

Annual Report 2021

Entrepreneurial thinking.
Private banking.

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Report of Chair and CEO

Peter A. Fanconi, Giorgio Pradelli

Dear shareholders, clients and colleagues

At EFG Bank we aim to create the best outcomes for our clients by capitalizing on our local know-how within our global network, the strong client focus of our CROs and our comprehensive solutions and investment advice. Creating profitable and sustainable growth means that we live up to our corporate values and aim to strike the right balance between the expectations of our clients, shareholders and our other stakeholders. This is how we gain their trust and can unlock the full potential of EFG.

2021 was a decisive year in executing our strategic plan initiated in 2019. The actions we have implemented over the last four years have taken our profitability in 2021 to a new level. We have a strong track record of growth with net new asset inflows, with consistently positive net new asset flows for the last eleven consecutive quarters. Total managed assets have reached an all-time high of CHF 68.5

“We will further evolve our content, technology and platform to contribute to the prosperity of the next generation.”

billion. Our capital and liquidity are strong. Our capital-light business model enables growth and generates excess capital for the benefit of our shareholders.

The successful execution of our strategy draws on three strategic topics: clients, content, simplicity.

Our clients are at the heart of everything we do. Our clients seek our advice in order to invest their assets, our solutions to structure their family and corporate affairs and lending to leverage their financial and real estate assets. We have made strong progress in leveraging our platform and brand to deliver superior service and first-class investment, wealth and credit solutions to our clients. With our entrepreneurial mindset and client-centric approach, we aim to meet our clients' current and future needs and expectations of our clients – including the Next Generation. In 2021, we broadened our sustainability



Peter A. Fanconi,
Giorgio Pradelli
Chair and CEO

Editorial of Chair and CEO

strategy to better integrate sustainability aspects into our business model and meet the rising demand from private and institutional clients for sustainable finance. Today, our platform is clearly differentiated, our brand is recognized and respected and we have significantly improved our competitive market position.

Content is all about bringing our expertise to our clients. We generated a top performance across investment strategies and products last year, ESG criteria have been continuously integrated into our investment process over the past 10 years, expanded our range of sustainable investment opportunities, and enhanced our alternative investment offering. The quality of our advice, products, services and our talent are a differentiator and driver of our growth. Our efforts to deliver our entire investment expertise and full range of products and services to our clients are proving increasingly successful, with high value income streams showing strong momentum.

Simplicity leads to a better client experience and to increased efficiency and operational leverage for our organisation. In 2021 we have taken action to optimize our geographic footprint, building where we see potential, exiting where growth does not meet our ambition. We now have reached a critical mass in all the relevant growth markets from APAC to the Americas. Our 2021 results also show that there is significantly more potential to create efficiency and operating leverage. This increased focus on simplicity will be closely interlinked with our digital transformation and allow us to reach the targets we have set for year-end 2022 and beyond.

Our clients expect us to deliver personalized advice, for our shareholders we aim to achieve this at scale and with a long-term perspective. This will be the major differentiator in wealth management in the digital age. We will further evolve our content, technology and platform to contribute to the prosperity of the next generation.

We thank our employees for their commitment, their contribution and their ambition to make EFG a leading Swiss private bank. And we want to thank you, our shareholders for your valued trust and support.

Best regards



Peter A. Fanconi
Chair of the Board



Giorgio Pradelli
Chief Executive Officer

Capital adequacy and liquidity
disclosure (acc. to Finma Circular
2016/1)

Capital adequacy and liquidity disclosure (FINMA 16/1)

	a 31 December 2021	c 30 September 2021	c 30 June 2021	e 31 March 2021	e 31 December 2020
CHF millions					
Available capital					
1 Common Equity Tier 1 (CET1)	1,008.2		990.8		991.0
2 Tier 1 capital (T1)	1,303.6		1,291.0		1,292.7
3 Total Capital	1,303.6		1,291.0		1,292.7
Risk weighted assets (RWA)					
4 Total risk weighted assets (RWA)	7,187.3		6,906.5		6,465.3
4a Minimum required capital based on risk-based requirements	575.0		552.5		517.2
Risk based capital ratios as a percentage of RWA					
5 Common Equity Tier 1 ratio (%)	14.0%		14.3%		15.3%
6 Tier 1 ratio	18.1%		18.7%		20.0%
7 Total capital ratio	18.1%		18.7%		20.0%
Additional CET1 buffer requirements as a percentage of RWA					
8 Capital conservation buffer requirement	2.5%		2.5%		2.5%
11 Total of bank CET1 specific buffer requirements (%)	2.5%		2.5%		2.5%
12 CET1 available after meeting bank's minimum capital requirements (%)	9.5%		9.8%		10.8%
Target capital ratios according to Annex 8 of the Capital Adequacy Ordinance (% of RWA)					
12a Capital buffer as per Annex 8 CAO	4.0%		4.0%		4.0%
12b National countercyclical buffer (art. 44 and 44a CAO) (%)	0%		0%		0%
12c CET1 capital target as per Annex 8 CAO plus countercyclical buffer per art.44 and 44a CAO	7.8%		7.8%		7.8%
12d T1 capital target as per Annex 8 CAO plus countercyclical buffer per art.44 and 44a CAO	9.6%		9.6%		9.6%
12e Total capital target as per Annex 8 CAO plus countercyclical buffer per art.44 and 44a CAO	12.0%		12.0%		12.0%
BASEL III leverage ratio					
13 Total Basel III leverage ratio exposure	29,587.0		30,311.9		25,190.7
14 Basel III leverage ratio (%)	4.4%		4.3%		5.1%
Liquidity coverage ratio (LCR) - 3 month average					
15 Total high-quality liquid assets (HQLA)	5,139.9	7,954.1	6,573.7	6,608.7	6,600.7
16 Total net cash outflow	3,228.4	4,627.5	3,783.2	4,096.9	4,652.4
17 LCR (%)	159%	172%	174%	161%	142%
Net stable funding ratio (NSFR)					
18 Available stable refinancing	15,871.8		15,586.6		15,026.7
19 Required stable refinancing	11,175.7		10,991.2		11,306.1
20 Net stable funding ratio (NSFR) (%)	142%		142%		133%

Auditor's Report

Report of the statutory auditor

to the General Meeting of EFG Bank AG, Zurich

Report on the financial statements

As statutory auditor, we have audited the financial statements of EFG Bank AG, which comprise the income statement, balance sheet, statement of changes in equity and notes (pages 11 to 55), for the year ended 31 December 2021.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the articles of association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the articles of association.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (art. 728 CO and art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with art. 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available retained earnings complies with Swiss law and the articles of association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA



Thomas Romer

Audit expert
Auditor in charge



Omar Grossi

Audit expert

Geneva, 22 February 2022

Financial Statements

Income Statement

	Notes	31 December 2021 CHF millions	31 December 2020 CHF millions
Result from interest operations			
Interest and discount income	22	164.1	219.3
Interest and dividend income on trading portfolios		13.6	9.9
Interest and dividend income from financial investments		48.7	60.8
Interest expense		(48.3)	(48.6)
Gross result from interest operations		178.1	205.4
Changes in value adjustments for default risks and losses from interest operations		71.2	(1.1)
Subtotal net results from interest operations		249.3	204.3
Result from commission business and services			
Commission income from securities trading and investment activities		364.8	312.5
Commission income from lending activities		3.4	3.9
Commission income from other services		52.0	55.6
Commission expense		(148.2)	(138.6)
Subtotal result from commission business and services		272.0	233.4
Result from trading activities and the fair value option	21	113.5	115.0
Other result from ordinary activities			
Result from the disposal of financial investments		9.2	7.4
Income from participations		1.8	2.1
Income from real estate		0.4	0.9
Other ordinary income		31.6	26.6
Other ordinary expenses		(43.6)	(10.4)
Subtotal other result from ordinary activities		(0.6)	26.6
Operating income		634.2	579.3
Operating expenses			
Personnel expenses	23	(339.7)	(349.9)
General and administrative expenses	24	(114.3)	(127.4)
Subtotal operating expenses		(454.0)	(477.3)
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		(23.9)	(16.5)

Financial Statements for the year ended 31 December 2021

Income Statement (continued)

	Notes	31 December 2021 CHF millions	31 December 2020 CHF millions
Changes to provisions and other value adjustments, and losses		(80.9)	(11.8)
Operating result		75.4	73.7
Extraordinary income	25	15.9	16.1
Extraordinary expenses	25	(1.5)	(2.8)
Changes in reserves for general banking risks			
Profit before taxes		89.8	87.0
Taxes	27	(3.2)	(7.3)
Profit of the period		86.6	79.7
Proposed appropriation of retained earnings			
Retained earnings brought forward			(18.8)
Profit of the period		86.6	79.7
Retained earnings available for appropriation		86.6	60.9
Transfer from the voluntary retained earning reserve			9.1
Proposed dividend		(70.0)	(70.0)
Total retained earnings to be carried forward		16.6	–

Balance Sheet

	Notes	31 December 2021 CHF millions	31 December 2020 CHF millions
Assets			
Liquid assets		4,896.7	4,769.7
Due from banks	7	3,540.1	3,845.2
Due from securities financing transactions	1	284.1	297.0
Due from customers	2	8,630.9	8,308.5
Mortgage loans	2	2,469.5	2,860.3
Trading portfolio assets	3	628.0	829.2
Positive replacement values of derivative financial instruments	4	397.4	611.2
Other financial instruments at fair value	3	146.7	149.4
Financial investments	5	6,842.0	5,415.1
Accrued income and prepaid expenses		172.2	162.7
Participations		6.4	6.5
Tangible fixed assets		231.0	215.3
Other assets	6	102.3	108.3
Total assets		28,347.3	27,578.4
Total subordinated claims		–	–
<i>of which subject to mandatory conversion and/or debt waiver</i>		–	–
Liabilities			
Due to banks		2,878.8	3,498.6
Liabilities from securities financing transactions	1	12.2	20.0
Amounts due in respect of customer deposits		23,208.1	21,573.9
Trading portfolio liabilities	3	67.0	42.5
Negative replacement values of derivative financial instruments	4	360.2	693.2
Liabilities from other financial instruments at fair value	3	417.6	448.0
Accrued expenses and deferred income		166.8	158.8
Other liabilities	6	34.6	37.3
Provisions	12	108.0	28.7
Total liabilities		27,253.3	26,501.0
Equity			
Reserves for general banking risks	12	0.4	0.4
Banks' capital	13	162.4	162.4
Statutory capital reserve	17	721.3	721.3
<i>of which tax-exempt capital contribution reserve</i>		721.3	721.3
Statutory retained earnings reserve		46.5	46.5
Voluntary retained earnings reserves		76.8	85.9
Profit / (Loss) carried forward		(18.8)	
Profit (result of the period)		86.6	79.7
Total equity		1,094.0	1,077.4
Total liabilities and equity		28,347.3	27,578.4
Total subordinated liabilities	11	295.4	301.7
<i>of which subject to mandatory conversion and/or debt waiver</i>		295.4	301.7
Off-balance sheet positions			
Contingent liabilities	2	1,083.8	1,120.3
Irrevocable commitments	2	22.2	79.2

