equipment	22	(929 507)	(559 776)
Proceeds from sale of property, plant and equipment		-	3 757
Other		-	34 004
Net cash flows from investing activities		**2 708 819**	**15 277 406**
Cash flows from financing activities			
Issue of ordinary shares	28	-	40 000 000
Net cash flows from financing activities		**0**	**40 000 000**
Net increase (decrease) in cash and cash equivalents		**191 376 642**	**(247 073 530)**
Cash and cash equivalent at beginning of the financial year		1 739 810 777	1 986 884 307
Cash and cash equivalents at end of year	14	**1 931 187 419**	**1 739 810 777**

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 31 March 2020.

2. Summary of significant accounting policies and valuation rules

Basis of preparation

The financial statements are for the year ended 31 December 2019. 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 31 December 2018, with the exception of the first time adoption of IFRS 16 mentioned in the current note.

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 adopted by the Bank

The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing 01 January 2019:

- IFRS 16 Leases;
- Prepayment Features with Negative Compensation to IFRS 9;
- Long-term interests in Associates and Joint Ventures Amendments to IAS 28 (not applicable to the Bank)
- Plan Amendment, Curtailment of Settlement Amendments to IAS 19 (not applicable to the Bank); and
- Interpretation 23 Uncertainty over income Tax Treatments.

The Bank had to change its accounting policies as a result of adopting IFRS 16. The Bank elected to adopt the "Modified retrospective approach" which does not require to restate the comparative period, and recognised the cumulative effect of initially applying the new standard on 01 January 2019. This is disclosed in note 3.

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New and amended standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 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 and common control transaction

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 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 amounts 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. There was no offsetting during the period.

(e) Income statement

(i) Interest income and expenses

Interest income and expenses are recognised in the Income Statement 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.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fees and commissions

Fees and commissions are generally recognised on an accrual basis. Commissions and fees that are an integral part of effective interest rate, are included in interest income. Commissions and fees relating to foreign exchange transactions, bank charges, brokerage activities and portfolio management are recognised, as applicable, on either time-apportioned basis, transaction date or completion of the underlying transaction.

(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;
- Leasehold improvements: 10 years;
- Furniture and other equipment: 3-10 years; and
- 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 Net Other Income in the income statement.

(g) Intangible assets

This includes the following categories:

Computer software

Computer software is stated at cost less accumulated depreciation and impairment losses. It is periodically reviewed for impairment, with any impairment charge being recognised in the Income Statement. Depreciation is calculated using the straight-line method over a 3 to 5 year basis. The acquisition cost of software capitalised is on the basis of the cost to acquire and bring into use the specific software.

Other intangible assets – Client relationships

Other intangible assets acquired in a business combination are measured at cost less accumulated depreciation and impairment losses. The book value is reviewed for impairment, with any impairment charge being recognised in the income statement. These intangible assets are customer contracts acquired as part of a business combination, recognised at their fair value at the date of

acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives (14 years). The remaining life is reviewed periodically for reasonableness.

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

The Italian branch adopted in 2019 a remuneration model of the Financial Advisors which involves a one-off payment based on the initial Assets under Management that the Advisor is referring to the branch.
These payments are qualifying as assets because generate future commissions and as a consequence, future economic benefits expected to flow to the branch. In depth these are considered intangible assets because the conditions provided by IAS 38 (identifiability, control, and future economic benefits) are met.

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

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

Other intangible assets – Goodwill

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

(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 gains/losses on derecognition of financial assets and liabilities'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

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

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

(iv) Fair value through profit or loss

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

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

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

(v) Impairment

The Bank assesses loss allowances at each reporting date. The measurement of expected credit loss reflects:
- An unbiased and probability-weighted value that is determined by evaluating a range of possible outcomes;
- Time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(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) Leases

The Bank primarily leases office premises, as well as some IT equipment. Rental contracts are typically made for fixed periods of six months to 15 years.

Prior to IFRS 16 application at 01 January 2019, the leases entered into by the Bank were operating leases under the principles of IAS 17. The total payments made under operating leases were charged to the income statement on a straight-line basis over the life of the lease. This policy changed for periods ended after 01 January 2019 – see note 3.

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

The remeasurements to the lease liabilities are recognised as adjustments to the related right-of-use assets immediately after the date of initial application. Right-of use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet. This principle was applied at the transition date and throughout the year ended 31 December 2019.

(k) Deferred income tax

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 goodwill impairment, property, plant and equipment depreciation,

revaluation of certain financial assets and liabilities, including derivative instruments and the accumulated tax losses.

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 is subsequently recognised in the Income Statement together with the deferred gain or loss.

Income tax payable on profits, based on the applicable tax law in the jurisdictions the Bank is operating is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

(l) 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.

The proceeds received net of any directly attributable transaction costs are credited to the share capital (nominal value) and share premium when the options are exercised.

(m) 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.

(n) 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 economic benefits will be required to settle the obligation;
- Reliable estimates of the amount of the obligation can be made.

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.

(o) 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.

(p) 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.

(q) 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.

(r) Comparatives

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

3. Change in accounting policies

The Bank has adopted IFRS 16 Leases, effective from 01 January 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the transitional provisions in the standard. The reclassifications and the adjustments arising from the new rules are recognised in the opening balance sheet on 01 January 2019.

Until 31 December 2018, the Bank applied IAS 17 and leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

(a) Liabilities

On adoption of IFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17.
These lease liabilities are now measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate as of 01 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities at 01 January 2019 was 0.26%.

Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

(b) Assets

From 01 January 2019, leases are recognised as a right-of use asset at the date at which the leased asset is available for use by the Bank.

Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

(c) Income statement

Each lease payment is allocated between the lease liability and related finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the assets useful life and the lease term on a straight-line basis.

(d) Impact on adoption

This change in accounting policy affected property, plant and equipment (increase by EUR 20.8 million) and other liabilities (increase by EUR 20.8 million) in the balance sheet on 01 January 2019.

(e) Implementation

In applying IFRS 16 for the first time, the Bank has used the following practical expedients permitted by the standard:
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 01 January 2019 as short-term leases; and
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The lease liabilities as at 01 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	EUR millions
Operating lease commitments disclosed as at 31 December 2018	**18.2**
Lease term reassessment	3.0
Sub-total	21.2
Discounting impact	(0.3)
Discounted using the lessee's incremental borrowing rate at the date of initial application	20.9
(Less): short-term leases recognised on a straight-line basis as expense	(0.09)
Lease liability recognised as at 01 January 2019	**20.8**

4. 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 according to IFRS 9 for financial assets measured at amortised cost and Fair Value through Other Comprehensive Income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring the expected credit losses are further detailed in note 5, which also sets out the key sensitivities of the expected credit losses to changes in these elements.

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; and
- Establishing groups of similar financial assets for the purposes of measuring the expected credit losses.

(b) Income taxes and deferred taxes

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

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

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

(c) Provisions

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

(d) Impairment of intangible assets

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

(e) Fair value of financial instruments

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

5. Financial risk management

5.1 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).

