EFG Private Bank Limited

Annual Report and Financial Statements

for the year ended 31 December 2022

Registered No. 02321802

EFG Private Bank Limited

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Overview

Profile

EFG Private Bank Limited

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

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

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

Immediate parent company

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

Highlights

	31 December 2022 £m	31 December 2021 £m
Operating and Investing Income	139	142
Profit before tax	35	99
Loans and advances to customers	2,967	2,765
Due to customers	4,763	4,153
Total equity	274	267
Total assets	5,890	5,055
Assets under management ("AUM")	15,758	17,590

AuM comprise client assets managed by EFG, plus client deposits with and loans from EFG. The figures stated above represent AuM managed by UK-based staff, regardless of their booking location within the EFG Group. AuM booked in EFGIUK were £14,405k at 31 December 2022 (2021: £15,697k).

Company information

Directors

J Reed - Chairman
R Thomas – Chief Executive
G Branson (Appointed on 1 August 2022)
O Meredith (Appointed on 15 February 2022)
E Barnett
D Politis
G Pradelli (Resigned as Director 18 July 2022)
S Robertson*
A Simmonds
P Hadjisotiriou (appointed 14 March 2023)

* Director of EFGI

Company secretary

A Evans

Independent auditors

BDO LLP

Registered office

Park House
116 Park Street
London
W1K 6AP
Website: www.efgl.com

Registered number

02321802

Registered office of EFGI

EFG International AG
Bleicherweg 8
P.O. Box 6012 - 8022 Zurich

Business review

EFGIUK produced a bottom line profit of GBP 30.2 million in 2022. On a like-for-like basis, this result shows the strong growth in underlying performance and compares to GBP 2.3 million in 2021. At the same time, 2021 results were supported by one-off items (disposal of subsidiary and extraordinary dividend) leading to a reported net profit of GBP 101.2 million for 2021. An increase in lending and interest rates led to an increase in net interest income to GBP 79.7 million (2021: GBP 46.2 million). Reduced assets under management (AUM) led to a fall in fee and commissions income to GBP 57.5 million (2021: GBP 60.3 million). Administrative expenses this year have decreased to GBP 29.2 million (2021: GBP 31.8 million) and personnel expenses fell to GBP 70.5 million (2021: GBP 74.9 million) as a result of reduced headcount.

The robust financial performance was achieved despite a reduction in net new assets of GBP 234.8 million (2021: increase of GBP 1,103.3 million) in a challenging market for AUM. EFGIUK continued a model of operational resilience throughout this period, with ongoing contingency actions first enacted in 2020, further improved, ensuring no significant disruption to the ability to provide services to clients in an increasing "return to office" environment. Ongoing utilisation of staff working from home through hybrid working arrangements and digital solutions also continue to facilitate remote connections with clients. Further details of the impact of our operating model on the Company's key risks is highlighted in the paragraphs below on credit, employees and capital & funding.

Financial performance

The Company continued to experience very strong demand for lending in prime central London in 2022. This resulted in growth of the loan book of 7.3% to GBP 2,967.1 million (2021: GBP 2,764.8 million) during the year.

The increase in net interest income of 72.5% to GBP 79.7 million (2021: GBP 46.2 million), was driven by the increase in EFGIUK's loan book, as well as interest rates rising from their historic lows in 2021. Net fee and commission income fell by 4.6% to GBP 57.5 million (2021: GBP 60.3 million), as a result of market pressures on AuM, which fell by 10.4% to 15,758 million (2021: GBP 17,590 million).

Operating expenses were reduced by 6.8% to GBP 104.7 million (2021: GBP 112.0 million), principally due to reduced staff numbers and associated costs. The Company's resilient performance contributed to a reduction in the cost income ratio to 75.1% (2021: 78.7%).

There was no significant credit or charge to the credit impairment provision during the year (2021: GBP nil). The credit committee monitors all active watchlist cases.

Key financials

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Operating income before dividends	139.4	112.2
Dividend income	-	30.0
Operating expenses	(104.7)	(112.0)
Profit on disposal of subsidiary	-	68.9
Loss allowance on financial assets	0.2	-
Profit before tax	34.9	99.1

Key performance indicators

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Net new assets	(234.84)	1,103.32
Return on assets[1]	83bps	83bps
Operating profit	34.7	30.2
Cost income ratio	75%	79%

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

Capital

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

The Common Equity Tier 1 ("CET1") capital ratio decreased to 10.9% (2021: 14.8%) due to both decreased CET1 capital and increased Risk Weighted Assets ('RWA'). CET1 capital decreased by £29.6 million to £165.6 million (2021: £195.2 million) due to unfavourable investment securities fair value movements through other comprehensive income. Credit RWA increased by £186.6 million to £1,273.5 million (2021: £1,086.9 million) largely due to the increased mortgage book and Treasury investment securities holdings. The Total Capital Ratio decreased to 15.2% (2021: 19.9%).

The Company's CET1 and Total Capital ratios will increase by approximately 1.2% as a result of the change in business model for managing investment securities, and the resultant change to classify the bonds to hold to collect which will be effective from 1 January 2023. The reclassification on 1 January 2023 results in an increase in shareholders equity. See note 36 for further details.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Common equity tier 1 capital	165.6	195.2
Total capital	232.3	261.8
Total risk weighted assets	1,523.7	1,317.8

Funding

EFGIUK's Treasury function, in conjunction with EFGI, manages the Company's funding and liquidity to support the private banking business and manage interest rate and currency risk. In 2022 the Company maintained a consistent and successful approach to funding by expanding our client base.

Total funding increased by +18.1% to GBP 5,795.7 million (2021 GBP 4,908.6 million). This was due to a +14.7% increase in customer deposits in the year, alongside an increase in fiduciary funding from EFG AG clients.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Customer deposits	4,762.5	4,152.8
Banks	758.8	539.2
Equity	274.2	267.2
Total funding	5,795.5	4,959.2

Liquidity

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

The Company regularly assesses, and stress tests its liquidity requirements and continues to comfortably exceed internal liquidity limits, with the liquidity coverage ratio of 205% at 31 December 2022 (2021: 212%).

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Cash & balances at central banks	1,213.3	1,244.3
Other banks	95.2	125.0
Investment securities:		
Government	1,005.5	384.3
Banks	481.9	468.5
Treasury assets	2,795.9	2,222.1

Principal risks and uncertainties

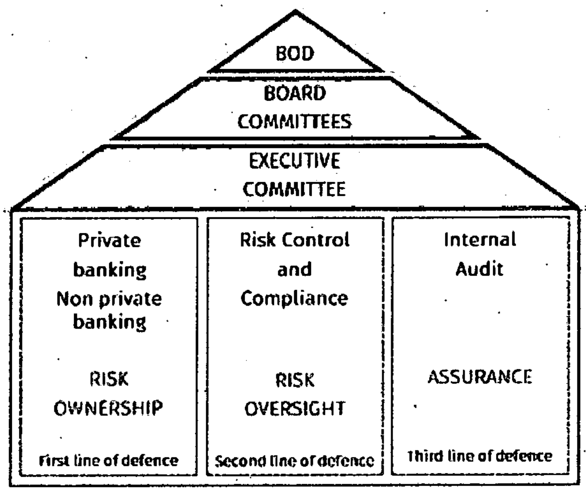
Risk management

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

The three lines of defence model;



The role of risk culture in supporting effective risk management

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

Risks and uncertainties

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

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

Credit risk

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

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

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

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

At 31 December 2022 the Company had loans and advances to customers amounting to £3.0 billion (2021: £2.8 billion). There were no loans written off during the year to 31 December 2022 (2021: nil).

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

Further commentary on the credit quality of our loan book is outlined in Note 27. Further details on debt securities and loans and advances to customers are held are in Notes 12 and 13. Our approach to credit risk management and monitoring, as well as further details on the value of collateral held, is outlined in more detail in note 27.

Employees

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

The Company seeks to attract, retain and develop staff by:
- becoming an Employer of Choice to attract and retain talented professionals with the right skills and experience to create value within EFG and for our clients
- enabling our people to develop professionally and investing in future skills as a key driver to remain competitive and continue the trajectory of Sustainable Profitable Growth;
- mobilising our people behind our purpose and fostering a diverse and inclusive workplace where EFG Values are lived and our people and business can thrive.

This strategy is operationalised through the Company's:
- remuneration and benefits structures which are competitive and recognise and reward performance, including performance against EFG UK's behaviours and values;
- creating an inclusive environment that embraces diversity;
- guiding managers and employees in understanding the importance of physical and mental wellbeing in the workplace;
- engaging with our employees through effective communication channels and listening and acting on their feedback
- continuous succession planning for Management Committee Members and critical roles; and
- awareness around development opportunities within the Company and provide support for individuals to learn through our commitment to continuous learning.

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

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

The Company continues its focus on the wellness of its employees, through continuing to offer a hybrid flexible working approach coupled with specialised internal communication. The EFG Women's Network, continues to develop as we strive to continue to make significant steps in our diversity and inclusion journey.

Capital and liquidity

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

The Company's term and notice deposits increased by 45.5% to £3.2 billion (2021: £2.2 billion). Further commentary on funding and liquidity is provided on pages 3 and 4 and note 29. Further financial analysis of our liquidity is shown in note 29.

Economic environment

The 2022 global economic rebound, that followed the pandemic-induced contraction of 2020, gave way to a broad-based slowdown with areas of recession forecast for this 2023. The target was to economically rebuild, through growth and employment, which initially proved highly successful after the burden of lockdowns. Yet as early inflationary warnings began to increase, the cost base effects lessened and annualised growth returned to more recognisable, but elevated levels. The reduction in unemployment continued at lower levels but supply-chain problems persisted and increased demand for energy has elevated prices, both domestically and commercially.

This relatively benign view halted abruptly in February 2022 when Russia invaded Ukraine. This drew broad global condemnation, but has also triggered a dramatic realignment of the previous geopolitical spheres of influence. This single action shaped the rest of 2022 and potentially reshapes the future. More immediately an energy crisis ensued, stoking latent inflationary trends that were exacerbated by poorly coordinated and tardy responses by the major central banks.

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 be harmful to clients and damage our reputation. It may also lead to adverse legal or regulatory consequences, fines, litigation or customer redress. This applies to current, past and future business.

The Company's business model involves the provision of services to high net-worth, domestic and international clients with a diverse range of needs including complex wealth structures. This complexity across a broad spectrum of clients increases the risk relating to compliance with laws, regulations, rules, standards, generally accepted practices, and codes of conduct applicable to all its activities resulting in 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. Similarly, changes to regulation and taxation can impact on our financial performance, capital and liquidity and the markets in which we operate.

The Company seeks to manage these risks by:
- implementing appropriate policies, standards and procedures and implementing risk-based monitoring programmes to test adherence;
- monitoring the changes in the regulatory environment and adapting policies, procedures and processes as required;
- having regular training sessions delivered to all staff to raise their awareness and understanding of the corresponding risks;
- providing clear advice on legal, compliance and regulatory requirements.
- 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;
- maintaining constructive and positive relationships and dialogue with regulatory bodies and tax authorities;
- providing products and services to our clients which are designed to meet their needs;
- reviewing and approving new products and services through a clear governance and approval process; and
- maintaining a prudent capital position with headroom above minimum capital requirements.