Financial Statements for the year ended 31 December 2021

Statement of Changes in Equity

	Banks' capital CHF millions	Capital reserve CHF millions	Earnings reserve CHF millions	Statutory retained earnings CHF millions	Reserve for general banking risks CHF millions	reserve and profit/loss carried forward CHF millions	Voluntary retained earnings Result of the period CHF millions	Total CHF millions
Total equity as at 01 January 2021	162.4	721.3	46.5	0.4	67.1	79.7	79.7	1,077.4
Appropriation of retained earnings 2020:								
– Profit of the year						79.7	(79.7)	–
Dividend paid						(70.0)	(70.0)	
Profit of the year						86.6	86.6	
Total equity as at 31 December	162.4	721.3	46.5	0.4	76.8	86.6	86.6	1,094.0

Notes to the Financial Statements

Notes to the Financial Statements for the year ended 31 December 2021

A Business activities

EFG Bank AG (hereinafter referred to as “EFG Bank”), offers its clients the full range of Private Banking services including portfolio management for private clients, investment advisory services, lombard lending, mortgage loans and trust services. In addition to its head office in Zurich, it operates through its Geneva, Lugano, Hong Kong, Singapore, Cayman Islands and Guernsey branches as well as an advisory branch in Bahrain. On 29 September 2021, EFG Bank AG acquired 100% of EFG Private Bank (Channel Islands) Ltd, Guernsey. Following this

transaction, part of the assets and liabilities of EFG Private Bank (Channel Islands) Ltd, Guernsey were transferred to EFG Private Bank Ltd, London, and part to EFG Private Bank Ltd, Jersey branch. On 13 December 2021 EFG Private Bank (Channel Islands) Ltd, Guernsey merged with EFG Bank AG, when the remaining assets and liabilities of EFG Private Bank (Channel Islands) Ltd, Guernsey became a branch of EFG Bank AG in Guernsey. The first business day of this new branch was 13 December 2021.

Board of Directors

The Board of Directors currently comprises 11 members, all of whom are non-executive directors. The Board of Directors of EFG Bank AG (EFG Bank) is composed of the same members as the Board of Directors of EFG International AG.

An overview of the Board memberships in 2021 is presented in the table below:

	Board member since	Independence
Peter A Fanconi (Chair)	2020	Independent
Niccoló H. Burki (Vice-Chair)¹	2013	Independent
Susanne Brandenberger	2015	Independent
Emmanuel L. Bussetil	2001	
Mordehay I. Hayim²	2020	
Roberto Isolani	2016	
Steven M. Jacobs	2016	
Spiro J. Latsis¹	1997	
John S. Latsis	2018	
Carlo M. Lombardini	2020	Independent
Périclès Petalas	1997	
Stuart M. Robertson	2018	Independent
Freiherr Bernd-A. von Maltzan	2013	Independent
Yok Tak A. Yip	2020	Independent

¹ Stepped down at the AGM on 29 April 2021

² Stepped down from 31 October 2021

Executive Committee

In 2021, the Executive Committee of the Bank comprised the following members:

	Function
Piergiorgio Pradelli	Chief Executive Officer
Yves Aeschlimann	Group Head of Legal & Compliance
Martin Freiermuth	Chief Operating Officer
Kurt Haueter	Head of Global Markets & Treasury
Enrico Piotto¹	Chief Risk Officer
Dimitris Politis	Chief Financial Officer
Franco Polloni	Head of Switzerland and Italy Region
Harald Reczek²	Head of Investment Solutions

¹ Appointed as Chief Risk Officer as from 01 June 2021. Dimitris Politis (CFO) was ad-interim Chief Risk Officer from 01 January to 31 May 2021.

² Harald Reczek was appointed as the Head of Investment Solutions as from May 2021 when Renato Cohn, former Deputy CEO & Head of Investment Solutions, stepped down.

B Accounting policies

The accounting and valuation principles are based on the Swiss Code of Obligations, the banking legislation, the FINMA accounting ordinance and the directives of the Swiss Financial Market Supervisory Authority (FINMA) and its Circular 2020/01 "Accounting for Banks". The accompanying reliable assessment statutory single entity financial statements present the economic situation of the bank such that a third party can form a reliable opinion. The financial statements are allowed to include hidden reserves.

Changes of the accounting and valuation principles

There were no changes of the accounting and valuation principles compared to 2020.

General valuation principles

The financial statements are prepared on the assumption of a going concern. The accounting is therefore based on going-concern values. The disclosed balance sheet items are valued individually.

Transaction recording

All transactions are accounted for on a trade date basis, with the exception of loans and deposits, which are accounted on a value date basis.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are converted at rates of exchange prevailing at year end.

Foreign currency transactions are converted at the rates of exchange prevailing during the year.

Main foreign exchange rates against CHF

	2021 end	Year-2021 Average	2020 end	Year-2020 Average
EUR	1.033	1.081	1.080	1.070
GBP	1.230	1.258	1.202	1.204
HKD	0.117	0.118	0.114	0.121
SGD	0.676	0.680	0.666	0.680
USD	0.912	0.914	0.880	0.939

The functional currency is defined at EFG Bank AG level and is the Swiss franc "CHF". Branches operations in Hong Kong, Cayman, Bahrain and Guernsey are recorded using local currencies and are converted to CHF at average rates with the difference to closing rates reflected in "Result from trading activities".

Liquid assets

These assets are recorded in the balance sheet at their nominal value.

Due from / liabilities from securities transactions

The term "securities financing transactions" may include repurchase and reverse repurchase transactions, securities lending and securities borrowing.

Due from banks, due from customers and mortgage loans

These are stated at nominal value net of specific valuation adjustments for expected credit losses on non-impaired loans and value adjustments on impaired loans.

Notes to the Financial Statements for the year ended 31 December 2021

Impaired loans, defined as loans for which it is improbable that the debtor will have the capacity to honour his or her commitments, are individually valued and the depreciation in value is covered by appropriate individual value adjustments. The individual value adjustment is deducted from the corresponding asset item in the balance sheet. Value adjustments are released with an effect on income via the item "Changes in value adjustments for default risks and losses from interest operations".

A loan is considered as non-performing when appropriate indicators provide evidence that future contractual repayments of capital and/or interests are unlikely, or at the latest, when such payments are overdue by 90 days. In this case, the Bank ceases to record the interest income in the income statement. Value adjustments for non-performing loans are booked in the Income Statement "Changes in value adjustments for default risks and losses from interest operations".

A loan is no longer considered non-performing if the interest and principal payments are up-to-date and future payments are reasonably assured. Value adjustments are released with an effect on income via the item "Changes in value adjustments for default risks and losses from interest operations".

Impaired loans/receivables and any collateral are valued at the liquidation value, and the value is adjusted taking the debtor's creditworthiness into account. Where the recovery of the loan receivable is dependent exclusively on realisation of the collateral, a value adjustment is created to completely cover the unsecured portion.

The Bank applies value adjustments and provisions for expected loss on non-impaired loans and other credit exposure, as well on off-balance-sheet exposures. For the methodology on such value adjustments and provision see section "Explanation of the methods used for identifying default risks and determining the need for value adjustments".

Value adjustments for expected credit losses on non-impaired loans and value adjustments on impaired loans are booked and released in the income statement "Changes in value adjustments for default risks and losses from interest operations". Value adjustments for expected credit losses on off-balance-sheet exposures are booked and released in the income statement via "Changes to provisions and other value adjustments, and losses".

Due to banks and amounts due in respect of customer deposits

These items are to be recognised at their nominal value.

Amounts due in respect of precious metal account deposits must be valued at fair value if the precious metal concerned is traded on a price-efficient, liquid market.

Trading portfolio assets and trading portfolio liabilities

Bonds, equities and precious metals not acquired as medium-term or long-term investments are included under "Trading portfolio assets/liabilities" and are valued at fair value. Fair value is the price based on a price-efficient and liquid market or the price calculated using a valuation model.

If a fair value cannot be determined, the valuation and recognition is based on the lower of cost or market principle.

The gain or loss resulting from the change in valuation is recorded in the income statement "Result from trading activities and the fair value option". Interest and dividend income from trading operations are recorded in the income statement "Interest and dividend income on trading portfolios".

Other financial instruments at fair value and liabilities from other financial instruments at fair value

Financial assets and liabilities may initially be designated as at fair value through profit and loss (fair value option) if the following conditions are met:

- They are part of a portfolio which is risk-managed on a fair value basis
- There is an economic hedging relationship between the financial instruments on the asset side and those on the liability side that reduces or eliminates an accounting mismatch that would otherwise arise
- Any impact of a change in own creditworthiness on the fair value must be neutralised and may not influence the income statement

Structured products with acknowledgment of debt issued by the Bank, net of any parts repurchased from clients, are shown under the item "Liabilities from other financial instruments at fair value" and valued at market price. The result of revaluation and devaluation of these structured products is shown in the income statement item "Result from trading activities and the fair value option".

Physical life insurance policies held for the medium term are considered as financial instruments. The Bank has elected to apply the fair value option since the physical life insurance policies are economically hedged by synthetic life insurance policies. Consequently, the physical life insurance policies are assets valued at fair value.

Synthetic life insurance policies are economically hedging physical life insurance policies and are also valued at fair value.

Financial investments

Money market papers are recorded in the balance sheet according to the accrual method.

Equity securities are held at the lower of cost and market value. The value adjustments arising from a subsequent valuation are recorded via "Other ordinary expenses" or "Other ordinary income".

Unhedged bonds held for the medium term are valued at the lower of cost and market value. The value adjustments arising from a subsequent valuation are recorded via "Other ordinary expenses" or "Other ordinary income".

Bonds held to maturity are valued under the straight-line accrual method. The agio/disagio is accrued or deferred over the residual term to maturity via "Accrued income and prepaid expenses" or "Accrued expenses and deferred income".

Value adjustments on expected credit losses for default risk are recorded immediately under "Changes in value adjustments for default risk and losses from interest operations".

Life insurance policies held for the long term until their maturities are valued under the accrual method as they are considered as financial investments with the intention to be held until maturity. The cost reflects the contractual purchase price of these policies and the premiums paid. The accruals are recorded as interest income. Any impairment in the values and expected credit losses will be recognised in the income statement as "Changes in value adjustments for default risks and losses from interest operations".

Precious metals are valued at market value. They serve, primarily, as hedges for clients' 'Metal' accounts recorded under 'Amounts due in respect of customer deposits' on the liabilities side of the balance sheet. Value adjustments are booked under 'Other ordinary expenses' or 'Other ordinary income', as appropriate.

Participations

These are valued at historical cost less any permanent impairment.

Each participation is tested for impairment as of the balance sheet date. This test is based on indicators reflecting a

possible impairment of individual assets. If any such indicators exist, the recoverable amount is calculated. The recoverable amount is the higher amount of the net selling price and the value in use. An asset is impaired if its carrying amount exceeds its recoverable amount. If the asset is impaired, the book value is reduced to match the recoverable value, and the impairment is charged via "Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets".

Realised gains from the sale of participations are recorded via "Extraordinary income" and realised losses are recorded via the item "Extraordinary expense".

Tangible fixed assets

Fixed assets comprise buildings, fixtures and fittings, computers, telecommunications equipment and are recognised at acquisition cost less accumulated amortisation over the estimated operating life (when applicable).

