EFG Private Bank Limited

Annual Report and Financial Statements

for the year ended 31 December 2019

Registered No. 2321802

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Overview

Profile

EFG Private Bank Limited

EFG Private Bank Limited (the "Company" or "EFGIUK") provides banking, stockbroking, wealth management and investment advisory services for private clients and their corporate interests. The Company is active in the money markets in both deposit taking and lending, engages in spot and forward foreign exchange business, as well as transactions in securities, off-Balance Sheet instruments and derivatives, primarily on behalf of clients.

The Company has a wholly owned subsidiary in Guernsey, EFG Private Bank (Channel Islands) Limited ("EFGIG"), and a branch in Jersey which provide similar services to those of the Company.

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

Immediate parent company

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

Highlights

	31 December 2019 GBP m	31 December 2018 GBP m
Operating income	112.1	123.4
Profit before tax	16.9	37.1
Loans and advances to customers	1,785	1,663
Deposits by customers	2,599	2,245
Total equity	192	160
Total assets	3,505	3,073
Assets under management	14,932	13,717

Company information

Directors
J Reed - Chairman
R Thomas – Chief Executive (Appointed 2 January 2019)
H Price (Appointed 2 April 2019)
E Barnett (Appointed 7 August 2019)
A Cooke-Yarborough
M Higgin (Resigned 30 April 2019)
J E Mathias (Resigned 31 March 2019)
D Politis
G Pradelli
S Robertson* (Appointed 1 May 2019)
A Simmonds

* Director of EFGI

Company secretary
A Evans

Independent auditors
PricewaterhouseCoopers LLP

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

Registered number
2321802

Strategic Report

Business review

EFGIUK generated a net profit for the year of GBP 12.0 million (2018: GBP 35.6 million), with the reduction principally due to a lower dividend of GBP 12.7 million (2018: GBP 33.0 million) received from its subsidiary company, EFG Private Bank (Channel Islands) Ltd (EFGIG). No dividend was declared in respect of the financial year ended 31 December 2019 (2018: GBP 8.0 million).

The loan book grew by 7% to GBP 1,785 million due to continued demand for lending in prime central London.

Net interest income increased by 14% to GBP 50.0 million, reflecting the loan book growth and a full year of the Jersey branch operations (which transferred on 5 November 2018). Net fee and commission income increased by 3% overall (2018: 10% increase), principally the result of an 8% increase in wealth management fees driven by higher AUM ("assets under management") balances that benefitted from strong net new asset growth as well as market appreciation in 2019. However, overall operating income declined by 10% to GBP 112.1 million (2018: GBP 123.4 million).

Operating expenses increased by 9% to GBP 94.5 million (2018: GBP 86.4 million), principally due to staff costs. Staff expenses increased by 11% owing to restructuring during the year, stronger business performance and associated staff incentives, as well as the full year impact of the Jersey branch.

Credit impairment losses increased to GBP 0.7 million (2018: GBP 0.2 million gain) but remained low relative to the size of the loan book.

Key financials

	Year ended 31 December 2019 GBP m	Year ended 31 December 2018 GBP m
Operating income	112.1	123.4
Operating expenses	(94.5)	(86.4)
Impairment losses / gains on financial assets	(0.7)	0.2
Profit before tax	**16.9**	**37.1**

Key performance indicators

	Year ended 31 December 2019 GBP m	Year ended 31 December 2018 GBP m
Net new assets	700.0	531.0
Return on assets[1]	69bps	70bps
Operating profit	17.5	37.0
Cost income ratio	84%	70%

[1] Return on assets is calculated as operating income less dividends over the simple average of opening and closing AUM booked In EFGIUK.

Capital

The Prudential Regulation Authority ("PRA") supervises EFG Private Bank Ltd on a stand-alone and consolidated basis. The figures shown below are on the stand-alone basis and will not necessarily correspond to capital balances included elsewhere in these Financial Statements.

The Common Equity Tier 1 ("CET1") capital ratio increased to 14.2% (2018: 13.1%) principally due to the issue of GBP 30 million of share capital to the Company's parent company, EFGI. Risk weighted assets increased by 11% to GBP 1,222.5 million (2018: GBP 1,104.2 million), principally due to the 7% loan book growth. As a result, the total capital ratio increased marginally to 19.6% (2018: 19.1%).

	Year ended 31 December 2019 GBP m	Year ended 31 December 2018 GBP m
Common equity tier 1 capital	173.4	144.2
Total capital	240.0	210.9
Total risk weighted assets	1,222.5	1,104.2
Common equity tier 1 ratio	14.2%	13.1%
Total capital ratio	19.6%	19.1%

Funding

EFGIUK's Treasury function manages the Company's funding and liquidity to support the private banking business and manage interest rate and currency risk. We maintain a conservative approach to funding.

Total funding increased by 13% to GBP 3,411.0 million (2018: GBP 3,025.4 million). This is principally due to a 16% increase in customer deposits in the year, principally term funding.

	Year ended 31 December 2019 GBP m	Year ended 31 December 2018 GBP m
Customer deposits	2,598.9	2,244.7
Banks	552.0	553.9
Subordinated loans	66.9	66.9
Equity	192.5	159.9
Total available funding	3,411.0	3,025.4

Liquidity

The Company maintains a strong liquidity position, ensuring that it is comfortably ahead of both its internal risk appetite but also regulatory requirements. Most of our liquidity requirements are held on deposit with the Bank of England, in high quality liquid assets or assets rated A or higher.

We regularly assess, and stress test our liquidity requirements and continue to comfortably meet the liquidity coverage ratio requirements under CRD IV.

	Year ended 31 December 2019 GBP m	Year ended 31 December 2018 GBP m
Cash and balances at central banks	634.0	242.3
Other banks	54.3	88.5
Government	399.0	285.0
Other public sector	79.0	294.5
Banks	441.2	420.4
Other issuers	13.0	12.8
Treasury assets	1,620.5	1,343.5

Principal risks and uncertainties

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

Approach to risk management
The Company's approach to risk management is as follows:
- The Company uses the three lines of defence model and there are independent Risk and Compliance functions with clearly defined objectives;
- there is a defined risk strategy and risk appetite;
- there is a risk management framework with policies, standards and procedures to govern risk management; and
- the effectiveness and efficiency of risk management is supervised by the Board of Directors with the support and advice of a dedicated Risk Committee.

The role of risk culture in supporting effective risk management
The Company believes that employee behaviour is key to ensure sound risk management, and that this is guided by the risk culture of the organisation. Accordingly, the risk culture is viewed as a core component of effective risk management. Financial and Non-financial incentives are reviewed to ensure they do not encourage excessive risk-taking. The Board of Directors sets and approves the risk strategy, the risk appetite and the risk management framework of the Company and monitors its risk profile, as well as the effectiveness of risk management.

Risks and uncertainties
The following pages set out the principal risks and uncertainties which may impact the Company's ability to deliver its strategy, how it seeks to mitigate these risks and the change in the perceived level of risk in the year. Whilst we constantly monitor our portfolio for emerging risks, the Company's activities remain unchanged. As a result, the principle risks and uncertainties which the Company faces and our approach to mitigating them remain broadly consistent with prior years.

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

Credit risk
As a lender, the Company is exposed to credit losses if customers are unable to repay loans and outstanding interest and fees. At 31 December 2019 the Company had loans and advances to customers amounting to GBP 1.8 billion.

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

Mitigation
We seek to minimise our exposure to credit losses from lending by:
- applying strict lending criteria when testing the credit quality and covenant of the borrower;
- maintaining consistent and conservative loan to value ratios;
- lending on a predominantly secured basis against identifiable assets such as property or investment portfolios;
- a clear, consistent and robust process for managing arrears; and
- operating a strong control and governance framework for our Client Relationship Officers ("CROs") with oversight by a central credit risk team..

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

Change
Credit losses remained low during the year to 31 December 2019 at GBP 0.7 million relative to a loan book of GBP 1.8 billion. Other counterparty exposures are broadly unchanged with the majority of our liquidity requirements and surplus funding placed with the Bank of England or in high quality liquid assets. We continue to monitor closely the uncertainty over Brexit and the UK economic outlook. These factors could increase the risk of higher credit losses in the future.

Further commentary on the credit quality of our loan book is outlined on pages 50. Further details on loans and advances to customers and debt securities held are in notes 13 and 14 on pages 34 to 35 of the financial statements.
Our approach to credit risk management and monitoring is outlined in more detail in note 28 on page 44 to 54.

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

Mitigation
The Company seeks to attract, retain and develop staff by:

Strategic Report

- operating remuneration and benefits structures which are competitive and recognise and reward performance;
- creating an inclusive environment that embraces diversity;
- listening to employee feedback through engagement surveys and developing action plans;
- being involved in EFGI's leadership development programme which offers mentoring to high potential employees;
- implementing succession planning for key roles; and
- launching a leadership programme for 70 staff that, in part, will help to identify current and future leaders.

Change

EFG focused on hiring CRO teams, as they are important drivers for growth, while enhancing the productivity of our existing teams. We made considerable progress in this area in 2019, hiring a total of 14 new CROs. Our success in hiring new talent reflects our improved position in the market and confirms that our CRO model is attractive. In addition, we further enhanced the productivity of our existing CROs, increasing the average portfolio size per existing CRO and applying stricter performance measures.

Capital and liquidity

EFGIUK's ability to access to capital and funding remains key to support our lending activities and the liquidity requirements.

Mitigation

Liquidity is assessed daily to ensure adequate liquidity is held and remains readily accessible in stressed conditions.

Change

During the year we actively targeted term deposit funding. This was successful, and we increased our term funding from GBP 1,272 million to GBP 1,600 million at 31 December 2019. In recognition of the contribution EFGIUK provides to the Group, EFGI invested GBP 30 million in additional share capital to support future lending growth. Further commentary on funding and liquidity is provided on pages 4 and 58 to 59. Further financial analysis of our liquidity is shown in note 30 on page 59 of the financial statements.

Following a recommendation from the Financial Stability Board (FSB) to develop alternatives to LIBOR, national regulators are working with the financial services industry to ensure a smooth transition when LIBOR ceases to be supported from the beginning of 2022. The UK regulators have been working with the industry on the development of alternatives to LIBOR as well as the timelines to ensure a smooth transition. EFGIUK has established a project with senior management ownership to manage the transition of its processes, systems and products to an alternative risk-free rate within the appropriate timeframe.

Economic environment

Any downturn in economic conditions may impact the Company's performance through:

- lower demand for the Company's products and services;
- lower investor risk appetite as a result of financial markets instability; and
- higher credit losses as a result of the inability of our customers to service debt and lower asset values, and property in particular, on which loans are secured.

Mitigation

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

Change

Although the UK economic environment remained largely resilient over the year, economic uncertainty and risk to the macroeconomic outlook remains elevated due to Brexit and wider global events. In addition, lending activity was subdued in the last three months of the year as purchasers delayed significant purchases until the result of the UK general election was known. The potential economic impacts of the UK's planned departure from the EU was closely monitored through our horizon risk framework.

Although a broadly stable macroeconomic backdrop was anticipated in our plan, stress testing and contingency planning continued to be employed to support preparedness for a range of possible scenarios.

In March 2020, the COVID-19 virus expanded to a fully-fledged global crisis impacting the broader health and safety of our staff and clients. This has triggered operational contingency, business continuity and resilience actions to ensure provision of critical client services, fulfilment of our regulatory responsibilities and protection of our staff and clients.

EFGIUK has been taking appropriate measures from the initial outbreak and is ramping up its response and contingency planning.

The crisis has created high levels of volatility in the global financial and credit markets, which affects our client relationships, financial profile and resilience. Appropriate pre-emptive stress testing around our vulnerabilities and resilience has been implemented.

Legal and regulatory

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

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

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

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Mitigation

The Company seeks to manage these risks by:

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

Change

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

The HMRC investigation, noted in our 2018 Annual Report, is ongoing. Further detail on the taxation charge for the year is shown in note 10 of the financial statements

Operational risk

The Company is exposed to various operational risks through its day-to-day operations, all of which have the potential to result in financial loss or adverse impact.

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

Mitigation

The Company seeks to mitigate operational risk through:

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

Change

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

Competition

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

Mitigation

EFG have a clear strategy and value proposition: we want to be a leading Swiss private bank that is renowned for its distinctive client approach. Our CRO model sets us apart in the market and enables us to offer truly client-centric service.

On 13 March 2019, we announced a new strategic plan for the period from 2019 to 2022. This plan is designed to increase momentum across our organisation. We are building on our significantly strengthened market position as one of the ten largest Swiss private banks internationally.