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

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

Operational risk

The Company is exposed to various operational risks through its day-to-day operations and the markets in which we operate.

Adverse impacts to the business, customers, third parties are considered within the context of our risk management framework.

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;
- maintaining an operational resilience framework designed to ensure the end-to-end delivery of important business services;
- investing in cyber security including expertise, tools and staff engagement;
- increasing focus on data protection controls;
- adopting fraud prevention aligned with our risk profile; and
- testing recovery capabilities, including our recovery plan, and planning communications approaches for possible scenarios.

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

Competition

The Company is a private bank and wealth manager and faces competition from both UK and international banks. We are currently experiencing high levels of competition within the UK mortgage market, as excess liquidity has driven down margins. Elevated and continuing levels of competition may impact our ability to write loans within our desired risk and return criteria, resulting in lower net new assets and lower revenues.

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

Market risk

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

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

The Company's approach and the underlying risks are unchanged. Further detail on the Company's exposure to market risk is outlined in note 28.

The sensitivity analysis on interest rate exposures shown in note 28.1.2 demonstrates the limited level of exposure to interest rate and foreign exchange movements.

Cyber risk

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

The Company is exposed to Cyber Risk through use of EFG and third-party managed information technology, including our core banking platforms, email and electronic banking, which are core to our business proposition.

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

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

Horizon risks

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

Climate change

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

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

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

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

ESG

Environmental and social challenges are a source of both opportunities and risks, and the financial industry has a crucial role in addressing these topics. In 2021, EFGI launched an ESG risk management process to identify and manage potential adverse impacts the EFGI group could have on the environment and society, as well as any associated reputational consequences or other risk affecting the EFGI group and its clients. The assessment and management of these risks have been further developed in 2022. For more information of the ESG strategy see the EFG sustainability report 2022 (http://www.efginternational.com/sustainability).

Section 172 statement

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

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

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

The key activities and principal decisions undertaken by the board in 2022 are detailed below. When making each decision the board carefully considers the impact on the success of the Company, its long-term (financial and non-financial) impact and has due regard to the other matters set out in section 172(1) (a) to (f) of the Companies Act 2006.

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

Clients
As a relationship focused business, the return-to-work guidelines impacted the nature of how our CROs approached client relationship management. In a post return-to-office world, CROs have continued to operate a mixed face-to-face and digital approach with clients.

Shareholders

The Company did not pay a dividend in 2022 (2021: £89 million) to its parent company EFGI.

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

On return to work, following the post Covid pandemic, a flexible working approach has continued to be adopted. The Company's hybrid approach offers staff the opportunity to work from home for up to 80 days a year with the caveat that 60-80% of the team were in the office on any one day, allowing for a high level of client care to be maintained, a consistent demand for office space and to deliver an effective collaborative working environment. This adopted new way of working is conducive to the working environment achieved through the move to our new London office premises and the enhanced technological capabilities to allow more effective flexible working.

For future growth and to improve client services the directors took the decision to invest in new client facing and support systems including Temenos T24 and Objectway for Harris Allday.

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

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

A Evans

A. Evans

Company Secretary
21 April 2023

EFG Private Bank Limited

Directors' Report

The directors present their report together with the audited Financial Statements of the Company for the year ended 31 December 2022.

Results and dividends

The results for the year are set out on page 18 of the Financial Statements. The directors did not recommend a dividend for the year (2021: £89 million).

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements are given on page 3 of this Annual Report. All directors listed on that page were directors throughout the year, apart from Giorgio Pradelli who resigned as director on 18 July 2022, Oliver Meredith and Gabrielle Branson who were appointed on 15 February 2022 and 1 August 2022 respectively.

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

Directors' indemnities and insurance

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

Strategic report

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

Business activities

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

Charitable donations

During the year the Company made donations totalling £5,000 (2021: £6,409) 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 instruments granted over shares in EFGI AG. In addition, the Company operates a HMRC approved Share Incentive Plan which is available to all employees.

Financial instruments

Details of the Company's financial instruments can be found in note 27.7.

Financial risk management

The Company has procedures in place to identify, monitor and evaluate the significant risks it faces. The Company reviews and adjusts its risk appetite annually as part of its strategy-setting process. This aligns risk-taking with the achievement of strategic objectives. Adherence to the risk appetite is monitored by the Company's Risk Committee. The Company's principal risks and uncertainties are described on pages 4 to 9 and the risks associated with the Company's financial instruments are analysed in note 27 of the Annual Report statements. The Company's hedging policy can be found in note 11 of the Annual Report.

Post balance sheet events

In November 2022 the Company decided to change the treasury business model for the investment securities portfolio from to hold to collect and sell to maturity and to collect coupons. The implementation of this strategic business change will lead to an accounting reclassification of the portfolio from 1 January 2023, giving rise to a non-adjusting post balance sheet event as the investment securities move from "Hold to Collect and Sell" to "Hold to Collect".

In March 2023, the global economic constraints and need for raised interest rate levels, has increased pressure on certain financial institutions. These financial institutions were impacted by investor and depositor confidence and subject to reorganisation arrangements and equity downgrades. The Company had no direct exposure to these financial institutions and assesses no impact on the Company's going concern assessment.

Branches

The Company has a branch in Jersey.

Capital structure

The issued ordinary share capital of the Company as at 1 January 2022 and 31 December 2022 comprised of 31,595,906 ordinary shares of £1 each.

Political donations

No political donations were made during the year (2021: Nil).

Greenhouse gas ("GHG") emissions

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

	Year ended 31 December 2022	Year ended 31 December 2021
Total energy usage (MWh)	2017	534
Total GHG emissions (tCO_2e)	428	124
GHG emissions per employee (tCO_2e)	1.2412	0.3594

The table above includes scope 2 emissions associated with the Company's operations, (there are no material scope 1 emissions). These predominantly relate to purchased electricity and gas relating to the operation of the Company's offices. The total purchased energy has been recorded based on data from the Company's suppliers and the relevant government conversion factors used to calculate the tCO2e. The increase in tCO2e year on year is a result of the increased return to work after the coronavirus pandemic and the operation of two buildings during the Company's move from Leconfield House to Park House during the year. As part of the procurement process around the premises move to Park house during 2022, an Environmental Standards and Certification rating of Gold has been achieved.

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

Independent Auditor

Pursuant to section 485 to 488 of the Companies Act 2006, the board has approved the continuing appointment of BDO LLP as the Company's statutory auditor for the financial period commencing 1 January 2022.

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. The Company prepares, and the directors review and approve a three-year financial forecast that takes into account the company's current position, strategic plans and key risks as set out in risks in the disclosures notes of these statements. These financial forecasts are stressed using agreed severe but plausible stress scenarios as the basis for the projections included within the company's Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP). Based on the results of the regulatory projections of the ICAAP and ILAAP, the director's assessment is that company's capital and liquidity resources are sufficient to withstand these stresses.

After making additional enquiries and reviewing relevant reports and data (including but not limited to financial forecasts, capital and liquidity projections and related risk reports), the directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the Annual Report.

Directors' Responsibility Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Financial Statements in accordance with United Kingdom adopted international accounting standards.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK adopted international accounting standards 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

21 April 2023

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of EFG Private Bank Limited (the 'company') for the year ended 31 December 2022 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 24 May 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ended 31 December 2021 to 31 December 2022.

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

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

Conclusions relating to going concern

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

- Assessing the appropriateness of the assumptions and judgements made in the forecasts used to support the going concern assessment by considering the consistency of the forecasts with our understanding of the business, as well as considering the historic accuracy of the forecasts by comparing them with actual results.
- Obtaining the Directors' assessment of the going concern assumption applied in the financial statements and evaluating the appropriateness of Directors' method of assessing going concern in light of the current macroeconomic environment, inflationary pressures, the impact of the challenger market, as well as our understanding of the Company's strategy, forecasts, Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) submissions and Prudential Regulation Authority (PRA) minimum capital requirements. The ICAAP and ILAAP have been reviewed with assistance from our regulatory experts.
- Reviewing correspondence with the Regulators, to identify any concerns they might have which could impact going concern.
- Reviewing the adequacy of the going concern disclosures in the financial statements in reference to the requirements of the financial reporting framework, our understanding of the company and consistency with the Directors going concern assessment.

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

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

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

Overview

Key audit matters		2022	2021
	1. Expected Credit Losses ("ECL") allowance	✓	✓
	2. Taxation (Transfer Pricing)	✓	✓
	3. Sale of EFG Private Bank (Channel Islands) Limited ("EFGIG") and transfer of assets		✓ *
	4. Revenue (commission income)		✓ **
	*This key audit matter was a result of a once-off transaction in the prior and is *therefore not relevant in the current* year. **We have reassessed the risk on revenue this year and no longer consider this to be a key audit matter		
Materiality	£2.0m (2021: £1.5m) based on 0.75% of net assets (2021: 0.75% of net assets reduced for the £66.6m of Additional Tier 1 qualifying subordinated instrument which was corrected to be treated as equity late in the audit cycle).		

An overview of the scope of our audit

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

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

Key audit matters

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

Key Audit Matter		How we addressed the key audit matter in out audit
Expected Credit Loss ("ECL") allowance Refer to: *Note 1(a) - Critical accounting estimates and judgements in applying accounting policies and Notes 13 Loans and advances to customers & 27 Credit risk*	A principal activity of the Bank is the provision of credit services principally to high-net-worth customers. Determining the ECL involves management judgement, which includes assumptions on key aspects of the ECL model, such as estimating the probability of default and the selection of forward-looking scenarios. Determining the ECL is therefore subject to a high degree of estimation uncertainty. A significant proportion of the Company's ECL is Stage 3 ECL. The ECL allowance is a significant audit risk, specifically considering the existence and valuation of collateral as expected credit loss is driven by lower loan to value exposures.	Our procedures included the following: • We tested the operating effectiveness of relevant controls, including: o The use of an approved valuer panel for property collateral. o Frequency of revaluation of property collateral. o Monitoring the valuation of marketable security collateral. o Loan authorisation and disbursement. o Recording of loan data into the loan system. o Automated controls over the systems used to record customer lending and repayments. • We tested the compliance of the ECL methodologies and the relevant assumptions, as per the requirements of IFRS 9: Financial Instruments. • With the assistance of our internal valuation experts, we assessed elements of the modelling. This included the probability of default and the Company's forward-looking assumptions by considering the approach and available external support. • To assess the completeness of the watchlist control, we selected a sample of loans included in the watchlist to assess whether they meet managements criteria. • Selected a sample of Stage 3 loans and assessed the adequacy of the ECL allowance considering the exposure and collateral. • For a sample of collateral types, we agreed the valuation to independent sources, eg: to market prices or property valuation report, where applicable. We also checked that the entity has legal charge over the collateral. • We tested the accuracy and completeness of the significant increase in credit risk criteria, which drives the allocation between stages. • We have assessed the completeness of post model adjustments by considering whether the macro-economic factors, such as increased inflation,

		have been taken into consideration. **Our findings** Based on the work performed, we have concluded that the methodologies, modelled assumptions and management's judgements in determining the ECL allowance are appropriate and complaint with the requirements of IFRS 9 Financial Instruments.
Taxation (Transfer Pricing) Refer to: *Note 1(b) - Critical accounting estimates and judgements in applying accounting policies and Notes 9 Income taxes & 21 Provisions*	The Company remains subject to a transfer pricing ("TP") enquiry from HMRC in relation to the appropriateness of the pricing of various intercompany services. This fee should be calculated at an arm's length rate. Considering the judgement required in order to determine an appropriate arm's length fee , the materiality of this fee and the period of service, we have determined that tax provisions relating to transfer pricing will be a key audit matter.	Our procedures included the following: • With the assistance of our internal tax experts we held discussions with management to understand current year issues that have been identified, including updates on the HMRC investigation, and review of the Company's on-going correspondence with HMRC. • Testing management's assessment of the potential impact and resultant accounting treatment, with the assistance of our Transfer Pricing and Tax Dispute Resolution experts, in relation to areas of uncertainty involving transfer pricing judgements and estimates. • Reassessing the reasonableness of Uncertain Tax Provision ("UTP") based on any changes in facts during 2022. • Evaluating the disclosures made in the financial statements against the requirements of the relevant accounting standards. **Key observations** Based on our audit work performed, we consider the judgments made by management in calculating the provision to be reasonable.