Art works are included in tangible fixed assets and are recognised at acquisition cost.

Tangible fixed assets are depreciated on a straight-line basis over their estimated economic useful life via "Value adjustments on participations and amortisation of tangible fixed assets and intangible assets". The estimated operating lives of specific categories of tangible fixed assets are as follows:

- Building own use: 20–50 years
- Fixture and fittings: 5–10 years
- Computers and telecommunications equipment: 3–4 years
- Software: 4–10 years
- Other fixed assets: 5–10 years
- Art: no depreciation, review for impairment bi-annually

Intangibles assets

Intangible assets are of non-monetary nature and without physical substance. They can be acquired or generated internally. Acquired intangible assets are capitalised if they yield measurable economic benefits for the Bank over several years.

Expenses for identifiable intangible assets that cannot be capitalised are to be charged to the income statement in the period incurred.

Expenses for intangible assets generated internally charged to the income statement in a previous year cannot be capitalised in a subsequent year.

Notes to the Financial Statements for the year ended 31 December 2021

Intangible assets that can be capitalised and that are identifiable may be valued at acquisition cost or at production cost. If expenses incurred are higher than the recoverable amount, as determined at the recognition date, the latter is decisive. Any difference between higher expenses incurred, and the recoverable amount has to be charged to the income statement.

Provisions

Legal and factual obligations are valued regularly. If an outflow of resources is likely and can be reliably estimated, a corresponding provision must be created.

Existing provisions are reassessed at each balance date.

Provisions are released via the income statement if they are no longer needed on business grounds. Provisions include expected credit losses on non-impaired and impaired off-balance-sheet exposures.

Reserves for general banking risks

The reserves for general banking risks are, according to Art. 21 of the Capital Adequacy Ordinance, considered as part of the eligible equity of the Bank. The creation and release of reserves is recognised via the item "Changes in reserves for general banking risks" in the income statement.

The reserves for general banking risks are subject to tax.

Taxes

Taxes due from current income and capital tax of the Bank, but not yet paid, are recorded under "Accrued expenses and deferred income" in the balance sheet.

The valuation differences between the value for tax purpose and the financial accounting value are calculated systematically. The effects of deferred taxes are considered in the calculations. Provisions for deferred tax are created via "Taxes".

Off-balance-sheet transactions

Off-balance-sheet disclosures are at nominal value. Provisions are accounted for in the liabilities in the balance sheet of the foreseeable risks. Expected credit losses related to off-balance-sheet positions are recorded in the balance sheet as a provision.

Pension benefit obligations

The Pension schemes cover ageing, death and disability, and are run in accordance with laws and regulations of the respective local countries. Employees and their survivors are protected against economic consequences of age, death and

disability. Generally funded by employees and employers, the schemes are legally independent from the Bank. The main schemes are in Switzerland, Hong Kong and Singapore.

Employer's contributions are included in "Personnel expenses" in the income statement for the financial year to which they correspond. Every year, the Bank assesses whether there are economic benefits or economic obligations vis-à-vis the pension institutions, and treats them as follows:

- The economic obligations may be recorded in "Provisions" in the balance sheet, and the difference with the corresponding value for the previous period is recorded under "Personnel expenses" in the income statement
- An economic benefit may be recorded in the balance sheet

This annual assessment is conducted based on the financial statements of the pension institution, where the balance sheet date may not be older than 12 months, established in accordance with the Swiss GAAP FER 26 or the relevant accounting framework of the country of residence.

Equity-based compensation schemes

An Equity Incentive Plan ("EIP") exists for the employees of the Bank and is managed at Group level. Employees receive as part of their variable compensation a portion in the form of Restricted stock units ("RSUs"). The RSUs granted give the employee the right to receive shares from EFG International AG (the "Holding Company") under the EIP. The Bank accounts for the shares at par value (transaction price between the Holding Company and the Bank) at grant date.

The liability is initially recorded within "Accrued expenses and deferred income" and the equity-based compensation scheme is recorded in the item "Personnel expenses". The liability is adjusted if employees leave the Bank or lose their rights under the EIP.

Derivative financial instruments

Derivative financial instruments are initially valued and recognised in the balance sheet at fair value on the date on which the contracts are entered and are subsequently remeasured at their fair value. Replacement values of derivatives are presented in the balance sheet on a gross basis.

Derivative financial instruments are classified either as trading derivatives or hedging derivatives. Hedging derivatives are used by the Bank to minimise its exposure to market risks such as interest rate and foreign exchange risks. More details related to hedging derivatives could be found under "Hedge accounting".

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

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.

The realised result from trading operations and the unrealised result from valuation relating to trading operations are recorded via the item "Result from trading activities and the fair value option".

Hedge accounting

The Bank is exposed to interest rate risk in its fixed rate bonds and life insurance policies portfolios.

With regards to the fixed rate bonds portfolio, the Bank enters a fair value hedge with fixed-to-floating interest rate swaps or cross currency swaps that pay fixed rates which match the coupons of the bonds and receive floating interest rates. For the life insurance policies portfolio, the Bank designs a fair value hedge with interest rate futures hedging the interest rate risk for the whole portfolio on projected expected future cash flows.

In both hedge accounting models, these derivative instruments used for hedging purposes are disclosed as hedging derivatives.

Hedging derivatives that are designated and qualify as fair value or cash flow hedges are valued in the same manner as the underlying hedged transaction. The results from hedging derivatives are recorded in the same section of the Income Statement as the ones from the hedged asset or liability that are attributable to the hedged risk. The valuation result from hedging instruments is recorded in a compensation account if the hedged instrument is accounted for using the accrual method. Where the hedged

item is recognised using the lower of cost or market method (in the case of the fixed rate bond portfolio), any positive change in the fair value of the hedged item will be recorded in the balance sheet in the compensation account and in the profit and loss to offset the fair value change of the interest rate swap. The net balance of the compensation account is recorded on the balance sheet in "Other assets" or "Other liabilities".

Hedge accounting is used for derivatives designated as such, provided certain criteria are met.

The Bank documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Bank will discontinue hedge accounting in the following scenarios:

- the Bank determines that a hedging instrument is not, or has ceased to be, highly effective as a hedge;
- the derivative expires or is sold, terminated or exercised;
- the hedged item matures, is sold or repaid.

Hedge ineffectiveness represents the amount by which the changes in the fair value of the hedging instrument differ from changes in the fair value of the hedged item attributable to the hedged risk. If the hedge is deemed to no longer meet the hedging goals or exceeds the effect of the hedged positions, such hedging instruments cease to be disclosed as hedging derivatives and are transferred into trading derivatives and booked accordingly. In the scope of fixed rate bonds portfolio, the Bank enters into these transactions on a 'package basis', i.e. enters into the swap at the same time as purchasing the bond, and structures the swap so that the principal terms of the swap exactly match those of the bond. As a result, the hedging ratio is 100% and there is no ineffectiveness.

Explanation of the methods used for identifying default risks and determining the need for value adjustments

Methods used for identifying default risks

A counterparty is in default when a payment obligation is past due for more than 90 days or when the Bank expects that an exposure will not be fully recovered. The Bank identifies default risks based on the occurrence of loss

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events. A loss event occurs when there are conclusive signs that future contractual payments of principal and/or interest becomes unlikely or, at the latest, when these payments are more than 90 days overdue. Exposures for which a loss event has occurred are generally considered as impaired. Value adjustments for default risks are deducted from the corresponding assets, except for off-balance sheet exposures, for which a provision is recorded.

Value adjustments and provisions for impaired exposures

Value adjustments on impaired loans are determined individually by counterparty according to Art. 24 para. 4 FINMA Accounting Ordinance. Impaired exposures and any collateral are valued at their liquidation value taking into consideration the counterparties' creditworthiness.

Value adjustments and provisions for non-impaired exposures

The methods used for determination of the expected credit losses on financial investments, due from bank, due from clients and mortgage loans as well as off-balance-sheet commitments applies the three-stage approach for impairment measurement based on changes in credit quality since initial recognition of the financial asset:

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

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

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

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.

Specific ECL measurements have been developed for each type of credit exposure. Except for lombard loans, generally, the three components to compute ECL are exposure at default (EAD), probability of default (PD) and loss given default (LGD), 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).
- Probability of default (PD) represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD), or over the remaining lifetime (Lifetime PD) of the obligation
- Loss given default (LGD) represents the banks 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.

The ECL for lombard loans is primarily determined by the value of the collateral available as security for the loan, and the main inputs to the ECL are the following 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.

The ECL for debt securities and life insurance related financial investments are estimated via three components:

- EAD: book value for amortised cost assets
- 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). For public entity loans, the PD is estimated using official statistics
- 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

Value adjustments and provisions for ECL on non-impaired loans can be used in the event of a major crisis to cover individually impaired loans without immediately restoring them to the required level. In such a case, the shortfall must be reconstituted gradually over a period of maximum 5 years.

Comparatives

There were no changes in presentation in the current year leading to changes in comparative figures.

C Risk management

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

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

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

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

1.1 Risk governance

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

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

Risk management framework

The risk management framework comprises people, policies and processes, and systems and controls designed to ensure that risks are appropriately identified, assessed, measured, monitored and reported, as well as mitigated on an ongoing basis.

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

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

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

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

1.1.1 Approach to risk management

EFG Bank has adopted a multi-dimensional approach to risk management:

- There are independent Risk Control and Compliance functions with clearly defined objectives
- There is a comprehensive and prioritised list of risk categories (risk taxonomy)
- There is a defined risk strategy and risk appetite
- There is a coherent and comprehensive set of policies, directives and procedures to govern risk management, including compliance
- The effectiveness and efficiency of risk management is supervised by the Board of Directors' with the support and advice of the Board of Directors Risk Committee of its parent company, EFG International

The objectives of risk management are to:

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

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

1.1.2 Risk culture, core values and ethical standards

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

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

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

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

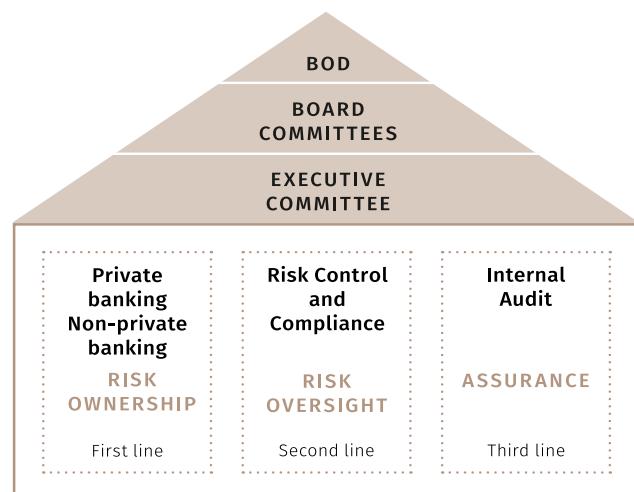
- Embedding of the risk management and risk appetite frameworks across the EFG Bank
- Comprehensive training in risk and compliance topics
- Implementing our client relationship officer's risk scorecard to foster a risk-conscious and compliant culture and reduce operational risks

1.1.3 Three lines of defence model

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

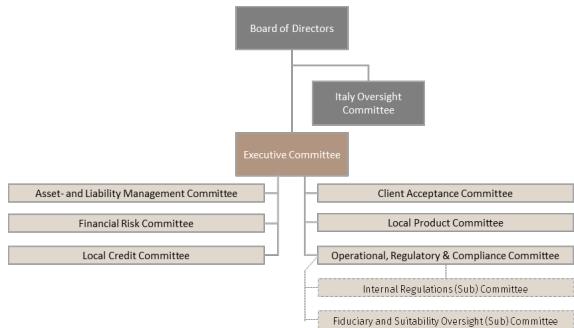
The three lines of defence model delineates the key responsibilities for the business, Risk and Compliance functions and audit to ensure that the organisation has a coherent and comprehensive approach to risk management.