Change

While our previous strategy for 2019 centred around the successful execution of the integration process and the realisation of synergies, our new strategic plan for 2022 targets profitable and sustainable growth.

Despite the challenging conditions facing the entire industry in 2019, we successfully refocused our business on profitable growth. These efforts translated into a significant increase in net new asset inflows and as a result our AUM increased from GBP 14,700 million to GBP 16,900 million.

Market risk

Market volatility impacting equity and fixed income exposures, and/or changes in interest and exchange rates, have the potential to impact the Company's performance.

Mitigation

Our policy is to minimise interest rate risk by matching fixed and variable interest rate assets and liabilities and using swaps where appropriate. Except for the Company's AT1 bond, the capital and reserves of the Company do not have interest rate liabilities and as such are not hedged.

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Foreign exchange exposures are generally hedged using foreign exchange forwards or currency swaps with exposures monitored daily against approved limits.

Change

The Company's approach and the underlying risks are unchanged. Further detail on the Company's exposure to market risk is outlined in note 29 on pages 55 to 57 of the financial statements.

The sensitivity analysis on interest rate exposures shown in note 29.1.2 demonstrates the limited level of exposure to interest rate and foreign exchange movements.

Horizon risks

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

Impact of Brexit

In 2019 the Company put in place a series of contingency plans that would have enabled European Economic Area ("EEA") clients to continue to be serviced in the event of a "no-deal" Brexit according to applicable EU regulation. This included:

- writing to EEA clients informing them of the legal position in the event of a no-deal Brexit;
- delivering enhancements to the existing control framework that specifically addressed cross-border activity requirements for the Company's CROs;
- rolling out an extensive compliance training programme across the Company; and
- bolstering Business Continuity Planning to take account of possible market or civil disruption in line with guidance received.

Whilst this scenario did not manifest, much of the Company's "no-deal" Brexit preparations are still relevant for the end of the transition period, which is currently 31 December 2020.

The Company is working to the prudent assumption that the UK will leave the transition period either without a trade deal, or with a trade deal that is unfavourable to UK financial services. Supported by expert external advisors and using the time afforded during the transition period, strategic Brexit planning has progressed and will continue through 2020. The Company relies on a diverse workforce to service its client base, many of whom are EU nationals. To date, the Company has not faced difficulty in attracting or retaining talent and does not anticipate that situation changing in the future.

Climate change

The Company is developing a framework for the management of financial risks arising from climate change under the direction of the Chief Risk Officer, overseen by the Risk Committee. We anticipate that the risk to EFGIUK will be largely limited to client investment risk and the potential impact on our clients' wealth and their capacity to repay their loans. The Company's credit portfolio is primarily focussed on central London, where collateral is expected to have limited exposure to both physical and transition risk; however, potential risks may arise from tightening energy efficient standards for domestic and commercial buildings impacting the risks in buy-to-let portfolios. The Company's lombard Portfolio is collateralised mainly by portfolios investing in well diversified equity and fixed income funds as well as cash deposits. EFGIUK's Investment Portfolio is mainly exposed to sovereign issuers and financial institutions with short maturities and is not therefore expected to have material climate change exposure. The Company has no direct exposure to the car industry, energy sector or other companies in the wider economy vulnerable to a failure to adapt towards a low carbon-economy.

Section 172 statement

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

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

The Directors also considered the views and interests of a wider set of stakeholders, including our customers, our parent company, our employees and our regulators. Considering this broad range of interests is an important part of the way the Board makes decisions, although in balancing those different perspectives it may not always be possible to deliver the desired outcome for all.

The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of the Company means that stakeholder engagement often takes place at an operational level.

The Board considers and discusses information from across the organisation to help it understand the impact of its operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, legal and regulatory compliance at each meeting.

As a result of these activities, the Board has an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

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

A Evans

A Evans

Company Secretary

17 April 2020

Directors' Report

The Directors present their report together with the audited Financial Statements of the Company for the year ended 31 December 2019.

Results and dividends

The results for the year are set out on page 17 of the Financial Statements. The Directors do not recommend a dividend for the year (2018: GBP 8.0 million).

Directors

The names of the Directors of the Company at the date of this report are given on page 3 of this Annual Report. All Directors listed on that page were Directors throughout the year apart from; R Thomas (Appointed 2 January 2019), H Price (Appointed 2 April 2019), E Barnett (Appointed 7 August 2019), M Higgin (Resigned 30 April 2019), J E Mathias (Resigned 31 March 2019), S Robertson (Appointed 1 May 2019).

Details on the Directors' renumeration can be found in the note 8 of the financial statements.

Directors' Indemnities and Insurance

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

Strategic Report

The Company's Strategic Report can be found on pages 4 to 8 of this Annual Report.

Business activities

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

Charitable donations

During the year the Company made donations totaling GBP 701 (2018: GBP 6,652) to various charities in support of their social responsibility objectives.

Diversity and equality

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

Employees

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

Financial instruments

Details of the Company's financial instruments can be found in Note 29 and page 57 of this Annual Report.

Financial risk management

The Company has procedures in place to identify, monitor and evaluate the significant risks it faces. The Company reviews and adjusts its risk appetite annually as part of its strategy-setting process. This aligns risk-taking with the achievement of strategic objectives. Adherence to the risk appetite is monitored by the Company's Risk Committee. The Company's principal risks and uncertainties are described on pages 4 to 8 and the risks associated with the Company's financial instruments are analysed in note 28 of the Annual Report statements. The Company's hedging policy can be found in note 12 of the Annual Report.

Post Balance Sheet events

In March 2020, the COVID-19 virus expanded to a fully-fledged global health crisis. This triggered operational contingency, business continuity and resilience actions to ensure provision of critical client services, fulfilment of our regulatory responsibilities and, most importantly, the protection of our staff and clients. As the crisis develops, the full impact on our financial performance in FY2020 is uncertain but, as noted in the Strategic Report, the Company is well funded and capitalised to enable it to continue to serve its clients during these challenging times.

Covid-19 I is treated as a material non-adjusting post balance sheet event in the accounts, as disclosed in Note 1 of the financial statements.

Branches

The Company has a branch in Jersey.

Capital structure

The issued ordinary share capital of the Company as at 1 January 2019 was 159,590,544 ordinary shares of GBP 0.01 each. During the year the Company issued and allotted 3,000,000,056 (2018: Nil) shares at £0.01 per share to its parent company, EFGI. On 26 June 2019, in accordance with section 618 of the Companies Act 2006, the Company consolidated its issued ordinary share capital held at £0.01 each to £1.00 each. At 31 December 2019 the Company's share capital comprised of 31,595,906 ordinary shares of £1 each.

Political donations

No political donations were made during the year (2018: Nil).

Independent Auditor

PricewaterhouseCoopers LLP ("PwC") has expressed its willingness to continue in office as the Company's external Auditor for the financial year ended 31 December 2020. Resolutions to reappoint PwC and to give the Directors the authority to will be proposed at the forthcoming Annual General Meeting.

In line with the Competition and Markets Authority Statutory Audit Services Order, EFGIUK must appoint a new external Auditor for its year ending 31 December 2021. The process formally started in September 2019. The Chairman of the Audit Committee led the process and oversaw the work of management, who supported the Audit Committee in developing and implementing the planned approach.

The Audit Committee concluded that BDO LLP scored higher in a significant majority of the selection criteria. In line with the Financial Reporting Council's guidelines, the Audit Committee recommended a first (BDO LLP) and second placed firm to the Board supported by a rationale for the recommendation to appoint BDO LLP as auditor.

Disclosure of information to the auditors

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

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

Going Concern

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

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

Directors' Responsibility Statement

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under those laws the Directors have prepared the Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

The Directors' Report was approved by the Board and signed by order of the Board:

A Evans

A Evans
Company Secretary

17 April 2020

Independent auditors' report to the members of EFG Private Bank Limited

Report on the audit of the financial statements

Opinion

In our opinion, EFG Private Bank Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: balance sheet; income statement, statement of comprehensive income, cash flow statement, statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

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

Independence

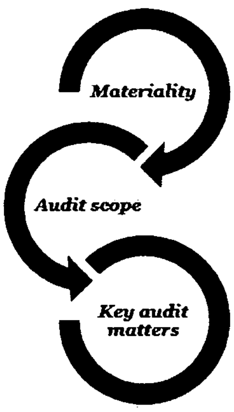
We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

Other than those disclosed in note Note 9 to the financial statements, we have provided no non-audit services to the Company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



- Overall materiality: £1,052,344 (2018: 1,434,500), based on the lower of 1% of Net Assets (£1,908,252) or allocated group materiality.

The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of reporting units and other qualitative factors (including history of misstatement through fraud or error).

The areas of focus for our audit which involved the greatest allocation of our resources and effort were:

- Judgements associated with the provision relating to an ongoing HMRC investigation;
- The key judgements applied to the determination of the expected credit loss allowance; and
- Implications of Covid-19 and the ability of the bank to carry on business.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking regulations such as, but not limited to, the Consumer Credit Act and unethical and prohibited business practices and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to both reduce costs and inflate profit, and management bias in accounting estimates. Audit procedures performed by the engagement team and included but were not limited to:

- Discussions with management, internal audit including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Incorporation of unpredictability into the nature, timing and extent of our testing;
- Evaluation of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Reading key correspondence with regulatory authorities such as the Financial Conduct Authority and the Prudential Regulation Authority in relation to compliance with banking regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in relation to valuation of their expected credit loss allowances and the provision relating to the ongoing HMRC investigation (see related key audit matter below);
- Identifying and testing journal entries, in particular any journal entries posted at unusual times and by senior management and or unexpected staff members;
- Testing of period end adjustments.

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Judgements associated with any HMRC provision *Refer to: Note 2 - Critical accounting estimates and judgements in applying accounting policies, page 24. Note 3 - Principal accounting policies, page 24. Note 10 - Income Tax, page 30. Note 22 - Provisions, page 39.* In the ordinary course of business potential claims may arise from legal, tax or employment related matters among others. Some of these may require provisions to be estimated by management where there is a present obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. The current tax charge reported in the income statement includes amounts provided for in relation to an ongoing HMRC investigation and included within other provisions.	Our audit procedures included: • Inquiring with management and their tax advisors to understand the issues that have been identified, including updates on the tax matters with HMRC, and assessing potential exposures based upon our knowledge and experience of industry issues and the regulatory environment; • Reviewing the Bank's correspondence with HMRC and other regulators; • Testing management's assessment and the assumptions made in estimating the provision. We assessed the reasonableness of management's assessment in conjunction with our Transfer Pricing specialists; and • We evaluated the disclosures made in the financial statements against the requirements of IAS 12, IFRIC 23 — Uncertainty over Income Tax Treatments and IAS 1 Presentation of Financial Statements.

The HMRC provision included in the current tax charge reported in the income statement and included within other provisions involve management judgement and there are inherent uncertainties involved meaning the provision and the final outcome may be different to current estimates. As a result the HMRC provision represented a key audit matter.	Based on the procedures performed and the evidence obtained we found management's judgements to assumptions and disclosure in the financial statements to be reasonable.
The key judgements applied to the expected credit loss allowance . Refer to: Note 1 – Accounting policies, page 23, Note 22 – Provisions, page 39, Note 28 - Credit risk, pages 44-54. The credit risk exposure for the private bank is typically low given the quality of the collateral posted by the bank's customers. The identification and determination of the expected credit loss allowance requires a high level of judgement Areas of judgment include the assumptions applied in forward looking economic assumptions and the completeness of post model adjustments made by management in estimating the ECL.	Our audit procedures included: • Understanding and testing the key controls around the review, challenge and approval of key judgements and assumptions; • Engaging the PwC team responsible for the audit of EFG International AG to review the model validation performed by the head office; • Testing the appropriate classification of loans in staging on a sample basis; • Testing the accuracy and completeness of critical data inputs used by the impairment models on a sample basis to supporting documentation; • Assessing the reasonableness and likelihood of the forward looking economic assumptions and weightings assigned to the scenarios using our economic experts; and • Testing the credit risk disclosures made by management. Based on the procedures performed and the evidence obtained we found credit impairment provisions to be reasonable.
Implications of Covid-19 and the ability of the bank to carry on business. Refer to Note 3f) - Principal risks and uncertainties, page 27. Since the balance sheet date there has been a global pandemic from the outbreak of Coronavirus (COVID-19). During the course of the latter stages of finalisation of the financial statements, the potential impact of Coronavirus became significant and is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. While it is too early to accurately estimate the financial and business impact of COVID-19, management has considered the potential implications of these events on the company's going concern assessment.	Our audit procedures included: • We reviewed management's going concern assessment which included a summary of the current capital and liquidity position of the company; • We have made enquiries of management about their assessment; • We reviewed supporting information, including the company's most recent ICAAP and ILAAP performed 31 December 2018, submitted in September 2019 and June 2019 which contain the results of the company's latest stress tests; • We made enquiries of management to understand the current impact of the Coronavirus on the company's recent financial performance, business operations and regulatory capital and liquidity ratios; and • We reviewed management's disclosures in relation to the COVID-19 in the financial statements and read the other information in the Strategic report. Our reporting on going concern is set out below.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

Within the financial statements, the Company has been recognised as one operating segment EFG Private Bank Limited which is domiciled in the UK. The Company provides banking stockbroking, wealth management and investment advisory services out of its three branches London, Jersey and Harris Allday with support from its immediate parent EFG International which is domiciled in Switzerland. For the year ended 31 December 2019, we have scoped the audit by branches (e.g. London, Jersey and Harris Allday). This allows us to perform a detailed analysis of the characteristics and contribution of each component to the overall results and position and is aligned with management's internal analysis.

