Annual Report

EFG Group

2016

EFG Group

EFG Bank European Financial Group SA

Annual Report for the year ended

December 31, 2016

Contents

Consolidated Financial Highlights

Balance sheet highlights

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Cash and due from banks	**12,058**	7,201
Loans and advances to customers	**18,902**	12,082
Financial assets	**7,851**	5,819
Structured products issued	**3,829**	3,238
Due to customers	**32,934**	19,998
Shareholders' equity	**2,378**	1,262
Balance sheet total	**42,623**	27,046

Statement of income highlights

(All figures in millions of CHF)	**2016**	2015
Net interest income	**197**	201
Net banking fee and commission income	**395**	375
Operating income	**723**	697
Operating expenses	**(696)**	(610)
Net profit for the year	**337**	54

Group personnel

In Full Time Equivalent (FTE)	**2016**	2015
Average number of employees during the year	**2,461**	2,111

Group Presence

EFG Bank European Financial Group SA
Quai du Seujet 24
1201 Geneva
Switzerland
www.efggroup.com

EFG International AG
Bleicherweg 8
8001 Zurich
Switzerland
www.efginternational.com

- **EFG International group**
- **EFG Bank European Financial Group SA**


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Report on the Consolidated Financial Statements for the year ended December 31, 2016

In 2016, EFG Group reached an important milestone in its history with the acquisition of BSI by EFG International, its global private banking and asset management subsidiary. As a result of this transformational step, EFG has become one of the largest Swiss private banks with almost CHF 145 billion of client assets under management. While focusing on completing this transaction, whose closing occurred on October 31, 2016, and driving forward with the integration process, the EFG Group has maintained its underlying profitability in a challenging operating environment thanks to a disciplined execution of its cost reduction programme. EFG's priority for the coming years is to fully realize the potential of this business combination for the benefit of its clients, shareholders and employees.

However, the environment remained challenging with volatile markets and heightened economic and political uncertainty. Consequently, reduced volumes of client activity were experienced. In addition, the pound sterling depreciated versus the Swiss franc following the Brexit vote. Against this backdrop EFG, without including acquired BSI, experienced a CHF -0.5 billion net outflow of client assets under management and a -1bp decline in the revenue margin. However, average client assets under management per customer relationship officer (excluding those newly hired during the year) increased to CHF 224 million from CHF 180 million for the previous year. Furthermore, for the two months ended December 31, 2016, BSI saw client assets under management decreasing by CHF -4.7 billion, of which CHF -3.4 billion driven mainly by business decisions to exit certain clients and locations. Including BSI, EFG Group's number of customer relationship officers totaled 699 at December 31, 2016. EFG Group's client assets under management increased to CHF 145 billion at year-end 2016, from CHF 85 billion a year ago, reflecting the acquisition of BSI.

Without including BSI, EFG Group's underlying operating income (excluding non-recurring items and life insurance policies) decreased by CHF -19 million, or -3%, to CHF 678 million, whilst underlying operating expenses were reduced by CHF -31 million, or -5%, to CHF 562 million as a result of exceeding the targets of the cost reduction programme initiated in 2015, maintaining its underlying profit in line with the previous year at CHF 86 million.

Total IFRS operating income reached CHF 723 million, compared to CHF 697 million for the previous year. This year-on-year increase is primarily driven by the inclusion of BSI's operating income for November and December of CHF 85 million, partially offset by losses on the life insurance portfolio of CHF -21 million due to increases in cost of insurance and the decision to repay a Tier 2 capital instrument, which triggered an additional interest charge of CHF -20 million.

Total IFRS operating expenses were CHF 696 million, up from CHF 610 million for the previous year, reflecting the inclusion of BSI's operating expenses of CHF 88 million for the last two months of the year, as well as BSI acquisition and integration related costs of CHF 36 million, largely offset by EFG's CHF -31 million reduction in underlying operating expenses.