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



1.1.4 Committees and functions

Risk management in EFG Bank by means of committees and functions.



EFG Bank Board of Directors sets and approves the risk appetite statement and the risk management framework of EFG Bank, and monitors its risk profile versus risk appetite, as well as the effectiveness of risk management. The Board of Directors supervises the activities of EFG Bank directly; it however benefits from the support and advice of the Risk and Audit Committee of EFG International Group.

EFG Bank Executive Committee is tasked by the Board of Directors with the following responsibilities with regards to risk management:

- Managing the day-to-day business, operational revenue and risk management, including the balance sheet structure and liquidity
- Representing EFG Bank vis-à-vis third parties in operational matters
- Approving the risk appetite metrics, thresholds and risk limits for each risk category, as proposed by EFG Bank risk management committees
- Monitoring and managing the risk profile of EFG Bank through regular reports from the Chief Risk Officer and the Group Head of Legal & Compliance as well as other relevant office holders
- Assessing breaches in management of risk limits
- Facilitating discussion of limit and threshold breaches relevant for the Board of Directors and the Board of Directors Risk Committee
- Issuing general directives for regulating business operations
- Developing and maintaining effective internal processes, an appropriate management information system (MIS), a comprehensive internal control system and the necessary technological infrastructure
- Submitting applications regarding transactions for which the Board of Directors is responsible

EFG Bank risk management committees, reporting to EFG Bank Executive Committee, play key roles in the oversight of risk management. These committees are established as forums for discussion on important risk management issues, for the identification of relevant changes in the risk profile and new risks arising, for decision-making, and as a point of escalation where resolution is required. The roles of these committees are clearly defined in accordance with EFG Bank standards. Each EFG Bank risk management committee has dedicated terms of reference, which provide more detail on membership, scope and responsibilities. EFG Bank's risk management committees jointly ensure that there is coverage of the key risk categories for discussion, decision and escalation. Information exchange across committees is maintained through cross-membership.

The Operational, Regulatory & Compliance Committee is responsible for the oversight of EFG Bank with regards to matters relating to regulatory, compliance activities and operational risks, as well as corporate governance matters.

The Asset & Liability Management Committee is responsible for the management of EFG Bank's balance sheet/ALM, the monitoring of the assigned risk/return objectives to the portfolio managers and to the trading desk and for the optimisation of capital and liquidity allocation across risk categories.

The Financial Risk Committee is responsible to monitor financial risks throughout EFG Bank. The Financial Risk Committee is in particular responsible for reviewing credit concentration, market, liquidity and funding risk exposure of EFG Bank and the structures in place for monitoring and reporting them, including compliance with policies and directives, as well as exposures relative to limits. The Financial Risk Committee is also responsible of the overall stress test programme encompassing trading and banking book portfolios.

EFG Bank Local Product Committee is responsible to assess the risks and viability of the new products and services, and for approving, in line with the relevant Group internal regulations, new products or revised versions of existing products.

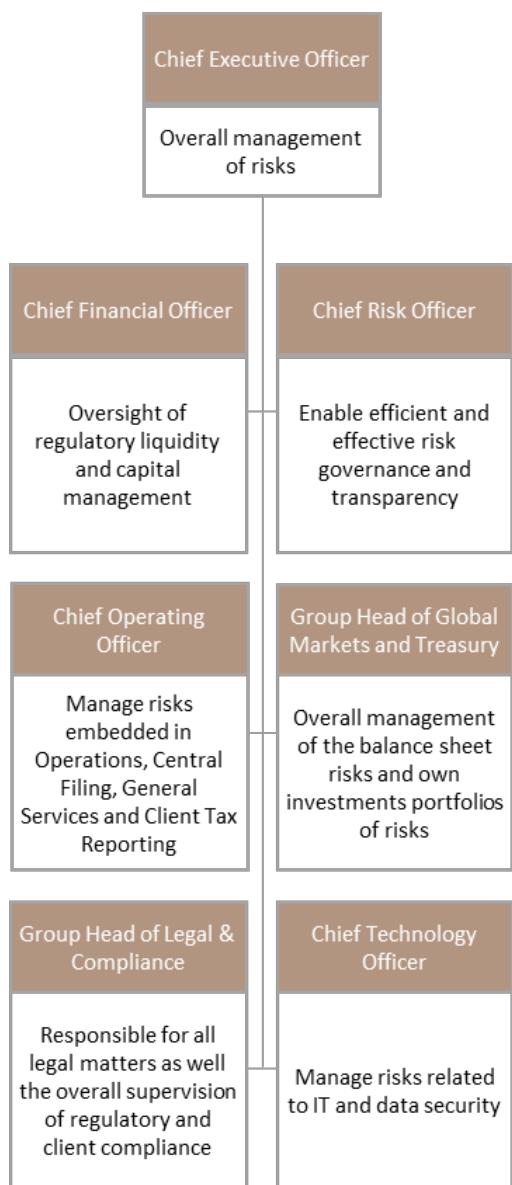
The Local Credit Committee has responsibility for the management of client credit risk throughout EFG Bank and also EFG International, pre-advising or vetoing credits or limits which exceed defined thresholds and reviewing credit limit excesses, overdrafts not covered by limits and collateral shortfalls according to such defined thresholds in the relevant internal regulations.

The role of the Client Acceptance Committee is to mitigate the risk of money laundering, including reputational and

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legal risk. This is done by assessing the risks of the new and existing clients. The Client Acceptance Committee is responsible for approving and reviewing periodically within the authorities delegated by the Executive Committee, non-standard clients (e.g. PEPs, US persons) in line with relevant EFG International internal regulations. It is also responsible for keeping a record of all higher-risk clients approved either centrally or locally.

There are also functions in EFG Bank deeply involved in activities connected with risks.



Risk appetite framework

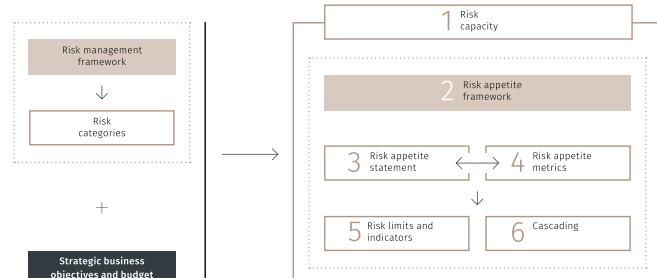
Our risk appetite framework describes the EFG Bank's approach, governance and processes in relation to setting risk appetite and is structured by qualitative considerations

(risk appetite statement), as well as quantitative considerations (risk appetite metrics).

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

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

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



1.1.5 Risk capacity

The risk capacity is the maximum level of risk EFG Bank can assume, given its current capabilities and resources, before breaching EFG Banks's strategic targets and risk appetite, constraints determined by regulatory capital and liquidity requirements, or otherwise failing to meet the expectations of regulators and law enforcement agencies and our rating ambition. Risk capacity defines an outer boundary within which EFG Bank must operate.

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

1.1.6 Risk appetite statement

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

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

1.1.7 Risk appetite metrics

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

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

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

1.1.8 Limits framework

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

The EFG Bank Executive Committee reviews and recommends the Board's global thresholds to the Risk Committee for its review and recommendation for approval by the EFG Bank Board of Directors.

1.1.9 Cascading process

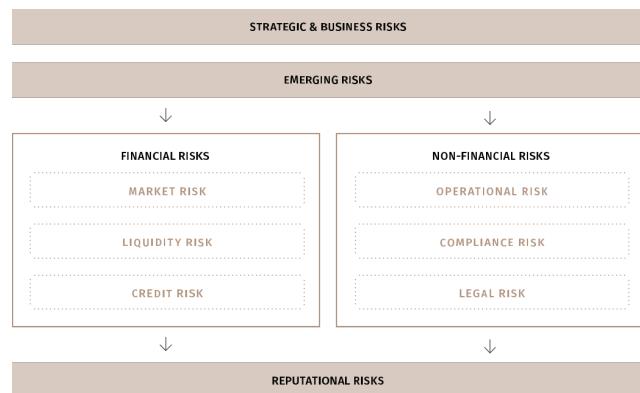
Our risk appetite framework, risk appetite statement and risk metrics and their thresholds are defined at EFG Bank level and are binding for all EFG Bank business units and local and foreign entities, as set out in the risk management framework.

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

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

1.2 Risk categories

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



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

Strategic and business risk

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

- Client portfolio risk: The risk inherent in client portfolios in general as well as the risk of a reduction in Assets under Management and/or loss of client relationships as a result of other risk types, e.g. performance, reputation, operational risks, compliance, etc.
- Strategic risk and governance: The risk of the enterprise or particular business areas making inappropriate strategic choices, or being unable to successfully implement selected strategies or related plans and decisions, which may result in a variance to business plans and strategies
- Competitive risk: The risk of an inability to build or maintain sustainable competitive advantage in a given market or markets
- Project risk: The risk of damage or loss resulting from an acquisition and/or subsequent post-merger integration or any other large-scale project the institution is undertaking

Notes to the Financial Statements for the year ended 31 December 2021

- Human resources risk: The risk arising from inadequate or insufficient human resource performance and/or staffing or key people (including client relationship officers) leaving the EFG Bank

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

- Whilst the nature of EFG Bank business entails a certain level of earnings volatility, this is monitored and controlled to remain consistent with the preservation of the franchise, also under severe stress conditions
- EFG Bank limits earnings volatility by focusing on the core business activities in line with business strategy
- EFG Bank monitors client investment portfolios in order to avoid excessive risk concentrations across portfolios with potential negative implications on client's assets under management and thereby its own reputation and revenue base
- EFG Bank closely monitors concentrations of clients and Assets under Management across its client relationship officers and will investigate potential actions when these concentrations exceed the defined thresholds, in order to mitigate key person risk
- EFG Bank actively manages the cost base balancing the target of a healthy cost/income ratio with ensuring adequate resourcing and infrastructure
- EFG Bank actively manages the risks arising through the integration of any acquired/merged entity and for potential further mergers and acquisitions

Compliance risk

Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation which EFG Bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, generally accepted practices, and codes of conduct applicable to all its activities.

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

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

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

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

EFG Bank aims at mitigating compliance risks that it inherently runs considering the size, structure, nature and complexity of its business and services/product offering. EFG Bank is committed to sound and effective compliance risk management, as the core foundation for a sustainable financial institution. Effective compliance risk management consists of meeting the compliance obligations and protecting EFG Bank from loss or damage. It improves the way EFG Bank conducts business for our shareholders and stakeholders, and it is vital for long-term and sustainable growth.