For each financial statement line item, we considered the financial significance and qualitative factors, including the presence of any significant audit risks, to determine our audit scope. Additionally, the risk of material misstatement was mitigated through audit procedures including testing of transaction level controls and analytical review procedures.

We have determined that there are two financially significant components: London and Jersey branches, over which we have performed a full scope audit of all material primary statement account balances. Subsequently, we identified Harris Allday as an insignificant component and have performed audit procedures over the material account balances.

We tested and examined information using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to form our own judgements. We obtained audit evidence by testing the effectiveness of controls, substantive procedures or a combination of both.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall materiality	£1,052,344 (2018: 1,434,500).
How we determined it	We calculated materiality as of 1% of Net Assets (£1,908,252). However we have used the materiality provided to us for Group reporting to PwC Switzerland.
Rationale for benchmark applied	The primary users of the Financial Statements are the parent Company and their regulators who are principally focused on the regulatory capital of the Company. Net assets was chosen as the materiality benchmark as it closely corresponds to regulatory capital.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £94,000 (2018: £79,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 10 within the Annual Report, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 31 August 1989 to audit the financial statements for the year ended 31 December 1989 and subsequent financial periods. The period of total uninterrupted engagement is 31 years, covering the years ended 31 December 1989 to 31 December 2019.

Laura Needham

Laura Needham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 April 2020

Income Statement

	Note	Year ended 31 December 2019 GBP '000	Year ended 31 December 2018 GBP '000
Interest income		95,457	77,244
Interest expense		(45,414)	(33,163)
Net interest income	4	**50,043**	**44,081**
Banking fee and commission income		47,150	45,175
Banking fee and commission expense		(3,230)	(2,546)
Net fee and commission income	5	**43,920**	**42,629**
Dividend income		12,700	33,000
Net trading income and foreign exchange gains less losses		4,385	3,712
Gains less losses on disposal of financial assets at fair value through Other Comprehensive Income		1,043	23
Net other income		**18,128**	**36,735**
Operating and Investing income		**112,091**	**123,445**
Operating expenses	6	(94,540)	(86,414)
Loss on assets held for sale		-	(167)
(Loss allowance) / reversal of loss allowance on financial assets at amortised cost and debt instruments measured at fair value through Other Comprehensive Income		(652)	209
Profit before tax		**16,899**	**37,073**
Income tax charge	10	(4,881)	(1,520)
Net profit for the year		**12,018**	**35,553**

Statement of Comprehensive Income

	Note	Year ended 31 December 2019 GBP '000	Year ended 31 December 2018 GBP '000
Net profit for the year		12,018	35,553
Other Comprehensive Income / (expense)			
Items that may be reclassified subsequently to the Income Statement:			
Net gains / (losses) on investments in debt instruments measured at fair value through Other Comprehensive Income ("FVOCI")		(69)	572
Net gains / (losses) on investments in equity instruments designated at FVOCI		93	139
Net gains / (losses) on investments in debt instruments measured at FVOCI hedge instruments		(370)	190
Transfer to the Income Statement of realised gains / (losses) on debt instruments at FVOCI		(1,143)	(23)
Fair value (losses) / gains on cash flow hedges		49	(24)
Total Other Comprehensive (expense) / income for the year		**(1,440)**	**854**
Income tax relating to components of Other Comprehensive Income		(348)	(519)
Total Other Comprehensive (expense) / income for the year, net of tax		(1,788)	335
Total Comprehensive Income for the year		10,230	35,888

*The presentation of this statement has changed from the prior year to provide clearer information to the user of the accounts.

The notes on pages 22 to 63 form an integral part of these Financial Statements

Balance Sheet

	Note	31 December 2019 GBP '000	31 December 2018 GBP '000
Assets			
Cash and balances with central banks	11	634,025	242,322
Due from other banks	11	54,312	88,516
Derivative financial instruments	12	18,530	14,105
Financial assets at fair value through Other Comprehensive Income	13	932,249	1,012,721
Loans and advances to customers	14	1,784,543	1,663,380
Investment in subsidiary	15	10,000	10,000
Property, plant and equipment	16	13,067	2,494
Intangible assets	17	1,533	1,803
Deferred income tax assets	18	3,699	3,457
Other assets	19	52,711	34,438
Total assets		**3,504,669**	**3,073,236**
Liabilities			
Due to other banks	20	551,954	553,870
Due to customers	21	2,598,926	2,244,736
Derivative financial instruments	12	22,385	8,153
Current income tax liabilities		5,153	1,935
Provisions	22	2,368	2,124
Other liabilities	23	64,506	35,590
Subordinated loans	25	66,918	66,912
Total liabilities		**3,312,210**	**2,913,320**
Equity			
Share capital	26	31,596	1,596
Share premium		96,639	96,639
Capital redemption reserve		10,000	10,000
Other reserves		9,786	13,402
Retained earnings		44,438	38,279
Total equity		**192,459**	**159,916**
Total equity and liabilities		**3,504,669**	**3,073,236**

The Financial Statements on pages 17 to 62 were approved by the Board of Directors on 17 April 2020 and signed on its behalf by:

Helen price

R Thomas
Chief Executive Officer

H Price
Chief Financial Officer

The notes on pages 22 to 62 form an integral part of these Financial Statements

Statement of Changes in Equity

	Share capital GBP'000	Share premium GBP'000	Capital Redemption reserves GBP'000	Other Reserves GBP'000	Retained earnings GBP'000	Total equity GBP'000
	Attributable to owners of the parent					
At 1 January 2018	**1,596**	**96,639**	**10,000**	**9,166**	**16,954**	**134,355**
Changes on initial application of IFRS 9	-	-	-	45	(314)	(269)
Restated balance at 1 January 2018	**1,596**	**96,639**	**10,000**	**9,211**	**16,640**	**134,086**
Net profit for the year	-	-	-	-	35,553	35,553
Net gains on investments in debt instruments measured at FVOCI	-	-	-	878	-	878
Fair value losses on cash flow hedges	-	-	-	(24)	-	(24)
Income tax relating to components of Other Comprehensive Income	-	-	-	-	(519)	(519)
Total Comprehensive Income for the year	-	-	-	854	35,034	35,888
Dividend paid on ordinary shares	-	-	-	-	(8,000)	(8,000)
AT1 interest treated as appropriation of retained earnings	-	-	-	-	(5,395)	(5,395)
Employee equity incentive plans amortisation and net of exercise costs	-	-	-	3,337	-	3,337
At 31 December 2018	1,596	96,639	10,000	13,402	38,279	159,916
At 1 January 2019	1,596	96,639	10,000	13,402	38,279	159,916
Net profit for the year	-	-	-	-	12,018	12,018
Net losses on investments in debt instruments measured at FVOCI	-	-	-	(1,489)	-	(1,489)
Fair value losses on cash flow hedges	-	-	-	49	-	49
Income tax relating to components of Other Comprehensive Income	-	-	-	(348)	-	(348)
Total Comprehensive Income for the year	-	-	-	(1,788)	12,018	10,230
Share capital subscribed during the year	30,000	-	-	-	-	30,000
AT1 interest treated as appropriation of retained earnings	-	-	-	-	(5,859)	(5,859)
Employee equity incentive plans amortisation and net of exercise costs	-	-	-	(1,828)	-	(1,828)
At 31 December 2019	31,596	96,639	10,000	9,786	44,438	192,459

The notes on pages 22 to 62 form an integral part of these Financial Statements

Cash Flow Statement

	Note	Year ended 31 December 2019 GBP '000	Year ended 31 December 2018 GBP '000
Cash flows from operating activities			
Interest received		96,233	73,995
Interest paid		(51,780)	(37,335)
Banking fee and commission received		48,470	46,487
Banking fee and commission paid		(3,303)	(2,546)
Net trading income		4,385	3,713
Other operating income received		1,047	23
Staff costs		(69,718)	(60,279)
Other operating expenses		(22,239)	(24,042)
Income tax paid		(916)	-
Cash flows (used in) / from operating activities before changes in operating assets and liabilities		**2,179**	**16**
Changes in operating assets and liabilities			
Net (decrease) / increase in due to / from other banks		(1,644)	13,864
Net decrease / (increase) in derivative financial instruments		12,165	(38,768)
Net increase in loans and advances to customers		(121,301)	(80,966)
Net increase in other assets		(23,935)	(13,792)
Net increase in due to customers		354,384	315,149
Net (decrease) / increase in other liabilities		18,852	(2,689)
Net cash flows from / (used in) operating activities		**240,700**	**192,814**
Cash flows from investing activities			
Purchase of investment securities		(773,228)	(513,380)
Proceeds from sale / maturities of securities		848,738	150,523
(Acquisition) of subsidiary undertakings		-	(167)
Purchase of intangible assets		(157)	(1,502)
Purchase of property, plant and equipment	16	(1,254)	(1,792)
Dividend received		12,700	33,000
Net cash flows from / (used in) investing activities		**86,799**	**(333,318)**
Cash flows used in financing activities			
Issue of share capital		30,000	-
Dividend paid on ordinary shares		-	(8,000)
Net cash flows from / (used in) financing activities		**30,000**	**(8,000)**
Net change in cash and cash equivalents		**357,499**	**(148,504)**
Cash and cash equivalents at beginning of period		330,838	479,342
Net change in cash and cash equivalents		**357,499**	**(148,504)**
Cash and cash equivalents	11	**688,337**	**330,838**

The notes on pages 22 to 62 form an integral part of these Financial Statements

Notes to the Financial Statements

A General Information

EFG Private Bank Limited ("the Company") is incorporated and domiciled in England and Wales. The Company's immediate parent is EFG International AG, a limited liability company incorporated and domiciled in Switzerland.

B Basis of preparation

The Financial Statements are for the year ended 31 December 2019. These Financial Statements have been prepared in accordance with those International Financial Reporting Standards (IFRS) and International Financial Reporting Standards Interpretations Committee (IFRIC) interpretations issued and effective, for the year ended 31 December 2019 and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS as endorsed by the European Union. The Directors have confirmed it is appropriate to use the going concern assumption as a basis for presenting these Financial Statements.

The preparation of Financial Statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. The process also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Although estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further information about critical estimates and judgements are presented in note 2.

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

C Consolidation

The Company has taken advantage of the exemption afforded by Section 401 of the Companies Act 2006 in not preparing consolidated Financial Statements. The Company is a wholly owned subsidiary of EFG International AG, a limited liability company incorporated and domiciled in Switzerland. EFG International AG prepares consolidated Financial Statements to 31 December each year in accordance with IFRS and the IFRIC interpretations. The Company's main subsidiaries are documented in note 15.

D Accounting Developments

On 1 January 2019, the Company adopted IFRS 16 Leases. Furthermore from 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement. The nature and effect of the changes are disclosed further below.

IFRS 16 Leases

Prior to the adoption of IFRS 16 on 1 January 2019, the leases entered into by the Company were accounted for as operating leases. The total payments made under operating leases were charged to the Income Statement on a straight-line basis over the life of the lease. This policy was updated for periods ended after 1 January 2019 - see note 3.

Lease liabilities previously classified as 'operating leases' under the principles of IAS 17 are now measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019, or the date of entering the lease if after 1 January 2019.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application. Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet as at 31 December 2019.

