EFG Group

Basel III
Pillar 3 disclosures
31 December 2015

25.04.2016

1. General information

The main activities of EFG Bank European Financial Group SA and its subsidiaries (the “EFG Group” or the “Group”) are global private banking and related financial services. The Group services the vast majority of its worldwide clientele through EFG International AG and its subsidiaries (“EFG International”) a global private banking group headquartered in Switzerland and listed on SIX Swiss Exchange.

In order to have the full view of the Group's regulatory environment and capital requirements, this report should be read along with the 2015 Group's Annual Report (http://www.efggroup.com/) and the Annual report of its most important subsidiary EFG International (http://efginternational.com/).

Certain disclosures contained in this report cannot be reconciled with disclosures in the Group Annual Report due to the way the Group manages risk internally being different to the way it reports hereunder.

This report discloses the Group's application of the Basel III Framework as at December 31, 2015 with the comparatives for 2014.

There is no difference in the scope of consolidation for the calculation of capital adequacy and the 2015 Consolidated Financial Statements. In Note 30 of the Group’s Annual Report there is a list of the main subsidiaries of the Group as at December 31, 2015.

The Group complies with IFRS accounting principles which are used in the financial reporting presented in the Annual Report. In certain cases, FINMA requires the Group to comply with Swiss accounting principles reporting for Capital Adequacy purposes. The Group's BIS capital figures are based on IFRS accounting principles.

2. Capital

The Group reports regulatory capital according to the Swiss Capital Ordinance, therefore complying with the FINMA requirements.

Basel III gives room to banks to apply several approaches for computing the capital charge. Below is the table that summarises the Group's regulatory approach for each risk category.

Approaches used for risk types

Category	**Approach**
Credit Risk:	The Group uses the International Standardised Approach (SA-BIS) to determine which risk weights to apply to credit risk. Additionaly, the Group adopted the Comprehensive method to deal with the collateral portion of a credit transaction. In the SA-BIS approach, the Group can use ratings assigned by rating agencies to the risk weighted positions. The Group used Standard and Poor's ratings for securities and for bank placements.
Non-counterparty risk:	For non-counterparty related assets the Group applies the SA-BIS approach.
Operational risk:	The Group applies the Standardised Approach to calculate the capital charge for operational risk. The capital requirement under this method is based on the last three year average amount of the Operating Income split by business lines.
Market risk:	The Standardised Approach is used for market risk. This approach requires capital for the following positions: (i) interest rate instruments held in the trading book, (ii) equity securities held in the trading book, (iiI) foreign exchange positions, and (iv) gold & commodity positions. General market risk associated with interest rate risk instruments are calculated using the Maturity Method. The Delta-plus method is used for options.

Capital Management

The Group’s objectives when managing regulatory capital is to comply with the capital requirements set by regulators of the jurisdictions in which the Group entities operate and to safeguard the Group’s ability to continue as a going concern.

Capital adequacy and the use of regulatory capital is continually monitored and reported on an individual and consolidated basis by the Group's management, using the framework developed by the Bank for International Settlements ("BIS"). The regulatory capital requirement of the Group is ultimately determined by the rules implemented by the Swiss Financial Market Supervisory Authority (FINMA).

The Group's eligible capital comprises two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares of quoted subsidiaries), non-controlling interests (arising on consolidation from interests in permanent shareholders' equity including the Bons de Participation issued by EFG International) and reserves from retained earnings. The book value of acquisition related intangible assets net of acquisition related liabilities comes as a deduction to Tier 1 capital.

- Tier 2 capital: further eligible non-controlling interests, subordinated debts and unrealised gains arising on the fair valuation of security instruments held as available-for-sale.

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 (includes Credit Valuation Adjustments (CVA)), market risk, non-counterparty related risk, settlement risk and operational risk.

In terms of capital ratio requirements, the minimum ratio set by the FINMA for the Group is 12% (FINMA circular 2011/2), which means a 4% buffer above the 8% minimum legal requirement. The threshold for intervention by the FINMA is set at a capital ratio of 11%.

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended December 31, 2015 and 2014 under FINMA and BIS. During these two years, each regulated entity of the Group at the individual level and the EFG Group as a whole complied with their respective capital adequacy requirement.

(All figures in millions of CHF)	**FINMA Phase-in Dec. 31, 2015**	**BIS Fully applied Dec. 31, 2015**	FINMA Phase-in Dec. 31, 2014	BIS Fully applied Dec. 31, 2014
Tier 1 capital				
Share capital	**250.0**	**250.0**	250.0	250.0
Reserves and retained earnings	**478.6**	**478.6**	496.2	496.2
Non-controlling interests	**533.7**	**533.7**	550.0	550.0
IFRS: Total shareholders' equity	**1,262.3**	**1,262.3**	1,296.2	1,296.2
Less: Proposed dividend on Ordinary Shares of quoted subsidiaries and parent Bank	**(20.3)**	**(20.3)**	(20.0)	(20.0)
Less: Accrual for estimated expected future dividend on Bons de Participation	**(0.0)**	**(0.0)**	(0.1)	(0.1)
Less : Available-for-sale investment securities revaluation reserve	**(2.9)**	**(4.9)**	(19.7)	(22.3)
Less : Goodwill (net of acquisition related liabilities) and intangibles assets (excluding software)	**(228.7)**	**(228.7)**	(239.5)	(239.5)
Less: additional deduction FINMA [1]	**(20.8)**	**-**	(21.5)	-
Less: Other Basel III deductions [2]	**(18.3)**	**(45.7)**	(7.3)	(36.4)
Less: Non-controlling interest in Shareholders' Equity	**(383.9)**	**(371.4)**	(394.5)	(389.9)
Plus: Eligible non-controlling interest at Common Equity Tier 1	**311.6**	**294.5**	203.9	203.2
Common Equity Tier 1 (CET1)	**899.0**	**885.8**	797.5	791.2
Additional Tier 1 capital (AT1) - Eligible non-controlling interests	**62.8**	**58.7**	52.9	52.7
Total qualifying Tier 1 capital	**961.8**	**944.5**	850.4	843.9
Tier 2 capital				
Tier 2 capital (T2) - Eligible non-controlling interests	**217.4**	**208.4**	176.1	176.4
Total regulatory capital	**1,179.2**	**1,152.9**	1,026.5	1,020.3

[1] This deduction reflects a difference between IFRS to Swiss accounting principles. Please note that the BIS Common Equity Tier I Capital based on IFRS accounting would not deduct this amount.