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

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

Conduct risk refers to risks associated to the firm's behaviour or activity that could threaten consumer protection or market integrity and might if risks are not properly apprehended damage the reputation of EFG Bank. EFG Bank has directives on customer and staff conduct in

the Group code of conduct, market conduct, cross border, financial services and conflicts of interest. The EFG Bank Local Product Committee ensures that all products or securities offered to clients or bought for them meet their best interest and have been through the appropriate approval process.

Legal risk

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

Group Head of Legal & Compliance and Group Head of Litigations ensure that EFG Bank adequately manages and controls its legal risks. This includes supervising and giving strategic direction to all outside counsels advising EFG Bank on civil, regulatory and enforcement matters.

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

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

Operational risk

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

EFG Bank aims at mitigating significant operational risks, it may inherently run, to a level it considers appropriate and commensurate with its size, structure, nature and complexity of its service and product offerings, thus adequately protecting its assets and its shareholders' interests.

Our Board of Directors and senior management strive to set the operational risk culture through, among others, the definition of the overall operational risk appetite of the organisation (expressed in quantitative thresholds and qualitative statements), which is embedded in the organisation's risk management practices. The supervision

of operational risk at the Board of Directors level is under the responsibility of the Board Risk Committee.

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

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

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

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

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

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

The management of information security risk, including technology, cybersecurity, data protection and third-party risks is an essential component of operational resilience. As such it is strongly interconnected with EFG Bank's business

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continuity management. The management of cybersecurity and data protection risks is aligned with international standards and applicable regulations. Efforts are sustained to ensure ex ante and ex post controls are fully functional to protect EFG Bank against evolving and highly sophisticated attacks. The focus is on:

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

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

Model risk

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

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

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

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

Market risk

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

EFG Bank implements different risk management strategies to eliminate or reduce market risk exposures. Risks being hedged through derivative financial instruments are typically changes in interest rates and foreign currency rates. Specific risk management strategies are defined for both the banking and trading book.

Banking book

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

- EFG Bank manages interest rate risk in line with predefined interest rate limits and risk appetite to generate profits for the benefit of EFG Bank
- EFG Bank manages foreign exchange risk in order to control its impact on annual results
- EFG Bank generates income primarily through taking liquidity, interest rate and credit spread risk, and only incur non-material FX risk in the banking book
- EFG Bank limits the extent of concentrations in its investment portfolios

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

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

Interest rate risk in the banking book refers to the current and prospective risk to the Bank's capital and earnings

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

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

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

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

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

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

Trading book

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

- EFG Bank trading activities are designed to ensure that we can effectively serve our client's needs

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

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

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

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

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

Credit risk

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

EFG Bank incurs credit risk from traditional on-balance-sheet products (such as loan or issued debt), where the credit exposure is the full value, but also on off-balance-sheet products (such as derivatives), where the credit equivalent exposure covers both actual exposure (as a function of prevailing market prices) and potential

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exposures (i.e. an add-on for volatility of market price) or other guarantees issued (contingent liabilities).

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

Client credit risk

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

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

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

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

Counterparty and country risks

Country risk is defined as the transfer and conversion risk that arises from cross-border transactions. Country risk also encompasses direct and indirect sovereign risk, the default

risk of sovereigns or state entities acting as borrowers, guarantors or issuers.

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

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

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

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

EFG Bank determines the country risk that it wishes to accept via a country classification in primary countries, secondary countries and risk countries. The primary and secondary country categories include countries with which business relationships exist and for which the risk is intended to be accepted, albeit to a differing extent. The risk countries category includes selected countries with a speculative grade, for which risk is nonetheless maintained between tight global limits.

Liquidity risk

Liquidity risks arise when financing activities are difficult or expensive as a result of liquidity crisis on the markets or reputational issues. They also arise when it is difficult to meet own commitments in a timely manner due to a lack of very liquid assets. Therefore, liquidity risk has two dimensions: funding risk and asset liquidity risk. The two liquidity risk types are connected, as asset liquidity risk could directly increase funding risk, if EFG Bank is not any more able to raise sufficient liquidity in case of need.

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

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

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

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

Liquidity is handled by the Treasury function, which ensures the ongoing process of sourcing new funds, in the case of a lack of liquidity, or the investing of funds, if there is an excess of liquidity. Main subsidiaries/regions have their own local Treasury departments, regulated by the Group Treasury function. The Treasury function reports to the Head of Global Markets & Treasury.

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

EFG Bank aims to avoid concentrations of its funding facilities. It observes its current liquidity situation and determines the pricing of its assets and credit business through the liquidity transfer pricing model. The liquidity

risk management process also includes EFG Bank's contingency funding plans.

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

Reputational risk

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

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

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

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

Emerging risk

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

Emerging risks arise from environmental, social and governance (ESG) aspects affecting other risk categories, or may include new technologies, for example, artificial intelligence, cyber – and nanotechnology or genetic

Notes to the Financial Statements for the year ended 31 December 2021

engineering, as well as economic, regulatory or political change.

EFG Bank monitors, via regular risk assessments, emerging risk that could create potential reputational risks and impact future income generation capacity:

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

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

Disclosure of capital requirements

Capital requirements as per Circ.-FINMA 2016/1 are disclosed in Pillar III presentation at EFG International Group level available at

www.efginternational.com/About-EFG/Investor-relations/Financial-reports.html

For key ratios at EFG Bank's level, refer to capital adequacy and liquidity disclosure on page 6.

D Events after balance sheet date

No material events occurred after the balance sheet date that could have a material impact on the financial position of the bank as of 31 December 2021.

Information relating to the Balance Sheet

1. Securities financing transactions (assets and liabilities)

	31 December 2021 CHF millions	31 December 2020 CHF millions
Securities lending and borrowing transactions and securities repurchase and reverse-repurchase transactions		
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	284.1	297.0
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions*	12.2	20.0
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	2,522.3	1,589.1
<i>with unrestricted right to resell or pledge</i>	2,522.3	1,589.1
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	2,888.3	1,942.1
<i>of which repledged securities</i>	2,533.0	1,768.4

* Before netting agreements

Notes to the Financial Statements for the year ended 31 December 2021

2. Collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

	Secured by mortgage CHF millions	Other collateral CHF millions	Unsecured CHF millions	Total CHF millions
Loans (before netting with value adjustments)				
Due from customers*	378.4	8,077.4	186.9	8,642.7
Mortgage loans	2,467.9		5.3	2,473.2
Residential property**	2,467.9		5.3	2,473.2
Commercial and industrial premises				
Total loans (before netting with value adjustments)				
Total at 31 December 2021	2,846.3	8,077.4	192.2	11,115.9
Total at 31 December 2020	3,273.9	7,676.2	312.9	11,263.0
Total loans (after netting with value adjustments)				
Total at 31 December 2021	2,842.4	8,076.3	181.7	11,100.4
thereof mortgage loans				2,469.5
thereof due from customers				8,630.9
Total at 31 December 2020	3,273.8	7,672.4	222.6	11,168.8
Off-balance sheet				
Contingent liabilities		236.2	847.6	1,083.8
Irrevocable commitments		2.6	19.6	22.2
Total at 31 December 2021	-	238.8	867.2	1,106.0
Total at 31 December 2020	-	1,121.6	77.9	1,199.5

	Gross debt amount CHF millions	Estimated liquidation value of collaterals (or pledges) CHF millions	Net debt amount CHF millions	Individual valuation adjustment CHF millions
Impaired loans/receivables				
Total at 31 December 2021	43.2	32.1	11.1	12.2
Total at 31 December 2020	215.9	115.8	100.1	88.1

* "Due from customers" mainly consists of lombard loans in the form of advances and fixed term loans.

** Thereof CHF 334 million subparticipations (2020 : CHF 232 million)

Impaired loans at 31 December 2020 included a gross exposure of CHF 178.0 million that EFG Bank AG disbursed in 2007 and on which an expected credit loss of CHF 75.3 million had been calculated. As a result of a positive verdict in a case in Singapore concluding that the Bank had a valid pledge over assets held as collateral, in November 2021 the Bank used the collateral held to repay the loan.

This resulted in a reversal of the expected credit loss of CHF 75.6 million as a gain in the P&L. However, the Bank has recorded a provision against legal matters of CHF 73.2 million (see Note 12).

3. Trading portfolios and other financial instruments at fair value

	31 December 2021 CHF millions	31 December 2020 CHF millions
Assets		
Trading portfolio assets		
Debt securities, money market securities/transactions	448.2	628.9
<i>of which, listed</i>	38.3	41.7
Equity securities	1.0	22.3
Precious metals and commodities	178.8	178.0
Other trading portfolio assets		
Total trading portfolio assets	628.0	829.2
Other financial instruments at fair value		
Equity securities		
Life insurance related	146.7	149.4
Total financial instruments at fair value	146.7	149.4
Total assets	774.7	978.6
<i>of which, determined using a valuation model</i>	146.7	149.4
<i>of which, securities eligible for repurchase agreement transactions in accordance with liquidity requirements</i>	-	0.7
Liabilities		
Trading portfolio liabilities		
Debt securities, money market securities/transactions	66.4	33.7
<i>of which, listed</i>	-	-
Equity securities	0.6	8.8
Other trading portfolio liabilities		
Total trading portfolio liabilities	67.0	42.5
<i>of which, securities eligible for repurchase agreement transactions in accordance with liquidity requirements</i>	-	-
Other financial instruments at fair value		
Structured products	254.3	272.6
Life insurance related	163.3	175.4
Total other financial instruments at fair value	417.6	448.0
Total liabilities	484.6	490.5
<i>of which, determined using a valuation model</i>	417.6	448.0

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4. Derivative financial instruments (assets and liabilities)

	Held for trading			Held for hedging		
	Positive replacement values CHF millions	Negative replacement values CHF millions	Contract volume CHF millions	Positive replacement values CHF millions	Negative replacement values CHF millions	Contract volume CHF millions
Interest-rate instruments						
Swaps	22.5	23.8	2,346.0	28.3	24.3	2,283.5
Futures		0.1	4.8		6.1	797.5
Currencies/Precious metals						
Forward contracts	23.5	11.7	2,746.6			
Combined Interest/Currency Swaps	227.9	231.4	36,558.3		1.5	36.8
Options (OTC)	40.5	35.4	9,546.4			
Equity securities/Indices						
Options (OTC)	19.6	20.5	336.3			
Credit derivatives						
Credit default swaps	1.0	5.4	574.2			
Total return swap	34.1		123.1			
Total 31 December 2021	369.1	328.3	52,235.7	28.3	31.9	3,117.8
Total 31 December 2020	596.0	624.0	52,795.0	15.2	69.2	2,006.7

	Positive replacement values (cumulative) CHF millions	Negative replacement values (cumulative) CHF millions
Total before netting contracts:		
Total 31 December 2021	397.4	360.2
of which, determined using a valuation model	397.3	354.1
Total 31 December 2020	611.2	693.2
of which, determined using a valuation model	610.7	689.6
Total after netting contracts:		
Total 31 December 2021	397.4	360.2
Total 31 December 2020	611.2	693.2

	Central clearing houses	Banks and securities dealers	Other customers	Total
Breakdown by counterparties:				
Positive replacement values (after netting agreements)		349.9	47.5	397.4