Our application of materiality

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

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

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

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

	2022	2021
Materiality	£2.0m	£1.5m
Basis for determining materiality	0.75% of net assets.	0.75% of net assets reduced for the £66.6m of Additional Tier 1 qualifying subordinated instrument which was corrected to be treated as equity late in the audit cycle.
Rationale for the benchmark applied	We have determined regulatory capital to be the most suitable basis considering the following: • The Company is part of a larger group where profit is a key measure at the overall parent level, however, the parent company has a focus on both the profit and regulatory capital for the Company. • The statutory profit before tax of the Company fluctuates significantly. • Regulators 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. In 2021 we used the lower percentage largely because we were gaining our understanding of EFG.	
Performance materiality	£1.5m	£0.975m
Basis for determining performance materiality	75% of materiality	65% of materiality
Rationale for the benchmark applied	The above materiality levels based on our risk assessment together with our assessment of the Company's overall control environment and history of misstatements.	The materiality level allowed us to identify and address any risks present in the financial statements during the first-year audit.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £41,100 (2021: £30,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the strategic report and the directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

- in addressing the risk of fraud through management override of controls, testing the appropriateness of a sample of journal entries and other adjustments, by obtaining an understanding of the journals from management and, where relevant, agreeing these back to supporting documentation,
- Testing samples of revenue lines by obtaining underlying data from the system and agreeing it to supporting documentation to check the revenue has been appropriately recognised as well as testing operating effectiveness of key controls. This addressed the risk of fraud related to revenue recognition, and
- Assessing whether the judgements made in accounting estimates, including those identified above in our Key Audit Matters related to ECL allowances and taxation (transfer pricing) are indicative of a potential bias.

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

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

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

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

Use of our report

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

DocuSigned by:
Ariel Grosberg
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Ariel Grosberg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
24 April 2023

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

Income Statement

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Interest income		133,296	59,764
Interest expense		(53,553)	(13,548)
Net interest income	3	79,743	46,216
Banking fee and commission income		60,878	63,082
Banking fee and commission expense		(3,337)	(2,781)
Net fee and commission income	4	57,541	60,301
Dividend income		-	30,000
Net trading income on financial instruments		1,380	747
Net trading income on foreign exchange		543	4,862
Gains less losses on disposal of financial assets		147	60
Net other income		2,070	35,669
Operating and Investing income		139,354	142,186
Operating expenses	5	(104,693)	(112,020)
Profit on disposal of subsidiary		-	68,900
(Loss allowance) / reversal of loss allowance on financial assets at amortised cost and debt instruments measured at fair value through Other Comprehensive Income		210	(37)
Profit before tax		34,871	99,029
Income tax	9	(4,609)	2,133
Net profit after tax		30,262	101,162

The notes on pages 18 to 61 form an integral part of these Financial Statements

EFG Private Bank Limited

Statement of Comprehensive Income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Net profit for the year	30,262	101,162
Other comprehensive income / (expense)		
Items that may be reclassified subsequently to the Income Statement		
Net (losses) on investments in debt instruments measured at fair value through Other Comprehensive Income ("FVOCI")	(36,347)	(11,318)
Net gains / (losses) on designated hedges over debt instruments measured at FVOCI	13,774	9,158
Transfers to the Income Statement on realised gains / (losses) on FVOCI debt instruments	-	12
Deferred tax on the above items	6,400	-
Items that may not be reclassified subsequently to the Income Statement		
Net (losses) / gains on investments in equity instruments designated at FVOCI	-	(51)
Income tax relating to components of Other Comprehensive Income	-	-
Total other comprehensive income / (expense) for the year	(16,173)	(2,199)
Total comprehensive income for the year	14,089	98,963

The notes on pages 18 to 61 form an integral part of these Financial Statements

EFG Private Bank Limited

Balance Sheet

	Note	31 December 2022 £'000	Restated 31 December 2021[1] £'000
Assets			
Cash and balances with central banks	10	1,213,286	1,244,267
Due from other banks	10	95,177	124,974
Derivative financial instruments	11, 26	58,670	10,099
Financial assets at fair value through Other Comprehensive Income	12, 26	1,487,411	852,764
Loans and advances to customers[1]	13, 26	2,967,101	2,764,761
Investments in subsidiaries	14	1,320	1,320
Property, plant and equipment	15	25,182	24,002
Intangible assets	16	3,113	1,798
Deferred income tax assets	17	11,333	5,553
Other assets	18	27,013	24,994
Total assets		5,889,606	5,054,532
Liabilities			
Due to other banks	19	758,752	539,184
Due to customers	20	4,762,542	4,152,829
Derivative financial instruments	11, 26	13,603	22,109
Current income tax liabilities		5,103	1,742
Provisions	21	3,382	3,427
Other liabilities[1]	22	72,042	67,977
Total liabilities		5,615,424	4,787,268
Equity			
Share capital	24	31,596	31,596
Share premium		96,639	96,639
Capital redemption reserve		10,000	10,000
Other equity and reserves		55,451	73,325
Retained earnings		80,496	55,704
Total equity		274,182	267,264
Total equity and liabilities		5,889,606	5,054,532

[1]Restated to reclassify net loan facility fees of £4,147,988 from other liabilities to loans and advances to customers in accordance with EIR accounting.

The Financial Statements on pages 18 to 61 were approved by the Board of Directors on 21 April 2023 and signed on its behalf by:

O Meredith
Chief Financial Officer

Statement of Changes in Equity

	Attributable to owners of the parent					
	Share capital GBP'000	Share premium GBP'000	Capital Redemption reserves GBP'000	Other equity and reserves GBP'000	Retained earnings GBP'000	Total equity GBP'000
At 1 January 2021	31,596	96,639	10,000	75,519	50,623	264,377
Net profit for the year	-	-	-	-	101,162	101,162
Net gains on investments in debt instruments measured at FVOCI (including the effect of hedging)	-	-	-	(2,223)	-	(2,223)
Income tax relating to components of other comprehensive expense	-	-	-	-	-	-
Total Comprehensive Income for the year	-	-	-	(2,223)	101,162	98,939
AT1 interest treated as appropriation of retained earnings	-	-	-	-	(5,401)	(5,401)
Employee equity incentive plans amortisation and net of exercise costs	-	-	-	(1,651)	-	(1,651)
Payment of ordinary dividends	-	-	-	-	(89,000)	(89,000)
Transfers to retained earnings	-	-	-	1,680	(1,680)	-
At 31 December 2021	31,596	96,639	10,000	73,325	55,704	267,264
Net profit for the year	-	-	-	-	30,262	30,262
Net gains on investments in debt instruments measured at FVOCI (including the effect of hedging)	-	-	-	(22,573)	-	(22,573)
Income tax relating to components of other comprehensive income	-	-	-	6,400		6,400
Total Comprehensive Income for the year	-	-	-	(16,173)	30,262	14,089
AT1 interest treated as appropriation of retained earnings	-	-	-	-	(5,470)	(5,470)
Employee equity incentive plans amortisation and net of exercise costs	-	-	-	(1,701)	-	(1,701)
Payment of ordinary dividends	-	-	-	-	-	-
At 31 December 2022	31,596	96,639	10,000	55,451	80,496	274,182

EFG Private Bank Limited

Cash Flow Statement

	Note	Year ended 31 December 2022 £'000	Restated Year ended 31 December 2021 £'000
Cash flows from operations			
Profit before tax		34,871	99,029
Adjustments for			
Depreciation of fixed assets		4,499	4,752
Amortisation of intangibles		535	434
Amortisation of IFRS 2 reserve through profit and loss		4,214	4,030
Loss allowance provision		(210)	37
Loss / (gain) on sale of subsidiary as investment activity		-	(68,900)
Gains less losses on disposal of financial assets		(147)	(60)
Dividend paid by subsidiary included in investment income		-	(30,000)
Payments to parent for participation in share scheme		(6,452)	(5,681)
Lease interest per IFRS16		448	156
Changes in operating assets and liabilities			
Derivative financial instruments		(57,077)	(15,336)
(Increase) in Loans and advances to customers		(202,340)	[1](586,461)
Decrease / (increase) in other assets		(2,019)	28,685
Increase / (decrease) in due to other banks		219,568	11,595
Increase in due to customers		609,713	1,137,564
Increase / (decrease) in other liabilities and provisions		5,925	[1]8,162
Effect of foreign exchange		(61,770)	[3](15,506)
Corporation tax paid		(2,617)	(1,183)
Net cash from operating activities		547,141	571,317
Cash flows from investing activities			
(Purchase) of investment securities		(1,177,277)	(453,370)
Proceeds from sale of investment securities		587,790	340,452
(Purchase) of capital in subsidiaries		-	(1,275)
Proceeds from disposal of subsidiary		-	78,900
(Purchase) of property plant & equipment		(5,793)	(176)
(Purchase) of intangible assets		(1,850)	(973)
Proceeds from dividends		-	30,000
Net cash from investing activities		(597,130)	(6,442)
Cash flows from financing activities			
Payment of AT1 Interest		(5,394)	(5,389)
Payment of dividends		-	(89,000)
Lease interest repaid		(448)	[2](156)
Lease principal repaid		(1,905)	(3,028)
Net cash from financing activities		(7,747)	(97,573)
Net cash inflows		(57,736)	467,302
Effect of foreign exchange on cash and cash equivalent		(3,042)	[3]3,309
Cash and cash equivalents at the beginning of the period		1,369,241	898,630
Cash and cash equivalents at the end of the period	10	1,308,463	1,369,241

[1]Restated to reclassify net loan facility fees of £4,147,988 from other liabilities to loans and advances to customers in accordance with EIR accounting.

[2]Restated for presentation.

[3]Change in presentation for the effect of foreign exchange to split out cash and cash equivalents to be in accordance with the standard.

Notes to the Financial Statements

A General Information

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

B Basis of preparation

The Financial Statements are for the year ended 31 December 2022 These Financial Statements have been prepared in accordance with UK adopted international accounting standards. The financial statements have been prepared under the historic cost convention modified by revaluation of financial assets and financial liabilities held at fair value. The directors have confirmed it is appropriate to use the going concern assumption as a basis for presenting these Financial Statements.