5.2 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 entity 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 closeout 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.

		2020	2021	2022	2023	2024
World GDP Growth	Base	3.4%	3.6%	3.6%	3.6%	3.6%
	Upside	4.4%	4.4%	4.2%	4.1%	4.0%
	Downside	2.4%	2.8%	2.9%	3.1%	3.2%
Switzerland GDP Growth	Base	1.3%	1.6%	1.6%	1.6%	1.6%
	Upside	2.3%	2.4%	2.2%	2.1%	2.0%
	Downside	0.3%	0.8%	0.9%	1.1%	1.2%
Weighted GDP Growth	Base	1.6%	1.5%	1.4%	1.4%	1.4%
	Upside	2.6%	2.3%	2.0%	1.9%	1.8%
	Downside	0.6%	0.7%	0.7%	0.9%	1.0%
House Price Index Switzerland	Base	0.2%	0.5%	1.1%	1.4%	1.8%
	Upside	2.2%	2.1%	2.4%	2.5%	2.6%
	Downside	(1.8%)	(1.1%)	(0.2%)	0.4%	1.0%
House Price Index France	Base	2.0%	1.8%	1.5%	1.4%	1.4%
	Upside	8.0%	6.6%	5.4%	4.5%	3.9%
	Downside	(4.0%)	(3.0%)	(2.3%)	(1.7%)	(1.0%)
House Price Index UK (London)	Base	2.4%	4.0%	3.3%	3.8%	2.7%
	Upside	8.4%	8.8%	7.1%	6.9%	5.2%
	Downside	(3.6%)	(0.8%)	(0.5%)	0.7%	0.2%
Weighted House Price Index	Base	1.5%	2.6%	2.4%	2.8%	2.3%
	Upside	6.1%	6.3%	5.3%	5.2%	4.2%
	Downside	(3.0%)	(1.1%)	(0.5%)	0.5%	0.5%

For mortgages and other loans the upside and downside ECL scenarios have been applied, for Lombard loans the volatilities have been doubled for the downside and halved for the upside:

Portfolio	Parameter	Scenario	
		Upside sensitivity	Downside sensitivity
Mortgages and other loans	Switzerland GDP Growth	(0.8)	0.9
	Weighted GDP Growth	(0.4)	0.4
	House Price Index Switzerland	(0.1)	0.1
	House Price Index UK (London)	(0.5)	0.8
	Weighted House Price Index	(0.8)	1.0
Lombard loans	Volatilities	(0.1)	0.3

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 31 December 2019:

31 December 2019	Total carrying value EUR	ECL Staging Stage 1	Stage 2	Stage 3	ECL allowance included in carrying values EUR
Cash and balances with central banks	1 621 534 420	(4 339)	-	-	(4 339)
Treasury bills and other eligible bills	15 008 308	(737)	-	-	(737)
Due from other banks	309 814 314	(13 002)	-	-	(13 002)
Loans and advances to customers	721 350 423	(33 514)	(125 278)	(1 881 245)	(2 040 037)
Financial assets at fair value through other comprehensive income	110 003 919	(6 070)	-	-	(6 070)
Other assets	13 716 733	-	-	-	-
Total on-balance sheet assets as at 31 December 2019	**2 791 428 117**	**(57 662)**	**(125 278)**	**(1 881 245)**	**(2 064 185)**
Commitments and financial guarantees	32 669 320	(2 791)	(33 103)	-	(35 894)
Total	**2 824 097 437**	**(60 453)**	**(158 381)**	**(1 881 245)**	**(2 100 079)**

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 31 December 2018:

31 December 2018	Total carrying value EUR	ECL Staging Stage 1	Stage 2	Stage 3	ECL allowance included in carrying values EUR
Cash and balances with central banks	1 446 749 157	(159)	-	-	(159)
Due from other banks	314 082 330	(28 499)	-	-	(28 499)
Loans and advances to customers	639 830 321	(19 138)	(217 597)	(1 706 841)	(1 943 576)
Financial assets at fair value through other comprehensive income	114 411 263	(9 988)	-	-	(9 988)
Other assets	11 051 087	-	-	-	-
Total on-balance sheet assets as at 31 December 2018	**2 526 124 158**	**(57 784)**	**(217 597)**	**(1 706 841)**	**(1 982 222)**
Commitments and financial guarantees	26 371 045	(281)	(64 280)	-	(64 561)
Total	**2 552 495 203**	**(58 065)**	**(281 877**	**(1 706 841)**	**(2 046 783)**

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 2019	**(57 784)**	**(217 597)**	**(1 706 841)**	**(1 982 222)**
Increase due to origination and acquisition	(29 461)	(24 944)	(174 405)	(228 810)
Decrease due to derecognition	30 276	78 539	-	108 815
Changes due to change in credit risk (net)	(1 741)	38 724	-	36 983
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	1 048	-	1	1 049
Loss allowance as at 31 December 2019	**(57 662)**	**(125 278)**	**(1 881 245)**	**(2 064 185)**
Gross carrying amount transfers:				
Transfer from Stage 1 to Stage 2	(15 945 187)	15 945 187	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	4 649 798	(4 649 798)	-	-

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 2019	**(159)**	**-**	**-**	**(159)**
Increase due to origination and acquisition	(4 180)	-	-	(4 180)
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	-	-	-	-
Loss allowance as at 31 December 2019	**(4 339)**	**-**	**-**	**(4 339)**
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	-	-	-	-

Treasury bills and other eligible bills

The loss allowances for the Treasury bills and other eligible bills amount to EUR 737 and they have been recorded following the acquisition the bills in April 2019.

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 2019	**(28 499)**	**-**	**-**	**(28 499)**
Increase due to origination and acquisition	(12 695)	-	-	(12 695)
Decrease due to derecognition	27 765	-	-	27 765
Changes due to change in credit risk (net)	(297)	-	-	(297)
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	724	-	-	724
Loss allowance as at 31 December 2019	**(13 002)**	**-**	**-**	**(13 002)**
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 2019	**(19 138)**	**(217 597)**	**(1 706 841)**	**(1 943 576)**
Increase due to origination and acquisition	(15 603)	(24 944)	(174 405)	(214 952)
Decrease due to derecognition	1 544	78 539	-	80 083
Changes due to change in credit risk (net)	(480)	38 724	-	38 244
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	163	-	1	164
Loss allowance as at 31 December 2019	**(33 514)**	**(125 278)**	**(1 881 245)**	**(2 040 037)**
Gross carrying amount transfers:				
Transfer from Stage 1 to Stage 2	(15 945 187)	15 945 187	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	4 649 798	(4 649 798)	-	-

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 2019	**(9 988)**	**-**	**-**	**(9 988)**
Increase due to origination and acquisition	(426)	-	-	(426)
Decrease due to derecognition	968	-	-	968
Changes due to change in credit risk (net)	3 375	-	-	3 375
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	-	-	1
Loss allowance as at 31 December 2019	**(6 070)**	**-**	**-**	**(6 070)**
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.

