QUINTET
PRIVATE BANK

# PILLAR III GROUP REPORT
# HALF-YEAR 2022

## HALF-YEAR HIGHLIGHTS

**Common Equity Tier 1 ratio (CET1)**

**15.4%**

2021.12 : 18.0%

(see pages 5&6)

**Risk weighted assets (RWA)**

**€3.4bn**

2021.12 : €3.1bn

(see page 5)

**Leverage ratio**

**4.1%**

2021.12 : 4.8%

(see page 7)

**Liquidity coverage ratio (LCR)**

**140%**

2021.12 : 138%

(see page 8)

**Net Stable Funding ratio (NSFR)**

**131%**

2021.12 : 137%

(see page 8)

# I. HALF-YEAR STATEMENT

Against the backdrop of the global pandemic and Russia's invasion of Ukraine, Quintet Private Bank has continued to strengthen its core operations. In May, the European wealth manager announced the appointment of Chris Allen as Group CEO. Allen, who brings 30 years of financial services experience to the bank, assumed his new role on July 1. Replacing Jakob Stott, who has decided to step down, he will lead Quintet into next stage of its long-term growth – further strengthening the firm's fundamentals and driving the business forward.

We continue to pursue our long-term strategy as endorsed by the Board of Directors and fully supported by our shareholder. Our strategic plan is on track, our fundamentals are strong and our investments in the future are bearing fruit – evidenced by ongoing revenue growth, supported by higher client assets and increased lending.

In a world characterized by lower growth and higher inflation – fuelled by factors such as the war in Ukraine, ongoing supply chain disruptions and lingering COVID risks – investors will continue to grapple with uncertainty. That includes downside risks such as a potential recession in Europe, and possibly excessive US Federal Reserve tightening, which would put the brakes on the world's largest economy. Against this challenging macroeconomic background, investors are understandably nervous about the outlook for corporate profitability and investment returns.

However, across Europe and in the UK, our ability to grow sustainably has been proven and the long-term opportunity is clear. Our 2022 financial targets are ambitious but achievable, and we are delivering the objectives defined in our business plan by focusing on client engagement and approaching each day with a growth mindset.

The consolidated figures presented in this half-year Pillar 3 report of Quintet Group are prepared in accordance with Regulation (EU) 2019/876 amending Regulation (EU) No 575/2013 as from June 2021, known as "CRR II", as well as by (EU) 2021/637 laying down implementing technical standards with regard to public disclosures.

# II. PRUDENTIAL REQUIREMENTS

## 2.1. Available own funds

In 2020, Quintet has placed EUR 125 million nominal in additional tier-1 (AT1) notes, which are listed on the Luxembourg Stock Exchange (Euro MTF). The placement of these AT1 notes, which qualify as additional tier-1 capital, complements the significant equity capital commitments already made and foreseen in future by Precision Capital, Quintet's shareholder. Quintet's AT1 notes, which are denominated in euros and are paid semi-annually, are perpetual instruments with a first call date in 2026.

The decrease of available own funds during the first half of 2022 is largely driven by the abrupt increase in interest rates which weighs on own funds through the Other Comprehensive Income (OCI) reserve (EUR -41 million gross). This unexpected interest rate increase impacting fixed rate positions and the increased credit spread generalized to the overall security portfolio are the result of the end of low rates raised by central banks, higher inflation and the fear of an economic slowdown further fuelled by the tense geopolitical situation in Ukraine. While the immediate impact of rising interest rates on the bank's capital is negative, the structural changes to interest rates in all major currencies is expected to be materially beneficial to the bank's income in the short term.

Current sources of funding and liquidity remain extremely stable. Quintet's shareholders are fully committed to supporting the bank's long-term growth strategy and unlocking its full potential. That commitment remains unwavering. In that regard, it is worth noting that Quintet's shareholders have injected over EUR 300 million in additional capital since acquiring the firm in 2012. That is in line with our fully funded long-term growth strategy, supporting the significant investments we are making in the future.

| Own Funds in EUR million | 30/06/2022 | 31/12/2021 | 30/06/2021 |
|---|---|---|---|
| Common Equity Tier 1 (CET1) | 523.5 | 564.8 | 587.4 |
| Additional Tier 1 (AT1) | 123.5 | 123.5 | 123.5 |
| **Tier 1 Capital** | **647.0** | **688.4** | **710.9** |
| Tier 2 (T2) Capital | 0.1 | 0.1 | 0.1 |
| **Total Capital** | **647.1** | **688.4** | **711.0** |

## 2.2. Risk Weighted Assets

The Group continues to develop its lending activities as a core pillar of the value proposition to clients, while slightly reducing its investment portfolio mainly due to the lack of reinvestment opportunities in the tense geopolitical context.

| Risk Weighted Assets in EUR million | 30/06/2022 | 31/12/2021 | 30/06/2021 |
|---|---|---|---|
| Credit Risk | 2,441.0 | 2,196.7 | 2,185.0 |
| Credit Valuation Adjustment (CVA) | 21.1 | 25.6 | 24.7 |
| Market Risk | 226.4 | 209.3 | 234.5 |
| Operational Risk | 709.2 | 709.2 | 676.8 |
| **Total Risk Weighted Assets** | **3,397.7** | **3,140.8** | **3,121.0** |