Including non-underlying items and BSI's IFRS net loss of CHF -9 million for November

[1] *This figure excludes the following non-recurring items: CHF 531 million of bargain gain on the BSI acquisition (subject to the final purchase price adjustment process); CHF -171 million of post-tax intangible impairment charge relating to past acquisitions; CHF -36 million of costs relating to the acquisition and integration of BSI; CHF -21 million of negative contribution from life insurance policies; CHF -18 million of exceptional legal charges in connection with previously disclosed and other matters; CHF -20 million of one-off Tier 2 amortization costs; CHF -7 million of costs related to EFG's cost savings programme; and CHF -1 million of other costs.*

and December 2016, EFG Group's IFRS net profit for 2016 reached CHF 337 million, compared to CHF 54 million for the previous year. The 2016 net profit was positively impacted by non-underlying items totaling CHF 257 million, in particular a "bargain purchase on business acquisition" of CHF 531 million, reflecting the difference between the purchase consideration (partly comprised of a number of new shares agreed at signing and issued to the seller at closing) and the fair value of the net assets acquired, with an implied price-to-tangible book value ratio of 0.65. The profit arising on this acquisition may ultimately change as the purchase price is finalized with the seller (which has raised objections to certain proposed price adjustments) in line with the terms of the sale and purchase agreement signed between the parties, including any conclusions that may be reached by an independent expert on any potential unresolved asset valuations, a process which is not yet completed. However, based on presently available information, this process is not expected to have any material impact on the Group's consolidated regulatory capital. This bargain purchase on business acquisition was partially offset by a net after-tax intangible impairment charge relating to past acquisitions of CHF 171 million. The BSI acquisition and integration costs are estimated to total CHF 250 million upon completion of the integration in 2018, whilst cost synergies are estimated to exceed CHF 240 million per annum. A large portion of these cost synergies will arise from migrating the BSI businesses onto the EFG IT platform and from economies of scale in other areas of operations, management or governance functions.

With the BSI acquisition and capital raised in this context, EFG Group's balance sheet strengthened and remains liquid, with a loan-to-deposit ratio of 51% and a Liquidity Coverage Ratio of 213% at year-end 2016. Shareholders' equity totaled CHF 2.4 billion at the same date, up from CHF 1.3 billion a year ago. This increase arose mainly from the net profit for the year attributable to equity holders of the Group and non-controlling interests of CHF 337 million as well as net proceeds of new shares issued totaling CHF 708 million. As a result, EFG Group's Swiss GAAP total capital adequacy ratio reached 18.7% at year-end 2016 (post anticipated dividend).

The start of 2017 signaled the beginning of a new and extremely motivating era for the Group. However, it was also marked by an event that deeply saddened all of us at EFG: on February 18, 2017, EFG International's Honorary Chairman Jean Pierre Cuoni passed away in his 80th year. As co-founder of EFG Bank and its Chairman from 1997 to 2015, Chairman of EFG International from 2005 to 2015 and Board member of EFG Bank European Financial Group SA from 1995 to 2015, Jean Pierre Cuoni was the 'spiritus animus' of EFG International. He will be remembered for his vision and energy and for the extraordinary contribution he made to the development of EFG over the last two decades.

Going forward, the new combined Group will focus on delivering against the key pillars of the growth strategy it has defined for its combined business. In particular, it will concentrate on realizing the current competitive strengths of its franchise in the high-net-worth individual core private banking segment and on strengthening its enhanced global network. At the same time, the Group will expand on offering an extensive range of wealth management products and services through its flexible open architecture platform and increased penetration of its investment solution capabilities. While doing so, the Group will continue to draw on its entrepreneurial spirit and the high level of experience and continuity among its client relationship officers in order to differentiate its business from that of its peers.

OUTLOOK

In 2017, The Group's main focus will be on completing the integration of BSI successfully, whilst stabilizing and giving new impetus to the acquired business. The Group will also seek to capitalize on its attractive franchise and new brand by selectively hiring high-quality customer relationship officers and teams.