5. Financial investments

	Book value		Fair value	
	31 December 2021 CHF millions	31 December 2020 CHF millions	31 December 2021 CHF millions	31 December 2020 CHF millions
Debt securities	5,629.0	4,202.9	5,640.2	4,238.1
of which, intended to be held to maturity	1,165.5	1,093.0	1,166.1	1,092.8
of which, not intended to be held to maturity (available for sale)	4,463.5	3,109.9	4,474.1	3,145.3
Equity securities	1.6	17.5	2.7	17.5
of which, qualified participations*				
Precious metal	376.2	240.3	376.2	240.3
Real estate	4.4	5.1	4.4	5.2
Life insurance related	830.8	949.3	641.1	745.2
of which, intended to be held to maturity	830.8	949.3	641.1	745.2
of which, not intended to be held to maturity (available for sale)				
Total	6,842.0	5,415.1	6,664.6	5,246.3
of which, securities eligible for repurchase agreements transactions in accordance with liquidity requirements	543.6	930.2	543.9	910.3

Breakdown of counterparties by rating**

Book value	AAA to AA- CHF millions	A+ to A- CHF millions	BBB+ to BBB- CHF millions	BB+ to B- CHF millions	Below B- CHF millions	Unrated CHF millions	Total CHF millions
Debt securities	4,903.8	641.1	51.8			32.3	5,629.0
Equity securities						1.6	1.6
Precious metals						376.2	376.2
Real estate						4.4	4.4
Life insurance related	579.6	133.8	72.1	45.3			830.8
Total	5,483.4	774.9	123.9	45.3	-	414.5	6,842.0

* At least 10% of capital or voting rights

** Based on Standard & Poor's ratings

Carrying value of life insurance related (held-to-maturity portfolio)

The bank holds 247 life insurance policies as of 31 December 2021 valued at amortised cost (305 in 2020) which are classified in the held-to-maturity category and measured at amortised cost, subject to impairment test at each reporting date if there is factual evidence of impairment compared to best estimate valuation.

These life insurance policies are issued by US life insurance companies. The Bank pays a periodic premium to the life insurance company to keep the policy valid. If the Bank did not pay this premium, the insurance policy would lapse and then the Bank would not receive the death benefit when the insured individual died. When the insured individual (US based individuals) die, the life insurance company pays a lump sum death benefit to the Bank.

Notes to the Financial Statements for the year ended 31 December 2021

The insured individuals have an average age of 92.8 years and have an implied average life expectation of 3.9 years based on the life expectations derived from the 2015 Valuation Basic Table. The total death benefit receivable is CHF 1,172.5 million (USD 1,285.4 million).

The carrying value of these investments is CHF 830.8 million (USD 910.8 million) at 31 December 2021 (31 December 2020: CHF 949.3 million; USD 1,078.4 million) and is derived from an acquisition value, premiums paid and a revenue accrual.

The determination of the realisable value of these financial assets requires management's most complex and subjective judgements. The realisable value of these policies is primarily exposed to:

- changes in longevity; and
- changes in the premium streams (cost of insurance).

The Bank applies a probabilistic valuation approach in the assessment of future cash flows in the amortised cost model. This includes a range of scenarios and critical assumptions about longevity and the cost of insurance which should be paid to maintain these life policies in force.

(a) Longevity assumptions in realisable value

The Bank relies on the Valuation Basic Table ("VBT") last published by the Society of Actuaries in 2015 and adjusted by an external life insurance underwriter and by actuaries to reflect the individual medical characteristics of the referenced insureds. There is a risk that actual dates of collection of death benefits may vary significantly, compared to initial estimates

(b) Cost of insurance in realisable value

The determination of the appropriate level of increase of cost of insurance in the underlying policies is one of the most important assumptions applied by management in the valuation model. Increases in cost of insurance considers

the aging of the insured persons and increases in pricing levels of premiums imposed by certain carriers that issued these policies. The majority of life insurance policies have increasing annual premiums payable. In certain instances, additional increases have been announced by the insurance companies. The Bank considers the increases in cost of insurance to be unjustified and is challenging their implementation in US courts. Where the insurance companies have communicated extraordinary and unprecedented increases, which management believes are not justified under the policies, management has set its own best estimates taking into account the factors outlined above.

The Bank uses management's best estimate considering historic information and relying on specialised opinions and information from external service providers about trends and market developments. Management also considers the outcome of disputes involving significant increases in premiums observed in the US market affecting the life insurance policies in the portfolio.

For sensitivity purposes, the Bank has made an assessment of the potential impact of the use of the full level of these communicated extraordinary and unprecedented cost of insurance increases, rather than management's best estimate. In this scenario, the net carrying value would have been higher than the estimated future net cash flows, potentially requiring impairment. Management's assessment of the potential impact (assuming the full level of these extraordinary and unprecedented cost of insurance increases had been applied for the purposes of this sensitivity assessment) is that the carrying value would have exceeded the net cash flows from the total death benefits receivable less the future notified premiums required to be paid (in the absence of a successful claim against the three insurance carriers), and this would potentially result in an impairment of approximately CHF 54.8 million (USD 60.1 million).

6. Other assets and other liabilities

	Other Assets 31 Dec 2021 CHF millions	Other Assets 31 Dec 2020 CHF millions	Other Liabilities 31 Dec 2021 CHF millions	Other Liabilities 31 Dec 2020 CHF millions
Compensation account	27.8	81.0		
Indirect taxes	5.7	7.7	13.6	14.6
Clearing accounts	3.3	6.6	4.6	4.1
Other	65.5	13.0	16.4	18.6
Total	102.3	108.3	34.6	37.3

Other assets include an amount of CHF 52 million related to an employer contribution reserve in the bank's pension fund (Fondazione di Previdenza EFG SA) made in January 2021.

7. Assets pledged or assigned to secure own commitments and assets under reservation of ownership*

	31 December 2021		31 December 2020	
	Book value of pledged assets CHF millions	Effective Commitments CHF millions	Book value of pledged assets CHF millions	Effective Commitments CHF millions
Pledged/assigned assets				
Due from banks	317.8	225.7	459.5	264.9
Financial investments	579.4	577.7	477.1	455.4
Other financial instruments at fair value	146.7	45.7	149.5	48.5
Total	1,043.9	849.1	1,086.1	768.8

* Excluding securities financing transactions

Mainly represents assets subject to ownership reservation guaranteeing nostro commitments.

Notes to the Financial Statements for the year ended 31 December 2021

8. Liabilities relating to own pension schemes, and number and nature of equity instruments of the bank held by own pension schemes

	31 December 2021 CHF millions	31 December 2020 CHF millions
Due to customers, other	102.3	48.4
Total liabilities towards own pension funds	102.3	48.4

The employees of EFG Bank employed in Switzerland are insured with the pension fund foundation for the staff of EFG Bank. The retirement age is between 64 and 65 years. However, the insured have the option of taking early retirement from the age of 58 to 60 depending on the plan, resulting in a reduction in their pension. The pension fund foundation for the staff of EFG Bank provides comprehensive benefits (the minimum mandatory benefits

prescribed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans, LPP, and supplementary benefits) through a system of financing based on a defined contribution scheme.

No equity instruments of the Bank are held by the pension fund foundation.

9. Economic situation of own pension schemes

The financial statements of the pension fund foundations for the Swiss based staff of EFG Bank (drawn up in accordance with Swiss GAAP FER 26) reveal the following amounts (2021 unaudited, 2020 audited):

(a) Employer contribution reserves (ECR)

	Influence of ECR on personnel expenses					
	Nominal value at current year end CHF millions	Waiver of use at current year end CHF millions	Net amount at current year end CHF millions	Net amount at previous year end CHF millions	31 December 2021 CHF millions	31 December 2020 CHF millions
					31 December 2021 CHF millions	31 December 2020 CHF millions
Employer sponsored funds / employer sponsored pension schemes	52.0		52.0			
Pension schemes						

(b) Presentation of the economic benefit / obligation and the pension expenses

	Economic interest of the Bank			Pension expenses in personnel expenses		
	Overfunding / underfunding	Change in economic interest versus paid for the	Contributions	31 December	31 December	31 December
	at end of current year	31 December 2021	interest versus previous year	31 December 2021	31 December 2021	31 December 2021
	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
<u>Employer sponsored pension schemes</u>						
Pension plans without overfunding / underfunding						
Pension plans with overfunding	128.2			21.8	21.8	21.8
Pension plans with underfunding						
Pension schemes without own assets						
Total	128.2	-	-	21.8	21.8	21.8

The reserves for fluctuations in the value of the pension fund foundations have not yet reached the target level as per funds' investment regulations. As a result, there is no surplus in coverage as defined by Swiss GAAP FER 16.

The employees of EFG Bank Singapore are insured via a defined contribution plan.

The employees of Hong Kong are insured via a mandatory provident fund (the "MPF scheme"). The assets of the MPF scheme are held separately from those of the company in an independently administrated fund.

Effective 01 January 2022, Fondo Complementare di Previdenza di EFG SA entered into liquidation as part of the creation of an OPP2 1e solution. Most of the assets were transferred to a newly created 1e compartment within FCT Trianon. The remaining assets were transferred to Fondazione di Previdenza EFG SA.

Details of the contributions to the pension fund are provided in note 22 "Personnel expenses" (CHF 21.8 million in 2021 and CHF 21.8 million in 2020).

Please refer to note 6 "Other assets and other Liabilities" for details on the CHF 52 million employer contribution reserve.

10. Issued structured products

	31 December 2021		31 December 2021	
	Book value	Valued as a whole	Book value	Valued separately
	Booked in other financial instruments at fair value	Booked in trading portfolio	Host instrument	Derivative
	CHF millions	CHF millions	CHF millions	CHF millions
Underlying risk of the embedded derivative				
Foreign currencies (without own debenture component)			167.1	(0.9)
Equity securities		254.3		(4.5)
Total structured products issued	-	254.3	167.1	(5.4)

Notes to the Financial Statements for the year ended 31 December 2021

11. Bonds outstanding and mandatory convertible bonds

Subordinated loans with PONV* clause received from:	Fixed interest rate %	Year of issue	Due dates (1 st Call Date)	Maturity	31 December 2021 CHF millions
EFG International AG – Switzerland USD 90 million subordinated loan	8.56	2016	02 March 2022	> 5 years (perpetual)	82.1
EFG International Finance – Luxembourg USD 40 million subordinated loan	8.08	2017	07 June 2022	> 5 years (perpetual)	36.5
EFG International Finance – Luxembourg GBP 32.5 million subordinated loan	6.87	2017	01 June 2022	> 5 years (perpetual)	40.0
EFG International Finance – Luxembourg USD 150 million subordinated loan	5.34	2020	31 March 2025	> 5 years (perpetual)	136.8
Total					295.4

* PONV: Point of non-viability

The subordinated loans are shown in the balance sheet line "Amounts due in respect of customer deposits". The capital (including interest) outstanding under the loans need not be repaid, except at the discretion of the borrower. The borrower may prepay the loan without premium or penalty, in whole, on the interest reset dates, upon tax events or regulatory capital events.