[2] Includes deferred taxes and software intangibles. Other Basel III deductions are phased in for FINMA purposes with 20% included at end of 2014 increasing by 20% per annum until 2018.

Risk-weighted assets

The table below reflects the Risk Weighted Assets under the Basel III framework.

(All figures in millions of CHF)	FINMA Risk Weighted Assets Dec. 31, 2015	BIS Risk Weighted Assets[4] Dec. 31,2015	FINMA Risk Weighted Assets Dec. 31, 2014	BIS Risk Weighted Assets Dec. 31,2014
Credit risk including Settlement risk [1+2]	**5,122.3**	**4,696.3**	4,225.2	4,268.2
Non-counterparty related risk	**85.3**	**30.0**	51.2	29.9
Market risk	**320.3**	**320.4**	233.7	233.7
Operational risk[3]	**1,230.5**	**1,210.1**	1,331.1	1,287.2
Total risk-weighted assets	**6,758.4**	**6,256.8**	5,841.2	5,819.0

[1] Includes an asset not recognised for FINMA purposes due to difference between IFRS and Swiss Accounting Principles, as asset was deducted from capital from FINMA purposes.

[2] Includes Credit Valuation Adjustments (CVA).

[3] See under point 6 – Operationnal Risk

[4] BIS applied as in the European Union

Capital Adequacy Ratio

Capital Adequacy Ratio

	FINMA Dec. 31, 2015 %	BIS Dec. 31, 2015 %	FINMA Dec. 31, 2014 %	BIS Dec. 31, 2014 %
Common Equity Tier 1 ratio (CET1)	**13.3**	**14.2**	13.7	13.6
Total Tier 1 capital (T1)	**14.2**	**15.1**	14.6	14.5
Total capital ratio	**17.4**	**18.4**	17.6	17.5

3. Credit Risk

For information on the Group's credit risk, refer to Note 4 Financial risk assessment and management of the Group's Annual Report, section 4.1 Credit Risk.

Detailed information on EFG International's credit risk and counterparty approach, ratings and risk practice in relation to collateral are set out in the Risk Management section of EFG International's Annual Report available on its website (http://www.efginternational.com/). Certain disclosures contained in this report cannot be reconciled with disclosures in the Group Annual Report due to the way the Group manages risk internally being different to the way it reports it for regulatory purposes.

Regulatory gross credit risk exposures by risk weightings using external ratings

		Risk Weightings					
(All amounts in millions of CHF)		**0%**	**1%-35%**	**36%-75%**	**76-100%**	**150%**	**Total regulatory gross credit exposure**
Private Individuals	**Standard & Poor's**	**-**	**-**	**-**	**-**	**-**	**-**
	Unrated	**-**	**2,320.4**	**1,161.9**	**5,087.5**	**192.9**	**8,762.7**
Public entities (including sovereign & central banks)	**Standard & Poor's**	**1,711.9**	**46.8**	**43.3**	**-**	**-**	**1,802.0**
	Unrated	**5,549.1**	**-**	**0.6**	**0.2**	**-**	**5,549.9**
Corporates	**Standard & Poor's**	**-**	**1,234.5**	**264.4**	**21.7**	**51.9**	**1,572.5**
	Unrated	**-**	**668.4**	**33.4**	**2,844.7**	**39.8**	**3,586.3**
Banks & multilateral institutions	**Standard & Poor's**	**479.1**	**2,263.4**	**898.3**	**3.1**	**-**	**3,643.9**
	Unrated	**0.5**	**1,354.4**	**285.6**	**6.7**	**-**	**1,647.2**
Other	**Standard & Poor's**	**-**	**-**	**-**	**-**	**-**	**-**
	Unrated	**27.7**	**-**	**-**	**84.6**	**0.3**	**112.6**
Total at 31 December 2015		**7,768.3**	**7,887.9**	**2,687.5**	**8,048.5**	**284.9**	**26,677.1**
Total at 31 December 2014		6,177.6	7,584.7	2,496.9	8,755.0	122.1	25,136.3

Regulatory gross credit risk exposures by counterparty type

For regulatory purposes, the Group categorizes its gross regulatory credit risk exposure into counterparty types. The classification of counterparty type is based on the Group's internal classification.

(All amounts in millions of CHF)	Private Individuals[2]	Corporates[3]	Banks & Multilateral Institutions[4]	Public Entities & Sovereign[5]	Other[6]	Regulatory gross credit exposure
Cash and balances with central banks	-	-	-	5,017.7	-	5,017.7
Amounts due from banks	-	-	2,126.4	-	-	2,126.4
Amounts due from security financing transactions	-	-	62.1	-	-	62.1
Loans and advances to customers:						
Loans	6,126.1	2,555.4	17.6	0.6	0.1	8,699.8
Mortgage	2,417.7	817.1	-	-	-	3,234.8
Derivatives [7]	44.0	117.3	655.4	-	-	816.7
Other financial instruments at fair value	-	72.7	-	-	-	72.7
Financial Investments	-	1,505.0	2,354.2	2,320.4	28.0	6,207.6
Accrued income and prepaid expenses	27.6	24.4	9.7	9.5	53.9	125.1
Other assets [8]	0.3	-	60.1	3.7	30.6	94.7
As at December 31, 2015	**8,615.7**	**5,091.9**	**5,285.5**	**7,351.9**	**112.6**	**26,457.6**
Contingent liabilities	97.2	48.7	1.5	-	-	147.4
Commitments	49.8	18.2	4.1	-	-	72.1
Total other exposures at December 31, 2015	**147.0**	**66.9**	**5.6**	**-**	**-**	**219.5**
Total gross credit exposures at December 31, 2015	**8,762.7**	**5,158.8**	**5,291.1**	**7,351.9**	**112.6**	**26,677.1**
As at December 31, 2014	8,748.4	5,605.5	4,417.9	6,044.8	127.7	24,944.3
Total other exposures at December 31, 2014	134.5	52.4	5.1	-	-	192.0
Total gross credit exposures at December 31, 2014	8,882.9	5,657.9	4,423.0	6,044.8	127.7	25,136.3