Following the completion of the integration process, the combined Group's ambition is to enhance its competitive position as a top-tier Swiss private bank, capture the significant potential for economies of scale, and deliver sustainable growth.

The Group remains committed to the previously communicated medium-term targets for its enlarged business post-completion of the BSI integration, aiming at continually growing its revenue-generating assets under management with a target annualized growth rate averaging 3% to 6% (excluding the effects of market and foreign currency movements), targeting a cost/income ratio of below 70% (excluding integration and restructuring costs relating to the acquisition), and achieving an annual revenue margin of at least 85 bps.

Spiro J. Latsis
Chairman of the Board

Eric S. Bertschy
Chief Financial Officer (and Deputy CEO)

EFG Group

EFG Bank European Financial Group SA

Consolidated Financial Statements for the year ended December 31, 2016

Consolidated Statement of Income for the year ended December 31, 2016

(All figures in millions of CHF)	Note	**2016**	2015
Interest and discount income		**438.4**	414.9
Interest expense		**(241.6)**	(214.1)
Net interest income	5	**196.8**	200.8
Banking fee and commission income		**479.0**	451.8
Banking fee and commission expense		**(84.1)**	(76.8)
Net banking fee and commission income	6	**394.9**	375.0
Dividend income	7	**1.9**	6.5
Net trading income and foreign exchange gains less losses	8	**128.9**	104.4
Net loss from financial instruments measured at fair value	9	**(8.1)**	(6.4)
Gains less losses on disposal of available-for-sale investment securities	10	**1.7**	14.2
Other operating income		**6.5**	2.6
Net other income		**130.9**	121.3
Operating income		**722.6**	697.1
Operating expenses	12	**(695.7)**	(609.7)
Bargain gain on business acquisition	31	**530.8**	-
Impairment on goodwill and other intangibles	32.1	**(199.5)**	-
Provisions	40	**(20.3)**	(20.0)
(Impairment) / Reversal of impairment on loans and advances to customers	11	**(3.8)**	0.1
Profit before tax		**334.1**	67.5
Income tax gain / (expense)	14	**2.5**	(13.6)
Net profit for the year		**336.6**	53.9
Net profit for the year attributable to:			
Net profit attributable to equity holders of the Group		**144.4**	25.6
Net profit attributable to non-controlling interests		**192.2**	28.3
		336.6	53.9

The notes on pages 15 to 124 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended December 31, 2016

(All figures in millions of CHF)	**2016**	2015
Net profit for the year	**336.6**	53.9
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to the Statement of Income:		
Currency translation difference and net investments hedge, net of tax	**(54.4)**	(22.1)
Fair value gains / (losses) on available-for-sale investment securities, before tax	**12.4**	(20.8)
Tax effect on available-for-sale investment securities	**(1.3)**	1.7
Transfer to the Statement of Income of realised available-for-sale investment securities reserve, before tax	**(1.7)**	(14.2)
Items that will not be reclassified to the Statement of Income:		
Retirement benefit gains / (costs)	**78.8**	(27.8)
Other comprehensive income / (loss) for the year, net of tax	**33.8**	(83.2)
Total comprehensive income / (loss) for the year	**370.4**	(29.3)
Total comprehensive income / (loss) for the year attributable to:		
Equity holders of the Group	**159.5**	(17.9)
Non-controlling interests	**210.9**	(11.4)
	370.4	(29.3)

The notes on pages 15 to 124 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet as at December 31, 2016

Assets

(All figures in millions of CHF)	Note	**Dec. 31, 2016**	Dec. 31, 2015
Cash and balances with central banks	17	**9,117.9**	5,017.7
Treasury bills and other eligible bills	19	**1,945.6**	757.1
Due from other banks	20	**2,939.6**	2,183.5
Loans and advances to customers	21	**18,901.5**	12,081.9
Derivative financial instruments	24	**830.6**	735.5
Financial assets at fair value:			
Trading assets	25	**748.0**	90.9
Designated at inception	26	**456.0**	305.0
Investment securities:			
Available-for-sale	27	**5,437.3**	4,243.8
Held-to-maturity	29	**1,209.9**	1,179.4
Intangible assets	32	**191.7**	271.7
Property, plant and equipment	33	**263.0**	30.6
Deferred income tax assets	15	**33.8**	35.0
Other assets	34	**547.6**	114.3
Total assets		**42,622.5**	27,046.4
Of which assets to significant shareholders		**0.3**	0.3