IAS 12 – Income Taxes – Amendments to IAS 12

The IASB amended IAS 12 in order to clarify the accounting treatment of the income tax consequences of dividends. As a result of the amendment, the tax consequences of all payments on financial instruments that are classified as equity for accounting purposes, where those payments are considered to be a distribution of profit, will be included in the income statement tax charge. The amendments of IAS 12 were applied to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. This had no impact on the tax charge, profit for the year or retained earnings.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatment

IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. There was no significant effect from the adoption of IFRIC 23 in relation to accounting for uncertain tax positions.

The following accounting standards have been issued by the IASB but are not yet effective:

IFRS 17 – Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts. The Company is currently assessing the expected impact of adopting this standard, however does not expect it to have an impact on the Company.

IFRS 9, IAS 39 and IFRS 7 Amendments relating to Interest Rate Benchmark Reform

IFRS 9, IAS 39 and IFRS 7 were amended in September 2019. The amendments are effective for periods beginning on or after 1 January 2020 with the Company not opting to early adopt. The objective of the amendments is to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty resulting from interest rate benchmark reform. The main amendments can be summarised as follows:

Highly probable requirement

When determining whether a forecast transaction or cash flow is highly probable, it can be assumed that the interest rate benchmark on which the hedged cash flows are based is not altered because of the reform. This will also be applied when cash flows are still expected to occur in respect of amounts remaining in the cash flow hedge reserve.

Prospective assessments

When performing prospective assessments, it can be assumed that the interest rate benchmark on which the hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

1. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements, as disclosed in Note 16 and 24.

(a) Liabilities
On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases. These lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 January 2019. There is no interest rate implicit in each lease, the weighted average incremental borrowing rate applied to the lease liabilities at 1 January 2019 was 1.53%.

The present value of the remaining lease payments is made up of fixed payments, less any lease incentives receivable.

(b) Assets
From 1 January 2019, leases are recognised as a right-of-use asset at the date at which the leased asset is available for use by the Company. Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs.

(c) Income Statement
Each lease payment is allocated between the lease liability and related finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis, over either the shorter of the assets' useful life and the lease term.

(d) Impact on adoption
This change in accounting policy impacted property, plant and equipment (increase by GBP 13.80 million) and other liabilities (increase by GBP 13.80 million) in the Balance Sheet on 1 January 2019. As the Company adopted the modified retrospective approach, there was no impact on opening retained earnings on 1 January 2019.

(e) Implementation
Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Income Statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	GBP '000
Operating lease commitments as at 31 December 2018	14,473
Discounted using the lessee's incremental borrowing rate at the date of initial application	13,797
Lease liability recognised as at 1 January 2019	13,797

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

(a) Expected credit loss allowance
The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost and fair value through Other Comprehensive Income ("FVOCI") is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring the ECL are further detailed in note 28.3.1, which also sets out the key sensitivities of the ECL to changes in these elements.

Several judgements are also required in applying the accounting requirements for measuring the ECL, such as:

- Determining the criteria for significant increase in credit risk ("SICR")
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL
- Establishing groups of similar financial assets for the purposes of measuring the ECL

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

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

Our tax provision includes a critical estimate of taxation payable for prior years as a result of an ongoing HMRC investigation. This estimate includes a number of assumptions reflecting on discussions to date but assumes that the investigation is settled based on an overall agreed position. A 10% increase in this position would result in additional tax payable of GBP 0.6 million.

3. Principal accounting policies

The principal accounting policies applied in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Foreign currencies

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

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

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

(b) Revenue

(i) Dividend income

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

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

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

(c) Financial assets and liabilities

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

Measurement methods:

Amortised cost and effective interest rate

Amortised cost is the value at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial value and the maturity value and, for financial assets, adjusted for any loss allowance.

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

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

Initial recognition and measurement

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

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

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

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

Fair Value through Other Comprehensive Income

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

Equity instruments are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

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

Fair Value Through Profit or Loss

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

Gains and losses on equity investments at FVTPL are included in 'fair value gains less losses on financial instruments measured at fair value'.

Impairment

On a forward-looking basis , the Company assesses the ECL associated with debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises an ECL for such losses at each reporting date. The measurement of ECL reflects:

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

Further detail is provided in note 28.

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

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

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

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the contractual rights to receive cash flows from the asset have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control. In case of modification of loans when the Company renegotiates or otherwise modifies the contractual cash flows of a loan, it assesses whether or not the new terms are substantially different from the original terms, considering a range of factors that include reduction in cash flows when the borrower is expected to be able to pay, new substantial terms are introduced, extension of the loan term, changes in interest rate and currency or insertion of collaterals or credit enhancement facilities. If terms are substantially different after the modification, the Company derecognises the original financial asset and recognises a new asset at fair value, recalculating a new effective interest rate for the asset. If the terms of the modified asset are not substantially different, the asset is not derecognised, but the Company creates new cash flows, resulting in a modification gain or loss.

A financial liability is derecognised when extinguished (i.e. the obligation specified in the contract is discharged, cancelled or expires). In case of modification of terms of financial liabilities, the

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

(d) Debt securities in issue and other financial liabilities

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the Income Statement over the life of the borrowings using the effective interest method.

(e) Other reserves

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

(f) Principal risks and uncertainties

In March 2020, the COVID-19 virus expanded to a fully-fledged global crisis impacting the broader health and safety of our staff and clients. This has triggered operational contingency, business continuity and resilience actions to ensure provision of critical client services, fulfilment of our regulatory responsibilities and protection of our employees and clients.

EFGIUK has been taking appropriate measures from the initial outbreak and is ramping up its response and contingency planning.

The crisis has created high levels of volatility in the global financial and credit markets, which affects our client relationships, financial profile and resilience and is a material non-adjusting post balance sheet event. Appropriate pre-emptive stress testing around our vulnerabilities and resilience has been implemented.

Management consider that CoVID-19 crisis is treated as a material non-adjusting post balance sheet event for EFGIUK.

4. Net interest income

Accounting Policy

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

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

	2019 GBP '000	2018 GBP '000
Banks and customers	61,840	51,410
Financial assets at FVTPL	16,038	12,946
Financial assets at FVOCI	17,579	12,888
Total interest income	**95,457**	**77,244**
Banks and customers	(37,282)	(24,716)
Financial assets at FVOCI	(8,132)	(8,447)
Total interest expense	**(45,414)**	**(33,163)**
Net interest income	**50,043**	**44,081**

Total interest expense on banks and customers includes negative interest on EUR and CHF deposits.

*The presentation of this note has changed from the prior year to provide clearer information to the user of the accounts by splitting out interest on financial assets to interest on financial assets at FVTPL and FVOCI.

5. Net fee and commission income

Accounting Policy

IFRS 15 'Revenue from Contracts with Customers' established a 5-step model governing revenue recognition, which involves;

1) identifying the contract with the customer;
2) identifying individual performance obligations included in the contract;
3) determining the amount of consideration in the contract;
4) allocating the consideration to each individual performance obligation; and,
5) recognising revenue when individual performance obligations are satisfied.

The Company earns investment management fees from the provision of investment portfolio management services. These are recognised over time as services are provided to customers on ongoing basis. The Company earns fees from the provision of wealth planning and portfolio management advisory services, as well as brokerage services. These are performance obligations provided at a point of time and the fees are recognised when the performance obligations are satisfied. Fees and commissions relating to foreign exchange transactions are recognised at the time the underlying transactions are completed.

5. Net fee and commission income (continued)

	2019 GBP '000	2018 GBP '000
Banking fees and commission income	6,812	6,939
Wealth management fees and commission income	40,338	38,236
Banking fee and commission income	**47,150**	**45,175**
Brokerage and other fees and commission expense	(3,230)	(2,546)
Net fee and commission income	**43,920**	**42,629**

6. Operating expenses

	2019 GBP '000	2018 GBP '000
Staff costs	(67,274)	(60,675)
Administrative expenses	(22,185)	(20,634)
Operating lease rentals	-	(3,409)
Depreciation of property, plant and equipment	(4,654)	(1,565)
Amortisation of intangible assets	(427)	(131)
Operating expenses	**(94,540)**	**(86,414)**

7. Staff costs

	Note	2019 GBP '000	2018 GBP '000
Wages, salaries and staff bonuses		(53,670)	(49,031)
Social security costs		(6,902)	(5,633)
Pension costs		(2,547)	(2,288)
Share options granted to directors and employees	32	(4,155)	(3,723)
Staff costs		**(67,274)**	**(60,675)**

As at 31 December 2019 the number of full time equivalent employees of the Company was 384 (2018: 387).

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

8. Directors' remuneration

Details of the remuneration of Directors who served during the year are as follows:

	2019 GBP '000	2018 GBP '000
Short-term employment benefits	2,708	1,781
Share-based payments	500	494
Pension payments	189	125
Number of Directors to whom retirement benefits are accruing under a money purchase scheme	-	1
Number of Directors awarded share options	4	2
Number of Directors exercising share options	2	-

8. Directors' remuneration (continued)

Highest paid Director		
Short-term employment benefits	641	641
Share-based payments	330	465
Pension contributions	81	80
Total	**1,052**	**1,186**

The highest paid director exercised 361,183 share options during 2019 (2018: Nil).

9. Auditors remuneration

	2019 GBP '000	2018 GBP '000
Fees payable for the audit of the Company pursuant to legislation[1]	281	256
Other services pursuant to such legislation[2]	16	75
Other services[3]	271	139
Total	**568**	**470**

[1]Comprises the fees for the statutory audit of the Company.
[2]Comprises the fees for the interim profit verification.
[3]Comprises services in relation to regulatory filings, regulatory audits and tax compliance.

10. Income tax

	2019 GBP '000	2018 GBP '000
Current tax (charge) / credit	-	81
Foreign tax charge	(387)	(87)
Prior year adjustment	(5,083)	(2,200)
	(5,470)	**(2,206)**
Deferred tax – Current year	492	(402)
Deferred tax – Prior year adjustment	97	1,088
Total income tax (charge)	**(4,881)**	**(1,520)**

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

Profit before tax	16,899	37,073
Tax at the applicable rate of 19%	(3,209)	(7,044)
Tax effect of:		
Non-taxable income	2,413	6,270
Non-allowable expenses	(279)	(164)
Prior year adjustments	(4,986)	(2,094)
Rate differences	331	(78)
Stock options	760	(417)
AT1 Interest (appropriation of earnings)	1,097	1,025
Deferred tax recognised	-	982
Other items	(1,008)	-
Total income tax charge	**(4,881)**	**(1,520)**

The prior year tax adjustment includes an estimate of amounts payable in relation to the ongoing HMRC investigation. The estimate reflects the current status and may change as discussions with HMRC progress.

11. Cash and cash equivalents

Accounting Policy

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

	31 December 2019 GBP '000	31 December 2018 GBP '000
Cash and balances with central banks		
Cash in hand	349	510
Balances with central banks	633,676	241,812
Total cash and balances with central banks	**634,025**	**242,322**
Due from other banks		
At sight	54,312	49,451
At term	-	39,065
Total due from other banks	**54,312**	**88,516**
Total cash and cash equivalents	**688,337**	**330,838**
Pledged due from other banks	**3,051**	**1,180**

*The presentation of this note has changed from the prior year to provide clearer information to the user of the accounts.

12. Derivative financial instruments

Accounting Policy

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

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

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

Interest income and expense on derivatives designated as hedging instruments in effective hedge relationships is included in net interest income.

The Company will discontinue hedge accounting in the following scenarios:

- When the Company determines that a hedging relationship no longer meets the risk management objective
- When the hedged instrument or the hedging instrument expires, is sold or terminated
- When the economic relationship between the hedge item and the hedging instrument does not exist anymore
- When the credit risk effect starts to dominate the value changes that result from that economic relationship
- When the forecasted hedged transaction is no longer probable.

(I) Fair value hedge

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

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in Other Comprehensive Income are recycled to the Income Statement in the periods in which the hedged instrument will affect profit or loss (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

(iii) Derivatives that do not qualify for hedge accounting

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

12. Derivative financial instruments (continued)

12.1 Derivatives

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

	31 December 2019			31 December 2018		
	Contract/ notional amount GBP '000	Fair values Assets GBP '000	Fair values Liabilities GBP '000	Contract/ notional amount GBP '000	Fair values Assets GBP '000	Fair values Liabilities GBP '000
Derivatives held for trading						
Foreign exchange derivatives						
Forward contracts and swaps	1,864,644	17,564	(15,952)	1,333,856	9,029	(5,423)
Total derivative assets/liabilities held for trading	**1,864,644**	**17,564**	**(15,952)**	**1,333,856**	**9,029**	**(5,423)**
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	392,874	945	(6,297)	516,668	5,076	(2,670)
Derivatives designated as cash flow hedges						
Interest rate swaps	12,867	21	(136)	15,832	-	(60)
Total derivative assets/liabilities held for hedging	**405,741**	**966**	**(6,433)**	**532,500**	**5,076**	**(2,730)**
Total derivative assets/liabilities	**2,270,385**	**18,530**	**(22,385)**	**1,866,356**	**14,105**	**(8,153)**

*The presentation of this note has changed from the prior year to provide clearer information to the user of the accounts.