[1] Gross regulatory credit risk is after provisions and application of credit conversion factors on off balance sheet items.
[2] Includes trusts and comparable domiciled companies with an identifiable individual beneficial owner.
[3] Includes non-bank financial institutions, investment funds an dother trusts with collective investment structure.
[4] Includes banks and multilateral development banks
[5] Sovereign counterparties include central banks and governments, as well as other public entities.
[6] Other includes international organisations which are not banks nor public entities.
[7] Includes replacement value and add-ons
[8] Includes accrued receivables

The table below shows gross[1] regulatory credit exposure by type of counterparty:

Regulatory gross credit risk exposures by geography

The table below shows gross regulatory credit risk exposure according to the balance sheet and off balance sheet positions by geographical location of the counterparty:

(All amounts in millions of CHF)	Switzerland	Other Europe	Americas	Asia	Others	Total
Cash and balances with central banks	4,176.6	318.2	0.1	522.8	-	5,017.7
Amounts due from banks	959.63	439.0	337.8	389.0	1.0	2,126.4
Amounts due from security financing transactions	-	62.1	-	-	-	62.1
Loans and advances to customers:						
Loans	241.2	2,667.3	2,867.4	2,623.9	300.0	8,699.8
Mortgage	86.7	2,149.8	818.8	125.6	53.9	3,234.8
Derivatives [1]	551.4	144.7	82.5	34.6	3.5	816.7
Other financial instruments at fair value	-	-	72.7	-	-	72.7
Financial Investments	48.8	2,808.6	2,202.2	750.2	397.8	6,207.6
Accrued income and prepaid expenses	19.2	55.9	41.0	7.5	1.5	125.1
Other assets	6.7	48.6	34.6	4.8	-	94.7
As at December 31, 2015	**6,090.2**	**8,694.2**	**6,457.1**	**4,458.4**	**757.7**	**26,457.6**
Contingent liabilities	18.5	68.3	51.4	7.2	2.0	147.4
Commitments	4.1	40.9	16.7	1.9	8.5	72.1
Total other exposures at December 31, 2015	**22.6**	**109.2**	**68.1**	**9.1**	**10.5**	**219.5**
Total gross credit exposures at December 31, 2015	**6,112.8**	**8,803.4**	**6,525.2**	**4,467.5**	**768.2**	**26,677.1**
As at December 31, 2014	3,602.3	8,428.0	7,748.4	4,701.1	464.5	24,944.3
Total other exposures at December 31, 2014	30.8	77.9	60.0	10.8	12.5	192.0
Total gross credit exposures at December 31, 2014	3,633.1	8,505.9	7,808.4	4,711.9	477.0	25,136.3

[1] Includes replacement value and add-ons
[2] Includes accrued receivables

Risk Weighted Assets and total regulatory net credit exposure

The table below displays the breakdown of collateral used to cover the regulatory gross credit risk exposures, total credit exposure after collateral, according to the Basel III requirements of FINMA which includes the effects of credit risk mitigation based on the comprehensive approach:

(All amounts in millions of CHF)	Regulatory gross credit risk exposure	Less: Credit risk exposure mitigation with financial collateral	Total regulatory net credit exposure[1]	Average risk Weight	FINMA Risk weighted assets	BIS Risk weighted assets[2]
Cash and balances with central banks	**5,017.7**	**-**	**5,017.7**	**0%**	**-**	**-**
Amounts due from banks	**2,126.4**	**691.4**	**1,435.0**	**24%**	**340.0**	**340.0**
Amounts due from security financing transactions	**62.1**	**54.9**	**7.2**	**6%**	**0.4**	**0.4**
Loans and advances to customers:						
Loans	**8,699.8**	**6,313.1**	**2,386.7**	**66%**	**2,046.8**	**1,578.9**
Mortgage	**3,234.8**	**401.0**	**2,833.8**	**40%**	**1,139.3**	**1,139.3**
Derivatives[3]	**816.7**	**98.0**	**718.7**	**32%**	**231.4**	**231.4**
Other financial instruments at fair value	**72.7**	**0.0**	**72.7**	**34%**	**24.8**	**24.8**
Financial Investments	**6,207.6**	**13.8**	**6,193.8**	**19%**	**1,163.5**	**1,205.1**
Accrued income and prepaid expenses	**125.1**	**19.3**	**105.8**	**68%**	**72.2**	**72.2**
Other assets[4]	**94.7**	**-**	**94.7**	**50%**	**46.7**	**47.0**
Total on balance sheet	**26,457.6**	**7,591.5**	**18,866.1**	**25%**	**5,065.2**	**4,639.2**
Contingent liabilities	**147.4**	**113.5**	**33.9**	**78%**	**26.3**	**26.3**
Commitments	**72.1**	**16.0**	**56.1**	**55%**	**30.8**	**30.8**
Total off balance sheet	**219.5**	**129.5**	**90.0**	**63%**	**57.1**	**57.1**
Total at December 31, 2015	**26,677.1**	**7,721.0**	**18,956.1**	**25%**	**5,122.3**	**4,696.3**
Total on-balance sheet	24,944.3	8,863.4	16,081.0	26%	4,171.5	4,214.5
Total off-balance sheet	192.0	109.4	82.6	65%	53.7	53.7
Total at December 31, 2014	25,136.3	8,972.8	16,163.6	26%	4,225.2	4,268.2

[1] Total regulatory net credit exposure includes risk transfer from client guarantees and credit derivatives.