Liabilities

Due to other banks	35	**423.1**	484.8
Due to customers	36	**32,933.5**	19,998.2
Derivative financial instruments	24	**775.6**	713.4
Financial liabilities designated at fair value	38	**654.4**	353.1
Other financial liabilities	39	**3,828.5**	3,237.9
Subordinated loans	37	**265.3**	242.8
Debt issued	37	**334.4**	392.0
Current income tax liabilities		**19.2**	4.9
Deferred income tax liabilities	15	**10.8**	35.1
Provisions	40	**199.3**	7.7
Other liabilities	41	**800.0**	314.2
Total liabilities		**40,244.1**	25,784.1
Of which liabilities to significant shareholders		**118.7**	53.7

Shareholders' equity

Share capital	44	**500.0**	250.0
Reserves and retained earnings		**588.3**	478.6
		1,088.3	728.6
Non-controlling interests	46	**1,290.1**	533.7
Total shareholders' equity		**2,378.4**	1,262.3
Total liabilities and shareholders' equity		**42,622.5**	27,046.4

The notes on pages 15 to 124 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended December 31, 2016

(All figures in millions of CHF)	Share capital	Reserve and retained earnings	Sub-Total	Non-controlling interests	Total
Balance at January 1, 2015	250.0	496.2	746.2	550.0	1,296.2
Net profit for the year		25.6	25.6	28.3	53.9
Other comprehensive income for the year		(43.5)	(43.5)	(39.7)	(83.2)
Total comprehensive income for the year recognised in equity		(17.9)	(17.9)	(11.4)	(29.3)
Dividends distributed by subsidiaries attributable to non-controlling interests		-	-	(17.1)	(17.1)
Dividend paid by parent Bank		(3.0)	(3.0)	-	(3.0)
Dividends paid on Bons de Participation		(0.1)	(0.1)	(0.1)	(0.2)
Net sales / purchases of treasury shares of a quoted subsidiary		0.2	0.2	0.2	0.4
Net changes in Group's holdings in subsidiaries		(5.1)	(5.1)	5.1	-
Employee equity incentive plans		8.3	8.3	7.0	15.3
Balance at December 31, 2015	250.0	478.6	728.6	533.7	1,262.3
Balance at January 1, 2016	**250.0**	**478.6**	**728.6**	**533.7**	**1,262.3**
Net profit for the year		**144.4**	**144.4**	**192.2**	**336.6**
Other comprehensive income for the year		**15.1**	**15.1**	**18.7**	**33.8**
Total comprehensive income for the year recognised in equity		**159.5**	**159.5**	**210.9**	**370.4**
Capital increase	**250.0**	**(58.7)**	**191.3**	**516.3**	**707.6**
Dividends distributed by subsidiaries attributable to non-controlling interests		**-**	**-**	**(17.4)**	**(17.4)**
Dividend paid by parent Bank		**(3.0)**	**(3.0)**	**-**	**(3.0)**
Employee equity incentive plans		**11.1**	**11.1**	**14.0**	**25.1**
Increase in non-controlling interests		**-**	**-**	**31.2**	**31.2**
Other movements		**0.8**	**0.8**	**1.4**	**2.2**
Balance at December 31, 2016	**500.0**	**588.3**	**1,088.3**	**1,290.1**	**2,378.4**

The notes on pages 15 to 124 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow for the year ended December 31, 2016