12.2 Hedge effectiveness

The Company applies hedge accounting to interest rate risk on fixed rate bonds (fair value hedge). The Company holds a portfolio of fixed rate bonds and therefore is exposed to changes in fair value due to movements in market interest rates. The Company manages the risk exposure by entering into interest rate swaps that pay fixed rates matching the coupons of the bonds and receive floating interest rates.

Only the interest rate element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Company. The interest rate risk component is determined as the change in fair value of the long-term fixed rate bond arising solely from changes of the interest rate environment. Such changes are usually the largest component of the overall changes in fair value.

This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the bonds attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The Company enters into the swap at the same time as purchasing the bond, while structuring the swap so that the principal terms of the swap exactly match those of the bond. As a result, the hedging ratio is 100% and there is no ineffectiveness. The Company had the following fair value hedges in place at year end:

12. Derivative financial instruments (continued)

Hedge effectiveness (continued)

	Notional amount of hedging instr. GBP '000	Fair value of assets GBP '000	Fair value liabilities GBP '000	Change in fair value used for calculating hedge ineffectiveness GBP '000
As at 31 December 2019				
Derivative financial instruments - Interest rate swaps	392,874	945	(6,297)	525
Total hedging instruments	**392,874**	**945**	**(6,297)**	**525**
As at 31 December 2018				
Derivative financial instruments - Interest rate swaps	516,668	4,105	(432)	2,460
Total hedging instruments	**516,668**	**4,105**	**(432)**	**2,460**

	Carrying amount of hedged instrument Assets GBP '000	Carrying amount of hedged instrument Liabilities GBP '000	Accumulated amount of Fair value adjustments on the hedged instrument GBP '000	Change in fair value of hedged instr. for ineffectiveness assessment GBP '000
As at 31 December 2019				
Financial assets FVOCI - Fixed rate bonds	397,277	-	4,402	(525)
Total hedged instruments	**397,277**	**-**	**4,402**	**(525)**
As at 31 December 2018				
Financial assets FVOCI - Fixed rate bonds	568,588	-	(3,508)	(2,460)
Total hedged instruments	**568,588**	**-**	**(3,508)**	**(2,460)**

GBP 283 million of the derivatives designated as fair value hedging instruments have maturity longer than 12 months (2018: GBP 231 million). GBP 12 million of the derivatives designated as cash flow hedging instruments have maturity longer than 12 months (2018: GBP 13 million).

The average fixed rate paid on derivatives designated as fair value hedges is 2.01% (2018: 1.63%).

13. Financial assets at fair value through Other Comprehensive Income

The following table presents the carrying amount of financial assets measured at FVOCI and respective allowances for ECL as of 31 December:

	31 December 2019			31 December 2018		
	Gross Carrying amount GBP '000	Loss allowance GBP '000	Net Carrying amount GBP '000	Gross Carrying amount GBP '000	Loss allowance GBP '000	Net Carrying amount GBP '000
Government	399,143	27	399,116	285,079	29	285,050
	78,950	-	78,950			294,481
Another public sector				294,481	-	
Banks	441,172	20	441,152	420,411	9	420,402
Other issuers	13,032	1	13,031	12,788	-	12,788
Total	**932,297**	**48**	**932,249**	**1,012,759**	**38**	**1,012,721**

14. Loans and advances to customers

Accounting Policy

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

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

In determining whether the business model is a 'hold to collect' model, the objective of the business model must be to hold the financial asset to collect contractual cash flows rather than holding the financial asset for trading or short-term profit taking purposes. While the objective of the business model must be to hold the financial asset to collect contractual cash flows this does not mean the Company is required to hold the financial assets until maturity. When determining if the business model objective is to collect contractual cash flows the Company will consider past sales and expectations about future sales.

There is a portfolio of loans, totalling £310 million, which are available to be securitised to Chestnut II Mortgage Financing II plc. The Directors consider amortised cost to be an approximation of fair value.

	31 December 2019 GBP '000	31 December 2018 GBP '000
Mortgages	1,127,460	1,104,994
Other loans	658,861	560,247
Gross loans and advances	**1,786,321**	**1,665,241**
Less: Loss allowance	(1,778)	(1,861)
Loans and advances to customers	**1,784,543**	**1,663,380**

15. Investment in subsidiary undertakings

The following is a listing of the Company's subsidiaries at 31 December 2019:

Name	Line of business	Country of incorporation	Ownership %	Non-controlling interest %	Investment at cost GBP '000
Private Asset Management Limited*	Dormant	United Kingdom	100%	0%	-
Harris Allday Limited*	Wealth Management	United Kingdom	100%	0%	-
PBTC Nominees Limited*	Holding Company	United Kingdom	100%	0%	-
HALB Nominees Limited*	Holding Company	United Kingdom	100%	0%	-
The Private Bank and Trust Company Limited*	Dormant	United Kingdom	100%	0%	-
EFG Private Bank Limited, Jersey Branch**	Banking	Jersey	100%	0%	-
EFG Private Bank (Channel Islands) Limited*	Banking	Guernsey	100%	0%	10,000
Private Bank and Trust Company (Guernsey) Limited***	Banking	Guernsey	100%	0%	-
EFGIG Nominees Limited***	Holding Company	Guernsey	100%	0%	-

* 100% owned subsidiaries of EFG Private Bank Limited
** Branch of EFG Private Bank Limited
*** 100% owned subsidiaries of EFG Private Bank (Channel Islands) Limited

The accounting reference date for all companies is 31 December. The percentage shareholding of the subsidiaries and investment at cost are unchanged from 2018.

16. Property, plant and equipment

Accounting Policy

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

Premises leases are recognised as a right-of-use asset at the date at which the leased asset is available for use by the Company. Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs.

	Right of use assets GBP '000	Antiques & artwork GBP '000	Leasehold improvements GBP '000	Furniture and equipment GBP '000	Computer hardware GBP '000	Total GBP '000
At 1 January 2018						
Cost	-	592	3,415	2,866	5,394	12,267
Accumulated depreciation	-	(211)	(2,262)	(2,739)	(4,788)	(10,000)
Net book value	-	**381**	**1,153**	**127**	**606**	**2,267**
Year ended 31 December 2018						
Opening net book amount	-	**381**	**1,153**	**127**	**606**	**2,267**
Additions	-	-	1,474	8	310	1,792
Depreciation charge for the year	-	(10)	(1,160)	(47)	(348)	(1,565)
Disposal and write-offs	-	-	(2)	(66)	-	(68)
Elimination of depreciation on disposal or write-off	-	-	2	66	-	68
Closing net book value	-	**371**	**1,467**	**88**	**568**	**2,494**
At 31 December 2018						
Cost	-	592	4,887	2,808	5,704	13,991
Accumulated depreciation	-	(221)	(3,420)	(2,720)	(5,136)	(11,497)
Net book value at 31 December 2018	-	**371**	**1,467**	**88**	**568**	**2,494**
Change in accounting policies	13,797	-	-	-	-	13,797
Net book value at 1st of January 2019	**13,797**	**371**	**1,467**	**88**	**568**	**16,291**
Additions	220	-	777	120	395	1,512
Depreciation charge for the year	(3,587)	(12)	(571)	(45)	(439)	(4,654)
Disposal and write-offs*	-	-	(28)	-	(54)	(82)
Closing net book value	**10,430**	**359**	**1,645**	**163**	**470**	**13,067**
At 31 December 2019						
Cost	14,017	592	5,636	2,928	6,045	29,218
Accumulated depreciation	(3,587)	(233)	(3,991)	(2,765)	(5,575)	(16,151)
Net book value	**10,430**	**359**	**1,645**	**163**	**470**	**13,067**

*The presentation of this note has changed from the prior year to provide clearer information to the user of the accounts.

17. Intangible assets

Accounting Policy

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

	2019 Computer software and licences GBP '000	2018 Computer software and licences GBP '000
Opening net book value		
Cost	2,205	703
Accumulated amortisation and impairment	(402)	(271)
Net book value	**1,803**	**432**
Acquisition of computer software and licences	157	1,502
Amortisation charge for the year	(427)	(131)
Closing net book value	**1,533**	**1,803**
Cost	2,362	2,205
Accumulated amortisation and impairment	(829)	(402)
Net book value	**1,533**	**1,803**

18. Deferred tax assets and liabilities

Accounting Policy

Deferred income tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using the enacted UK Corporation tax rate of 17% (2018: 17%). Deferred tax is measured using substantively enacted rates which are expected to apply when the temporary difference reverses. The principal temporary differences arise from goodwill impairment, property, plant and equipment depreciation, stock options, and revaluation of certain financial assets and liabilities, including derivative instruments.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered in the future. Deferred tax relating to changes in fair values of financial assets classified as FVOCI is charged or credited directly to Other Comprehensive Income and is subsequently recognised in the Income Statement together with the deferred gain or loss.

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

18. Deferred tax assets and liabilities (continued)

	31 December 2019 GBP '000	31 December 2018 GBP '000
Deferred income tax assets	3,699	3,457
Deferred income tax liabilities	-	-
Net deferred income tax assets	**3,699**	**3,457**
The movement on the net deferred income tax account is as follows:		
At 1 January	3,457	3,290
Credit to Income Statement	590	686
(Charge) to equity	(348)	(519)
At 31 December	**3,699**	**3,457**
Analysis of deferred taxation balance:		
Fixed assets	62	10
Intangible assets	1,712	1,868
Stock options	1,627	1,649
Tax losses	240	-
Other	58	(70)
Deferred income tax assets	**3,699**	**3,457**

A potential deferred asset of GBP 1,134,000 (2018: GBP 1,134,000) arising on unrelieved capital losses carried forward of GBP 6,070,000 has not been recognised in the Financial Statements as it uncertain whether the Company will generate sufficient capital gains in future periods to utilise the asset.

The effect of the reversal of the proposed change in tax rate to 17% on 1 April 2020, substantially enacted on 17 March 2020, is a credit to the deferred tax asset of £435,000.

19. Other assets

	31 December 2019 GBP '000	31 December 2018 GBP '000
Prepaid expenses and accrued income	12,252	12,722
Settlement balances	8,699	2,675
Other receivables	31,760	19,041
Other assets	**52,711**	**34,438**

20. Due to other banks

	31 December 2019 GBP '000	31 December 2018 GBP '000
Due to other banks at sight	113,969	80,957
Due to other banks at term	437,985	472,913
Due to other banks	**551,954**	**553,870**

21. Due to customers

	31 December 2019 GBP '000	31 December 2018 GBP '000
Current accounts	998,875	972,690
Term deposits	1,600,051	1,272,046
Due to customers	**2,598,926**	**2,244,736**

22. Provisions

Accounting Policy

Provisions are recognised when:

- The Company has a present legal or constructive obligation as a result of past events
- It is probable that an outflow of economic benefits will be required to settle the obligation
- Reliable estimates of the amount of the obligation can be made
- A dilapidations provision is recognised when there is future obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of the obligation which forms part of the Company's unavoidable cost of meeting its obligations under the lease contracts.

	Provision for credit default risks GBP '000	Provision for dilapidations GBP '000	Provision for restructuring GBP '000	Other provisions GBP '000	Total GBP '000
At 31 December 2018	89	777	285	973	2,124
Expected payment within 12 months	89	-	285	973	1,347
Expected payment thereafter	-	777	-	-	777
At 31 December 2018	89	777	285	973	2,124
Movement through profit or loss	-	-	-	593	593
Provisions utilised	(39)	-	(285)	(25)	(349)
At 31 December 2019	50	777	-	1,541	2,368
Expected payment within 12 months	-	-	-	1,541	1,541
Expected payment thereafter	50	777	-	-	827
At 31 December 2019	50	777	-	1,541	2,368

Provision for credit default risks

This relates to the ECL under IFRS 9. The Company calculates ECL on off-Balance Sheet positions primarily related to guarantees. These losses are not expected to arise in the next 12 months.