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

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

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

C Consolidation

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

D Accounting Developments

The following accounting standard amendments/interpretations are mandatory for the financial year beginning 1 January 2022 but are either not relevant or do not have a material impact on the Company's consolidated financial statements:

- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets - Onerous contracts
- Annual Improvements to IFRS Standards 2018-2020 cycle:
  - IFRS1 'First-time Adoption of International Financial Reporting Standards',
  - IFRS 9 'Financial Instruments'
  - IFRS 16 'Leases' – Amendment to illustrative examples
  - IAS 41 'Agriculture'.
- Amendments to IFRS 16 'Leases' – COVID-19-Related Rent Concessions
- Amendments to IFRS 3 'Business Combinations' - Reference to the Conceptual Framework

The Company continues to monitor new accounting standard/amendments/interpretations that have been issued and become mandatory in subsequent accounting periods. The Group is assessing the potential impact of the following:

- IFRS 17 'Insurance Contracts'
- Amendments to IFRS 4 'Insurance Contracts' – Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'
- Amendments to IAS 1 'Presentation of Financial Statements' – Classification of liabilities and disclosure of accounting policies
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – definition of accounting Estimates
- Amendments to IAS 12 'Income taxes' – deferred tax on lease and decommissioning obligations

1. Critical accounting estimates and judgements in applying accounting policies

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

(a) Expected credit loss allowance

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

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

(b) Income taxes and deferred tax

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

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

(c) Disposal of EFGIG and transfer of assets to the Company
In November 2021, upon closure of EFGIG a book of business assets transfer ('subject portfolio') was initiated to transferred assets from the EFGIG entity to the Company, to the London Private Bank and Jersey branch as well as to EFG AG. The Company assessed the fair value of the subject portfolio and assets were transferred at fair value, which was equivalent to the cost base. The subject portfolio being transferred included investment securities, loans and advances, deposits and assets under custody ('AUC'). A range of estimates was used in arriving at this fair value:

- Investment securities held at fair value, were recorded appropriately in line with IFRS 13, we further detail the valuation of investment securities in note 12 and 26.
- Deposits and cash are short-dated instruments, and their book value is approximated to the market value.
- The market rates of loans transferring are slightly different from interest rates charged on the Company's lending. Fair value differences were materially offset across each side of the mortgage and lombard portfolios, and no adjustment to book value was necessary.
- AUC are short-dated client agreements which can be terminated with minimal notice, therefore the fair value estimate on these is immaterial.
- The market interest rate of transferred deposits is in line with the peer group 'other Private Banks' so no adjustment was necessary.

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

(a) Foreign currencies

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

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

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

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

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

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

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

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

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

Amortised cost and effective interest rate (continued)

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

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

Initial recognition and measurement

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

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

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

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

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

Fair Value Through Profit or Loss

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

Impairment

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

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

Further detail is provided in note 27 credit risk.

Classification and subsequent measurement of financial liabilities

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

Derecognition of financial assets and liabilities
A financial asset, or a portion thereof, is derecognised when the contractual rights to receive cash flows from the asset have expired, or when they have been transferred and either;

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

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

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

(c) Intangible assets
Computer software and licences are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over a 5-year basis. The acquisition cost of software capitalised is based on the cost to acquire and bring into use the specific software. Impairment is assessed when there is indicators for impairment. Management have identified no indications of impairment over software assets during 2022.

3. Net interest income

Accounting Policy

Interest income and expenses are recognised in the Income Statement for all interest-bearing instruments on an accrual basis, using the effective interest method, other than financial instruments measured at FVTPL. 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.

	2022 £'000	2021 £'000
Banks and customers	114,230	52,758
Financial assets at FVTPL	458	74
Financial assets at FVOCI	18,608	6,932
Total interest income	133,296	59,764
Banks and customers	(48,583)	(7,420)
Financial liabilities at FVTPL	(165)	(150)
Financial liabilities at FVOCI	(4,805)	(5,978)
Total interest expense	(53,553)	(13,548)
Net interest income	79,743	46,216

4. Net fee and commission income

Accounting Policy

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

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

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

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

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

	2022 £'000	2021 £'000
Wealth management fees	43,967	41,661
Commission income	8,848	9,974
Intercompany service fees	8,063	11,447
Total fee and commission income	60,878	63,082
Wealth management expenses	(1,846)	(1,484)
Brokerage expenses	(764)	(1,105)
Intercompany service fees expenses	(727)	(192)
	(3,337)	(2,781)
Net fee and commission income	57,541	60,301

5. Operating expenses

	Note	2022 £'000	2021 £'000
Staff costs	6	(70,475)	(74,940)
Administrative expenses		(29,184)	(31,894)
Depreciation of property, plant and equipment	15	(4,499)	(4,752)
Amortisation of intangible assets	16	(535)	(434)
Operating expenses		(104,693)	(112,020)

6. Staff costs

	Note	2022 £'000	2021 £'000
Wages, salaries and staff bonuses		(56,022)	(59,408)
Social security costs		(7,622)	(8,071)
Pension costs		(2,617)	(2,788)
Share options granted to directors and employees	32	(4,214)	(4,673)
Staff costs		(70,475)	(74,940)

	2022	2021
Average of full-time equivalent employees by location		
EFG Private Bank - London	242	225
EFG Private Bank – Harris Allday	107	108
EFG Private Bank – Jersey Branch	13	12
	362	345

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.

7. Directors' remuneration

Details of the remuneration of employees who served as directors during the year, or subsequent to year end, is as follows;	2022 £'000	2021 £'000
Short-term employment benefits	2,137	1,823
Share-based payments	411	304
Defined contribution pension payments	133	108
Number of directors awarded share options	2	2
Number of directors exercising share options	3	1
Highest paid director		
Short-term employment benefits	557	752
Share-based payments	375	263
Defined contribution pension contributions	60	60
Total	992	1,075

The highest paid director exercised 24,647 share options during 2022 (2021: 48,114).

8. Auditors' remuneration

	2022 £'000	2021 £'000
Fees payable for the statutory audit of the Company pursuant to legislation	1,069	682
Fees payable for the interim profit verification	-	49
Fees payable for services in relation to regulatory findings and regulatory audits	100	77
Total	1,169	808

The above table is representative of the remuneration to the current external auditors, BDO LLP.

9. Income tax

	2022 £'000	2021 £'000
Current year tax credit/(charge)	(3,746)	1,143
Foreign tax charge	(856)	(184)
Adjustments for current tax of prior periods	419	(7)
	(4,183)	952
Deferred tax – Current year	(426)	1,250
Deferred tax – Adjustments for prior periods	-	(69)
Total income tax credit	(4,609)	2,133

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

	2022	2021
Profit before tax	34,871	99,029
Tax at the applicable rate of 19%	(6,626)	(18,816)
Tax effect of:		
Non-taxable income	-	5,700
Non-allowable expenses	109	22
Adjustments for current tax of prior periods	(151)	(76)
Deferred tax and rate differences	6	1,250
Stock options	152	218
AT1 Interest (appropriation of earnings)	1,039	1,026
Jersey branch profit	935	(19)
Gain on disposal of subsidiary	-	13,091
Other items	(73)	(263)
Total income tax credit / (charge)	(4,609)	2,133

10. Cash and cash equivalents

Accounting Policy

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

	31 December 2022 £'000	31 December 2021 £'000
Cash in hand	-	153
Balances with central banks	1,213,286	1,244,114
Total cash and balances with central banks	1,213,286	1,244,267
Due from other banks - at sight	90,337	109,260
Due from other banks - at term	4,840	15,714
Total due from other banks	95,177	124,974
Total cash and cash equivalents	1,308,463	1,369,241
Pledged due from other banks	4,840	15,714

11. Derivative financial instruments

Accounting Policy

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

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

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

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

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

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

11. Derivative financial instruments (continued)

Derivatives

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

	31 December 2022			31 December 2021		
	Contract/ notional amount £'000	Fair values Assets £'000	Fair values Liabilities £'000	Contract/ notional amount £'000	Fair values Assets £'000	Fair values Liabilities £'000
Derivatives held for trading						
Foreign exchange derivatives	2,335,662	37,533	(8,617)	2,393,243	5,340	(16,452)
Interest rate swaps	110,375	7,404	(4,900)	101,410	1,520	(872)
Total derivative assets/liabilities held for trading	2,446,037	44,937	(13,517)	2,494,653	6,860	(17,324)
Derivatives held for hedging and designated as fair value hedges						
Interest rate swaps	150,575	13,733	(86)	298,411	3,239	(4,785)
Total derivative assets/liabilities held for hedging	150,575	13,733	(86)	298,411	3,239	(4,785)
Total derivative assets/liabilities	2,596,612	58,670	(13,603)	2,793,064	10,099	(22,109)

11.1 Hedge effectiveness

The Company applies hedge accounting to interest rate risk on fixed rate bonds (fair value hedge). The Company holds a portfolio of fixed rate bonds and therefore is exposed to changes in fair value due to movements in market interest rates. The Company manages the risk exposure by entering interest rate swaps that pay fixed rates matching the coupons of the bonds and receive floating interest rates. Only the interest rate element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Company. The interest rate risk component is determined as the change in fair value of the long-term fixed rate bond arising solely from changes of the interest rate environment. Such changes are usually the largest component of the overall changes in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the bonds attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps. The Company enters the swap at the same time as purchasing the bond, while structuring the swap so that the principal terms of the swap exactly match those of the bond. As a result, the hedging ratio is near 100% and there is limited ineffectiveness during 2022. The Company had the following fair value hedges in place at year end:

	31 December 2022 £'000	31 December 2021 £'000
Derivatives held for hedging - Interest rate swaps		
Notional amount of hedging instrument	150,575	298,411
Fair value of assets	13,733	3,239
Fair value liabilities	(86)	(4,785)
Change in fair value used for calculating hedge ineffectiveness	13,774	9,158
Hedged items - Fixed rate bonds held at FVOCI		
Carrying amount of hedged item	137,598	301,075
Accumulated amount of fair value adjustments on the hedged item	(13,497)	888
Change in fair value of hedged item for ineffectiveness assessment	(14,385)	(8,788)

130 million of the derivatives designated as fair value hedging instruments have maturity longer than 12 months (2021: £138 million). The average fixed rate paid on derivatives designated as fair value hedges is 1.61% (2021: 1.73%).

12. Financial assets at fair value through Other Comprehensive Income

Accounting Policy

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

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

	31 December 2022			31 December 2021		
	Gross Carrying amount	Loss allowance	Net Carrying amount	Gross Carrying amount	Loss allowance	Net Carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000
Government	1,005,524	46	1,005,478	384,270	14	384,256
Banks	481,986	53	481,933	468,521	13	468,508
Total	1,487,510	99	1,487,411	852,791	27	852,764

13. Loans and advances to customers

Accounting Policy

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

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

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

	31 December 2022	Restated 31 December 2021[1]
	£'000	£'000
Mortgages	2,101,252	1,809,606
Other loans	871,620	960,987
Gross loans and advances	2,972,872	2,770,593
Less: Loss allowance	(1,404)	(1,684)
Less: Deferred loan fee[1]	(4,367)	(4,148)
Loans and advances to customers	2,967,101	2,764,761

[1]Restated to include net loan facility fees of £4,147,988 in accordance with EIR accounting were incorrectly stated in prior years. The impact on 2020 would have been £4,603,820.