[2] The BIS Risk Weighted Assets includes an asset not recognized for FINMA purposes due to difference between IFRS and Swiss accounting policies, as asset was deducted from capital for FINMA purposes.

[3] Includes replacement value and add-ons

[4] Includes accrued receivables

Credit Exposures after risk mitigation of collateral by risk weighting

The below table provides a breakdown of regulatory net credit risk exposures by the applicable risk weight prescribed under Basel III in which the risk weights are determined based on external ratings:

	Risk Weightings					
(All amounts in millions of CHF)	0%	1%-35%	36%-75%	76%-100%	150%	Total regulatory net exposure
Private individuals	**-**	**2,319.9**	**414.3**	**1,215.2**	**0.5**	**3,949.9**
Public entities[1]	**7,297.4**	**46.8**	**43.3**	**0.1**	**-**	**7,387.6**
Corporates	**-**	**1,888.3**	**274.3**	**790.8**	**59.7**	**3,013.1**
Banks & Multilateral institutions	**424.3**	**2,934.8**	**1,046.5**	**4.0**	**-**	**4,409.6**
Derivatives	**0.2**	**63.7**	**45.0**	**11.3**	**-**	**120.2**
Other	**-**	**-**	**-**	**75.3**	**0.3**	**75.6**
As at December 31, 2015	**7,721.9**	**7,253.5**	**1,823.4**	**2,096.8**	**60.5**	**18,956.1**
As at December 31, 2014	6,177.2	7,098.5	1,357.6	1,470.7	59.7	16,163.6

[1]Includes sovereign and central banks

Client impaired loans

For a detailed overview of impaired and past due loans, see Note 4.1.4 Loans and advances in the Group's Annual report.

4. Market Risk

For information on the Group's credit risk, refer to Note 4 Financial risk assessment and management of the Group's Annual Report, section 4.2 Market risk.

The Group uses the Standardised Approach to compute its market risk capital charge.

Below is the table detailing the breakdown in the Group's market risk capital adequacy requirement at 8 % of the risk weighted assets equivalent:

(All amounts in millions of CHF)	**Dec. 31, 2015**	Dec. 31, 2014
Interest rate instruments held in the trading book	**284.5**	191.5
Equities held in the trading book	**1.8**	0.7
Currencies and precious metals	**11.7**	17.5
Commodities	**22.4**	24.0
Options	**-**	-
Total BIS required capital	**320.4**	233.7

Financial instruments in the trading book are marked to market and calculated on this basis for market risk purposes.

Interest rate instruments in the trading book

Interest rate risk in the trading book has two components, which must be calculated separately. One component is based on specific risk of interest rate instruments. Specific risk includes risks that relate to factors other than changes in the general interest rate structure. These risks are calculated per issuer. These positions are based on the issuer rating and residual maturity of the instrument.

The second component is general market risk. General market risk includes risks which relate to a change in the general interest rate structure and are therefore, calculated per currency. The Group uses the maturity method where the total of a currency is broken down into maturity time bands per position and each specific maturity band carries its own risk weight that is applied to the total positions.

Equities held in the trading book

Capital adequacy requirement for share price risk takes into account all positions in equities, derivatives and equity-like instruments. There is a distinction between the types of risk for share price risks between general market risks and share issuer.

Currency risk, gold and commodity risk

The Group calculates a capital requirement for all foreign currencies and gold positions. The calculations are based on the net long or net short positions of the currencies and then a 8% factor is applied. When reviewing the commodity risk, the Group reviews the risk of changes in spot prices and the "forward gap risk".

5. Interest risk in the banking book

The following table shows the banking book sensitivity of 100 basis point movement in the interest rate curve:

(All amounts in millions of CHF)	**Dec. 31, 2015**	Dec. 31, 2014
USD	**(39.9)**	(37.0)
EUR	**(13.7)**	(8.3)
GBP	**(6.8)**	(14.2)
CHF	**4.2**	1.3
JPY	**(0.1)**	(0.3)
Total banking book impact given an increase of 100 basis point of the interest rates	**(56.3)**	(58.5)

6. Operational risk

Operational risk is the risk of financial loss or business discontinuity resulting from inadequate or failed internal processes, human errors or systems, or from external causes (or a combination of the foregoing) occurring as a result of an operational loss event falling within one of the following operational risk event categories:

- Internal frauds
- External frauds
- Physical asset and/or operating site damages or destructions
- Input, processing, execution and/or delivery failures
- Technological failures and/or disruptions
- Client, product and/or business practices failures
- Employment practice and workplace safety failures

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

Organisational structure and governance

The Boards of Directors and senior managements strive to set the operational risk culture through, among others, the definition of the overall operational risk appetite of the organisation (expressed in quantitative thresholds and qualitative statements), which is embedded in the organisation's risk management practices. At the Group's main operations, EFG International, the supervision of operational risk at the Board of Directors level is under the responsibility of the Audit Committee.

The primary responsibility for managing operational risk on a daily basis rests with the line managements of the various business entities, which mitigate operational risk through the establishment of an adequate internal control system and strong risk culture.