Provision for dilapidations

A dilapidations provision is recognised when there is future obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of the obligation which forms part of the Company's unavoidable cost of meeting its obligations under the lease contracts.

Provision for restructuring

Certain restructuring was taking place to increase the overall efficiency of the business. The Company held provisions of GBP 285,000 related to these in 2018. These were settled during the 31 December 2019 financial year.

Other provisions

Other provisions include provisions against operational claims / losses, litigation and any other provisions not classified above. It includes amounts provided for in relation to ongoing HMRC enquiries. No further information has been provided on the grounds that it would be seriously prejudicial to EFG Private Bank Ltd.

23. Other liabilities

	31 December 2019 GBP '000	31 December 2018 GBP '000
Trade creditors	908	1,371
Deferred income and accrued expenses	35,100	30,335
Settlement balances	8,577	2,281
Short term compensated absences	261	273
Other liabilities	8,968	1,330
Leased assets liability	10,692	-
Total other liabilities	**64,506**	**35,590**

24. Lease liabilities

Accounting Policy

The Company recognises lease liabilities, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. Lease liabilities include the net present value of fixed payments.

All the Company's lease liabilities are in relation to property leases.

	31 December 2019 GBP '000	31 December 2018 GBP '000
Amounts payable		
Payable within one year	3,819	-
Payable between one and five years	7,149	-
Payable over five years	520	-
Total non-Current liability	7,669	-
Total minimum lease payments	**11,488**	-
Finance charges	286	
Current liability	369	-
Total finance charges	655	-
Principal owing		
Current liability	3,504	-
Non-current liability	7,188	-
Total principal owing	**10,692**	-
Amounts paid		
Finance charges	351	-
Principal repayment	**3,450**	-
Total lease repayments	**3,801**	-

25. Subordinated loans

Accounting Policy

The Company has borrowed GBP 66,630,000 in additional tier I qualifying subordinated loan from its immediate parent company which it holds at amortised cost.

	Interest rate %	Due dates	31 December 2019 GBP '000	31 December 2018 GBP '000
Additional Tier 1	8.095% p.a.	n/a	66,918	66,912
Total subordinated loans			**66,918**	**66,912**

The subordinated loan does not have a maturity date. The loan has a fixed interest rate of 8.095% due to reset on 12 December 2022. At that date the loan will fix at the benchmark rate plus a margin of 700bps. The loan can be called by the immediate parent company after 12 December 2022. The loan contract contains clauses that can force a write down should the capital ratio of the Company fall below a specified threshold, and / or upon the occurrence of a viability event.

26. Share capital

Accounting Policy

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

	Authorised Ordinary Share Capital Number	Issued, allotted and fully paid Number	Nominal value per share	Ordinary shares issued, allotted and fully paid GBP '000
At 1 January 2018	**190,000,000**	**159,590,544**	**£0.01**	**1,596**
At 31 December 2018	**190,000,000**	**159,590,544**	**£0.01**	**1,596**
At 1 January 2019	**190,000,000**	**159,590,544**	**£0.01**	**1,596**
Shares issued at	3,000,000,056	3,000,000,056	£0.01	30,000
Shares consolidated	(3,158,404,150)	(3,127,994,694)	-	-
At 31 December 2019	**31,595,906**	**31,595,906**	**£1.00**	**31,596**

During the year the Company issued and allotted 3,000,000,056 (2018: Nil) shares at £0.01 per share to its parent company, EFGI. On 26 June 2019, in accordance with section 618 of the Companies Act 2006, the Company consolidated its issued ordinary share capital held at £0.01 each to £1.00 each.

27. Financial assets and liabilities

27.1 Financial assets and liabilities measured at fair value

Accounting Policy

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

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

Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the Balance Sheet date, with the resulting value discounted back to present value

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

	Level 1 GBP '000	Level 2 GBP '000	Level 3 GBP '000	Total GBP '000
Assets:				
At 31 December 2019				
Derivative financial instruments	-	18,530	-	18,530
Equity Instruments	434	-	-	434
Debt instruments	931,815	-	-	931,815
Total assets measured at fair value	**932,249**	**18,530**		**950,779**
At 31 December 2018				
Derivative financial instruments	-	14,105	-	14,105
Equity Instruments	139	-	-	139
Debt instruments	1,012,582	-	-	1,012,582
Total assets measured at fair value	**1,012,721**	**14,105**	-	**1,026,826**
Liabilities:				
At 31 December 2019				
Derivative financial instruments	-	22,385	-	22,385
Total liabilities measured at fair value	-	**22,385**	-	**22,385**
At 31 December 2018				
Derivative financial instruments	-	8,153	-	8,153
Total liabilities measured at fair value	-	**8,153**	-	**8,153**
Assets less liabilities measured at fair value at 31 December 2019	932,249	(3,855)	-	928,394
Assets less liabilities measured at fair value at 31 December 2018	1,012,721	5,934	-	1,018,673

There were no transfers between levels in the current year.

*The presentation of this note has changed from the prior year to provide clearer information to the user of the accounts.

27.2 Financial assets and liabilities measured at amortised cost

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

	Note	Carrying value GBP '000	Fair Value GBP '000	Difference GBP '000
As at 31 December 2019				
Financial assets				
Due from other banks	(i)	54,312	54,314	2
Loans and advances to customers	(ii)	1,784,543	1,790,818	6,275
		1,838,855	1,845,132	6,277
Financial liabilities				
Due to other banks	(iii)	551,954	552,243	289
Due to customers	(iii)	2,598,926	2,599,172	246
Subordinated loans	(iv)	66,918	81,219	14,301
		3,217,798	3,232,634	14,836
As at 31 December 2018				
Financial assets				
Due from other banks	(i)	88,516	88,536	20
Loans and advances to customers	(ii)	1,663,380	1,668,996	5,616
		1,751,896	1,757,532	5,636
Financial liabilities				
Due to other banks	(iii)	553,870	554,711	841
Due to customers	(iii)	2,244,736	2,244,640	(96)
Subordinated loans	(iv)	66,912	84,903	17,991
		2,865,518	2,884,254	18,736

(i) Due from other banks

Amounts due from other banks include inter-bank placements and items in the course of collection. The fair value of floating rate placements, overnight deposits and term deposits with a maturity of less than 90 days is assumed to be their carrying amount, as the effect of discounting is not significant. The fair values are within level 2 of the fair value hierarchy.

(ii) Loans and advances to customers

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

(iii) Due to other banks and customers

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

(iv) Subordinated loans

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

28. Credit Risk

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

28.1 Credit risk management

(a) Loans and advances

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

The Company's internal grading system assigns each client credit exposure to one of ten rating categories. The rating assesses the borrower's repayment ability and the value, quality, liquidity and diversification of the collateral securing the credit exposure. The credit policy and the nature of the loans ensure that the loan book is of high quality. Consequently, an overwhelming majority of the Company's credit exposures are rated within the top three categories.

The following table describes the internal definition of different grading levels (broadly they follow the risk categories of external rating agencies):

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

(b) Debt securities and other bills

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

28.2 Risk limit control and mitigation policies

Credit loans guaranteed by real estate are treated in conformity with regulation pertaining to examination, valuation and treatment of credits guaranteed by real estate and with the internal policies and procedures on mortgage lending. All the real estate provided as collateral must be evaluated by the Credit department and/or by external professionals. Mortgage valuations are reviewed annually using statistical (indexation) methods, and larger mortgages are subject to periodic independent valuation.
To qualify as collateral for a lombard loan, a client's securities portfolio must generally be well diversified with differing haircuts applied depending on the type of risk profile and liquidity of the security. Additional haircuts are applied if the loan and the collateral are not in the same currency and maturity or diversification criteria are not fully met.

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

The Company's management of exposure to financial institutions is based on a system of counterparty limits which is coordinated at the EFGI Group level, adapted for the Company's country limits. Limits for exposure to counterparties are granted based upon the Company's internal analysis. The limits are set and supervised by the relevant Group Committees depending on each counterparty's S&P or Moody's

28. Credit risk (continued)

ratings (with reference to individual and support ratings) and on the counterparty's total equity. These limits are annually reported to the Company's Risk Committee. The Company's other specific control and mitigation measures are outlined below.

(a) Collateral

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

- Mortgages over residential and to a limited extent commercial property;
- Charges over cash balances held with the Company and cash equivalent;
- Charges over financial instruments such as debt securities, equities and funds;
- Bank guarantees.

(b) Derivatives

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

(c) Credit related commitments

Credit related commitments include the following:

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

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

28.3 Credit loss measurement

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

- Stage 1: financial assets that have not experienced a SICR since initial recognition;
- Stage 2: SICR since initial recognition but not yet deemed to be credit-impaired;
- Stage 3: credit-impaired or payment default.

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

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

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

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

28.3.1 Due from banks and investment securities

This includes all assets that are classified as follows:

- Cash and balances with central banks;
- Treasury bills and other eligible bills;
- Due from other banks; and,
- Investment securities classified as FVOCI.

28. Credit risk (continued)

Inputs and assumptions

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

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

Estimation techniques

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

Significant increase in credit risk

An internal expert panel performs a quarterly assessment to determine if an asset is subject to a SICR. A rapid deterioration in credit quality triggers an ad-hoc review of the individual asset. In addition to the quantitative SICR test based on changes in the rating agency's rating for the respective financial instrument, the assessment of the expert panel considers a range of external market information (e.g. credit default spreads, rating outlook). The assessment of whether there has been a SICR is a relative measure, dependent on an asset's PD at origination. For assets existing at 1 January 2019, the initial application date of IFRS 9, this information is not generally available. Consequently, management judgement based upon historical regression analysis has been used to determine a reasonable basis for estimating the original PD. More detailed analysis of the evolution of lifetime PDs versus initial recognition PDs will be developed for future reporting periods.

Definition of default

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

28.3.2 Residential and commercial mortgages

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

Inputs and assumptions

Expected credit losses for mortgages is estimated by four components:

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

Estimation techniques

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

The GDP forecasts impact the migration matrices used to determine the PD and the probability to cure considered in the LGD. GDP growth for the United Kingdom is estimated with an explicit forecast for the United Kingdom, GDP growth for all other countries is estimated with a weighted forecast for the major global economies.

House price developments for the UK are estimated with an explicit forecast for the London area. House prices for other countries are estimated with a weighted forecast that includes the major global economies. The house prices impact the LTV ratios used to calculate the LGD.

Significant increase in credit risk

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

28. Credit risk (continued)

Definition of default

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

28.3.3 Lombard lending

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

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

Inputs and assumptions

Expected credit losses for lombard lending are estimated with two components:

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

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

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

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

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

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

Estimation techniques

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

Significant increase in credit risk

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

Definition of default

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

28. Credit risk (continued)

28.3.4 Other loans

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

Inputs and assumptions

The ECL for other loans is estimated by four components:

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

Estimation techniques

Forward-looking macroeconomic effects are incorporated with forecasts on GDP growth and house price developments. See residential and commercial mortgages for details in note 28.3.2.

Significant increase in credit risk

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

Definition of default

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

28.4 Contractual modifications

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

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

28.5 Write-off policy

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

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

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

28.6 Macro-economic scenario and sensitivity analysis

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

The most significant assumptions affecting the ECL for investment securities are treasury and other eligible bills. For amounts due from other banks the most significant assumption is GDP, given its correlation with counterparties' business environment and ability to repay the loans.

- For residential and commercial mortgages: House price index, given the impact it has on mortgage collateral valuations; GDP, given the correlation with the customer's wealth, as well as the commercial clients business environment, hence in turn their ability to repay the loans.

28. Credit risk (continued)

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

Most significant macro-economic scenario assumptions

		2020	2021	2022	2023	2024
World GDP growth	Base	3.4%	3.6%	3.6%	3.6%	3.6%
	Upside	4.4%	4.4%	4.2%	4.1%	4.0%
	Downside	2.4%	2.8%	2.9%	3.1%	3.2%
Weighted GDP growth	Base	1.6%	1.5%	1.4%	1.4%	1.4%
	Upside	2.6%	2.3%	2.0%	1.9%	1.8%
	Downside	0.6%	0.7%	0.7%	0.9%	1.0%
House Price Index UK (London)	Base	2.4%	4.0%	3.3%	3.8%	2.7%
	Upside	8.4%	8.8%	7.1%	6.9%	5.2%
	Downside	(3.6%)	(0.8%)	(0.5%)	0.7%	0.2%

The House Price Index model assumptions are based on London reflecting the main geographic location of mortgage collateral.

A Weighted GDP Growth series model has been used as it is believed to better represent the international nature of the Company's wealthy clientele rather than a UK GDP series.