(All figures in millions of CHF)	Note	**2016**	2015
Cash flows from operating activities			
Interest received		**449.5**	407.3
Interest paid		**(219.7)**	(216.1)
Banking fee and commission received		**491.7**	449.9
Banking fee and commission paid		**(86.6)**	(77.5)
Dividend received		**1.9**	6.5
Net trading income		**121.3**	98.9
Other operating receipts		**2.9**	2.5
Staff costs paid		**(459.1)**	(403.4)
Other operating expenses paid		**(214.4)**	(145.8)
Income tax paid		**(16.9)**	(13.2)
Cash flows from operating activities before changes in operating assets and liabilities		**70.6**	109.1
Changes in operating assets and liabilities			
Net (increase) / decrease in treasury bills		**(939.9)**	42.9
Net decrease / (increase) in due from other banks		**630.3**	(277.6)
Net increase in derivative financial instruments		**(56.5)**	(102.9)
Net decrease in loans and advances to customers		**1,530.5**	681.1
Net (increase) / decrease in other assets		**(346.6)**	8.0
Net (decrease) / increase in due to other banks		**(433.8)**	16.6
Net increase in due to customers		**517.6**	1,677.2
Net decrease / (increase) in other liabilities		**296.0**	(96.6)
Net cash flows from operating activities		**1,268.2**	2,057.8
Cash flows from investing activities			
Acquisition of business net of cash acquired		**3,213.8**	-
Purchase of securities		**(2,913.3)**	(2,241.8)
Proceeds from sale of securities		**2,638.2**	1,925.9
Purchase of property, plant and equipment	33	**(14.7)**	(7.3)
Purchase of intangible assets	32	**(18.2)**	(13.2)
Net cash flows from / (used in) investing activities		**2,905.8**	(336.4)
Cash flows from financing activities			
Dividend paid		**(20.4)**	(20.3)
Cash received on employee share options exercised		**0.2**	1.9
Net proceeds from sale of treasury shares of quoted subsidiary		**0.6**	0.4
Issuance of structured products		**7,763.1**	3,593.0
Redemption of structured products		**(7,047.9)**	(3,267.3)
Ordinary share issuance		**238.3**	-
Capital contributions from non-controlling interests		**18.8**	-
Net cash flows from financing activities		**952.7**	307.7
Effect of exchange rate changes on cash and cash equivalents		**159.8**	(86.6)
Net change in cash and cash equivalents		**5,286.5**	1.942,5
Cash and cash equivalents at beginning of period		**7,446.9**	5,504.4
Net change in cash and cash equivalents		**5,286.5**	1,942.5
Cash and cash equivalents	18	**12,733.4**	7,446.9

The notes on pages 15 to 124 form an integral part of these consolidated financial statements.

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. EFG International's principal places of business are in Switzerland, the Bahamas, Cayman Islands, Channel Islands, Hong Kong, Italy, Liechtenstein, Luxembourg, Monaco, Panama, Singapore, Spain, Taiwan, the United Kingdom and the United States of America.

The number of employees (FTEs) of the EFG Group at year end was 3,582 (2015: 2,147).

As at December 31, 2016, the Company's registered office is 24, quai du Seujet, 1201 Geneva, Switzerland.

These consolidated financial statements were approved for issue by the Board of Directors on April 25, 2017.

2. Principal accounting policies

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

(a) Basis of presentation

These consolidated financial statements are for the year ended December 31, 2016. These financial statements have been prepared in accordance with those International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards Interpretations Committee ("IFRS Interpretations Committee") interpretations issued and effective or issued and early adopted which are applicable for the year ended December 31, 2016.

These consolidated financial statements are subject to the approval of the shareholders.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair value.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The process also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these 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 is presented in note 3.

The Group's presentation currency is the Swiss franc ("CHF") being the functional currency of the parent company and of its major operating subsidiary EFG International.

In the current year, the Group considered all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee effective for accounting periods beginning on January 1, 2016.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those

followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2015.

New and amended standards effective January, 1 2016:

– IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after January 1, 2016).

– Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on May 6, 2014 and effective for the periods beginning on or after January 1, 2016).

– Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on May 12, 2014 and effective for the periods beginning on or after January 1, 2016).