The loans were granted in order to improve the Bank's Tier 1 capital and include a contingent write-down feature. The contingent write-down feature is activated if the FINMA

Common equity Tier 1 capital ratio falls below 7%, in which case part or all of the subordinated loans cease to be repayable by the borrower. Any redemption, substitution, variation or purchase of the loan is subject to the Bank having received the consent of the FINMA (if then required) and none of the following having occurred: (a) the regulator notified the Bank that the subordinated loans should be written down in order for the Bank to remain solvent or (b) the Bank has obtained support from central bank or the government in order to remain solvent. Any notice of prepayment and cancellation shall be irrevocable.

12. Valuation adjustments and provisions, reserves for general banking risks, and changes therein during the current year

	Balance at 31 December 2020	with designated purpose	Use in conformity	New creations	Releases to income statement	Balance at 31 December 2021
	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
Provisions for default risks	0.5			(0.2)		0.3
of which provisions according to Art 28 par 1 FINMA Accounting Ordinance	0.2			(0.2)		
of which provisions for expected loss	0.3					0.3
Provisions for restructuring	6.9	(6.3)	1.9	9.5		12.0
Other provisions	21.3	(11.6)	0.4	87.1	(1.5)	95.7
Total provisions	28.7	(17.9)	1.9	0.4	96.6	(1.7)
Reserve for general banking risks		0.4				0.4
Valuation adjustments for default and country risks	94.2	(8.7)		1.2	(71.2)	15.5
Value adjustments for default risks from impaired receivables	88.1	(8.7)		0.7	(67.9)	12.2
Value adjustments for expected loss	6.1			0.5	(3.3)	3.3

Provisions

The Bank is involved in various legal and arbitration proceedings in the normal course of its business operations. The Bank establishes provisions for current and pending legal proceedings if management is of the opinion that the Bank is more likely than not to face payments or losses and if the amount of such payments or losses can be reliably estimated.

Changes to provisions include CHF 7.3 million of recovery of losses amounts from insurance related to a fraud case which are not disclosed in the table above.

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

P&L. However, the Bank has recorded a provision against legal matters of CHF 73.2 million.

The Bank is party to multi-jurisdictional legal proceedings relating to a client relationship with a Taiwanese insurance company, which began with arbitration proceedings in Taiwan which the Bank lost. The Bank extended a loan of USD 193.8 million (excluding interest) to an affiliate of the insurance company, which was placed into receivership in 2014. The loan was secured by the assets of a separate legal entity domiciled in Jersey pursuant to a pledge agreement governed by Singapore law. The former majority shareholder and Chairman of the insurance company (who has been found guilty in Taiwan of various criminal offenses related to the misappropriation of company funds, including the proceeds of the bank loan and is currently serving a 20 year prison sentence) also gave the Bank a personal indemnity covering the loan. The overall relationship with the insurance company included accounts held at EFG in Hong Kong, Singapore and Switzerland.

In January 2018, an arbitration tribunal in Taiwan concluded that the transaction was invalid under the law of Taiwan as a result of the insurance company's non-compliance with

Notes to the Financial Statements for the year ended 31 December 2021

Taiwanese insurance regulations. Based on that reasoning, the tribunal required the Bank to return the USD 193.8 million in assets held by the Jersey entity and used as collateral for the loan, plus interest at a rate of 5% per annum. The Bank fundamentally disagrees with the tribunal's reasoning and the result. It appealed the validity of the award in the Taiwan courts, but that appeal was unsuccessful and has concluded. The Bank has, however, successfully defeated the attempt by the receiver of the insurance company in Hong Kong to enforce the award. The Hong Kong court issued a decision in November 2020 denying enforcement of the arbitration award and in a January 2021 decision, the court denied the receiver's application for leave to appeal. Therefore, the proceedings in Hong Kong have now been concluded in favour of the Bank.

The Taiwan tribunal did not opine on the validity of the loan collateral under the governing laws of Singapore. When the arbitration began, the Bank had already commenced legal proceedings to confirm the validity of the loan collateral in Singapore, which was heard in 2020. The Singapore court issued a decision in November 2021 confirming the validity of the pledge. Upon receiving notification of the judgement on the validity of the pledge in Singapore, the Bank used the collateral to repay the loan. The receiver has filed its notice of appeal against the Singapore judgement.

In addition, the Bank is considering how most appropriately to enforce the personal indemnity of the former chairman, secured through successful legal proceedings in Singapore.

The Bank, as well as certain current and former employees, have been named in certain supplemental civil proceedings commenced by the receiver of the insurance company in Taiwan. At present, the supplemental proceeding in which the Bank is named as a defendant is at a preliminary stage in the lawsuit. The receiver seeks to recover civil damages in an amount equivalent to the value of the assets used as collateral for the loan, plus interest accruing at 5% per annum, which totals approximately USD 253.6 million at 31 December 2021, resulting in an unprovided amount of approximately USD 173.3 million (CHF 159.1 million) if the matter was resolved as at 31 December 2021.

The Bank has assessed a multitude of potential outcomes in regard to resolution of this case and has recorded a provision based on the discounted probability weighted cash flows arising from these scenarios.

A provision of CHF 7.7 million (2020: CHF 7.0 million) relates to client claims, following the discovery of irregularities in

the management of clients' accounts by a former employee. An amount of CHF 1.5 million was utilised from the provision in the year as an amount was paid out during 2021 to settle one of the client claims. The remaining position is likely to be resolved within a year.

The Bank has a provision of CHF 10.2 million (2020: CHF 7.9 million) which represents the amount that will have to be paid if the Bank succeeds in recovering excess life insurance premiums from insurers who increased premiums. During the period one of the four cases was resolved and the Bank utilised CHF 8.5 million of the provision against the successful resolution of that one case, whilst increasing the provision by CHF 10.5 million for the remaining three cases. The overall position is likely to be resolved within 12 to 24 months.

A provision of CHF 1.5 million (2020: CHF 1.4 million) has been made for claims arising from fraudulent activity by an ex-CRO. In addition, based on a June 2021 demand letter, the Bank has been made aware that additional claims of approximately CHF 23 million may arise, against which the Bank is not able to assess the potential loss (see potential liabilities). The Bank is assessing the legal and factual merits of these claims. The overall position is likely to be resolved within a year.

The Bank has a provision of CHF 0.3 million for credit default risks. This relates to the expected credit losses.

Other provisions of CHF 3.1 million remain for various small litigation cases.

Potential liabilities

EFG Bank is involved in various legal and arbitration proceedings in the normal course of its business operations. The Bank establishes provisions for current and threatened pending legal proceedings if management is of the opinion that the Bank is more likely than not to face payments or losses and if the amount of such payments or losses can be reliably estimated.

The Bank has differentiated the potential liabilities into four categories as follows:

- a) Bank does not expect a material cash outflow
- b) Bank cannot reliably measure the obligation
- c) Bank cannot reliably measure the obligation, however any obligation arising would be offset by indemnification received
- d) Bank does not expect a material cash outflow, however any obligation arising would be offset by indemnification received

(a) Bank does not expect a material cash outflow

The following potential liabilities that management is aware of relate to legal proceedings which could have a material effect on the Bank. However, based on presently available information and assessments, the Bank currently does not expect that any of these potential liabilities will result in material provisions or other liabilities.

The Bank discloses potential liabilities that the management believes are material, or to be significant due to potential financial, reputational and other effects.

The Bank is engaged in certain litigation proceedings mentioned below and is vigorously defending the cases. The Bank believes it has strong defences to the claims. The Bank does not expect the ultimate resolution of any of the below-mentioned proceedings to which the Bank is party to have a significantly adverse effect on its financial position.

- i) Certain investors and the liquidator of a fund regulated in Guernsey have commenced legal proceedings. The lawsuit damages in an amount ranging up to approximately GBP 73.0 million arising out of problems with the fund's investments and alleges that the fund directors and the Group, as administrator, misled investors and acted in breach of their statutory duties. The Group believes it has strong defences to the allegations and maintains its vigorous defence.

(b) Bank cannot reliably measure the obligation

The following potential liabilities that management is aware of, could have a material effect on the Bank. However, based on presently available information and assessments, the Bank is not able to reliably measure the possible obligation.

- i) The Bank had two accounts in the name of an institutional client. This institutional client was designated by the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury as Specially Designated Nationals on account of assisting drug-trafficking Banks in money-laundering. When an issue was raised as to whether the Bank violated OFAC sanctions after the client's OFAC designation because of subsequent transactions and interactions between US persons at the Bank and the institutional client, the Bank promptly initiated an internal investigation of this and other potential OFAC violations, which covered all the Bank's booking centres. The investigation has concluded, and the Bank is cooperating with OFAC on the matter.
- ii) Claims have arisen from possible fraudulent activities by a former employee. Certain claims have been

provided for, whilst investigations are ongoing related to additional potential claims of approximately CHF 23 million. The Bank is assessing the legal and factual merits of these claims, however currently there is no reliable estimate of the potential loss on these potential claims.

- iii) The Bank is engaged in litigation proceedings initiated in 2012 by a client claiming that he has been misled insofar as he thought that his investments were capital-protected, that the agreed investment strategy has not been followed and that unauthorised transactions were performed. The damages claimed is approximately EUR 49 million plus interest since 2008. Although the Bank is vigorously defending the case and believes it has strong defences to the claims, there is no reliable estimate of what losses might be sustained on the claims.
- iv) In 2019, the Bank was named as a defendant in a claim brought against over 30 defendants in the Commercial Court in London by the Public Institution for Social Security (PIFSS) of Kuwait. The allegations centre on the former Director General of PIFSS, who is alleged to have been paid secret commissions, and to have been an account holder at EFG beginning in 2008. The claim against the Bank centres on allegations that, between 1995 and 2012, the former Director General of PIFSS procured the payment to another defendant of approximately USD 332.1 million of secret commissions, as well as USD 44.6 million in other payments representing proceeds of other schemes alleged in the claim. EFG is investigating the factual and legal merits of the claim. At present, the Bank cannot reliably estimate its potential liability in the matter.
- v) The Trustee of Bernard L. Madoff Investment Securities LLC (BLMIS) has filed a complaint asserting that redemption payments totalling USD 411 million allegedly received by the Bank on behalf of clients should be returned to BLMIS. This action includes the redemptions claimed by the Fairfield liquidators (see next paragraph). The Bank believes it has strong defences to the claims and maintains its vigorous defence of the lawsuits.
- vi) The Bank has been named as a defendant in lawsuits filed by the liquidators of Fairfield Sentry Ltd. and Fairfield Sigma Ltd. asserting that redemption payments received by the Bank on behalf of clients should be returned. The amount claimed is uncertain, but the Bank believes the amount claimed is approximately USD 217 million. The Bank believes it has strong defences to the claims and maintains its vigorous defence of the lawsuits.

Notes to the Financial Statements for the year ended 31 December 2021

(c) Bank cannot reliably measure the obligation, however any obligation arising would be offset by indemnification received

The following potential liabilities (that arose through the acquisition of BSI) that management is aware of, could have a material effect on the Bank. However, based on presently available information and assessments, the Bank is not able to reliably measure the possible obligation. The Bank is entitled to indemnification against losses that may arise from these matters listed below from the seller of the former BSI Bank.