In addition, the list of changes to the ECL as of 31 December 2019 that would result from reasonably possible changes in the following parameters from the actual assumptions used are below. There have been no changes to the parameters of the model during the year.

Portfolio	Scenario	Impact on ECL	Scenario	Impact on ECL
Due from Customers – Mortgage & unsecured lending	+100 bps GDP	(6.2%)	-100 bps GDP	6.7%
Due from Customers – Mortgage lending	+600 bps house price index	(29.1%)	-600 bps house price index	41.0%
Due from Customers – Lombard & other lending	50% asset volatility	(20.3%)	200% asset volatility	20.0%

28.7 Credit risk exposure

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

31 December 2019	AAA–AA GBP '000	A GBP '000	BBB–BB GBP '000	B–C GBP '000	Unrated GBP '000	Total carrying value GBP '000
Cash and balances with central banks	634,025	-	-	-	-	634,025
Due from other banks	-	54,312	-	-	-	54,312
Loans and advances to customers	365,196	1,281,072	69,620	65,732	2,924	1,784,543
Investment securities – FVOCI	917,375	14,874	-	-	-	932,249
Total on-Balance Sheet assets as at 31 December 2019	**1,916,596**	**1,350,258**	**69,620**	**65,732**	**2,924**	**3,405,130**
Loan Commitments	131,414	-	-	-	-	131,414
Financial Guarantees	126,943	-	-	-	-	126,943
Total	**2,174,953**	**1,350,258**	**69,620**	**65,732**	**2,924**	**3,663,487**

			ECL Staging			
31 December 2019	Fair value of collateral held GBP '000	Total carrying value GBP '000	Stage 1 GBP '000	Stage 2 GBP '000	Stage 3 GBP '000	ECL allowance included in carrying values GBP '000
Cash and balances with central banks	-	634,025	1	-	-	1
Due from other banks	-	54,312	1	-	-	1
Loans and advances to customers	3,616,946	1,784,543	347	38	1,393	1,778
Investment securities - FVOCI	-	932,249	48	-	-	48
Total on-Balance Sheet assets as at 31 December 2019	**3,616,946**	**3,405,129**	**397**	**38**	**1,393**	**1,828**
Loan commitments	-	131,414	-	-	-	-
Financial guarantees	-	126,943	-	-	-	-
Total	**3,616,946**	**3,663,486**	**397**	**38**	**1,393**	**1,828**

31 December 2018	AAA–AA GBP '000	A GBP '000	BBB–BB GBP '000	B–C GBP '000	Unrated GBP '000	Total carrying value GBP '000
Cash and balances with central banks	242,322	-	-	-	-	242,322
Due from other banks		88,516	-	-	-	88,516
Loans and advances to customers	402,338	1,069,205	88,947	58,240	44,650	1,663,380
Investment securities – FVOCI	969,380	43,341	-	-	-	1,012,721
Total on-Balance Sheet assets as at 31 December 2018	**1,614,040**	**1,201,062**	**88,947**	**58,240**	**44,650**	**3,006,939**
Loan Commitments	107,878	-	-	-	-	107,878
Financial Guarantees	139,948	-	-	-	-	139,948
Total	**1,861,866**	**1,201,062**	**88,947**	**58,240**	**44,650**	**3,254,765**

			ECL Staging			
31 December 2018	Fair value of collateral held GBP '000	Total carrying value GBP '000	Stage 1 GBP '000	Stage 2 GBP '000	Stage 3 GBP '000	ECL allowance included in carrying values GBP '000
Cash and balances with central banks	-	242,322	-	-	-	-
Due from other banks	-	88,516	2	-	-	2
Loans and advances to customers	3,951,203	1,663,380	157	26	1,678	1,861
Investment securities - FVOCI	-	1,012,721	38	-	-	38
Total on-Balance Sheet assets as at 31 December 2018	**3,951,203**	**3,006,939**	**197**	**26**	**1,678**	**1,901**
Loan commitments	-	107,878	89	-	-	89
Financial guarantees	-	139,948	-	-	-	-
Total	**3,951,203**	**3,254,765**	**286**	**26**	**1,678**	**1,990**

28.8 Credit risk – gross exposures and loss allowances

Cash and balances with central banks

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

Balances with central banks - Gross carrying value	Stage 1 GBP '000	Stage 2 GBP '000	Stage 3 GBP '000	Total GBP '000
Gross carrying value as at 31 December 2017	**388,459**	–	–	**388,459**
Financial assets derecognised during the period other than write-offs	(388,459)	-	-	(388,459)
New financial assets originated or purchased	242,332	-	-	242,332
Gross carrying value as at 31 December 2018	**242,332**	-	-	**242,332**
Financial assets derecognised during the period other than write-offs	(6,679,817)	-	-	(6,679, 817)
New financial assets originated or purchased	7,071,511	-	-	7,071,511
Gross carrying value as at 31 December 2019	**634,026**	-	-	**634,026**

Cash and balances with central banks - Loss allowance	Stage 1 12-month ECL GBP '000	Stage 2 Lifetime ECL GBP '000	Stage 3 Lifetime ECL GBP '000	Total GBP '000
Loss allowance as at 31 December 2017	-	-	-	-
Movements with P&L impact	-	-	-	-
Loss allowance as at 31 December 2018	-	-	-	-
Movements with P&L impact	1	-	-	1
Loss allowance as at 31 December 2019	**1**	-	-	**1**
Net carrying value as at 31 December 2018	242,332	-	-	242,332
Net carrying value as at 31 December 2019	634,025	-	-	634,025

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

Due from other banks

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

Due from other banks - Gross carrying value	Stage 1 GBP '000	Stage 2 GBP '000	Stage 3 GBP '000	Total GBP '000
Gross carrying value as at 31 December 2017	90,495	–	–	90,495
Financial assets derecognised during the period other than write-off	(90,495)	-	-	(90,495)
New financial assets originated or purchased	88,518	-	-	88,518
Gross carrying value as at 31 December 2018	**88,518**	-	-	**88,518**
Financial assets derecognised during the period other than write-off	(88,518)	-	-	(88,518)
New financial assets originated or purchased	54,3143	-	-	54,313
Gross carrying value as at 31 December 2019	**54,313**	-	-	**54,313**

Due from other banks - Loss allowance	12-month ECL GBP '000	Lifetime ECL GBP '000	Lifetime ECL GBP '000	GBP '000
Loss allowance as at 31 December 2017	1	-	-	1
Financial assets derecognised during the period other than write-offs	(1)	–	–	(1)
New financial assets originated or purchased	2	-	-	2
Loss allowance as at 31 December 2018	2	-	-	2
Financial assets derecognised during the period other than write-offs	(2)	-	-	(2)
New financial assets originated or purchased	1	-	-	1
Loss allowance as at 31 December 2019	1	-	-	1
Net carrying value as at 31 December 2018	88,516	-	-	88,516
Net carrying value as at 31 December 2019	54,312	-	-	54,312

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

28.8 Credit risk – gross exposures and loss allowances (continued)

Investment Securities (FVOCI)

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

Investment Securities (FVOCI) - Gross carrying value	Stage 1 GBP '000	Stage 2 GBP '000	Stage 3 GBP '000	Total GBP '000
Gross carrying value as at 31 December 2017	**617,977**	–	–	**617,977**
Financial assets derecognised during the period other than write-offs	(150,545)	-	-	(150,545)
New financial assets originated or purchased	513,369	-	-	513,369
Changes in fair value	(1,599)	-	-	(1,599)
Changes in interest accrual	2,180	-	-	2,180
FX and other movements	31,377	-	-	31,377
Gross carrying value as at 31 December 2018	**1,012,759**	-	–	**1,012,759**
Financial assets derecognised during the period other than write-offs	(848,738)	-	-	(848,738)
New financial assets originated or purchased	771,995	-	-	771,995
Changes in fair value	(4,998)	-	-	(4,998)
Changes in interest accrual	1,232	-	-	1,232
FX and other movements	47	-	-	47
Gross carrying value as at 31 December 2019	**932,297**	-	-	**932,297**

Investment Securities (FVOCI) - Loss allowance	Stage 1 12-month ECL GBP '000	Stage 2 Lifetime ECL GBP '000	Stage 3 Lifetime ECL GBP '000	Total GBP '000
Balance as of 31 December 2017	**45**	–	–	**45**
Movements with P&L impact - New financial assets originated or purchased	(10)	-	-	(10)
New financial assets originated or purchased	19	-	-	19
FX and other model movements	(16)	-	-	(16)
Loss allowance as at 31 December 2018	**38**	–	–	**38**
Movements with P&L impact - New financial assets originated or purchased	10	-	-	10
New financial assets originated or purchased	-	-	-	-
FX and other model movements	-	-	-	-
Loss allowance as at 31 December 2019	**48**	-	-	**48**
Net carrying value as at 31 December 2018	**1,012,721**	-	-	**1,012,721**
Net carrying value as at 31 December 2019	**932,249**	-	-	**932,249**

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

Loans and advances to customers

Loans and advances to customers comprise the following		31 December 2019 GBP '000	31 December 2018 GBP '000
(i) Mortgage loans	Gross	1,127,460	1,104,994
	ECL	(1,574)	(524)
(ii) Other and lombard loans	Gross	658,862	560,247
	ECL	(204)	(1,337)
Total loans and advances to customers		**1,784,544**	**1,663,380**

28.8 Credit risk – gross exposures and loss allowances (continued)

(i) Mortgage loans

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

Mortgage loans - Gross carrying value	Stage 1	Stage 2	Stage 3	Total
	GBP '000	GBP '000	GBP '000	GBP '000
Balance as of 31 December 2017	1,010,794	42,748	28,911	1,082,453
Transfer from Stage 1 to Stage 2	(18,527)	18,527	-	-
Transfer from Stage 1 to Stage 3	(16,891)	-	16,891	-
Transfer from Stage 2 to Stage 1	8,215	(8,215)	-	-
Transfer from Stage 2 to Stage 3	-	(6,161)	6,161	-
Financial assets derecognised during the period	(328,238)	(14,823)	(18,055)	(361,116)
Reclassified to other and lombard loans during the period	-	-	(1,703)	(1,703)
New financial assets originated or purchased	354,264	9,358	4,623	368,245
FX and other movements	16,519	284	312	17,115
Gross carrying value as at 31 December 2018	1,026,136	41,718	37,140	1,104,994
Transfer from Stage 1 to Stage 2	(40,392)	40,392	-	-
Transfer from Stage 1 to Stage 3	(7,959)	-	7,959	-
Transfer from Stage 2 to Stage 1	34,555	(34,555)	-	-
Transfer from Stage 2 to Stage 3	-	(17,739)	17,739	-
Financial assets derecognised during the period	(66,782)	(7,306)	(2,243)	(76,331)
Reclassified from / (to) other and lombard loans during the period	83,674	794	240	84,708
New financial assets originated or purchased	193,993	-	-	193,992
Change in exposure on existing loans	(186,766)	26,273	(19,411)	(179,904)
Gross carrying value as at 31 December 2019	**1,036,459**	**49,577**	**41,424**	**1,127,460**

Mortgage loans - Loss allowance	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	GBP '000	GBP '000	GBP '000	GBP '000
Loss allowance as of 31 December 2017	60	70	1,814	1,944
Transfer from Stage 1 to Stage 2	-	12	-	12
Transfer from Stage 1 to Stage 3	-	-	169	169
Transfer from Stage 2 to Stage 1	1	(13)	-	(12)
Transfer from Stage 2 to Stage 3	-	(10)	62	52
Financial assets derecognised during the period	(19)	(23)	(476)	(518)
Reclassified to other and lombard loans during the period	-	-	(1,188)	(1,188)
New financial assets originated or purchased	24	10	46	80
FX and other movements	(6)	(22)	13	(15)
Loss allowance as at 31 December 2018	**60**	**24**	**440**	**524**
Transfer from Stage 1 to Stage 2	(30)	30	-	-
Transfer from Stage 1 to Stage 3	(107)	-	107	-
Transfer from Stage 2 to Stage 1	1	(1)	-	-
Transfer from Stage 2 to Stage 3	-	(199)	199	-
Financial assets derecognised during the period	(7)	(2)	(7)	(16)
Reclassified from / (to) other and lombard loans during the period	36	24	59	119
New financial assets originated or purchased	27	-	-	27
Change in value on existing loans	164	161	595	921
Loss allowance as at 31 December 2019	**144**	**37**	**1,393**	**1,574**

There were no purchased credit impaired balances during the reporting period, and no terms of contracts were modified. In addition, amounts totalling 1.3 million were written-off in the period.