## 2.3. Capital Ratios

Quintet Group's half-year 2022 Total Capital and Tier 1 ratios remain significantly above regulatory limits. The decrease in the last semester is mainly due to the fall of the OCI reserve that affects CET1 capital (please refer to section 2.1. Available own funds).

| Capital Ratios (%) | 30/06/2022 | 31/12/2021 | 30/06/2021 |
|---|---|---|---|
| Common Equity Tier I Ratio | 15.4% | 18.0% | 18.8% |
| Tier I Ratio | 19.0% | 21.9% | 22.8% |
| Total Capital Ratio | 19.0% | 21.9% | 22.8% |

## 2.4. Additional own funds requirement to address risks other than the risk of excessive leverage

| Additional own funds requirement (%) | 30/06/2022 | 31/12/2021 | 30/06/2021 |
|---|---|---|---|
| Additional own funds requirements to address risks other than the risk of excessive leverage | 2.75% | 2.00% | 2.00% |
| *of which: to be made up of CET1 capital* | *1.55%* | *1.13%* | *1.13%* |
| *of which: to be made up of Tier 1 capital* | *2.06%* | *1.50%* | *1.50%* |
| Total SREP own funds requirements | 10.75% | 10.00% | 10.00% |

## 2.5. Combined buffer and overall capital requirement

| Combined buffer and overall capital requirement | 30/06/2022 | 31/12/2021 | 30/06/2021 |
|---|---|---|---|
| Capital conservation buffer (%) | 2.50% | 2.50% | 2.50% |
| Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%) | - | - | - |
| Institution specific countercyclical capital buffer (%) | 0.07% | 0.08% | 0.08% |
| Systemic risk buffer (%) | - | - | - |
| Global Systemically Important Institution buffer (%) | - | - | - |
| Other Systemically Important Institution buffer (%) | - | - | - |
| Combined buffer requirement (%) | 2.57% | 2.58% | 2.58% |
| Overall capital requirements (%) | 13.32% | 12.58% | 12.58% |
| CET1 available after meeting the total SREP own funds requirements (%) | 8.30% | 11.92% | 12.78% |

## 2.6. Leverage Ratio

As of 30 June 2022, Quintet Group's Leverage Ratio stands at 4.1%, well above the 3% minimum Leverage Ratio of the Basel Committee on Banking Supervision (binding since CRR II introduction). The total exposure has increased over the last 6 months particularly in cash deposited at Central Banks, reflecting continued commercial growth and an industry wide shift of client assets' out of risky asset classes into cash given market circumstances. The leverage exposure increase combined with the reduction in eligible capital leads to the leverage ratio declining by 0.7% during the first semester 2022.

| In EUR million | 30/06/2022 | 31/12/2021 | 30/06/2021 |
|---|---|---|---|
| Total exposure measure | 15,781.4 | 14,366.8 | 16,896.4 |
| Leverage ratio (%) | 4.1% | 4.8% | 4.2% |

## 2.7. Additional own funds requirement to address the risk of excessive leverage

The Leverage ratio requirement is binding since June 2021 and the entry into force of the CRR II. Prior to this date, the 3% was only a recommendation of the Basel Committee on Banking Supervision.

| Additional own funds requirement (%) | 30/06/2022 | 31/12/2021 | 30/06/2021 |
|---|---|---|---|
| Additional own funds requirements to address the risk of excessive leverage | - | - | - |
| *of which: to be made up of CET1 capital* | - | - | - |
| Total SREP leverage ratio requirements | 3.0% | 3.0% | 3.0% |

## 2.8. Leverage ratio buffer and overall leverage ratio requirement

The Leverage ratio requirements is only binding since 30 June 2021 and the entry into force of the CRR II. Prior to this date, the 3% was only a recommendation of the Basel Committee on Banking Supervision.

| Additional own funds requirement (%) | 30/06/2022 | 31/12/2021 | 30/06/2021 |
|---|---|---|---|
| Leverage ratio buffer requirement (%) | - | - | - |
| Overall leverage ratio requirement (%) | 3.0% | 3.0% | 3.0% |

## 2.9. Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) has been stable over the last twelve months as the growth of the loan book has been fully balanced by increased client' deposits partially offset by the accompanying reduction in the outstanding wholesale funding.

| In EUR million | 30/06/2022 | 31/12/2021 | 30/06/2021 |
|---|---|---|---|
| Total high-quality liquid assets (HQLA) (Weighted value - average) | 6,147.9 | 6,275.0 | 7,834.2 |
| Cash outflows - Total weighted value | 5,949.2 | 5,452.6 | 6,683.4 |
| Cash inflows - Total weighted value | 1,567.0 | 921.1 | 1,068.4 |
| Total net cash outflows (adjusted value) | 4,382.2 | 4,531.5 | 5,615.0 |
| Liquidity coverage ratio (%) | 140.29% | 138.47% | 139.52% |