– Agriculture: Bearer plants – Amendments to IAS 16 and IAS 41 (issued on June 30, 2014 and effective for annual periods beginning January 1, 2016).

– Equity Method in Separate Financial Statements – Amendments to IAS 27 (issued on August 12, 2014 and effective for annual periods beginning January 1, 2016).

– Annual Improvements to IFRSs 2014 (issued on September 25, 2014 and effective for annual periods beginning on or after January 1, 2016).

– Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after January 1, 2016).

– Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after January 1, 2016).

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group:

IFRS 9 Financial Instruments (amended in July 2014 and effective for annual periods beginning on or after January 1, 2018). The complete version of IFRS 9 replaces most of the guidance in IAS 39. Key features of the new standard are:

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair-value-through-profit-or-loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. Only embedded derivatives in host contracts that are financial assets are no longer separated from the financial assets. The accounting for embedded derivatives in non-financial host contracts remains unchanged from IAS 39.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition.

In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

The Group has performed a preliminary assessment of the impact of adopting IFRS 9. The adoption would result in measuring a significant portion of the currently held-to-maturity life settlement investments at fair value. Approximately 10% of the portfolio is expected to continue being measured at amortised cost due to embedded premium return features which limits the variability of the expected cash flow. The estimated impact of the IFRS adoption is to decrease the shareholders' equity by approximatively CHF 277 million and increase interest income before tax by CHF 25 million per year. This impact is less than the CHF 330.6 million shown in note 4.2.2 as relates to only part of the portfolio as described above. As this decrease in shareholders equity arises from IFRS 9, and the Group reports regulatory capital under Swiss GAAP, the adoption of IFRS 9 will not have any impact on the Groups regulatory capital.

The Group is currently assessing the impact of the expected credit losses measured under the IFRS 9 requirements.

– IFRS 15 'Revenue from Contracts with Customers', published in May 2014, determines how and when a revenue is recognised and replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group will apply this new standard for the financial reporting period commencing on January 1, 2018. The Group is currently assessing the impact on its financial statements.

– IFRS 16 'Leases', issued in January 2016 and effective for annual periods beginning on or after January 1, 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as the Group is required to recognise: a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and b) depreciation of lease assets separately from interest on lease liabilities in the statement of income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact on its financial statements.

– "Disclosure Initiative" – Amendments to IAS 7 issued on January 29, 2016 and effective for annual periods beginning on or after January 1, 2017. The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group will present this disclosure in its 2017 financial statements.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

– Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on January 19, 2016 and effective for annual periods beginning on or after January 1, 2017).

– Amendments to IFRS 15, Revenue from Contracts with Customers (issued on April 12, 2016 and effective for annual periods beginning on or after January 1, 2018).
– Amendments to IFRS 2, Share-based Payment (issued on June 20, 2016 and effective for annual periods beginning on or after January 1, 2018).
– Amendments to IFRS 4, Insurance Contracts (issued on September 12, 2016 and effective for annual periods beginning on or after January 1, 2018).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(b) Consolidation

(i) Subsidiaries

Subsidiary undertakings are all entities (including structured entities) over which the Group, directly or indirectly, has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date on which that control ceases. The Group applies the acquisition method of accounting to account for the business combinations. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments or liabilities undertaken at the date of acquisition including those resulting from contingent considerations arrangements. Costs related to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A list of the Group's principal subsidiaries is set out in note 30.

(ii) Non-controlling interests

IFRS 12 requires additional disclosures on the subsidiaries on which the non-controlling interests arise. The Group's non-controlling interests are essentially those on EFG International. EFG Group being essentially composed of EFG International, the financial information of this Group is not significantly different from EFG International and as such, no specific disclosures have been made.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the equity is re-measured at its fair value, with any changes in the carrying amount recognised in the Statement of Income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in Other Comprehensive Income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in Other Comprehensive Income are reclassified to the Statement of Income.