At the EFG International risk management level, operational risk oversight and guidance, including the development of an operational risk management framework, are under the responsibility of the Operational Risk Management Function headed by the Global Head of Operational Risk Management. The Operational Risk Management Function works in collaboration with the Operational Risk Officers of the local business entities, including in respect of EFG Bank European Financial Group SA under an outsourcing agreement, the Regional Risk Officers within the EFG International Group as well as certain centralised Group functions that also undertake operational risk oversight for their respective area of responsibility, such as the Chief Financial Officer, Chief Operating Officer, Global Compliance and General Counsel and Fiduciary Oversight. The principal aim of the Operational Risk Management Function is to ensure that the Group has an appropriate operational risk management framework and program in place for identifying, assessing, mitigating, monitoring and reporting operational risk. The Global Head of Operational Risk Management reports to the EFG International Chief Risk Officer and Audit Committee. EFG Bank European Financial Group SA exercises supervision on its own activity at the level of its Management.

Operational risk management framework

The operational risk management framework codifies the Group's approach to identifying, assessing, mitigating, monitoring and reporting operational risk and also incorporates the standards defined by the Basel Committee for Banking Supervision. This framework comprises the philosophy, scope, definitions, operational risk boundaries, key operational risk areas, operational risk mitigation/transfer alternatives, approach for operational risk capital charge selected by the Group, principles for the management of operational risk, operational risk appetite, governance and organisation, role and responsibilities of the constituent parts of the governance structure, and operational risk management processes and tools.

Internal controls and monitoring mechanisms are designed and implemented in order to mitigate key operational risks that the Group inherently runs in conducting its business, in areas such as front-office activities, trading and treasury, IT security and data confidentiality, product approval and selling practices, cross-border business activities, asset management, transaction processing, accounting and financial reporting, and regulatory compliance activities (e.g. anti-money laundering, product suitability, etc.).

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

Where appropriate, the Group establishes operational risk transfer mechanisms; in particular, all entities of the Group are covered by insurance to hedge (subject to defined exclusions) certain potential low-frequency high-severity events. The Group administers centrally for all its subsidiaries three layers of insurance cover, being comprehensive crime insurance, professional indemnity insurance and Directors' and Officers' liability insurance. Other insurances such as general insurances are managed locally.

The operational risk capital charge as calculated under FINMA rules is higher than under BIS, as FINMA does not allow the deduction of the operating income from disposed entities.

7. Appendices

7.1.1 Breakdown of regulatory capital

The below table details the breakdown of regulatory capital (FINMA circular 2008/22, margin number 38):

	As at December 31, 2015 *(All figures in millions of CHF)*	**Numbers Fully applied (FINMA)**	**Effect of the transition phase (FINMA)**	**Balance sheet reconciliation References**
Common equity Tier I capital: Instruments and reserves				
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	250.0		b)
2	Reserves from Retained earnings	640.9		
3	Accumulated other comprehensive income (and other reserves)			
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	311.6	-	d)
6	**Common equity Tier 1 capital before regulatory adjustments**	**1,202.5**	**(12.5)**	
Common equity Tier I capital: Regulatory adjustments				
7	Prudential valuation adjustments	-		
8	Goodwill (net of related tax liability)	(228.7)		a)
9	Intangible other than mortgage-servicing rights (net of related tax liability)	(16.8)	10.1	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(28.9)	17.3	
11	Cash-flow hedge reserve			
12	Shortfall of provisions to expected losses			
13	Securitization gain on sale (as set out in paragraph 562 of Basel III framework)			
14	Gains and losses due to changes in own credit risk on fair valued liabilities			
15	Defined-benefit pension fund net assets			
16	Investments in own shares			
17	Reciprocal cross-holdings in common equity			
17a	Holdings with a significant investments in the common stock			
17b	Consolidated investments (CET1 instruments)			
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)			
20	Mortgage servicing rights (amount above 10% threshold)			
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)			
22	Amount exceeding the 15% threshold			
23	*of which: significant investments in the common stock of financials*			
24	*of which: mortgage servicing rights*			
25	*of which: deferred tax assets arising from temporary differences*			
26	Expected loss for equity positions under the PD-LGD approach and the simple risk-weight method			
26a	Other adjustments for financial statements prepared under internationally recognized accounting principles	(2.9)		
26b	Other deductions - Future expected dividends - Minority interests issued by non-banking subsidiaries	(41.1)		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions			
28	**Total regulatory adjustments to common equity Tier 1**	**(318.4)**	**27.4**	
29	**Common equity Tier 1 capital (CET1)**	**884.1**	**14.9**	

	As at December 31,2015 *(All figures in millions of CHF)*	Numbers Fully applied (FINMA)	Effect of the transition phase (FINMA)	Balance sheet reconciliation References
Additional Tier 1 capital: instruments				
30	Directly issued qualifying addtional Tier 1 instruments plus related stock surplus			
31	*of which: classified as equity under applicable accounting standards*			
32	*of which: classified as liabilities under applicable accounting standards*			
33	Directly issued capital instruments subject to phase-out from additional Tier 1			
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	**63.1**	**(0.3)**	**d)**
35	*of which: instruments issued by subsidiaries subject to phase-out*			
36	**Additional Tier 1 capital before regulatory adjustments**	**63.1**	**(0.3)**	
Additional Tier 1 capital: regulatory adjustments				
37	Investments in own additional Tier 1 instruments			
38	Reciprocal cross-holdings in Additional Tier 1 instruments			
38a	Reciprocal cross-holdings in Additional Tier 1 instruments			
38b	Holdings with a significant investments in the common stock			
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)			
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
41	Other deductions			
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions			
	Tier I adjustments on impact of transitional arrangements			
	of which: prudential valuation adjustment			
	of which: own CET1 instruments			
	of which: goodwill and intangible assets net of tax, offset against hybrid capital			
	of which: other intangible assets (net of related tax liabilities)			
	of which: gains from the calculation of cash flow hedges			
	of which: IRB shortfall of provisions to expected losses			
	of which: gains on sales related to securitization transactions			
	of which: gains/losses in connection with own credit risk			
	of which: investments			
	of which: expected loss amount for equity exposures under the PD/LG (probability of default/loss given default)			
	approach and under the simple risk-weighting method			
	of which: mortgage servicing rights			
42a	Excess of the adjustments which are allocated to the CET1 capital			
43	**Total regulatory adjustments to additional Tier 1 capital**		**-**	
44	**Additional Tier 1 Capital (AT1)**	**63.1**	**(0.3)**	
45	**Tier 1 Capital (T1 = CET1 + AT1)**	**947.2**	**14.6**	
Tier 2 capital: instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus			
47	Directly issued capital instruments subject to phase-out from Tier 2			
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	**220.6**	**(3.2)**	
49	*of which: instruments issued by subsidiaries subject to phase-out*			
50	Provisions			
51	**Tier 2 Capital before regulatory adjustments**	**220.6**	**(3.2)**	