## 2.10. Net Stable Funding Ratio

While LCR was stable over the period, the Net stable Funding Ratio (NSFR) records a moderate decrease. Indeed, the increase in required stable funding resulting from growth of the bank's lending activities was not fully matched on the level of available stable funding due to the shorter-term nature of funding collected.

| In EUR million | 30/06/2022 | 31/12/2021 | 30/06/2021 |
|---|---|---|---|
| Total available stable funding | 7,434.8 | 7,221.1 | 6,977.3 |
| Total required stable funding | 5,685.9 | 5,272.8 | 4,965.6 |
| NSFR ratio (%) | 130.76% | 136.95% | 140.51% |

# III. FINAL REMARK

Although the Group is currently working in a challenging macroeconomic environment, no additional significant information that would not be available in the Group's latest annual Pillar III Report and/or Financial Statements as at 31 December 2021 was identified in the first half of 2022 (https://www.quintet.com/en-gb/investor-relations#risk). These disclosures are in line with the evolution of the Group's risk profile and the necessary information to be disclosed to market participants in order to convey a fair picture of this risk profile.

# ANNEX I – DECLARATION OF THE MANAGEMENT

The Management attests that the disclosures provided according to Part Eight of the CRR II (i.e. the present Pillar III Half Year 2022 document) have been prepared in accordance with the internal control processes it agrees on.

The Half-Year 2022 report was validated and approved for publication by the Authorised Management Committee on 6 September 2022.

The Management also ensures that the risk management arrangements of Group Quintet are adequate with regard to the Bank's profile and strategy, these arrangements already being implemented or forming part of an action plan with the aim of achieving this objective.

This declaration is based on the reliability of the risk-related information communicated to the Management through the dedicated channels foreseen by the governance. In particular, the Board Risk Committee - a sub-committee of the Board - is the forum where the risk exposures are compared to the Board's risk appetite, and where significant risk events and issues are reported and discussed.

# ANNEX II – INFORMATION ON LOANS AND ADVANCES SUBJECT TO LEGISLATIVE AND NON-LEGISLATIVE MORATORIA

In accordance with EBA/GL/2020/02, Quintet Group provides an overview of the credit quality of loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis. Since end of 2021, all moratoria on loan repayments in the light of the COVID-19 crisis in accordance with EBA/GL/2020/02 had expired.

The measures have not led to an economic loss for any of the exposures

**Template 1: Information on loans and advances subject to legislative and non-legislative moratoria**

| | in EUR million | Gross carrying amount | | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk | | | | | | | Gross carriyng amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Performing | | | Non-performing | | | | Performing | | | Non-performing | | | |
| | | | | Of which: exposures with forbearance measures | Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) | | Of which: exposures with forbearance measures | Of which: unlikely to pay that are not past-due or past-due <= 90 days | | | Of which: exposures with forbearance measures | Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) | | Of which: exposures with forbearance measures | Of which: unlikely to pay that are not past-due or past-due <= 90 days | **Inflows to non-performing exposures** |
| 1 | **Loans and advances subject to EBA-compliant moratoria** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2 | of which: Households | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | of which: Collateralised by residential immovable property | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4 | of which: Non-financial corporations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 5 | of which: Small and medium-sized enterprises | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | of which: Collateralised by commercial immovable property | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

## Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

| | In EUR million | Number of obligors | Gross carrying amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Residual maturity of moratoria | | | | |
| | | | | Of which: legislative moratoria | Of which: expired | <= 3 months | > 3 months <= 6 months | > 6 months <= 9 months | > 9 months <= 12 months | > 1 year |
| 1 | Loans and advances for which moratorium was offered | 4 | 5.5 | | | | | | | |
| 2 | Loans and advances subject to moratorium (granted) | 4 | 5.5 | - | 5.5 | - | - | - | - | - |
| 3 | of which: Households | | 5.5 | - | 5.5 | - | - | - | - | - |
| 4 | *of which: Collateralised by residential immovable property* | | 5.5 | - | 5.5 | - | - | - | - | - |
| 5 | of which: Non-financial corporations | | - | - | - | - | - | - | - | - |
| 6 | *of which: Small and Medium-sized Enterprises* | | - | - | - | - | - | - | - | - |
| 7 | *of which: Collateralised by commercial immovable property* | | - | - | - | - | - | - | - | - |

## Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

| | In EUR million | Gross carrying amount | | Maximum amount of the guarantee that can be considered | Gross carrying amount |
|---|---|---|---|---|---|
| | | | of which: forborne | Public guarantees received | Inflows to non-performing exposures |
| 1 | **Newly originated loans and advances subject to public guarantee schemes** | - | - | - | - |
| 2 | of which: Households | - | | | - |
| 3 | of which: Collateralised by residential immovable property | - | | | - |
| 4 | of which: Non-financial corporations | - | - | - | - |
| 5 | of which: Small and Medium-sized Enterprises | - | | | - |
| 6 | of which: Collateralised by commercial immovable property | - | | | - |