14. Investment in subsidiary undertakings

The following is a listing of the Company's subsidiaries at 31 December 2022:

Name	Line of business	Country of incorporation	Ownership %	Non-controlling interest %	31 December 2022 £'000	31 December 2021 £'000
Private Asset Management Limited	Dormant	United Kingdom	100%	0%	-	-
Harris Allday Limited	Dormant	United Kingdom	100%	0%	-	-
PBTC Nominees Limited	Dormant	United Kingdom	100%	0%	-	-
HALB Nominees Limited	Dormant	United Kingdom	100%	0%	-	-
The Private Bank and Trust Company Limited	Dormant	United Kingdom	100%	0%	-	-
EFG Cyprus Limited	Investment Management	Cyprus	100%	0%	1,320	1,320
EFG Private Bank Limited, Jersey Branch*	Banking	Jersey	100%	0%	-	-
					1,320	1,320

*Branch of EFG Private Bank Limited

The accounting reference date for all companies is 31 December. During 2021 the Company's shares in EFG Private Bank (Channel Islands) Limited was sold to EFG AG. As part of this transfer, the Private Bank, Trust Company (Guernsey) Limited and EFGIG Nominees Limited were transferred to EFG AG, as 100% owned subsidiaries of EFG Private Bank (Channel Islands) Limited.

15. Property, plant and equipment

Accounting Policy

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

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

During 2021 the Company entered a new lease at 116 Park St, London W1K 6AF. Premises leases are recognised as a right-of-use asset at the date at which the leased asset is available for use by the Company. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs.

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

Other fixed assets comprises antiques and artworks and furniture and equipment. To reflect the most suitable information to the user of the accounts, the asset classes are consolidated into 'Other fixed assets'. The 2021 comparative information has also been adjusted on this basis.

	Right of use assets £'000	Leasehold improvements £'000	Computer hardware £'000	Other fixed assets £'000	Total £'000
At 1 January 2021					
Cost	14,285	5,640	6,223	3,546	29,694
Accumulated depreciation	(7,106)	(4,359)	(5,890)	(3,107)	(20,462)
Net book value at 1 January 2021	7,179	1,281	333	439	9,232
Additions	19,346	37	126	14	19,523
Depreciation charge for the year	(3,811)	(572)	(283)	(87)	(4,753)
Disposals during the year - cost base	-	(70)	(4,111)	(2,052)	(6,233)
Disposals during the year - accumulated depreciation	-	70	4,111	2,052	6,233
Net book value at 31 December 2021	22,714	746	176	366	24,002
At 31 December 2021					
Cost	33,631	5,607	2,238	1,508	42,984
Accumulated depreciation	(10,917)	(4,861)	(2,062)	(1,142)	(18,982)
Net book value at 31 December 2021	22,714	746	176	366	24,002
Additions	-	3,365	764	1,664	5,793
Depreciation charge for the year	(3,556)	(474)	(294)	(175)	(4,499)
Write-offs	(24)	(22)	5	(73)	(114)
Net book value at 31 December 2022	19,134	3,615	651	1,782	25,182
At 31 December 2022					
Cost	33,607	8,950	3,007	3,099	48,663
Accumulated depreciation	(14,473)	(5,335)	(2,356)	(1,317)	(23,481)
Net book value at 31 December 2022	19,134	3,615	651	1,782	25,182

16. 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 based on the cost to acquire and bring into use the specific software.

	31 December 2022 Computer software and licences GBP '000	31 December 2021 Computer software and licences GBP '000
Opening net book value		
Cost	3,610	2,637
Accumulated amortisation and impairment	(1,812)	(1,378)
Net book value	1,798	1,259
Acquisition of computer software and licences	1,850	973
Amortisation charge for the year	(535)	(434)
Closing net book value	3,113	1,798
Cost	5,460	3,610
Accumulated amortisation and impairment	(2,347)	(1,812)
Net book value	3,113	1,798

17. Deferred tax assets and liabilities

Accounting Policy

Deferred income tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using the enacted UK Corporation tax rate of 19%, (2021: 19%). Deferred tax is measured using substantively enacted rates which are expected to apply when the temporary difference reverses. The principal temporary differences arise from goodwill impairment, property, plant and equipment depreciation, stock options, and revaluation of certain financial assets and liabilities, including derivative instruments. The Chancellor announced on 3 March 2021 that the rate of corporation tax paid on the Company profits will increase from 19% to 25% with effect from 1 April 2023. The newly announced 25% tax rate was included in the Finance Bill 2021 which was published on 11 March 2021 and substantively enacted on 24 May 2021. As the rate is substantively enacted 2021, this increase affect the amounts of current or deferred income taxes recognised by £961,486 (2021: £1,330,000).

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered in the future. Deferred tax relating to changes in fair values of financial assets classified as FVOCI is charged or credited directly to Other Comprehensive Income and is subsequently recognised in the Income Statement together with the deferred gain or loss. A potential deferred asset of £1,687,077 (2021: £1,687,077) arising on unrelieved capital losses carried forward of £6,748,307 has not been recognised in the financial statements as it uncertain whether the Company will generate sufficient capital gains in future periods to utilise the asset.

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

17. Deferred tax assets and liabilities (continued)

	31 December 2022 £'000	31 December 2021 £'000
The movement on the net deferred income tax account is as follows:		
At 1 January	5,553	4,112
Credit/Charge) to Income Statement	(426)	1,441
Dilapidation provision	(194)	-
Credit/(Charge) to other comprehensive income	6,400	-
At 31 December	11,333	5,553
Analysis of deferred taxation balance:		
Fixed assets	(439)	67
Intangible assets	2,176	2,490
Stock options	3,093	2,451
Tax losses	561	-
Deferred tax on FVOCI items	5,731	-
Dilapidation provision	245	194
Other	(34)	351
Deferred income tax assets	11,333	5,553

18. Other assets

Accounting Policy

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

	31 December 2022 £'000	31 December 2021 £'000
Prepaid expenses and accrued income	11,762	11,101
Settlement balances	1,110	1,873
Other receivables	5,479	3,571
Intercompany receivables	8,662	8,449
Other assets	27,013	24,994

19. Due to other banks

	31 December 2022 £'000	31 December 2021 £'000
Due to other banks at sight	84,909	36,111
Due to other banks at term	673,843	503,073
Due to other banks	758,752	539,184

20. Due to customers

	31 December 2022 £'000	31 December 2021 £'000
Current accounts	1,575,431	1,964,323
Term deposits	3,187,111	2,188,506
Due to customers	4,762,542	4,152,829

21. Provisions

Accounting Policy

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

	Provision for dilapidations £'000	Other provisions £'000	Total £'000
At 31 December 2021	1,757	1,670	3,427
Expected payment within 12 months	777	1,670	2,447
Expected payment thereafter	980	-	980
At 31 December 2021	1,757	1,670	3,427
Movement through profit or loss		732	732
Provisions utilised	(777)		(777)
At 31 December 2022	980	2,402	3,382
Expected payment within 12 months		2,402	2,402
Expected payment thereafter	980	-	980
At 31 December 2022	980	2,402	3,382

Provision for dilapidations

A dilapidations provision is recognised when there are future obligations relating to the return of leasehold properties to their original condition at the end of the lease term. The provision is based on management's best estimate of the cost of meeting the Company's obligations under its lease contracts.

Other provisions

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

22. Other liabilities

Accounting Policy

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

	31 December 2022 £'000	Restated 31 December 2021[1] £'000
Trade creditors	636	1,384
Deferred income and accrued expenses[1]	41,771	31,627
Settlement balances	1,104	1,857
Short term compensated absences	506	466
Other liabilities	7,138	10,294
Lease liabilities	20,887	22,349
Total other liabilities	72,042	67,977

[1]Restated to exclude net loan facility fees of £4,147,988 in accordance with EIR accounting which were incorrectly stated in prior years. The impact on 2020 would have been £4,603,820.

23. Lease liabilities

Accounting Policy

The Company recognises lease liabilities, measured at the present value of the remaining lease payments, discounted using the lessee's relevant incremental borrowing rate. A range of incremental borrowing rates from 2.05% to 2.30% have been used, which vary depending on the term of the lease. Lease liabilities include the net present value of fixed payments.

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

	31 December 2022 £'000	31 December 2021 £'000
Amounts payable		
Payable within one year	200	1,320
Payable between one and five years	9,097	7,242
Payable over five years	11,590	13,787
Total minimum lease payments	20,887	22,349
Principal owing		
Current liability	209	1,506
Non-current liability	20,820	21,029
Total principal owing	21,029	22,535

24. Share capital

Accounting Policy

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

	Authorised Ordinary Share Capital Number	Issued, allotted and fully paid Number	Nominal value per share GBP	Ordinary shares issued, allotted and fully paid £'000
At 31 December 2021	31,595,906	31,595,906	1	31,596
At 31 December 2022	31,595,906	31,595,906	1	31,596

No share capital was issued, allotted, or consolidated during 2022 (2021: Nil).

25. Other equity and reserves

Accounting Policy

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

The Company has received £66,630,000 as additional tier I qualifying subordinated instrument from its immediate parent company which it holds at cost. The subordinated instrument does not have a maturity date. The instrument had a fixed coupon rate of 8.095% which was reset on 12 December 2022 to 10.7369%. The 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. Financial assets and liabilities

26.1 Financial assets and liabilities measured at fair value

Accounting Policy

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

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the Balance Sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. Instruments included in level 1 comprise primarily of quoted bonds and equity instruments.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

26. Financial assets and liabilities (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets:				
At 31 December 2021				
Derivative financial instruments	-	10,099	-	10,099
Debt instruments	852,764	-	-	852,764
Total assets measured at fair value	852,764	10,099	-	862,863
At 31 December 2022				
Derivative financial instruments		58,670	-	58,670
Debt instruments	1,487,411		-	1,487,411
Total assets measured at fair value	1,487,411	58,670	-	1,546,081
At 31 December 2021				
Derivative financial instruments	-	22,109	-	22,109
Total liabilities measured at fair value	-	22,109	-	22,109
Liabilities:				
At 31 December 2022				
Derivative financial instruments	-	13,603	-	13,603
Total liabilities measured at fair value	-	13,603	-	13,603
Assets less liabilities measured at fair value at 31 December 2021	852,764	(12,010)	-	840,754
Assets less liabilities measured at fair value at 31 December 2022	1,487,411	45,067	-	1,532,478

There were no transfers between levels in the current year.