5.3 Market Risk

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

(a) Price risk

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

(b) Foreign exchange risk

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

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2019. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency.

	2019					
	EUR					
	GBP	USD	EUR	CHF	Other	Total
Assets						
Cash and balances with central banks	2 874	35 159	1 621 484 117	12 270	-	1 621 534 420
Treasury bills and other eligible bills	-	-	15 008 308	-	-	15 008 308
Due from other banks	1 101 506	9 376 515	260 459 822	926 663	37 949 808	309 814 314
Derivative financial instruments	735 741	389 766	1 866 002	1 178 857	734 211	4 904 576
Financial assets at fair value through OCI	-	77 965 970	32 037 950	-	-	110 003 919
Loans and advances to customers	55 482 097	149 515 914	504 766 912	8 491 078	3 094 423	721 350 423
Participations	-	-	1 253 662	-	-	1 253 662
Property, plant and equipment	-	-	22 793 645	-	-	22 793 645
Intangible assets	-	-	5 408 431	-	-	5 408 431
Deferred income tax asset	-	-	12 005 414	-	-	12 005 414
Other assets	60 679	104 994	13 160 637	390 423	-	13 716 733
Total assets	**57 382 896**	**237 388 318**	**2 490 244 899**	**10 999 291**	**41 778 441**	**2 837 793 846**
Liabilities						
Due to other banks	3 138 091	49 038 976	59 026 924	-	1 489 062	112 693 053
Due to customers	75 278 413	727 164 545	1 602 179 492	76 434 956	66 473 908	2 547 531 314
Derivative financial instruments	162 670	69 305	7 451 221	650 777	470 505	8 804 478
Current income tax liabilities	-	-	61 000	-	-	61 000
Deferred income tax liabilities	-	-	442 507	-	-	442 507
Provision	-	-	1 591 735	-	-	1 591 735
Other liabilities	9	49 528	40 338 486	1 815 477	78 261	42 281 762
Total liabilities	**78 579 183**	**776 322 355**	**1 711 091 365**	**78 901 210**	**68 511 736**	**2 713 405 848**
Net balance sheet position	**(21 196 286)**	**(538 934 037)**	**779 153 534**	**(67 901 919)**	**(26 733 295)**	**124 387 997**
Contingent liabilities and Commitments	-	6 502	7 428 358	-	-	7 434 860

	2018					
			EUR			
	GBP	USD	EUR	CHF	Other	Total
Assets						
Cash and balances with central banks	10 307	29 122	1 446 703 674	6 054	-	1 446 749 157
Due from other banks	2 462 755	21 836 088	262 320 824	1 529 552	25 933 111	314 082 330
Derivative financial instruments	-	121 821	6 151 065	-	-	6 272 886
Financial assets at fair value through OCI	-	85 921 673	28 489 590	-	-	114 411 263
Loans and advances to customers	23 668 305	120 139 792	482 207 506	7 804 034	6 010 684	639 830 321
Participations	-	-	1 681 432	-	-	1 681 432
Property, plant and equipment	-	-	2 683 670	-	-	2 683 670
Intangible assets	-	-	4 290 613	-	-	4 290 613
Deferred income tax asset	-	-	11 211 641	-	-	11 211 641
Other assets	87 466	136 821	10 590 917	235 883	-	11 051 087
Total assets	**26 228 833**	**228 185 317**	**2 256 330 932**	**9 575 523**	**31 943 795**	**2 552 264 400**
Liabilities						
Due to other banks	3 000 152	19 582 655	115 882 251	230 668	1 836 848	140 532 574
Due to customers	101 986 918	629 207 910	1 400 621 095	48 805 856	65 949 788	2 246 571 567
Derivative financial instruments	-	121 820	4 444 815	-	-	4 566 635
Current income tax liabilities	-	-	59 134	-	-	59 134
Deferred income tax liabilities	-	-	614 503	-	-	614 503
Provision	-	-	2 175 023	-	-	2 175 023
Other liabilities	9	528 128	23 125 000	5 973 260	-	29 626 397
Total liabilities	**104 987 079**	**649 440 513**	**1 546 921 821**	**55 009 784**	**67 786 636**	**2 424 145 833**
Net balance sheet position	**(78 758 246)**	**(421 255 196)**	**709 409 111**	**(45 434 261)**	**(35 842 841)**	**128 118 567**
Contingent liabilities and Commitments	148 122	2 330 701	23 832 323	59 899	-	26 371 045

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

(c) Interest rate risk

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

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

	2019					
	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	1 474 078 768	-	-	-	147 455 652	1 621 534 420
Treasury bills and other eligible bills	15 008 308	-	-	-	-	15 008 308
Due from other banks	309 652 991	161 323	-	-	-	309 814 314
Loans and advances to customers	553 045 261	145 334 411	16 470 751	6 500 000	-	721 350 423
Derivative financial instruments	-	-	-	-	4 904 576	4 904 576
Investment securities	96 996 214	-	13 007 705	-	-	110 003 919
Participations	.	-	-	-	1 253 662	1 253 662
Intangible assets and goodwill	-	-	-	-	5 408 431	5 408 431
Property, plant and equipment	-	-	-	-	22 793 645	22 793 645
Deferred income tax asset	-	-	-	-	12 005 414	12 005 414
Other assets	-	-	-	-	13 716 733	13 716 733
Total assets	**2 448 781 543**	**145 495 734**	**29 478 455**	**6 500 000**	**207 538 113**	**2 837 793 846**
Liabilities						
Due to banks	87 332 610	21 690 964	3 669 479	-	-	112 693 053
Due to customers	2 477 591 489	69 939 825	-	-	-	2 547 531 314
Derivative financial instruments	-	-	-	-	8 804 478	8 804 478
Provisions	-	-	-	-	1 591 735	1 591 735
Deferred income tax liabilities	-	-	-	-	442 507	442 507
Current income tax liabilities	-	-	-	-	61 000	61 000
Other liabilities	-	-	-	-	42 281 762	42 281 762
Total liabilities	**2 564 924 098**	**91 630 789**	**3 669 479**	**-**	**53 181 481**	**2 713 405 848**
Net balance sheet position	**(116 142 556)**	**53 864 945**	**25 808 976**	**6 500 000**	**154 356 632**	**124 387 998**
Contingent liabilities and commitments	7 434 860	-	-	-	-	7 434 860

The table below summarises the Bank's exposure to interest rate risk at December 31, 2018. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