(iv) Put options over non-controlling interests

A wholly owned subsidiary of EFG International wrote a put option on shares in a subsidiary that are held by non-controlling interests. As the risks and rewards of the shares subject to the put option have not been transferred to the Group, the Group has adopted the double credit approach for balance sheet recognition. It has continued to recognise the non-controlling interest and separately recognised the put option as a liability by reclassification from Group equity. This financial liability is measured at management's best estimate of the redemption amount. Subsequent changes in the value of this liability are recorded in the Statement of Income.

(iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in Other Comprehensive Income is reclassified to the Statement of Income where appropriate.

(c) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in CHF which is the Group's presentation currency, as the functional currency of the Parent Company and its major operating subsidiary, EFG International. Assets and liabilities of foreign subsidiaries are translated using the closing exchange rate and Statement of Income items at the average exchange rate for the period reported. All resulting exchange differences are recognised as a separate component of equity (currency translation adjustment) reflected in reserves and retained earnings.

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries are taken to shareholders' equity until disposal of the net investments and then released to the Statement of Income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Year-end exchange rates and average exchange rates for translation of foreign

denominated subsidiaries for the main currencies are as follows:

	2016 Closing rate	**2016 Average rate**	2015 Closing rate	2015 Average rate
USD	**1.019**	**0.985**	0.993	0.963
GBP	**1.254**	**1.334**	1.470	1.471
EUR	**1.074**	**1.090**	1.083	1.068

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the Statement of Income, and other changes in carrying amount are recognised as Other Comprehensive Income.

(d) Derivative financial instruments and hedging

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

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

Certain derivatives, embedded in other financial instruments, such as the option in a structured product, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair-value-through-profit-or-loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Statement of Income, unless the Group chooses to designate the hybrid contracts at fair-value-through-profit-or-loss. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument; and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(i) hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge)
(ii) hedges of highly probable future cash flow attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge), or
(iii) hedges of a net investment in a foreign operation (net investment hedge)

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

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of

whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group will discontinue hedge accounting in the following scenarios:

- when the Group determines that a hedging instrument is not, or has ceased to be, highly effective as a hedge,
- when the derivative expires or is sold, terminated or exercised,
- when the hedged item matures, is sold or repaid; or
- when forecast transactions are no longer deemed highly probable.

Hedge ineffectiveness represents the amount by which:

– the changes in the fair value of the hedging instrument differ from changes in the fair value of the hedged item attributable to the hedged risk, or
– the changes in the present value of future cash flows of the hedging instrument exceed changes (or expected changes) in the present value of future cash flows of the hedged item.

Such ineffectiveness is recorded in current period earnings in net gain/(loss) from financial instruments measured at fair value. Interest income and expense on derivatives designated as hedging instruments in effective hedge relationships is included in net interest income.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Income, 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 item, for which the effective interest method is used, is amortised to the Statement of Income over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised as Other Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Income. Amounts accumulated as Other Comprehensive Income are recycled to the Statement of Income in the periods in which the hedged item will affect profit or loss (for example, when the forecast transaction that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Income.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised as Other Comprehensive Income; the gain or loss relating to the ineffective portion is recognised immediately in the Statement of Income. Gains and losses accumulated as Other Comprehensive Income are included in the Statement of Income when the foreign operation is disposed of.

(iv) Derivatives that do not qualify for hedge accounting

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

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 24.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Such a right of set off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

(i) in the normal course of business,
(ii) the event of default and
(iii) the event of insolvency of bankruptcy.

(f) Statement of Income

(i) Interest income and expenses

Interest income and expenses are recognised in the Statement of Income for all interest bearing instruments on an accruals basis, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group 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.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Negative interest recorded on placements with Swiss National Bank is presented within interest expense.

(ii) Banking fees and commissions

Fees and commissions are generally recognised on an accruals basis. Fees and commissions relating to foreign exchange transactions, bank charges, brokerage activities and portfolio management are recognised, as applicable, on either a time-apportioned basis, at the transaction date or on the completion of the underlying transactions.