- i) A client has brought legal claims against the Bank for CHF 54 million in purported actual and consequential damages, alleging that the Bank did not manage the account in accordance with the mandate. The Bank is vigorously defending against these claims and believes it has strong defences to the claims.

(d) Bank does not expect a material cash outflow, and any obligation arising would be offset by indemnification received

The following potential liability is not expected to have a significant adverse effect on the Bank's financial position and the Bank is entitled to indemnification against losses that may arise from this matter from the seller of the former BSI Bank.

- i) In August 2019, the Chilean tax authority made a tax liability determination arising out of BSI's September 2015 sale of shares in a Chilean subsidiary to a third party. In its tax return filed in 2016, BSI requested a tax refund on the grounds that the sale of the shares had generated a tax loss. The Chilean tax authority, however, disputed the appropriate fair market value of the disposed shares, as well as the appropriate tax rate applicable to the transaction. The total outstanding tax liability as determined by the Chilean tax authority amounts to CHF 24.0 million. In April 2020, the Bank commenced legal proceedings challenging the tax authority's assessment, and believes it has strong defences to the tax assessment.

13. Bank's capital

	31 December 2021			31 December 2020		
	Total par value CHF millions	No. of shares '000	Capital eligible for dividends CHF millions	Total par value CHF millions	No. of shares '000	Capital eligible for dividends CHF millions
Registered shares	162.4	162.41	162.4	162.4	162.41	162.4
Total bank's capital	162.4	162.41	162.4	162.4	162.41	162.4
Voting shares	162.4	162.41	162.4	162.4	162.41	162.4

14. EFG International AG's equity securities or options on equity securities held by all executives and directors and employees

	Number of Equity securities		Value of Equity securities		Number of restricted stock units		Value of restricted stock units	
	'000	'000	CHF millions	CHF millions	'000	'000	CHF millions	CHF millions
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Members of the Board of Directors								
Directors	133,764	148,285			184	174	1.0	0.9
Members of executive bodies								
Employees	625	526			3,213	3,149	19.7	19.4
Total	140,691	153,522	43.8	27.3	7,270	6,833	38.9	36.7
Total	140,691	153,522	43.8	27.3	7,270	6,833	38.9	36.7

* The composition of the board of directors is the same for the Bank and its parent company, EFG International AG, Zurich.

The figures disclosed in the table above are related to members of the executive bodies at Bank's level only.

The Bank is 100% owned by EFG International AG. Directors, members of executive bodies and employees own shares in EFG International AG as disclosed above.

The Bank has adopted an Equity Incentive Plan for employees and executive officers of the Bank in order to strengthen

the Bank's ability to furnish incentives for members of the Executive Committee and other key employees.

The different classes have earliest exercise dates generally varying from three to five years from the grant date and ending seven years from the grant date.

15. Due from and due to related parties

	Amounts due from		Amount due to	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	CHF millions	CHF millions	CHF millions	CHF millions
Qualified participations	4.9	175.4	280.6	123.9
Group companies	0.7	0.7	0.1	0.4
Affiliated companies	1,358.9	1,517.1	4,824.5	6,149.1
Banks' governing bodies			1.0	1.0

The services given to the affiliated parties (securities transactions, money transfers, lending activities, deposits, remuneration) have been invoiced at the same tariff as to that applied to third parties.

Notes to the Financial Statements for the year ended 31 December 2021

16. Holders of significant participations

	31 December 2021		31 December 2020	
	Nominal CHF millions	Equity interest %	Nominal CHF millions	Equity interest %
Significant shareholders and groups of shareholders with pooled voting rights				
EFG International AG, Zurich	162.4	100	162.4	100
Total	162.4	100	162.4	100

Indirect holders of significant participations are disclosed at the level of EFG International Group financial statements.

17. Composition of equity capital – non distributable reserve

	31 December 2021 CHF millions	31 December 2020 CHF millions
Statutory capital reserve	81.2	81.2
Total	81.2	81.2

To the extent it does not exceed one-half of the share capital, the statutory capital reserve and the statutory retained earnings reserve may be used only to cover losses or for measures designated to sustain the Bank through

difficult times to prevent unemployment and to mitigate its consequences. There are no statutory limitations that apply to the distribution of the voluntary retained earnings reserves.

18. Total assets by credit rating of country groups (risk domicile view)

Rating according to the FINMA Mapping Table	Foreign exposure 31 December 2021		Foreign exposure 31 December 2020	
	CHF millions	Share as %	CHF millions	Share as %
AAA, AA-	1 & 2	13,619.0	70.8	12,353.6
A+, A-	3	720.5	3.7	1,045.5
BBB+, BBB-	4	1,500.0	7.8	1,701.4
BB+, BB-	5	679.5	3.5	318.6
B+, B-	6	660.7	3.4	600.9
CCC+, C	7	149.6	0.8	23.2
Unrated	Unrated	1,910.9	10.0	1,503.4
Total		19,240.2	100.00	17,546.6
				100.0

Rating system used:

According to the FINMA's "mapping tables linking the credit rating categories and risk weightings in accordance with the Basel Minimum standards" (Circular 2012/01 - cm 63), the above table uses Standard and Poors and Moody's second worst country rating converted to FINMA's credit ratings. This table is based on clients' countries of domicile, banking counterparties and issuers.

19. Fiduciary transactions

	31 December 2021 CHF millions	31 December 2020 CHF millions
Fiduciary transactions with third-party banks	596.2	508.5
Fiduciary transactions with affiliated banks	2.9	11.9
Total	599.1	520.4

Notes to the Financial Statements for the year ended 31 December 2021

20. Managed assets and their development

	31 December 2021 CHF millions	31 December 2020 CHF millions
Type of managed assets		
Assets in collective investment schemes managed by the Bank		
Assets under discretionary management agreements	10,275.4	9,081.1
Other managed assets	58,270.8	52,284.7
Total managed assets (including double counting)	68,546.2	61,365.8
<i>of which, double counting</i>	–	–
Loans	11,452.4	11,529.4
Total client funds generating revenues	79,998.6	72,895.2
Net new money / (outflows) (including double counting)	2,621.8	1,657.1
<i>of which, double counting</i>	–	–
	31 December 2021 CHF millions	31 December 2020 CHF millions
Development of managed assets		
Total managed assets (including double counting) at beginning of year	61,365.8	61,523.2
Net new money	2,621.8	1,657.1
Price gains / (losses), interest, dividends and currency gain/losses	4,368.3	(1,814.5)
Assets acquired through merger	190.3	
Total managed assets (including double counting) at end of year	68,546.2	61,365.8

Net new money consists of new client acquisitions, client departures and inflows or outflows attributable to existing clients (whether in cash or securities). New or repaid client loans and overdrafts are not included in the net new money. Interest and dividend income from Assets under Management, market or currency movements as well as fees and commissions are not included in net new money. Effects resulting from any acquisition or disposal of Group companies are not included in the net new money.

Total managed assets do not include client assets under a “custody-only” relationship (where “custody-only” is defined as assets held exclusively for the purposes of transactions/administration) for which the Bank only assumes custody, without offering any supplementary services. The Bank has entered into custody-only relationships with certain affiliated companies.

The item “Total managed assets” comprises only client assets under “more-than-custody-only” relationships.

Information relating to Income Statement

21. Result from trading activities and the fair value option

	31 December 2021 CHF millions	31 December 2020 CHF millions
(a) Breakdown by business area		
Direct private banking activities	63.8	49.3
Treasury activities	57.0	73.2
Life insurance	(7.3)	(7.5)
Total result from the trading activities and the fair value option	113.5	115.0
 (b) Breakdown by underlying risk and based on the use of the fair value option		
Result from the trading activities from		
Interest rate instruments (including funds)	23.4	(32.1)
Equity securities (including funds)	(18.5)	47.5
Foreign currencies	115.9	107.1
Life insurance	(7.3)	(7.5)
Total result from the trading activities and the fair value option	113.5	115.0
<i>of which, from fair value option on assets</i>	<i>(14.8)</i>	<i>58.9</i>
<i>of which, from fair value option on liabilities</i>	<i>3.6</i>	<i>(11.9)</i>

22. Material refinancing income in the item interest and discount income as well as material negative interest

Material refinancing income

There are no refinancing costs for trading portfolios.

Material negative interest

Negative interest on Swiss Francs deposits placed by the Bank at the Swiss National Bank amounts to CHF 14.0 million in the year ended 31 December 2021 (2020: CHF 12.9 million) and are disclosed in reduction of “Interest and discount income”.

Negative interest on Swiss Francs deposits placed by the Bank with other banks amounts to CHF 1.2 million in the year ended 31 December 2021 (2020: CHF 1.5 million) and are disclosed in reduction of the “Interest and discount income”.

Negative interest on Swiss Francs deposits placed by customers amounts to CHF 3.8 million in the year ended 31 December 2021 (2020: CHF 0.7 million) and are disclosed in reduction of the “Interest expenses”.

Notes to the Financial Statements for the year ended 31 December 2021

23. Personnel expenses

	31 December 2021 CHF millions	31 December 2020 CHF millions
Salaries	(287.3)	(301.4)
<i>of which variable compensation and equity incentives</i>	(59.5)	(66.3)
Social security expenses	(22.2)	(21.4)
Contributions to pension plans	(21.8)	(21.8)
Other personnel expenses	(8.4)	(5.3)
Total	(339.7)	(349.9)

24. General and administrative expenses

	31 December 2021 CHF millions	31 December 2020 CHF millions
Premises and real estate expenses	(22.1)	(22.1)
Expenses for communication and network expenses	(18.3)	(21.4)
Expenses for computer services	(18.1)	(18.0)
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	(1.3)	(1.2)
Fees of audit firms	(1.5)	(2.4)
<i>of which, for financial and regulatory audits</i>	(1.4)	(2.1)
<i>of which, for other services</i>	(0.1)	(0.3)
Other operating expenses	(53.0)	(62.3)
<i>of which, other operating expenses paid to EFGI sister companies or parent company</i>	(4.3)	(4.7)
Total	(114.3)	(127.4)

25. Material losses, extraordinary income and expenses, as well as material release of value adjustments and provisions no longer required

	31 December 2021 CHF millions	31 December 2020 CHF millions
Extraordinary income	15.9	16.1
Extraordinary expenses	(1.5)	(2.8)

Extraordinary income of CHF 15.9 million mainly relate to:
- the sale of a portfolio of clients to a third party bank

(CHF 8.1 million)
- the reversal of unclaimed amounts (CHF 4.4 million)

26. Disclosure of and reasons for revaluations of participations and tangible fixed assets up to acquisition cost at maximum

There are no revaluations of participations and tangible fixed assets.

27. Taxes

	31 December 2021 CHF millions	31 December 2020 CHF millions
Current taxes	(3.2)	(7.3)
Deferred taxes		
Total taxes	(3.2)	(7.3)
Average tax rate weighted on the basis of the operating results	4.6%	9.9%

In 2020, the tax charges relate to the capital taxes, business taxes and real estate taxes payable in Switzerland and corporate income tax payable in Italy.

In 2021, the tax charges relate to the capital taxes, business taxes and real estate taxes payable in Switzerland and in Singapore and the positive impact of the settlement of the BSI tax audit (FY 2013, 2014 and 2015) in Ticino.

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