	As at December 31,2015 (All figures in millions of CHF)	Numbers Fully applied (FINMA)	Effect of the transition phase (FINMA)	Balance sheet reconciliation References
52	Investments in own Tier 2 instruments			
53	Reciprocal crossholdings in tier 2 instruments			
53a	Investments with a significant influence (Tier 2 instruments)			
53b	Investments to be consolidated (Tier 2 instruments)			
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)			
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
56	Other deductions - Revaluation reserves in available-for-sale equity securities and available-for-sale debt securities			
56a	Surplus deductions, included in AT1			
57	**Total regulatory adjustments to Tier 2 Capital**			
58	**Tier 2 Capital (T2)**	**220.6**	**(3.2)**	
59	**Total capital (TC = T1 + T2)**	**1,167.8**	**11.4**	
60	**Total risk-weighted assets**	**6,719.9**	**38.5**	

	Capital ratios and buffers	Numbers Fully applied (FINMA)	Numbers phase-in (FINMA)
61	Common equity Tier 1 (as a percentage of risk-weighted assets)	**13.2%**	**13.3%**
62	Tier 1 (as a percentage of risk-weighted assets)	**14.1%**	**14.2%**
63	Total capital (as a percentage of risk-weighted assets)	**17.4%**	**17.4%**
64	Institution-specific CET1 capital requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets) taking into account transitional rules	**4.5%**	**4.5%**
65	*of which: capital conservation buffer requirement*	**0.0%**	**0.0%**
66	*of which: bank-specific countercyclical buffer requirement*	**0.0%**	**0.0%**
67	*of which: global systemically important banks (G-SIB) buffer requirement*	**n/a**	**n/a**
68	Common equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	**13.2%**	**13.3%**
68a	CET1 capital buffer requirements under Circ.- FINMA 11/2 (as %)	**7.8%**	**7.8%**
68b	Available CET1 (as a percentage of risk-weighted assets)	**13.2%**	**13.3%**
68c	T1 capital buffer requirements under Circ.- FINMA 11/2 (as %)	**9.6%**	**9.6%**
68d	Available T1 excess (as a percentage of risk-weighted assets)	**14.1%**	**14.2%**
68e	Regulatory capital buffer requirements under Circ.- FINMA 11/2 (as %)	**12.0%**	**12.0%**
68f	Available Regulatory capital (as a percentage of risk-weighted assets)	**17.4%**	**17.4%**
Amounts below the thresholds for deduction (before risk-weighting)			
72	Non significant investments in the capital of other financials		
73	Significant investments in the common stock of financials		
74	Mortages servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	**6.1**	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)		
77	Cap on inclusion of provisions in Tier 2 under standardised approach		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		

7.1.2 Reconciliation requirements

The below table provides a reconciliation of regulatory capital elements to the published financial statemetns (FINMA Circular 2008/22, margin number 38).

Assets *(All figures in millions of CHF)*		According to published financial statement Dec. 31, 2015	Reference
Cash and cash equivalents		**5,017.7**	
Treasury bills and other eligible bills		**757.1**	
Due from other banks		**2,183.5**	
Loans and advances to customers		**12,081.9**	
Derivatives financial instruments		**735.5**	
Financial assets at fair value		**395.9**	
of which trading assets	***90.9***		
of which designated at inception	***305.0***		
Investment securities		**5,423.2**	
of which available-for-sale	***4,243.8***		
of which Held-to-maturity	***1,179.4***		
Intangible assets		**271.7**	
of which goodwill	***228.7***		**a)**
of which other intangible assets	***43.0***		
Property, plant and equipment		**30.6**	
Deferred income tax assets		**35.0**	
Other assets		**114.3**	
Total assets		**27,046.4**	
Liabilities			
Due to other banks		**484.8**	
Due to customers		**19,998.2**	
Subordinated loan		**242.8**	
Debt issued		**392.0**	
Derivative financial instruments		**713.4**	
Financial liabilities designated at fair value		**353.1**	
Other financial liabilities		**3,237.9**	
Current income tax liabilities		**4.9**	
Deferred income tax liabilities		**35.1**	
Provisions		**7.7**	
Other liabilities		**314.2**	
Total liabilities		**25,784.1**	
Capital			
Equity capital		**250.0**	**b)**
of which recognized as CET1	***250.0***		**b)**
of which recognized as AT1	**-**		
Reserves and Retained Earnings		**478.6**	
Non-controlling interests		**533.7**	
of which recognized as CET1	***311.6***		**c)**
of which recognized as AT1	***63.1***		**c)**
Shareholders' equity		**1,262.3**	
Total liabilities and shareholders' equity		**27,046.4**	

7.1.3 Information on leverage ratio (FINMA Circular 2008/22, margin number 36.1 and 36.2)

a) Comparison between assets recognized in the balance sheet and the exposure measure for leverage ratio