2018	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	1 446 024 217	-	-	-	724 940	1 446 749 157
Due from other banks	293 040 997	21 041 333	-	-	-	314 082 330
Loans and advances to customers	455 982 086	179 837 952	4 010 283	-	-	639 830 321
Derivative financial instruments	-	-	-	-	6 272 886	6 272 886
Investment securities	101 158 113	8 751 142	4 502 008	-	-	114 411 263
Participations	-	-	-	-	1 681 432	1 681 432
Intangible assets and goodwill	-	-	-	-	4 290 613	4 290 613
Property, plant and equipment	-	-	-	-	2 683 670	2 683 670
Deferred income tax asset	-	-	-	-	11 211 641	11 211 641
Other assets	-	-	-	-	11 051 087	11 051 087
Total assets	**2 296 205 413**	**209 630 427**	**8 512 291**	**-**	**37 916 269**	**2 552 264 400**
Liabilities						
Due to banks	123 330 140	7 972 880	9 089 554	140 000	-	140 532 574
Due to customers	2 246 571 567	-	-	-	-	2 246 571 567
Derivative financial instruments	-	-	-	-	4 566 635	4 566 635
Provisions	-	-	-	-	2 175 023	2 175 023
Deferred income tax liabilities	-	-	-	-	614 503	614 503
Current income tax liabilities	-	-	-	-	59 134	59 134
Other liabilities	-	-	-	-	29 626 397	29 626 397
Total liabilities	**2 369 901 707**	**7 972 880**	**9 089 554**	**140 000**	**37 041 692**	**2 424 145 833**
Net balance sheet position	**(73 696 294)**	**201 657 547**	**(577 263)**	**(140 000)**	**874 577**	**128 118 567**
Contingent liabilities and commitments	3 054 885	2 159 202	7 541 955	13 615 004	-	26 371 045

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

5.4 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 (58.23%) (31 December 2018: 57.51%), used to finance the loan book (25.90 %) (31 December 2018: 25.45%), placed with the Group entities (10.13%) (31 December 2018: 10.91%) (as a result of an exemption granted by the CSSF on the intra-group limit according to their letter dated 21 September 2010), placed in investment securities (4.49%) (31 December 2018: 4.55%) or with direct counterparties of the Bank.

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

	2019					
	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	80 143 030	7 189 580	21 690 964	3 669 479	-	112 693 053
Due to customers	2 295 758 519	181 832 970	69 939 825	-	-	2 547 531 314
Total Financial liabilities (Contractual maturity dates)	**2 375 901 549**	**189 022 550**	**91 630 789**	**3 669 479**	-	**2 660 224 367**
Guarantees and loan commitments	**32 669 320**	-	-	-	-	**32 669 320**

	2018					
	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	89 709 576	-	39 397 708	4 721 193	7 411 833	141 240 310
Due to customers	1 960 939 275	188 111 240	98 138 275	1 133 261	-	2 248 322 051
Total Financial liabilities (Contractual maturity dates)	**2 050 648 851**	**188 111 240**	**137 535 983**	**5 854 454**	**7 411 833**	**2 389 562 361**
Guarantees and loan commitments	**26 371 045**	-	-	-	-	**26 371 045**

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

(b) Derivative cash flows

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

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

At December 31, 2019	**Up to 1 month**	**1-3 months**	**3-12 months**	**Total**
	EUR	EUR	EUR	EUR
Derivatives held for trading				
• Foreign exchange derivatives				
o Outflow	936 711 069	2 016 819 175	116 342 988	**3 069 873 233**
o Inflow	934 580 176	2 016 231 193	116 468 822	**3 067 280 191**

At December 31, 2018	**Up to 1 month**	**1-3 months**	**3-12 months**	**Total**
	EUR	EUR	EUR	EUR
Derivatives held for trading				
• Foreign exchange derivatives				
o Outflow	631 640 988	399 880 627	175 308 821	**1 206 830 436**
o Inflow	631 014 789	401 636 338	177 366 148	**1 210 017 275**

5.5 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 (mainly cross-currency interest rate risk) 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 of a stress testing on the Bank of + 200 basis points parallel shift in interest rate results to EUR 1 458 132 (2018: EUR 5 648 201).

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 (502 734).

5.6 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.

	2019 EUR				2018 EUR			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments	-	4 904 576	-	**4 904 576**	-	6 272 886	-	**6 272 886**
Financial assets at fair value through OCI	110 003 919	-	-	**110 003 919**	114 411 263	-	-	**114 411 263**
Total assets measured at fair value	**110 003 919**	**4 904 576**	**-**	**114 908 495**	**114 411 263**	**6 272 886**	**-**	**120 684 149**
Derivative financial instruments	-	8 804 478	-	**8 804 478**	-	4 566 635	-	**4 566 635**
Total liabilities measured at fair value	**-**	**8 804 478**	**-**	**8 804 478**	**-**	**4 566 635**	**-**	**4 566 635**
Net measured at fair value	**110 003 919**	**(3 899 902)**	**-**	**106 104 017**	**114 411 263**	**1 706 251**	**-**	**116 117 514**

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 31 December 2019 and 31 December 2018.

(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 31 December 2019 and 31 December 2018.

(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 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 31 December 2019 and 31 December 2018.

6. Net interest income

	2019	**2018**
	EUR	EUR
Interest income		
Banks	1 406 613	4 007 757
Customers	14 558 671	13 778 682
Investment securities	2 380 730	1 903 470
Total interest income	**18 346 014**	**19 689 909**
Interest expense		
Banks	(2 224 769)	(1 829 717)
Customers	(10 692 980)	(5 822 564)
Luxembourg Central Bank	(6 446 824)	(5 730 470)
Lease liabilities	(58 085)	-
Total interest expense	**(19 422 658)**	**(13 382 751)**
Net interest income	**(1 076 644)**	**6 307 158**

The decrease of net interest income compared to last year is mainly explained by negative interests charged by the Central Bank of Luxembourg and the increase of the net liability in USD.

The increase of interest expense is mainly due to:
- the increase of customer deposits in USD that bear significantly higher interest as compared to the Euro deposits.
- the increase of interest paid to BCL due to a higher average balance maintained and the increase of interest rates in the last months of 2019.

7. Net banking fee and commission income

	2019 EUR	2018 EUR
Commissions related to securities and investment activities	26 385 537	26 258 716
Commission income from other services	5 824 602	5 786 760
Commission income	**32 210 139**	**32 045 476**
Commission expense	(1 995 472)	(2 268 364)
Commission expense	**(1 995 472)**	**(2 268 364)**
Net banking fee and commission income	**30 214 667**	**29 777 112**

8. Net other income

	2019 EUR	2018 EUR
Net foreign exchange income	19 174 795	13 182 724
Client relationship services income	2 634 170	1 485 836
Net other intercompany income / expense	678 399	653 392
Net other operating income	792 722	1 098 380
Net wealth tax	(591 852)	(441 600)
Operational losses	(118 472)	(184 209)
Client relationship services expense	(917 162)	(730 889)
Net other income	**21 652 600**	**15 063 634**

The increase of net other income is mainly driven by the net foreign exchange income which increased by 5.9 million compared to last year. This income is related to the economic hedge strategy the Bank has implemented to limit the foreign currency risk and interest rate risk on USD exposure.