26. Financial assets and liabilities (continued)

26.2 Financial assets and liabilities measured at amortised cost

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

		Carrying value £'000	Fair Value £'000	Difference £'000
As at 31 December 2022				
Financial assets				
Cash and balances with central banks	(i)	1,213,286	1,213,286	-
Due from other banks	(i)	95,177	95,168	9
Loans and advances to customers	(ii)	2,967,101	2,969,588	(2,487)
Investment in subsidiary[5]		1,320	1,320	-
Other Financial assets		[1]9,494	9,899	(405)
		4,286,378	4,289,261	(2,883)
Financial liabilities				
Due to other banks	(iii)	758,752	756,548	2,204
Due to customers	(iii)	4,762,542	4,763,819	(1,277)
Other Financial liabilities		[1]29,137	29,499	(362)
		5,550,431	5,549,866	565
As at 31 December 2021 (Restated)				
Financial assets				
Cash and balances with central banks	(i)	1,244,267	1,244,267	-
Due from other banks	(i)	124,974	124,974	-
Loans and advances to customers	(ii)	[4]2,764,761	2,770,039	(5,278)
Investment in subsidiary[5]		1,320	1,320	-
Other Financial assets[3]		[2]11,267	11,267	-
		4,146,589	4,151,867	(5,278)
Financial liabilities				
Due to other banks	(iii)	539,184	558,455	(19,271)
Due to customers	(iii)	4,152,829	4,228,387	(75,558)
Other Financial liabilities[3]		[2]35,255	35,587	(332)
		4,727,268	4,822,429	(95,161)

[1] The other assets and liabilities in 2022 include non-financial assets of £17,519,000 and include non-financial liabilities of £42,905,000which is not included in the table above..

[2] The other assets and liabilities in 2021 include non-financial assets of £13,727,000 and include non-financial liabilities of £32,722,000 which is not included in the table above.

[3] Restatement of 2021 in order to include Other financial assets and Other financial liabilities.

[4] Restated to include net loan facility fees in loans and advances to customers of £4,147,988 in accordance with EIR accounting which were incorrectly stated in prior years. The impact is purely presentational within the notes to the accounts with no impact on the Income Statement or Statement of Financial Position. The impact on 2020 would have been £4,603,820.

[5] Restated to include Investment in subsidiary.

(i) Cash and cash equivalents

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

(ii) Loans and advances to customers

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

26. Financial assets and liabilities (continued)

(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.

27. Credit risk

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

27.1 Credit risk management

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

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

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

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

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

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

27. Credit risk (continued)

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

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

(a) Collateral

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

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

(b) Derivatives

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

(c) Credit related commitments

Credit related commitments include the following:

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

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

27.3 Credit loss measurement

The Company applies the 'three-stage' approach introduced by IFRS 9 for impairment measurement:

- Stage 1: for financial assets that have not experienced a significant increase in credit risks (SICR) since initial recognition a 12-months expected credit losses (ECL) is measured;
- Stage 2: for financial assets that experienced a SICR since initial recognition (but not yet deemed to be credit-impaired) a lifetime ECL is measured;
- Stage 3: for credit-impaired or defaulted financial assets a lifetime ECL is measured.

Specific ECL measurements have been developed for each type of credit exposure.

27.3.1 Due from banks and investment securities

This category includes balances with central banks, due from other banks, treasury bills and other eligible bills, and investment securities.

Inputs and assumptions

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

- EAD (exposure at default): book value (amortised cost assets) and purchase value adjusted for amortisation and discount unwind (financial assets at fair value through other comprehensive income);
- PD (probability of default): estimated based on external counterparty credit risk rating information (Standard & Poor's annual global corporate default study and rating transition). For unrated instruments a BBB is considered as a proxy; and
- LGD (loss given default): for Stage 1 and Stage 2 assets aligned to the credit default swap ISDA market standard (recovery rate 40%). In case of Stage 3 assets, determined on an individual basis.

27. Credit risk (continued)

Estimation techniques
Macroeconomic expectations for sovereign securities and central bank debt are incorporated via their respective external rating as part of their assessment of counterparty credit risk. For banks and corporate counterparties, the PD and related transition matrices are impacted based on macroeconomic expectations.

Significant increase in credit risk
A SICR is determined based on rating changes and individually assessed by an internal expert panel considering a range of external market information (e.g., credit default spreads, rating outlook).

Definition of default
The default is triggered through a payment default on the instrument or any cross-default indication.

27.3.2 Lombard lending
Lombard lending includes loans and advances to customers covered by financial collaterals. Being secured by diversified portfolios of investment securities, the risk of default of the loans is driven by the collateral.

Inputs and assumptions
The exposure of lombard loans considers potential drawdowns, and the ECL is estimated by means of two components:
- ECL due to adverse market price movements that captures the risk that a shortfall arises when collateral values decrease to a level insufficient to cover the respective lombard loan exposure (based on assumptions regarding market price volatility of collateral asset classes, currency mismatch between loan and collateral, close-out periods and LGD considering collateral liquidation sales cost) 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 (based on PD and LGD for each sub-asset class based on counterparty risk ratings, LGD to assess the collateral value after default and close-out periods).

Estimation techniques
As opposed to the general measurement approach, the ECL measurement for lombard loans is not based on the PD but on the probability to reach the close-out trigger level and the related expected positive exposure (EPE). The latter corresponds to an uncovered shortfall which in combination with the LGD parameter determines the ECL. No additional macro-conditioning of variables is necessary as macroeconomic effects are captured through parameters such as volatility and loan-to-value (LTV) levels. Post-model adjustments have been recognised on selected individual cases for which risks and uncertainties cannot be adequately reflected with the existing models.

Significant increase in credit risk
A SICR occurs once the close-out trigger (based on collateral LV) is reached and contextually the computed ECL is above a materiality threshold.

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.

27.3.3 Mortgages and other loans
All loans and advances to customers not considered lombard lending are included in this classification. These are residential and commercial mortgages, commercial loans, and overdrafts.

Inputs and assumptions
The ECL for mortgages and other loans is estimated using three components:
- EAD: the exposure considers contractual repayments, as well as potential drawdown over the lifetime of the loan;
- PD: derived from historical transition matrices. To derive forward-looking default estimates, these matrices are calibrated to the macro-economic expectation;
- LGD: calculated based on the possibility to cure (derived from the transition matrix), considering the current LTV level and the future recovery value of the underlying property for mortgages (computed considering house price development and sales costs proxies).

Estimation techniques
Each loan is assigned to a risk grade on the basis of its credit quality (i.e. rank order estimation).

27. Credit risk (continued)

Forward-looking macroeconomic effects are incorporated with forecasts on gross domestic product (GDP) growth, unemployment rate and house price index (HPI).

Post-model adjustments have been recognised on selected individual cases for which risks and uncertainties cannot be adequately reflected with the existing models.

Significant increase in credit risk

A SICR is experienced by any exposure greater than 30 days past due, or with a deterioration of other criteria (such as rank order estimation or watchlist status), or previously defaulted (one-year cure).

Definition of default

Any exposure greater than 90 days past due, or other criteria (such as rank order estimation or watchlist status) or following an individual assessment is considered credit-impaired and classified as stage 3.

27.4 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.

27.5 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.

27.6 Macro-economic scenario and sensitivity analysis

The ECL results are based on forward-looking projections. These projections consider different macroeconomic scenarios (baseline, upside, downside and stress scenario) computed on the basis of forecasts and historical volatility.

The most relevant forward-looking macroeconomic assumptions affecting the ECL are as follows:

- For residential and commercial mortgages: HPI, given the impact it has on mortgage collateral valuations; GDP and unemployment rate, given the correlation with the customers' wealth, as well as the commercial clients' business environment, hence in turn their ability to repay the loans
- For due from customers – lombard lending: asset volatility, given the impact it has on financial collateral valuations

27. Credit risk (continued)

Most significant macro-economic scenario assumptions

As of 31 December 2022, the forecast macroeconomic scenarios were weighted 30% for the baseline, 20% for the upside, 40% for the downside and 10% for the stress scenario

		2023	2024	2025
Weighted G7 GDP growth	Baseline	0.8%	1.3%	1.7%
	Upside	1.7%	2.0%	2.3%
	Downside	(0.0%)	0.6%	1.1%
	Stress	(1.0%)	(0.2%)	0.5%
G7 Unemployment rate	Baseline	0.6%	0.4%	(0.1%)
	Upside	0.2%	0.2%	(0.2%)
	Downside	0.9%	0.5%	(0.0%)
	Stress	1.2%	0.7%	0.1%
House Price Index UK (London)	Base	(2.0%)	2.0%	4.9%
	Upside	5.2%	8.6%	10.5%
	Downside	(8.6%)	(4.0%)	(0.2%)
	Stress	(15.8%)	(10.6%)	(5.8%)

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

Portfolio	Parameters	Scenario Upside sensitivity %	 Downside sensitivity %	 Stress sensitivity %
Mortgages and other loans	GDP growth and House price indices	(0.1%)	5.2%	76.4%
Lombard loans	Volatilities	n.a.	n.a.	394.6%

27.7 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:

27. Credit risk (continued)

31 December 2022	AAA–AA £'000	A £'000	BBB–BB £'000	B–C £'000	Unrated £'000	Total carrying value £'000
Cash and balances with central banks	1,204,082	-	-	-	9,204	1,213,286
Due from other banks	32,409	62,692	-	-	76	95,177
Loans and advances to customers	2,735,070	136,600	26,959	44,225	24,247	2,967,101
Investment securities – FVOCI	1,414,530	72,881	-	-	-	1,487,411
Investment in subsidiary	1,320	-	-	-	-	1,320
Other financial assets	129	8,662	71	-	632	9,494
Total assets as at 31 December 2022	5,387,540	280,835	27,030	44,225	34,159	5,773,789
Loan Commitments	98,340	34,961	280	75	154	133,810
Financial Guarantees	17,041	-	-	-	-	17,041
Total	5,502,921	315,796	27,310	44,300	34,313	5,924,640
31 December 2021 (Restated)						
Cash and balances with central banks	1,244,113	-	-	-	154	1,244,267
Due from other banks	12,540	103,856	2	-	8,576	124,974
Loans and advances to customers	2,511,942	166,758	23,043	54,119	8,899[2]	2,764,761
Investment securities – FVOCI	852,764	-	-	-	-	852,764
Investment in subsidiary[3]	1,320	-	-	-	-	1,320
Other financial assets	100	8,449	706	-	2,012	11,267
Total assets as at 31 December 2021	4,622,779	279,063	23,751	54,119	19,641	4,999,353
Loan Commitments	72,513	49,536	990	38	-[1]	123,077
Financial Guarantees	6,056	-	-	-	3,462[1]	9,518
Total	4,701,348	328,599	24,741	54,157	23,103	5,131,948

			ECL Staging			
31 December 2022	Fair value of collateral held £'000	Total carrying value £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	ECL allowance included in carrying values £'000
Cash and balances with central banks	-	1,213,286	-	-	-	-
Due from other banks	-	95,177	-	-	-	-
Loans and advances to customers	6,115,023	2,967,101	230	178	996	1,404
Investment securities – FVOCI	-	1,487,411	99	-	-	99
Investment in subsidiary	-	1,320	-	-	-	-
Other financial assets	-	9,494	-	-	-	-
Total assets as at 31 December 2022	6,115,023	5,773,789	329	178	996	1,503
Loan commitments	-	133,810	-	-	-	-
Financial guarantees	-	17,041	-	-	-	-
Total	6,115,023	5,924,640	329	178	996	1,503
31 December 2021 (Restated)						
Cash and balances with central banks	-	1,244,267	-	-	-	-
Due from other banks	-	124,974	-	-	-	-
Loans and advances to customers	5,810,666	2,764,761[2]	134	118	1,432	1,684
Investment securities - FVOCI	-	852,764	27	-	-	27
Investment in subsidiary[3]	-	1,320	-	-	-	-
Other financial assets	-	11,267	-	-	-	-
Total assets as at 31 December 2021	5,810,666	4,999,353	161	118	1,432	1,711
Loan commitments	-	123,077[1]	-	-	-	-
Financial guarantees	-	9,518[1]	-	-	-	-
Total	5,810,666	5,131,948	161	118	1,432	1,711

27. Credit risk (continued)

[1] Restated to move the Card Limits of £3,462,250 from Irrevocable Commitments (Not later than 1 year) to Guarantees Issued in favour of third parties (1-5 years) in 2021 as these are guarantees.
[2] Restated to include net loan facility fees of £4,147,988 in accordance with EIR accounting were incorrectly stated in prior years. The impact on 2020 would have been £4,603,820.
[3] Restated to include Investment in subsidiary.