(All figures in millions of CHF)		**Dec. 31, 2015**
1	Total consolidated assets as per published financial statements	27,046.4
2	Restatement of investments in banks, financial companies, insurers and commercial companies which are consolidated as per accounting standards but not for regulatory purposes (margin nos. 6-7 FINMA circ. 15/3) and adjustments as regards assets which are to be deducted from Tier 1 capital (margin nos. 16-17 FINMA circ. 15/3)	(270.7)
3	Restatement of fiduciary assets which are recognized in the balance sheet as per accounting standards but which do not need to be taken into consideration for leverage ratio (margin no. FINMA circ. 15/3)	-
4	Restatement of derivatives (margin nos. 21-51, FINMA circ. 15/3)	(310.9)
5	Restatement of securities financing transactions (SFT) (margin nos. 52-73, FINMA circ. 15/3)	-
6	Restatement of off-balance sheet transactions (conversion of off-balance sheet transactions into credit equivalents) (margin nos. 74-76, FINMA circ. 15/3)	198.4
7	Other restatements	-
8	**Total exposure for leverage ratio (sum of lines 1-7)**	**26,663.2**

b) Detailed presentation of leverage ratio

(All figures in millions of CHF)		**Dec. 31, 2015**
	Balance sheet items	
1	Balance sheet items2 (without derivatives and SFT but including collateral)(margin nos. 14 - 15, FINMA circ. 15/3)	26,250.4
2	(Assets which must be deducted from eligible Tier 1 capital) (margin nos. 7 and 16-17 FINMA circ. 15/3)	(270.7)
3	Sum of balance sheet items for leverage ratio without derivatives and SFT (sum of lines 1 and 2)	**25,979.7**
	Derivatives	
4	Positive replacement values for derivative transactions, including those for CCPs taking into consideration received margins and netting agreements (margin nos. 22-23 and 34-35 FINMA circ. 15/3)	636.4
5	Add-ons for all derivatives (margin nos. 22 and 25 FINMA circ. 15/3)	182.0
6	Reintegration of collateral posted for derivatives if their accounting treatment caused a reduction of assets (margin no. 27 FINMA 15/3)	-
7	Deduction of receivables caused by cash variation margins posted as per margin no. 36 FINMA circ. 15/3	(393.1)
8	(Deduction for trade exposures to qualified central counterparties (QCCP) if he institution is not obligated to reimburse the client for any losses suffered due to changes in the value of its transactions) (margin no. 39 FINMA circ. 15/3)	-
9	The effective notional value of written credit derivatives after deducting any negative replacement values (margin no. 43 FINMA circ. 15/3)	-
10	(Offsetting of effective notional values of offsetting credit derivatives (margin nos. 44-50 FINMA circ. 15/3) and deduction of add-ons for written credit derivatives as per margin no. 51 FINMA circ. 15/3)	-
11	**= Total exposures from derivatives (sum of lines 4–10) Securities financing transactions (SFT)**	**425.3**
12	Gross assets for SFT without offsetting (except in the case of novation with a QCCP as per margin no. 57 FINMA circ. 15/3), including those which were recorded as sale (margin no. 69 FINMA circ. 15/3), less the items stated in margin no. 58, FINMA circ. 15/3	59.9
13	(offsetting of cash payables and cash receivables related to SFT counterparties (margin nos. 59-62 FINMA circ. 15/3)	-
14	Exposures to SFT counterparties (margin nos. 63-68 FINMA circ. 15/3)	-
15	Exposures for SFT with the bank acting as agent (margin nos. 70-73 FINMA 15/3)	-
16	**= Total exposures from SFT (sum of lines 12-15)**	**59.9**

b) Detailed presentation of leverage ratio (continued)

(All figures in millions of CHF)		Dec. 31, 2015
	Other off-balance sheet items	
17	Off-balance sheet transactions as gross notional values prior to applying credit conversion factors	400.7
18	(Restatement of conversion to credit equivalents) (margin nos. 75-76, FINMA circ. 15/3)	(202.4)
19	**= Total exposures from off-balance sheet items (sum of lines 17 and 18) Eligible capital and exposure measure**	**198.3**
	Eligible capital and exposure measure	
20	Tier 1 capital (margin no. 5, FINMA circ. 15/3)	**961.8**
21	**Exposure measure (sum of lines 3, 11, 16 and 19) Leverage ratio**	**26,663.2**
	Leverage ratio	**%**
22	Leverage Ratio (margin nos. 3–4, FINMA circ. 15/3)	**3.6**

QCCP: Qualified central counterparties
CCP: Central counterparties
SFT: Securities financing transactions

7.1.3 Information on liquidity coverage ratio (FINMA Circular 2008/22, margin number 36.3 to 36.11)

Q1 2015 Average

	Amounts in millions of CHF	Values not weighted (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)	Weighted values (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)
A.	**High quality liquid assets (HQLA)**		
1	Total of high quality liquid assets (HQLA)		**4,573**
B.	**Cash outflows**		
2	Deposits from retail clients	**8,612**	**1,183**
3	*of which stable deposits*	-	-
4	*of which less stable deposits*	*8,612*	*1,183*
5	Unsecured funding provided by corporate or wholesale clients	**7,319**	**3,752**
6	*of which operational deposits (all counterparties) and desposits of member institutions with their central institution*	-	-
7	*of which non-operational deposits (all counterparties)*	*7,307*	*3,741*
8	*of which unsecured debt instruments*	*12*	*12*
9	Secured funding provided by corporate or wholesale clients and collateral swaps	-	-
10	Other cash outflows	**362**	**73**
11	*of which cash outflows related to derivative and other transactions*	*35*	*35*
12	*of which cash outflows due to losses in funding possibilities for asset-backed securities (ABS), covered bonds and other structured financing instruments, assets backed commercial papers (ABCP), special purpose entities (conduits), securities investment vehicles and other such financing facilities*	-	-
13	*of which cash outflows from committed credit and liquidity facilities*	*327*	*37*
14	Other contractual funding agreements	**3**	**3**
15	Other contingent funding	**-**	**-**
16	**Total cash outflows**		**5,012**
C.	**Cash inflows**		
17	Collateralized financing transactions (e.g. reverse rep transactions)	-	-
18	Cash inflows from non-impaired receivables	5,243	3,457
19	Other cash inflows	125	125
20	**Total cash inflows**	**5,368**	**3,582**
			Net values
21	**Total high quality liquid assets (HQLA)**		**4,573**
22	**Total net cash outflow**		**1,430**
23	**Liquidity coverage ratio (LCR) in %**		**320%**