9. Operating expenses

	2019 EUR	2018 EUR
Staff costs (note 10) *(*)*	**(36 445 862)**	**(32 562 073)**
General and administrative expenses	(15 585 468)	(18 614 898)
Operating lease rentals	-	(3 024 027)
Depreciation of property, plant and equipment (Note 22)	(735 170)	(723 712)
Amortisation of intangible assets (Note 21)	(284 859)	(304 288)
Computer software and licences	*(71 770)*	*(146 907)*
Purchase Accounting related Intangibles	*(157 380)*	*(157 381)*
Other intangible assets	*(55 710)*	-
Depreciation of tangible fixed assets – Leasing	(2 420 834)	-
Operating expenses	**(55 472 192)**	**(55 228 998)**

General and administrative expenses comprise an amount of EUR 4 972 543 (2018: EUR 5 589 358) which corresponds to royalties and service recharges paid to Group's entities.

Depreciation has increased in 2019 compared to 2018 as the Bank has applied IFRS 16 from 01 January 2019, resulting in the recognition of depreciation of right-of-use assets. Operating lease payment are no longer recognised through the income statement but are allocated between the lease liability and related finance cost (see note 3).

The increase of the staff and administration expenses is because of the additional expenses incurred during the year for the launch of the Italy and Portugal branches.

(*) EUR 1.9 million were reclassified among staff costs reported in 2018. They are related to human resource restructuring provisions that were classified among provision expense in last year's financials statements.

10. Staff costs

	2019 EUR	2018 EUR
Wages, salaries and bonuses *(*)*	(28 796 698)	(27 202 389)
Social security costs	(2 836 095)	(2 085 028)
Pension plan expenses - defined contribution	(989 937)	(1 016 812)
Employee Equity Incentive Plans	(1 213 882)	(990 401)
Other	(2 609 250)	(1 267 443)
Total staff costs	**(36 445 862)**	**(32 562 073)**

(*) EUR 1.9 million were reclassified among wages, salaries and bonuses reported in 2018. They are related to human resource restructuring provisions that were classified among provision expense in last year's financials statements.

11. Income tax

	2019 EUR	2018 EUR
Current tax expense	(68 596)	(78 998)
Total current tax expense	**(68 596)**	**(78 998)**
Increase (decrease) in deferred expense tax	867 513	(1 238 507)
Total deferred tax income (expense)	**867 513**	**(1 238 507)**
Income tax income (expense)	**798 917**	**(1 317 505)**

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

	2019 EUR	2018 EUR
Taxable profit (loss) before tax	(4 565 437)	(4 737 222)
Applicable standard deferred tax rate	24.94%	26.01%
Theoretical deferred tax (expense)/income	**1 138 620**	**1 232 151**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	(196 241)	(167 622)
Tax effect related to the branch with permanent establishment outside Luxembourg	(19 369)	15 424
Deferred tax not recognised on branches	(2 543 862)	(797 704)
Deferred tax not recognised on Luxembourg	1 513 584	(361 722)
Other	38 672	475
Deferred tax income (expense) before tax integration	**(68 596)**	**(78 997)**
Deferred tax income (expense) from tax integration	867 513	(1 238 507)
Total income tax (expense)/income	**798 917**	**(1 317 505)**

The comparative information in the above table has been restated.

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

During the year the Bank has recognised deferred tax income relating to cumulative tax losses for an amount of EUR 868 thousand on the basis that the Luxembourg operations have returned to sustainable taxable profits during 2019. The Bank has used very prudent assumptions to ensure that adequate taxable profits will be available in the foreseeable future and will reassess its position in 2020.

12. 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:

	2019 EUR	2018 EUR
Deferred income tax assets	12 005 414	11 211 641
Deferred income tax liabilities	(442 507)	(614 503)
Net deferred income tax assets	**11 562 907**	**10 597 138**

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

	2019 EUR	2018 EUR
Beginning of year	**10 597 138**	**11 686 589**
Deferred tax gain/(loss) for the year in the income statement	881 322	(1 255 647)
Financial assets at fair value through other comprehensive income	84 447	-
IFRS 9 impact	-	166 196
Net deferred income tax assets	**11 562 907**	**10 597 138**

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

	2019	2018
Tax losses carried forward	11 883 952	11 101 092
IFRS 9	121 462	110 549
Deferred income tax assets	**12 005 414**	**11 211 641**
Arising from acquisition of intangible assets	416 508	516 247
Other differences between local tax rules and accounting standards	25 999	98 256
Deferred income tax liabilities	**442 507**	**614 503**
Net deferred income tax assets	**11 562 907**	**10 597 138**

Current Tax Liabilities

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

13. 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:

	2019 EUR	**2018** EUR
Cash in hand	562 982	724 945
Balances with central banks	1 620 975 777	1 446 024 371
Less: Loss Allowance	(4 339)	(159)
Cash and balances with central banks	**1 621 534 420**	**1 446 749 157**

14. Cash and cash equivalents

	2019 EUR	**2018** EUR
Cash and balances with central banks (note 13)	1 621 534 420	1 446 749 157
Due from other banks (note 15)	309 652 999	293 061 620
Cash and cash equivalents	**1 931 187 419**	**1 739 810 777**

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

15. Due from other banks & Treasury bills and other eligible bills

	2019 EUR	**2018** EUR
Due from other banks at sight	69 661 801	92 904 633
Due from other banks at term, maturing within 3 months	240 004 192	200 176 930
Less: Loss Allowance	(12 994)	(19 943)
Included in cash and cash equivalents	309 652 999	293 061 620
Due from other banks at term, maturing after 3 months	161 323	21 029 266
Less: Loss Allowance	(8)	(8 556)
Due from other banks	**309 814 314**	**314 082 330**
Due from other banks without Loss allowance	**309 827 316**	**314 110 829**

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

	2019 EUR	2018 EUR
Treasury bills	15 009 045	-
Less: Loss Allowance	(737)	-
Treasury bills and other eligible bills	**15 008 308**	**-**

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	2019 EUR	2018 EUR
Aa2	16 253 049	7 027 040
A1	285 156 038	290 252 203
A2	7 744 044	129
Baa1	109 445	394 013
Baa3	401 868	126 263
Ba2	-	95 260
Caa1	149 891	-
Caa2	-	63 648
Not rated	12 981	16 151 766
	309 827 316	**314 110 322**

As at December 31, 2019 and 2018, there are no impaired loans nor loans past due but not impaired.

16. Derivative financial instruments

The derivative financial instruments relate to forward exchange transactions and options outstanding as at December 31, 2019.

	December 31, 2019 EUR			December 31, 2018 EUR		
		Fair values			Fair values	
	Contract/ notional amount	Assets	Liabilities	Contract/ notional amount	Assets	Liabilities
Derivatives held for trading						
Currency forwards	516 855 013	2 361 316	2 276 914	413 830 096	1 790 185	1 692 174
Currency swaps	840 155 338	2 339 940	6 324 244	755 232 189	4 309 013	2 700 773
Options	17 289 771	203 320	203 320	37 762 152	173 688	173 688
Total derivative assets/liabilities held for trading		**4 904 576**	**8 804 478**		**6 272 886**	**4 566 635**

Derivative financial instruments held for trading generated a valuation loss for the year of EUR 5.6 million (2018: gain EUR 1.5 million) which is included under "Net other income" (note 8).