Maximum exposure to credit risk for cash and balances with central banks is GBP 1,213,286 (2021: GBP 1,244,267), due from other banks is GBP 95,177 (2021: GBP 124,974), loans and advances to customers is GBP 2,967,101 (2021: GBP 2,764,761), and investment securities is GBP1,487,411 (2021: GBP 852,764).

27.8 Cash and balances with central banks - gross exposures, movements and loss allowances

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

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross carrying value as at 1 January 2021	791,333	-	-	791,333
Financial assets derecognised during the period other than write-offs	(6,735,085)	-	-	(6,735,085)
New financial assets originated or purchased	7,188,019	-	-	7,188,019
Gross carrying value as at 31 December 2021	1,244,267	-	-	1,244,267
Financial assets derecognised during the period other than write-offs	(8,564,544)	-	-	(8,564,544)
New financial assets originated or purchased	8,533,563	-	-	8,533,563
Gross carrying value as at 31 December 2022	1,213,286	-	-	1,213,286
Loss allowance as at 1 January 2021	-	-	-	-
Movements with P&L impact	-	-	-	-
Loss allowance as at 31 December 2021				
Movements with P&L impact				
Loss allowance as at 31 December 2022	-	-	-	-
Net carrying value as at 31 December 2021	1,244,267	-	-	1,244,267
Net carrying value as at 31 December 2022	1,213,286	-	-	1,213,286

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.

27. Credit risk (continued)

27.9 Due from other banks- gross exposures, movements and loss allowances

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

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross carrying value as at 1 January 2021	107,297	-	-	107,297
Financial assets derecognised during the period other than write-off	(107,297)	-	-	(107,297)
New financial assets originated or purchased	124,973	-	-	124,973
Gross carrying value as at 31 December 2021	124,973	-	-	124,973
Financial assets derecognised during the period other than write-off	(124,973)	-	-	(124,973)
New financial assets originated or purchased	95,177	-	-	95,177
Gross carrying value as at 31 December 2022	95,177	-	-	95,177
Loss allowance as at 1 January 2021	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Loss allowance as at 31 December 2021	-	-	-	-
Financial assets derecognised during the period other than write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Loss allowance as at 31 December 2022				
Net carrying value as at 31 December 2021	124,973	-	-	124,973
Net carrying value as at 31 December 2022	95,177	-	-	95,177

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.

27. Credit risk (continued)

27.10 Investment Securities – gross exposures, movements and loss allowances

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

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross carrying value as at 1 January 2021	750,042	-	-	750,042
Financial assets derecognised during the period other than write-offs	(340,462)	-	-	(340,462)
New financial assets originated or purchased	453,370	-	-	453,370
Changes in fair value	(11,330)	-	-	(11,330)
Changes in interest accrual	424	-	-	424
FX and other movements	747	-	-	747
Gross carrying value as at 31 December 2021	852,791	-	-	852,791
Financial assets derecognised during the period other than write-offs	(587,718)	-	-	(587,718)
New financial assets originated or purchased	1,177,277	-	-	1,177,277
Changes in fair value	(57,029)	-	-	(57,029)
Changes in interest accrual	(1,758)	-	-	(1,758)
FX and other movements	103,947	-	-	103,947
Gross carrying value as at 31 December 2022	1,487,510	-	-	1,487,510
Loss allowance as of 1 January 2021	38	-	-	38
Movements with P&L impact - New financial assets originated or purchased	(11)	-	-	(11)
Loss allowance as at 31 December 2021	27	-	-	27
Movements with P&L impact - New financial assets originated or purchased	72	-	-	72
Loss allowance as at 31 December 2022	99	-	-	99
Net carrying value as at 31 December 2021	852,764	-	-	852,764
Net carrying value as at 31 December 2022	1,487,411	-	-	1,487,411

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.

27. Credit risk (continued)

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

Loans and advances to customers comprise the following;

		31 December 2022	31 December 2021
		£'000	£'000
(I) Mortgage loans	Gross	2,101,252	1,809,606
	ECL	(1,373)	(1,660)
(ii) Other and lombard loans	Gross	871,619	960,987
	ECL	(31)	(24)
(ii) Deferred loan fee		(4,366)	(4,148)
Total loans and advances to customers		2,967,101	2,764,761

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

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

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Gross carrying value as of 1 January 2021	1,332,356	64,745	40,259	1,437,360
Transfer (from) Stage 1 to other stages	(82,456)	43,007	39,449	-
Transfer (from) Stage 2 to other stages	22,393	(25,415)	3,022	-
Transfer (from) Stage 3 to other stages	2,718	5,811	(8,529)	-
Financial assets derecognised during the period	(236,015)	-	-	(236,015)
Reclassified from other and lombard loans during the period	9,646	12	(123)	9,535
New financial assets originated	662,523	-	-	662,523
Change in exposure on existing loans	(14,867)	(35,934)	(12,996)	(63,797)
Gross carrying value as at 31 December 2021	1,696,298	52,226	61,082	1,809,606
Transfer (from) Stage 1 to other stages	(85,195)	67,527	17,668	-
Transfer (from) Stage 2 to other stages.	6,077	(17,580)	11,503	-
Transfer (from) Stage 3 to other stages	-	6,489	(6,489)	-
Financial assets derecognised during the period	(359,974)	(25,133)	(25,876)	(410,983)
Reclassified from other and lombard loans during the period	14,989	792	(717)	15,064
New financial assets originated	664,692	12,464	10,192	687,348
Change in exposure on existing loans	(10)	219	8	217
Gross carrying value as at 31 December 2022	1,936,877	97,004	67,371	2,101,252
Loss allowance as at 1 January 2021	190	16	1,267	1,473
Transfer (from) Stage 1 to other stages	(2)	2	-	-
Transfer (from) Stage 2 to other stages	21	(41)	20	-
Transfer (from) Stage 3 to other stages	199	30	(229)	-
Financial assets derecognised during the period	(288)	110	(471)	(649)
Reclassified from other and lombard loans during the period	3	-	35	38
New financial assets originated	63	15	728	806
Change in value on existing loans	(57)	(33)	82	(8)
Loss allowance as at 31 December 2021	129	99	1,432	1,660
Transfer (from) Stage 1 to other stages	(221)	22	199	-
Transfer (from) Stage 2 to other stages	1	(31)	30	-
Transfer (from) Stage 3 to other stages	-	20	(20)	-
Financial assets derecognised during the period	148	(15)	(782)	(649)
Reclassified from / (to) other and lombard loans during the period	3	-	35	38
New financial assets originated	63	15	254	332
Change in value on existing loans	(57)	(33)	82	(8)
Loss allowance as at 31 December 2022	66	77	1,230	1,373

There were no purchased credit impaired balances during the reporting period, and no terms of contracts were modified. No amounts (2021: £nil) were written-off in the period.

27. Credit risk (continued)

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

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

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross carrying value as at 1 January 2021	724,649	16,211	1,667	742,527
Transfer (from) Stage 1 to other stages	(8,797)	5,920	2,877	-
Transfer (from) Stage 2 to other stages	9,814	(9,814)	-	-
Transfer (from) Stage 3 to other stages	-	-	-	-
Financial assets derecognised during the period	(83,027)	-	(1,090)	(84,117)
Reclassified to mortgage loans during the period	(9,646)	(12)	123	(9,535)
New financial assets originated	289,270	-	-	289,270
Change in exposure on existing loans	22,927	(50)	(35)	22,842
Gross carrying value as at 31 December 2021	945,190	12,255	3,542	960,987
Transfer (from) Stage 1 to other stages	-	-	-	-
Transfer (from) Stage 2 to other stages	-	-	-	-
Transfer (from) Stage 3 to other stages	-	-	-	-
Financial assets derecognised during the period	(298,810)	-	-	(298,810)
Reclassified to mortgage loans during the period	(14,989)	(792)	717	(15,064)
New financial assets originated	220,329	500		220,829
Change in exposure on existing loans	3,677	-	-	3,677
Gross carrying value as at 31 December 2022	855,397	11,963	4,259	871,619
Loss allowance as of 1 January 2021	50	13	50	113
Transfer from Stage 1 to other stages	-	-	-	-
Transfer (from) Stage 2 to other stages	-	-	-	-
Transfer (from) Stage 3 to other stages	-	-	-	-
Financial assets derecognised during the period	(35)	(13)	(15)	(63)
Reclassified to mortgage loans during the period	(3)	-	(35)	(38)
New financial assets originated	2	14	-	16
Change in value on existing loans	(10)	6	-	(4)
Loss allowance as at 31 December 2021	4	20	-	24
Financial assets derecognised during the period	(5)	(13)	-	(18)
Reclassified to mortgage loans during the period	(3)	-	-	(3)
New financial assets originated	18	14	-	32
Change in value on existing loans	(10)	6	-	(4)
Loss allowance as at 31 December 2022	4	27	-	31

28. Market risk

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

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

28. Market risk (continued)

28.1 Market risk measurement methodology

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

28.1.1 Value at risk

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

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

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

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

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

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

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

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

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

28. Market risk (continued)

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

IRRBB - Economic value of equity (GBP)	31 December 2022 £'000 Impact	31 December 2021 £'000 Impact
IRRBB moves 200bps down	17,376	50,210
IRRBB moves 200bps up	(13,620)	(8,236)

28.1.3 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.

28.2 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.

28.2.1 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).

28.2.2 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.

28.3 Market risk measurement and value at risk

VaR Summary

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

VaR by risk type	At 31 December	12 months to 31 December		
		Average	High	Low
	£'000	£'000	£'000	£'000
VAR on Currency risk - 31 December 2022	35	33	790	6
VAR on Currency risk - 31 December 2021	13	40	1,278	5

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

28.4 Market risk measurement and capital management strategies

The strategic report details the company approach to managing capital on pages 4 to 5. CET1 capital decreased by £29.6 million to £165.6 million (2021: £195.2 million) as a result of a decrease in CET1 capital and increase in Risk Weighted Assets.