Q2 2015 Average

	Amounts in millions of CHF	Values not weighted (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)	Weighted values (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)
A.	**High quality liquid assets (HQLA)**		
1	Total of high quality liquid assets (HQLA)		**4,937**
B.	**Cash outflows**		
2	Deposits from retail clients	**8,511**	**1,172**
3	*of which stable deposits*	-	-
4	*of which less stable deposits*	*8,511*	*1,172*
5	Unsecured funding provided by corporate or wholesale clients	**7,571**	**3,799**
6	*of which operational deposits (all counterparties) and desposits of member institutions with their central institution*	-	-
7	*of which non-operational deposits (all counterparties)*	*7,564*	*3,792*
8	*of which unsecured debt instruments*	*7*	*7*
9	Secured funding provided by corporate or wholesale clients and collateral swaps	-	-
10	Other cash outflows	**269**	**51**
11	*of which cash outflows related to derivative and other transactions*	*30*	*30*
12	*of which cash outflows due to losses in funding possibilities for asset-backed securities (ABS), covered bonds and other structured financing instruments, assets backed commercial papers (ABCP), special purpose entities (conduits), securities investment vehicles and other such financing facilities*	-	-
13	*of which cash outflows from committed credit and liquidity facilities*	*239*	*21*
14	Other contractual funding agreements	**3**	**3**
15	Other contingent funding	**-**	**-**
16	**Total cash outflows**		**5,025**
C.	**Cash inflows**		
17	Collateralized financing transactions (e.g. reverse rep transactions)	-	-
18	Cash inflows from non-impaired receivables	4,742	3,273
19	Other cash inflows	130	130
20	**Total cash inflows**	**4,872**	**3,403**
			Net values
21	**Total high quality liquid assets (HQLA)**		**4,937**
22	**Total net cash outflow**		**1,622**
23	**Liquidity coverage ratio (LCR) in %**		**304%**

Q3 2015 Average

	Amounts in millions of CHF	Values not weighted (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)	Weighted values (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)
A.	**High quality liquid assets (HQLA)**		
1	Total of high quality liquid assets (HQLA)		**5,645**
B.	**Cash outflows**		
2	Deposits from retail clients	**8,702**	**1,201**
3	*of which stable deposits*	-	-
4	*of which less stable deposits*	*8,702*	*1,201*
5	Unsecured funding provided by corporate or wholesale clients	**8,266**	**4,116**
6	*of which operational deposits (all counterparties) and desposits of member institutions with their central institution*	-	-
7	*of which non-operational deposits (all counterparties)*	*8,265*	*4,114*
8	*of which unsecured debt instruments*	*2*	*2*
9	Secured funding provided by corporate or wholesale clients and collateral swaps	-	-
10	Other cash outflows	**216**	**50**
11	*of which cash outflows related to derivative and other transactions*	*35*	*35*
12	*of which cash outflows due to losses in funding possibilities for asset-backed securities (ABS), covered bonds and other structured financing instruments, assets backed commercial papers (ABCP), special purpose entities (conduits), securities investment vehicles and other such financing facilities*	-	-
13	*of which cash outflows from committed credit and liquidity facilities*	*182*	*16*
14	Other contractual funding agreements	**3**	**3**
15	Other contingent funding	**-**	**-**
16	**Total cash outflows**		**5,370**
C.	**Cash inflows**		
17	Collateralized financing transactions (e.g. reverse rep transactions)	-	-
18	Cash inflows from non-impaired receivables	4,448	3,045
19	Other cash inflows	207	207
20	**Total cash inflows**	**4,656**	**3,252**

			Net values
21	**Total high quality liquid assets (HQLA)**		**5,645**
22	**Total net cash outflow**		**2,118**
23	**Liquidity coverage ratio (LCR) in %**		**266%**

Q4 2015 Average

	Amounts in millions of CHF	Values not weighted (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)	Weighted values (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)
A.	**High quality liquid assets (HQLA)**		
1	Total of high quality liquid assets (HQLA)		**6,639**
B.	**Cash outflows**		
2	Deposits from retail clients	**9,214**	**1,289**
3	*of which stable deposits*	-	-
4	*of which less stable deposits*	*9,214*	*1,289*
5	Unsecured funding provided by corporate or wholesale clients	**8,736**	**4,231**
6	*of which operational deposits (all counterparties) and desposits of member institutions with their central institution*	-	-
7	*of which non-operational deposits (all counterparties)*	*8,734*	*4,229*
8	*of which unsecured debt instruments*	*2*	*2*
9	Secured funding provided by corporate or wholesale clients and collateral swaps	-	-
10	Other cash outflows	**118**	**41**
11	*of which cash outflows related to derivative and other transactions*	*31*	*31*
12	*of which cash outflows due to losses in funding possibilities for asset-backed securities (ABS), covered bonds and other structured financing instruments, assets backed commercial papers (ABCP), special purpose entities (conduits), securities investment vehicles and other such financing facilities*	-	-
13	*of which cash outflows from committed credit and liquidity facilities*	*87*	*10*
14	Other contractual funding agreements	**279**	**271**
15	Other contingent funding	**-**	**-**
16	**Total cash outflows**		**5,832**
C.	**Cash inflows**		
17	Collateralized financing transactions (e.g. reverse rep transactions)	7.50	7.50
18	Cash inflows from non-impaired receivables	4,211	2,764
19	Other cash inflows	128	128
20	**Total cash inflows**	**4,346**	**2,899**

			Net values
21	**Total high quality liquid assets (HQLA)**		**6,639**
22	**Total net cash outflow**		**2,933**
23	**Liquidity coverage ratio (LCR) in %**		**226%**