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

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

	December 31, 2018 EUR			
	Contract/ notional amount	Risk-equivalent amounts – Provisions	Collateral/ Guarantees	Net risk exposure
Internal rating (see note 17)				
1	1 120 708 568	10 083 234	13 473 797	(3 390 563)
2	48 353 716	483 629	541 865	(58 236)
Total		**10 566 863**	**14 015 662**	**(3 448 799)**

17. Loans and advances to customers

The ratings of a major rating agency are mapped to the Group'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 Group uses total standard loanable values to benchmark its internal credit risk assessment.

Group'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	2019 EUR	2019 %	2018 EUR	2018 %
1 Top	312 905 155	43.38%	284 933 032	44.53%
2 High	22 837 659	3.17%	47 276 631	7.39%
3 Very good	227 713 404	31.57%	154 907 843	24.21%
4 Good	129 222 358	17.91%	57 900 662	9.05%
5 Acceptable	12 510 091	1.73%	90 729 208	14.18%
6 Weak	12 238 495	1.70%	-	-
7 Poor	-	-	600 338	0.09%
8 Unacceptable	3 923 261	0.54%	3 482 607	0.54%
	721 350 423	**100.00%**	**639 830 321**	**100.00%**

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

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

	2019		2018	
	EUR	%	EUR	%
Private individuals	243 705 885	34%	199 115 872	31%
Financial companies	348 096 289	48%	284 460 462	44%
Private non-financial business	36 378 422	5%	18 165 591	3%
Services	74 459 492	10%	121 112 738	19%
Other	18 710 335	3%	16 975 658	3%
	721 350 423	**100%**	**639 830 321**	**100%**

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

18. Collateral for loans and commitments

Loans and advances to customers are secured as follows:

	2019	2018
	EUR	EUR
Loans and advances to customers		
Secured by cash deposits and securities	577 621 018	576 673 792
Secured by immovable property	143 729 374	62 931 529
Unsecured	31	225 000
	721 350 423	**639 830 321**
Off Balance-sheet commitments		
Commitment secured by cash deposits and securities	7 434 860	26 371 045
Commitment unsecured	-	-
	7 434 860	**26 371 045**

The fair value of the collateral of each individual non-impaired loan is greater than the carrying value of the receivable amount. For the most significant impaired loan (stage 3) as at 31 December 2019 the fair value of the collateral before prudent haircuts is higher than the carrying value of the receivable.

19. Financial assets at fair value through other comprehensive income

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

	2019 EUR	2018 EUR
Financial assets at FVOCI	110 009 989	114 421 251
Less: Loss Allowance	(6 070)	(9 988)
Total Financial assets at FVOCI	**110 003 919**	**114 411 263**

	2019 EUR	2018 EUR
Issued by public bodies		
- public banks	40 874 968	53 434 564
Issued by others	69 135 021	60 986 687
Less: Loss Allowance	(6 070)	(9 988)
Total Financial assets at FVOCI	**110 003 919**	**114 411 263**

	2019 EUR	2018 EUR
Listed on a stock exchange	100 014 045	114 421 251
Unlisted	9 995 944	-
Less: Loss Allowance	(6 070)	(9 988)
Total Financial assets at FVOCI	**110 003 919**	**114 411 263**

	2019 EUR	2018 EUR
Debt Investment	110 009 989	114 421 251
Less: Loss Allowance	(6 070)	(9 988)
Total Financial assets at FVOCI	**110 003 919**	**114 411 263**

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:

	2019				2018			
Rating	Government EUR	Public Banks EUR	Others EUR	Total EUR	Government EUR	Public Banks EUR	Others EUR	Total EUR
Aaa	-	40 874 968	-	**40 874 968**	-	53 434 564	1 036	**53 435 600**
Aa+	-	-	4 462 216	**4 462 216**	-	-	4 382 450	**4 382 450**
Aa	-	-	-	**-**	-	-	3 853 733	**3 853 733**
Aa-	-	-	31 235 347	**31 235 347**	-	-	34 313 030	**34 313 030**
A+	-	-	22 940 839	**22 940 839**	-	-	18 436 438	**18 436 438**
A	-	-	499 619	**499 619**	-	-	-	**-**
NR	-	-	9 997 000	**9 997 000**	-	-	-	**-**
Total	**-**	**40 874 968**	**69 135 021**	**110 009 989**	**-**	**53 434 564**	**60 986 687**	**114 421 251**

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

As at December 31, 2019 and 2018, there are no impaired investment securities nor investment securities past due but not impaired.

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

20. Participations

As at 31 December 2019, the Bank held the following unlisted participations:

	Acquisition value[1]	Carrying value	Proportion of capital held	Net Equity [2]
	EUR	EUR	%	EUR
EFG Fund Management S.A.	1 241 662	1 241 662	100%	1 920 853
EFG Alternative Investment GP	12 000	12 000	100%	12 000
Total	**1 253 662**	**1 253 662**	**-**	**1 932 853**

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

(2) Unaudited figures as at 31 December 2019

21. Intangible assets and goodwill

Intangible assets

	Computer software and Licences	Customer relationship & other intangibles	Goodwill on acquisition of business	Total Intangible assets
	EUR	EUR	EUR	EUR
At December 31, 2018				
Cost	1 061 997	2 865 202	1 914 106	5 841 305
Accumulated amortisation	(512 911)	(296 800)	-	(809 711)
Accumulated impairment	-	(740 982)	-	(740 982)
Net book value at December 31, 2018	**549 086**	**1 827 421**	**1 914 106**	**4 290 613**
Cost				
At December 31, 2018	1 061 997	2 865 202	1 914 106	5 841 305
Additions	8 682	1 393 994	-	1 402 676
Adjustment	-	-	-	-
At December 31, 2019	**1 070 679**	**4 259 196**	**1 914 106**	**7 243 981**
Accumulated amortisation				
At December 31, 2018	(512 911)	(296 800)	-	(809 711)
Amortisation charge for the year	(71 769)	(213 088)	-	(284 857)
Disposals	-	-	-	-
At December 31, 2019	**(584 680)**	**(509 888)**	**-**	**(1 094 568)**
Impairment				
At December 31, 2018	-	(740 982)	-	(740 982)
Impairment for the year	-	-	-	-
At December 31, 2019	**-**	**(740 982)**	**-**	**(740 982)**
Total At December 31, 2019				
Cost	1 070 679	4 259 196	1 914 106	7 243 981
Accumulated amortisation	(584 680)	(509 888)	-	(1 094 568)
Impairment	-	(740 982)	-	(740 982)
Net book value at December 31, 2019	**485 999**	**3 008 326**	**1 914 106**	**5 408 431**

Other intangibles assets – Entry Remuneration Plan of Italian branch Financial Advisors

Additions of 2019 include the recognition of intangibles assets for an amount of EUR 745 thousand related to the Italian branch remuneration model of the Financial Advisors as described in the accounting policies (note 2 (g)).