28.8 Credit risk – gross exposures and loss allowances (continued)

(ii) Other and lombard loans

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

Other and lombard loans - Gross carrying value	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	GBP '000	**GBP '000**	**GBP '000**	**GBP '000**
Balance as of 31 December 2017	469,226	31,445	730	501,401
Transfer from Stage 1 to Stage 2	(690)	690	-	-
Transfer from Stage 1 to Stage 3	(9,471)	-	9,471	-
Transfer from Stage 2 to Stage 1	12,217	(12,217)	-	-
Financial assets derecognised during the period	(126,991)	(12,335)	(666)	(139,992)
Reclassified to other and lombard loans during the period	196,345	100	227	196,672
New financial assets originated or purchased	-	-	1,703	1,703
FX and other movements	464	-	(1)	463
Gross carrying value as at 31 December 2018	**541,100**	**7,683**	**11,464**	**560,247**
Transfer from Stage 1 to Stage 2	(9,432)	9,432	-	-
Transfer from Stage 1 to Stage 3	(780)	-	780	-
Transfer from Stage 2 to Stage 1	12,301	(12,301)	-	-
Financial assets derecognised during the period	(89,516)	(127)	(1,784)	(91,427)
Reclassified from / (to) mortgage loans during the period	(83,674)	(794)	(240)	(84,708)
New financial assets originated or purchased	47,540	-	-	47,540
Change in exposure on existing loans	214,442	19,837	(7,069)	227,210
Gross carrying value as at 31 December 2019	**631,981**	**23,730**	**3,151**	**658,862**

Other and lombard loans - Loss allowance	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
	GBP '000	**GBP '000**	**GBP '000**	**GBP '000**
Loss allowance as of 31 December 2017	68	183	411	662
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	1	-	-	1
Transfer from Stage 2 to Stage 1	2	(71)	-	(69)
Financial assets derecognised during the period	(121)	(32)	(361)	(514)
New financial assets originated or purchased	148	(92)	-	56
Reclassified from / (to) mortgage loans during the period	-	-	1,188	1,188
FX and other movements	(1)	15	(1)	13
Loss allowance as at 31 December 2018	**97**	**3**	**1,237**	**1,337**
Transfer from Stage 1 to Stage 2	(1)	1	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Financial assets derecognised during the period	(18)	(1)	(1,237)	(1,256)
Reclassified from (to) mortgage loans during the period	(36)	(24)	(59)	(119)
New financial assets originated or purchased	29	2	-	31
Change in value on existing loans	131	21	59	211
Loss allowance as at 31 December 2019	**202**	**2**	**-**	**204**

29. Market risk

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

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

29.1 Market risk measurement methodology

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

29.1.1 Value at risk

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

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

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

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

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

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

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

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

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

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

IRRBB - Economic value of equity (GBP)

	31 December 2019	31 December 2018
	GBP '000	GBP '000
	Impact	Impact
IRRBB moves 200bps down	47,849	41,454
IRRBB moves 200bps up	(5,662)	(5,395)

29.1.3 Stress tests

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

29.2 Market risk hedging strategies

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

29.2.1 Fair value hedging strategies

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

29.2.2 Cash flow hedging strategies

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

29.3 Market risk measurement

VaR Summary

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

VaR by risk type	At 31 December	12 months to 31 December		
		Average	High	Low
	GBP '000	GBP '000	GBP '000	GBP '000
VAR on Currency risk – 31 December 2019	59	42	709	5
VAR on Currency risk – 31 December 2018	18	26	113	4

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

29.3 Market risk measurement (continued)

	Up to 3 months GBP '000	3–12 months GBP '000	1–5 years GBP '000	Over 5 years GBP '000	Non-interest bearing GBP '000	Total GBP '000
As at 31 December 2019						
Assets						
Cash and balances with central banks	634,025	-	-	-	-	634,025
Due from other banks	54,312	-	-	-	-	54,312
Loans and advances to customers	183,462	232,677	1,351,277	17,127		1,784,543
Derivative financial instruments	16,953	911	-	-	666	18,530
Financial assets at FVOCI	307,000	142,272	482,977	-	-	932,249
Investment in subsidiary	-	-	-	-	10,000	10,000
Other assets	-	-	-	-	51,919	51,919
Total financial assets	**1,195,752**	**375,860**	**1,834,254**	**17,127**	**62,585**	**3,485,578**
Liabilities						
Due to other banks	551,727	227	-	-	-	551,954
Due to customers	2,537,183	61,743	-	-	-	2,598,926
Derivative financial instruments	20,259	68	-	-	2,058	22,385
Subordinated loans	-	-	-	66,631	287	66,918
Other liabilities	-	-	-	-	28,967	28,967
Total financial liabilities	**3,109,169**	**62,038**	**-**	**66,631**	**31,312**	**3,269,150**
On-Balance Sheet interest repricing gap	(1,913,417)	313,822	1,834,254	(49,504)	31,273	216,428
Off-Balance Sheet interest repricing gap	(7,158)	(48,090)	(73,907)	(98)	-	(129,253)

	Up to 3 months GBP '000	3–12 months GBP '000	1–5 years GBP '000	Over 5 years GBP '000	Non-interest bearing GBP '000	Total GBP '000
As at 31 December 2018						
Assets						
Cash and balances with central banks	242,321	-	-	-	1	242,322
Due from other banks	84,971	-	-	-	3,545	88,516
Loans and advances to customers	1,648,920	2,817	13,110	171	(1,638)	1,663,380
Derivative financial instruments	14,065	-	-	40	-	14,105
Financial assets at FVOCI	98,040	157,172	356,689	346,241	54,579	1,012,721
Investment in subsidiary	-	-	-	-	10,000	10,000
Other assets	-	-	-	-	33,038	33,038
Total financial assets	**2,088,317**	**159,989**	**369,799**	**346,452**	**99,525**	**3,064,082**
Liabilities						
Due to other banks	551,928	1,367	-	-	575	553,870
Due to customers	1,949,845	9,364	-	-	285,527	2,244,736
Derivative financial instruments	8,135	-	-	18	-	8,153
Subordinated loans			66,631	-	281	66,912
Other liabilities	-	-	-	-	11,326	11,326
Total financial liabilities	**2,509,908**	**10,731**	**66,631**	**18**	**297,709**	**2,884,997**
On-Balance Sheet interest repricing gap	(421,591)	149,258	303,168	346,434	(198,184)	179,085
Off-Balance Sheet interest repricing gap	610,910	1,994	(512,747)	(100,157)	-	-

*The presentation of this statement has changed from the prior year to provide clearer information to the user of the accounts.

30. Liquidity risk

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

30.1 Liquidity risk management process

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

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

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

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

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

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

30.2 Concentration risk

The overall level of liquidity exposure and corresponding limits are tightly monitored by means of specific risk metrics approved by the Board of Directors and in line with the Company's overall committed level of risk appetite.

The Company's concentration risks are managed through the following mechanisms:

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

30.3 Financial liabilities cash flows

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

For more detailed information on off-Balance Sheet exposures by maturity, refer to note 35.

30.3 Financial liabilities cash flows (continued).

	Up to 1 month GBP '000	1–3 months GBP '000	3–12 months GBP '000	1–5 years GBP '000	Over 5 years GBP '000	Total GBP '000
31 December 2019						
Liabilities						
Due to other banks	167,919	383,808	227	-	-	551,954
Due to customers	2,167,525	369,658	61,743	-	-	2,598,926
Subordinated loans	-	-	287	-	66,631	66,918
Derivative financial instruments	15,810	6,507	68	-	-	22,385
Other liabilities	28,967	-	-	-	-	28,967
Total financial liabilities	2,380,221	759,973	62,325	-	66,631	3,269,150

	Up to 1 month GBP '000	1–3 months GBP '000	3–12 months GBP '000	1–5 years GBP '000	Over 5 years GBP '000	Total GBP '000
31 December 2018						
Liabilities						
Due to other banks	144,059	408,579	1,980	1,367	-	555,985
Due to customers	1,900,370	304,943	56,017	-	-	2,261,330
Subordinated loans	-	-	5,394	-	66,630	72,024
Derivative financial instruments	2,035,765	-	594	21,832	-	2,058,191
Other liabilities	11,326	-	-	-	-	11,326
Total financial liabilities	4,091,520	713,522	63,985	23,199	66,630	4,958,856

31. Key management compensation

	31 December 2019 GBP	31 December 2018 GBP
Aggregate amounts paid or treated as paid to key management in respect of qualifying services		
Short-term employment benefits	5,468	3,242
Share-based payments	527	589
Pension contributions	480	282
Total	**6,475**	**4,113**
In respect of the highest paid member of key management		
Short-term employment benefits	641	641
Share-based payments	330	465
Pension contributions	81	80
Total	**1,052**	**1,186**

32. Contingent liabilities

The Company is involved in various legal and arbitration proceedings in the normal course of its business operations. The Company establishes provisions (see note 22) for current and threatened pending legal proceedings if management is of the opinion that the Company is more likely than not to face payments or losses and if the amount of such payments or losses can be reliably estimated.

33. Employee equity incentive plans

Accounting Policy

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

The total expense related to the Plan in the Income Statement was GBP 4,155,000 (2018: GBP 3,723,000).

The value of the share-based awards was determined using a model which takes into account the present value of the expected dividends during the period between the grant date and the earliest exercise date. The significant inputs into the model were the arithmetic average share price (closing) of the five consecutive business days following the earnings announcement (CHF 6.65) and the discount determined by management (20%) based on the expected life of the restricted stock units.

Movements in share awards:

The number of share-based awards outstanding as at 31 December was as follows:

	2019 Number	2018 Number
Outstanding at start of the year	**2,766,305**	**2,848,681**
Granted	1,271,654	526,291
Exercised	(1,190,723)	(588,960)
Cancelled	-	(5,726)
Forfeited	(3,384)	(13,981)
Outstanding at the end of the year	**2,843,852**	**2,766,305**
Weighted average remaining contractual life of awards outstanding in years	2.0	1.3
Exercisable at the end of the year	739,634	975,895

The weighted average market price at the date of exercise was CHF 6.91 (2018: CHF 7.67). The range of exercise prices on shares outstanding at year end is GBP 4.79 to GBP 11.34 (2018: GBP 4.79 to 11.34).

34. Related party transactions

Accounting Policy

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

	31 December 2019 Fellow Subsidiaries GBP '000	31 December 2019 Key management personnel GBP '000	31 December 2018 Fellow Subsidiaries GBP '000	31 December 2018 Key management personnel GBP '000
31 December 2019				
Assets				
Due from other banks	5,204	-	8,676	-
Loans and advances to customers	-	392	-	396
Derivatives	1,128	-	2,594	-
Other assets	30,499	-	19,343	-
Liabilities				
Due to other banks	541,281	-	538,296	-
Due to customer	-	2,633	-	1,138
Derivatives	1,030	-	125	-
Subordinated loans	66,918	-	66,912	-
Other liabilities	42,348	-	1,331	-
Year ended 31 December 2019				
Interest income	329	8	65	9
Interest expense	11,951	6	10,351	1
Net fee and commission income	77	62	4,420	86

A number of banking transactions are entered into with related parties. These include loans, deposits, derivative transactions and provision of services. The amounts due from other banks reflect cash deposits, which like other third-party amounts classified as due from other banks are unsecured. Key management personnel comprise Directors, key members of the management of the Company and of its parent, as well as closely linked parties. Credit limits of GBP 1,061,000 (2018: 1,061,000) were available to key management personnel at the end of the year.

No provisions have been recognised in respect of loans given to related parties (2018: Nil). There were no transactions or balances held with key management personnel in 2019 or 2018.

35. Off-Balance Sheet items

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

	Not later than 1 year GBP '000	1–5 years GBP '000	Over 5 years GBP '000	Total GBP '000
31 December 2019				
Guarantees issued in favour of third parties	18,551	1,366	-	19,917
Guarantees issued in favour of group companies	107,026	-	-	107,026
Irrevocable commitments	38,123	93,193	98	131,414
Total	163,700	94,559	98	258,357
31 December 2018				
Guarantees issued in favour of third parties	13,888	5,836	-	19,724
Guarantees issued in favour of group companies*	120,224	-	-	120,224
Irrevocable commitments	35,371	68,525	3,982	107,878
Operating lease commitments	3,765	9,607	1,101	14,473
Total	173,248	83,968	5,083	262,299

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

*The presentation of this note has changed from the prior year to provide clearer information to the user of the accounts.