28. Market risk (continued)

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

	Up to 3 months £'000	3–12 months £'000	1–5 years £'000	Over 5 years £'000	Non-interest bearing £'000	Total £'000
As at 31 December 2022						
Assets						
Cash and balances with central banks	1,213,286	-	-	-	-	1,213,286
Due from other banks	72,476	1	-	4,838	17,862	95,177
Derivative financial instruments	10	-	30	21,023	37,607	58,670
Financial assets at FVOCI	102,311	678,180	701,511	-	5,409	1,487,411
Loans and advances to customers	2,925,892	1,017	15,888	8,869	15,434	2,967,101
Investment in subsidiary	-	-	-	-	1,320	1,320
Other financial assets[1]	-	-	-	-	9,494	9,494
Total financial assets	4,313,975	679,198	717,429	34,730	87,126	5,832,458
Liabilities						
Due to other banks	724,541	33,286	-	-	925	758,752
Due to customers	3,550,096	685,202	-	-	527,244	4,762,542
Derivative financial instruments	5,460	-	-	-	8,143	13,603
Other financial liabilities[1]	1,553	65	301	8,124	19,094	29,137
Total financial liabilities	4,281,650	718,553	301	8,124	555,406	5,564,034
On-Balance Sheet interest repricing gap	32,326	(39,355)	717,128	26,606	(468,280)	268,425
Off-Balance Sheet interest repricing gap	(20,069)	(19,147)	(107,222)	27,120	-	(119,318)

[1]The other assets and liabilities in 2022 include non-financial assets of £17,519,000 and include non-financial liabilities of £42,905,000 which is not included in the table above.

	Up to 3 months £'000	3–12 months £'000	1–5 years £'000	Over 5 years £'000	Non-interest bearing £'000	Total £'000
Restated as at 31 December 2021						
Assets						
Cash and balances with central banks	1,244,114	-	-	-	153	1,244,267
Due from other banks	103,577	-	-	-	21,397	124,974
Derivative financial instruments	4,818	-	-	-	5,281	10,099
Financial assets at FVOCI	255,177	295,529	234,523	64,277	3,258	852,764
Loans and advances to customers	2,711,416[2]	1,670	33,635	10,603	7,437	2,764,761
Investment in subsidiary	-	-	-	-	1,320	1,320
Other financial assets[1]	-	-	-	-	11,267	11,267
Total financial assets	4,319,102	297,199	268,158	74,880	50,113	5,009,452
Liabilities						
Due to other banks	538,934	-	-	-	250	539,184
Due to customers	2,995,115	466,394	-	-	691,320	4,152,829
Derivative financial instruments	4,236	-	-	-	17,873	22,109
Other financial liabilities[1]	679	642	7,241	13,787	12,906	35,255
Total financial liabilities	3,538,964	467,036	7,241	13,787	722,349	4,749,377
On-Balance Sheet interest repricing gap	784,286	(169,837)	260,917	61,093	(672,236)	264,223
Off-Balance Sheet interest repricing gap	1,152	(3,330)	(106,134)	17,826	1	(90,485)

[1]The other assets and liabilities in 2021 include non-financial assets of £13,727,000 and include non-financial liabilities of £32,722,000 which is not included in the table above.

[2]Restated to include net loan facility fees of £4,147,988 in accordance with EIR accounting were incorrectly stated in prior years. The impact on 2020 would have been £4,603,820.

29. Liquidity risk

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

29.1 Liquidity risk management process

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

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

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

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

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

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

29.2 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.

29.3 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 34.

29. Liquidity risk (continued)

29.3 Financial liabilities cash flows (continued)

	Up to 1 month £'000	1–3 months £'000	3–12 months £'000	1–5 years £'000	Over 5 years £'000	Total £'000
31 December 2022						
Liabilities						
Due to other banks	663,899	61,305	33,548	-	-	758,752
Due to customers	3,224,185	852,795	685,562	-	-	4,762,542
Derivative financial instruments	7,640	813	264	4,886	-	13,603
Other financial liabilities[1]	9,888	65	307	7,525	11,352	29,137
Total financial liabilities	3,905,612	914,978	719,681	12,411	11,352	5,564,034
31 December 2021						
Liabilities						
Due to other banks	67,392	-	244,833	226,959	-	539,184
Due to customers	3,047,146	599,417	506,266	-	-	4,152,829
Derivative financial instruments	10,262	6,300	1,843	3,704	-	22,109
Other financial liabilities[1]	13,415	51	761	7,241	13,787	35,255
Total financial liabilities	3,138,215	605,768	753,703	237,904	13,787	4,749,377

[1]Other liabilities in 2022 includes non-financial liabilities of £42,905,000 (2021: £32,722,000) which is not included in the table above.

30. Key management compensation

Accounting Policy

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

	31 December 2022 GBP	31 December 2021 GBP
Short-term employment benefits	4,129	4,238
Share-based payments	689	405
Defined contribution pension contributions	362	408
Total	5,180	5,051

The highest paid member of key management is as disclosed for the highest paid director in note 7.

31. Contingent liabilities

The Company is involved in various legal and arbitration proceedings in the normal course of its business operations. The Company establishes provisions (see Note 20) for current and threatened pending legal proceedings if management is of the opinion that the Company is more likely than not to face payments or losses and if the amount of such payments or losses can be reliably estimated. As at 31 December 2022 there are no contingent liabilities (2021: nil).

32. Employee equity incentive plans

Accounting Policy

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

The value of the share-based awards was determined using a model which considers the present value of the expected dividends during the period between the grant date and the earliest exercise date. The significant inputs into the model were the arithmetic average share price (closing) of the five consecutive business days following the earnings announcement (CHF 6.98) and the discount determined by management (20%) based on the expected life of the restricted stock units.

	2022 Number	2021 Number
The number of share-based awards outstanding at start of the year	2,872,040	2,991,953
Granted	805,269	1,016,116
Exercised	(992,885)	(1,099,392)
Forfeited	(229,999)	(36,637)
Outstanding at the end of the year	2,454,425	2,872,040
Weighted average remaining contractual life of awards outstanding in years	1.7	1.7
Number of share-based awards exercisable at the end of the year	571,618	557,199
The weighted average market price at the date of exercise	CHF 7.24	CHF 7.24
The range of exercise prices for shares exercised during the year	CHF 6.07 to 8.49	CHF 5.91 to 7.94
Total expense related to the Plan in the Income Statement	£4,214,000	£4,673,000

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

33. Related party transactions

Accounting Policy

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

A number of banking transactions are entered into with related parties. These include loans, deposits, derivative transactions and provision of services. The amounts due from other banks reflect cash deposits, which like other third-party amounts classified as due from other banks are unsecured. Key management personnel comprise directors, key members of the management of the Company and those of EFGI, as well as closely linked parties. No provisions have been recognised in respect of loans given to related parties (2021: nil).

33. Related party transactions (continued)

	2022		2021	
	Companies within the EFGI Group	Key management personnel and other related parties	Companies within the EFGI Group	Key management personnel and other related parties
	£'000	£'000	£'000	£'000
As at 31 December				
Assets				
Due from other banks	29,505	-	80,696	-
Loans and advances to customers	-	-	-	8,971
Derivatives	58,118	-	6,655	-
Other assets	10,833	-	8,495	-
Liabilities				
Due to other banks	756,306	-	533,096	-
Due to customer	46,548	71,875	102,157	48,590
Derivatives	6,277	-	21,297	-
Other liabilities	7,531	-	10,906	-
Guarantees issued	101	-	1,066	-
Credit limits	-	-	-	-
Payments for shares in EFGI	(5,229)	-	(5,681)	-
Year ended 31 December				
Interest income	4,927	1,077	1,083	583
Interest expense	(19,040)	(211)	(13,803)	(12)
Fee and commission income	5,415	2,589	11,503	2,643
Fee and commission expenses	(466)	(1,678)	(433)	(1,807)
Net other income	21,983	76	77,179	2
Operating expenses	(12,762)	-	(17,865)	-
Dividend income	-	-	30,000	-
Dividends paid	-	-	(89,000)	-

This note does not include the compensation paid to key management personnel in relation to their employment services, which have been separately disclosed in note 30.

34. Capital management

The Company's objectives when managing regulatory capital are to comply with the capital requirements set by the PRA to safeguard the Company's ability to continue as a going concern.

Capital adequacy

Capital adequacy and the use of regulatory capital are continually monitored and reported by the Company's management, using the directive developed by the Bank of England. The regulatory capital requirement is ultimately determined by the rules implemented by the PRA.

For 2022, the Company reports regulatory capital using IFRS as a basis. The Group's eligible capital comprises two tiers:

- Tier 1 capital: share capital (net of any book value of treasury shares), non-controlling interests arising on consolidation from interests in permanent shareholders' equity, retained earnings, subordinated loans, additional equity components and reserves created by appropriations of retained earnings.

- Tier 2 capital: Unrealised gains arising on the fair valuation of financial instruments at fair value through other comprehensive income.

Risk-weighted assets are determined according to specified requirements which reflect the varying levels of risk attached to assets and off-balance sheet exposures, and include amounts in respect of credit risk, market risk, non-counterparty-related risk, settlement risk, and operational risk.

34. Capital Management (continued)

The following table summarises the composition of regulatory capital and the ratios of the Company for the years ended 31 December 2022 and 2021.

	Year ended 31 December 2022 Unaudited	Year ended 31 December 2021 Unaudited
	£m	£m
Common equity tier 1 capital (audited)	165.6	195.2
Total capital	232.3	261.8
Total risk weighted assets	1,523.7	1,317.8

	Year ended 31 December 2022 Unaudited	Year ended 31 December 2021 Unaudited
	%	%
Common equity tier 1 capital ratio	10.9%	14.8%
Total capital ratio	15.2%	19.9%

35. Off-balance sheet items

The following table summarises the Company's Off-balance sheet items by maturity:

	Not later than 1 year	1–5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000
31 December 2022				
Guarantees issued in favour of third parties	5,549	11,391	-	16,940
Guarantees issued in favour of group companies	101	-	-	101
Irrevocable commitments	36,729	97,081	-	133,810
Total	42,379	108,472	-	150,851
31 December 2021				
Guarantees issued in favour of third parties	3,990	4,462	-	8,452
Guarantees issued in favour of group companies	976	90	-	1,066
Irrevocable commitments	8,849[1]	110,436	3,792	123,077
Total	13,815	114,988	3,792	132,595

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. These commitments can be drawn down immediately.

[1]Restated to move the Card Limits of £3,462,250 from Irrevocable Commitments (Not later than 1 year) to Guarantees Issued in favour of third parties (1-5 years) in 2021 as these are guarantees.

36. Post balance sheet events

In November 2022 the Company decided to change the Company's treasury business model for the management of the investment securities portfolio from "Hold to Collect and Sell" to "Hold to Collect". The Company will hold investment securities to maturity to benefit from coupon payments and will not seek to sell the current investment securities ahead of maturity. The Company assess there is no impact on the liquidity profile of the portfolio in stress scenarios and the portfolio will continued be classified as HQLA. The implementation of this strategic business model change will lead to an accounting reclassification of the portfolio from 1 January 2023, from "Hold to Collect and Sell" to "Hold to Collect" reflected in an increase in carry value of debt instruments of £24,388,000 from £ 1,487,411,000 to £1,511,799,000.