Impairment test on BSI related intangible asset

The unamortized carrying value of the BSI related intangible asset (EUR 743 661) 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 prudently limited to 5 years even though the Bank anticipates cash flows for at least a period of 20 years after acquisition.

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	Based on past experience
Return on AuM	27 bps	Based on past experience
Cost to income ratio	82.5%	Based on worst case scenario that the ratio will not improve over the next years

The recoverable amount of the CGU was estimated to be higher (approximately for an amount of EUR 2.6 million) than the carrying amount of the Goodwill (EUR 1 914 106) and the intangible asset (EUR 926 381). 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 before intra-group 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.

22. Property, plant and equipment

	Leasehold improvements	Furniture and equipment	Computer hardware	Right-of-use assets	Total fixed assets
	EUR	EUR	EUR	EUR	EUR
At December 31, 2018					
Cost	1 624 562	1 670 578	2 253 875	-	5 549 015
Accumulated depreciation	(459 235)	(788 409)	(1 617 701)	-	(2 865 344)
Net book value at December 31, 2018	**1 165 327**	**882 169**	**636 174**	**-**	**2 683 670**
Change in accounting policy (note 3)	-	-	-	22 336 472	22 336 472
Net book value at Janaury 1, 2019	**1 165 327**	**882 169**	**636 174**	**22 336 472**	**25 020 142**
Cost					
At January 1, 2019	**1 624 562**	**1 670 578**	**2 253 875**	**22 336 472**	**27 885 486**
Additions	624 875	86 114	218 518	-	929 507
Disposals/eliminations	-	-	-	-	-
Reclassification	-	-	-	-	-
At December 31, 2019	**2 249 437**	**1 756 692**	**2 472 393**	**22 336 472**	**28 814 993**
Accumulated depreciation					
At January 1, 2019	(459 235)	(788 409)	(1 617 701)	-	(2 865 344)
Depreciation charge for the year	(198 163)	(139 986)	(397 021)	(2 420 834)	(3 156 004)
Disposals/eliminations	-	-	-	-	-
Reclassification	-	-	-	-	-
At December 31, 2019	**(657 397)**	**(928 396)**	**(2 014 721)**	**(2 420 834)**	**(6 021 348)**
Total At December 31, 2019					
Cost	2 249 437	1 756 692	2 472 393	22 336 472	28 814 993
Accumulated depreciation	(657 397)	(928 396)	(2 014 721)	(2 420 834)	(6 021 348)
Net book value at December 31, 2019	**1 592 040**	**828 297**	**457 671**	**19 915 638**	**22 793 645**

The right-of-use assets as at December 31, 2019 are composed of office premises for EUR 20 million.

23. Other assets

	2019 EUR	2018 EUR
Fees receivables	1 586 955	1 262 898
Transitory accounts	1 616 670	1 725
Prepaid expenses and accrued income	4 140 921	5 041 255
VAT recoverable	1 368 063	1 235 750
Guarantee deposits	250 690	140 304
Intercompany receivables	3 468 445	2 425 243
Other	1 284 989	943 912
Other assets	**13 716 733**	**11 051 087**

24. Due to other banks

	2019 EUR	2018 EUR
Due to other banks at sight	22 955 891	2 908 287
Due to other banks – term deposits	89 737 162	137 624 287
Due to other banks	**112 693 053**	**140 532 574**

25. Due to customers

	2019 EUR	2018 EUR
Current accounts	2 072 031 775	1 863 284 119
Term deposits	475 499 539	383 287 448
Due to customers	**2 547 531 314**	**2 246 571 567**

Maturities of Due to customers are disclosed in note 31.

26. Provisions

	2019 EUR	2018 EUR
Additional provision through profit and loss	(85 199)	(2 597 242)
Write back through profit and loss	225 969	1 790 294
Total provision through profit and loss *(*)*	**140 770**	**(806 948)**

(*) EUR 1.9 million of total provisions through profit and loss reported in 2018 were reclassified among staff costs. They are related to human resource restructuring provisions that were classified among provisions through profit and loss in last year's financials statements.

	2019 EUR	2018 EUR
Opening balance	2 175 023	7 919 803
Increase in provision recognised in the Income Statement	85 199	2 597 242
Release of provision recognised in the Income Statement	(225 959)	(1 790 294)
Provisions used during the year	(442 528)	(6 551 728)
Total provisions *(*)*	**1 591 735**	**2 175 023**

The decrease of provisions during the year is mainly explained by the use of provisions in relation to legal cases that have been settled during the year. Provisions at year end mainly relate to legal cases.

(*) EUR 2.9 million of total provisions reported in 2018 were reclassified among accrued expenses in other liabilities. They are related to human resource restructuring provisions that were classified among provisions in last year's financials statements.

27. Other liabilities

	2019 EUR	2018 EUR
Preferential creditors	4 565 093	3 937 022
Accrued expenses *(*)*	12 457 909	16 143 892
Lease liabilities	20 638 074	-
Other	4 620 686	9 545 483
Total other liabilities	**42 281 762**	**29 626 397**

(*) EUR 2.9 million were reclassified among accrued expenses reported in 2018. They are related to human resource restructuring provisions that were classified among provisions in last year's financials statements.

	2019					
	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	224 397	454 867	2 046 205	10 305 481	7 607 124	20 638 074
Total lease liabilities	**224 397**	**454 867**	**2 046 205**	**10 305 481**	**7 607 124**	**20 638 074**

28. Share capital

As at 31 December 2018, the total authorised number of ordinary shares at year-end was 1 180 000 with a value of EUR 100 per share. All issued shares are fully paid 100% of the capital is held by EFG Investment (Luxembourg) S.A..

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

29. Retained earnings

Legal reserve

In accordance with Luxembourg law the Bank is required to transfer at least 5% of its annual profit to legal reserve until this equals at least 10% of subscribed capital. The legal reserve is not available for distribution to shareholders. As at 31 December 2019, the legal reserve amounts to EUR 1 394 672 (2018: EUR 1 394 672).

Special reserve

As at 31 December 2019 following the legal merger with BSI, the special reserve amounts to EUR 1 280 623 (2018: 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.

30. Guarantees and commitments

	2019 EUR	2018 EUR
Guarantees:		
Guarantees issued in favour of third parties	25 234 460	26 371 045
	25 234 460	**26 371 045**

The guarantees are as follows:

	2019 EUR	2018 EUR
Guarantees:		
Credit card guarantees	12 587 106	13 827 329
Other guarantees	11 724 626	11 835 811
Rent guarantees	922 727	707 905
	25 234 460	**26 371 045**

31. Maturity of assets and liabilities

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at December 31, 2019 to the contractual maturity date.

	2019			2018		
	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	1 621 534 420	-	1 621 534 420	1 446 749 157	-	1 446 749 157
Treasury bills and other eligible bills	15 008 308	-	15 008 308	-	-	-
Due from other banks	309 814 314	-	309 814 314	314 082 330	-	314 082 330
Derivative financial instruments	4 904 576	-	4 904 576	6 272 886	-	6 272 886
Financial assets at fair value through other comprehensive income	82 877 459	27 126 461	110 003 919	22 306 174	92 105 089	114 411 263
Participations	-	1 253 662	1 253 662	-	1 681 432	1 681 432
Loans and advances to customers	556 034 185	165 316 238	721 350 423	543 101 176	96 729 145	639 830 321
Property plant and equipment	-	22 793 645	22 793 645	-	2 683 670	2 683 670
Intangible assets	-	5 408 431	5 408 431	-	4 290 613	4 290 613
Deferred income tax assets	-	12 005 414	12 005 414	-	11 211 641	11 211 641
Other assets	13 716 733	-	13 716 733	9 204 517	1 846 570	11 051 087
Total assets	**2 603 889 996**	**233 903 851**	**2 837 793 846**	**2 341 716 240**	**210 548 160**	**2 552 264 400**
Liabilities						
Due to other banks	109 023 574	3 669 479	112 693 053	131 303 020	9 229 554	140 532 574
Due to customers	2 547 531 314	-	2 547 531 314	2 246 571 567	-	2 246 571 567
Derivative financial instruments	8 804 478	-	8 804 478	4 566 635	-	4 566 635
Current income tax liabilities	61 000	-	61 000	8 834	50 300	59 134
Deferred income tax liabilities	-	442 507	442 507	-	614 503	614 503
Provisions	1 591 735	-	1 591 735	930 023	1 245 000	2 175 023
Other liabilities	24 369 156	17 912 606	42 281 762	28 107 809	1 518 588	29 626 397
Total liabilities	**2 691 381 256**	**22 024 592**	**2 713 405 848**	**2 412 102 391**	**12 043 442**	**2 424 145 833**
Net liquidity gap	**(87 491 261)**	**211 879 259**	**124 387 998**	**(70 386 151)**	**198 504 718**	**128 118 567**

32. Capital management

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

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

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

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

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

The solvency ratio (unaudited) is equal to 26.0% (2018: 31.2%).

33. Return on assets

The return on assets of the Bank for the year ended December 31, 2019 stands to -0.13% (-0.24% as at 31 December 2018). The return on assets is calculated as being the net profit divided by the total balance sheet.

34. Related party transactions

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

	2019		2018	
	Group	Key management personnel	Group	Key management personnel
	EUR	EUR	EUR	EUR
Assets				
Due from other banks	282 073 978	-	274 396 569	-
Loans and advances to customers	-	-	-	-
Derivative financial instruments	3 411 901	-	4 670 821	-
Participations	1 253 668		1 619 432	-
Other assets	3 540 717	-	3 793 888	-
Liabilities				
Due to other banks	91 230 151	-	137 273 298	-
Due to customers	65 912 465	434 419	56 593 164	438 626
Derivative financial instruments	7 146 333	-	3 811 404	-
Other liabilities	2 294 055	-	6 774 387	-
Interest income	691 003	-	3 590 180	-
Interest expense	(1 576 153)	-	(1 389 362)	(121)
Net banking fee and commission income	(585 285)	-	(915 239)	741
Net other income	2 984 687	-	1 468 298	-
Operating expenses (note 9)	(769 598)	-	(6 045 725)	-
Guarantees issued in favor of related parties	1 302 300	10 000	1 300 000	-

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.

35. Fees of the independent auditor

The fees for the independent auditor of the Bank for the year ending December 31, 2019 are as follows:

	2019 EUR	2018 EUR
Audit services	618 263	668 190
Non-audit services	10 865	35 857
Total	**629 128**	**704 047**

36. Staff and directors

a) *Staff*

Average number of employees during the financial year:

	2019	2018
Senior Management	3	5
Employees	205	200
Total	**208**	**205**

b) *Information relating to Directors and Management*

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

	2019 EUR	2018 EUR
Cash compensation (salary + VC cash)	1 696 386	2 414 904
Pension contributions	70 532	101 496
Other compensation and social charges	368 766	407 361
Restricted stock units	320 000	221 718
Total	**2 455 684**	**3 145 479**

Board members received emoluments in respect of their duties totalling to a gross amount of EUR 195 000 (2018: EUR 202 854).

The Bank did not grant any credit to Board members, Senior Management or supervisory bodies during the year (2018: 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 31 December 2019 was EUR 1 213 882 (2018: EUR 990 401).

As at 31 December 2019 and in application of IFRIC 11, the Bank has recognized in equity, as a contribution from the parent, a total amount of EUR 3 432 765 (2018: EUR 3 142 661) corresponding to the rights attributed to the Management.

The table below summarises the outstanding options and restricted stock units at 31 December 2019 which, when exercised, will each result in the issuance of one ordinary share:

Year granted	Type	At beginning of year	Granted	Expired	Exercised	Forfeited	Outstand-ing Shares
2015	Restricted stock units with 1/3 vesting annually	33 869				33 869	0
2016	Restricted stock units with 1/3 vesting annually	149 119					149 119
2016	Restricted stock units with 3 year lock-up	59 315					59 315
2017	Restricted stock units with 1/3 vesting annually	98 487					98 487
2017	Restricted stock units with 3 year lock-up	90 095					90 095
2018	Restricted stock units with 1/3 vesting annually	119 633					119 633
2018	Restricted stock units with 3 year lock-up	107 877					107 877
2019	Restricted stock units with 1/3 vesting annually		205 739				205 739
2019	Restricted stock units with 3 year lock-up		63 887				63 887
Total		**658 395**	**269 626**	**0**	**0**	**33 869**	**894 152**

d) 2019 incentive plan

The EFG Group granted 269 626 restricted stock units in 2019 to employees and managers of the Bank (2018: 227 510).

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 weighted average deemed value of each restricted stock unit granted in 2019 is CHF 5.22 (2018: CHF 6.48). The values of the restricted stock units were determined by the EFG Group using a model which takes into account the present value of the expected dividends during the period between the grant date and the earliest exercise date. The significant inputs into the model were the arithmetic average share price (closing) of the five consecutive business days following the earnings announcement (CHF 6.65) and the discount determined by management (20%) based on the expected life of the restricted stock units and the long-term incentive plan units (12 to 60 months).

e) 2020 incentive plan

The EFG Group will grant restricted stock units in the first half of 2020 at prices to be determined from the EFG Group based on the relevant valuation inputs at the date of issue.

f) Complementary Pension Plan

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

37. Post balance sheet events

There are no significant subsequent events that require adjustment other than those that have already been accounted for.

In the first months of 2020 the coronavirus (COVID 19) rapidly spread across the globe and has been recognized as a pandemic. The pandemic and the related actions taken to contain the spread have caused significant volatility in the global financial markets and expect to adversely impact global business and economic activity. The Bank is closely monitoring developments and is currently assessing the impact on its operations and the related financial results. The valuation of the goodwill, investment and financial assets as at 31 December 2019 as disclosed in the financial statements reflect the economic conditions in existence at that date.