Fees and commission arising from negotiating a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable contracts, usually on a time-apportioned basis. Asset management fees related to investment funds are recognised over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled and the fee can be reliably measured.

g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment are periodically reviewed for impairment, with any impairment charge being recognised immediately in the Statement of Income.

Depreciation is calculated on the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:

– Buildings own use	50 years
– Leasehold improvements	5 to 20 years
– Computer hardware	3 to 15 years
– Furniture, equipment and motor vehicles	3 to 10 years

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

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is reported under 'Intangible assets', while goodwill on acquisitions of associates is included in 'Investments in associates'. The carrying amount of goodwill is reviewed at least annually. Where evidence of impairment exists, the carrying amount of goodwill is re-assessed and written down to recoverable amount (whereby recoverable amount is defined as the higher of the asset's fair value less costs to sell and value in use). Goodwill is allocated to cash generating units for the purpose of impairment testing (note 32.2). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets - Client Relationships

They are stated at costs less accumulated amortisation calculated on the basis of a 14 year life. The remaining life is reviewed periodically for reasonableness.

(v) Other intangible assets - Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. It is periodically reviewed for impairment, with any impairment charge being recognised in the Statement of Income. Amortisation is calculated using the straight-line method over a 3 to 10 year basis. The acquisition cost of software capitalised is on the basis of the cost to acquire and bring into use the specific software.

(i) Financial assets and liabilities

All financial assets are recorded on the day the transaction is undertaken, with the exception of deposits and loans, which are entered in the balance sheet on their respective value dates. Purchases and sales of financial assets at fair value, held-to-maturity and available-for-sale are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through the Statement of Income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have

expired or when the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value are included in the Statement of Income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly as Other Comprehensive Income, until the financial asset is derecognised or impaired. At this time the cumulative gain or loss previously recognised as Other Comprehensive Income is recognised in the Statement of Income. Interest calculated using the effective interest method, is recognised in the Statement of Income. Dividends on available-for-sale equity instruments are recognised in the Statement of Income when the entity's right to receive payment is established.

The fair value of quoted investments in active markets is based on current bid prices. If there is no active market for financial assets, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

The Group has life insurance policies which are classified as financial assets at fair value, available-for-sale and held-to-maturity. For life insurance policies held at fair value, the Group uses a discounted cash flow valuation technique using non-market observable inputs, which incorporates actuarially based assumptions on life expectancy to value life insurance policies.

Life insurance policies that are classified as held-to-maturity generate a return based on the expected future cash flows, which is included in interest income and which increase the carrying value on the balance sheet. For policies transferred from available-for-sale, any available-for-sale equity reserve at the date of transfer is amortised into the Statement of Income (included in interest income as a deduction) over the estimated remaining life of the life insurance policies. Any excess of death benefit compared to the carrying value (immediately prior to the maturity) of an individual matured policy is amortised into the Statement of Income over the remaining portion of the originally estimated life of the life insurance policies.

If objective evidence exists that a held-to-maturity investment is impaired, the impairment loss is measured as the difference between the asset's carrying value and estimated future cash flows of the financial asset. The carrying amount of the asset is reduced accordingly and the loss is recognised in the Statement of Income. Premiums paid are recognised as part of the cost of the investment and increase the carrying value on the balance sheet.

The Group classifies its financial instruments in the following categories: financial assets at fair value; loans and receivables; available-for-sale; held-to-maturity investments and financial liabilities at fair value. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value

This category has two sub-categories of financial assets: financial assets held-for-trading, and those designated at fair value at inception.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if

so designated by management. Derivatives are also categorised as held-for-trading unless they are designated as hedging instruments.Holdings of precious metals and commodities are also classified into this category if they are held for trading purposes. They are initially recognised at cost and subsequently measured at fair value with changes in fair value being recognised in the Statement of Income.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group upon initial recognition designates as at fair value, or those that the Group upon initial recognition designates as available-for-sale. Assets classified as loans and receivables arise when the Group provides money, goods or services directly to a debtor.

(iii) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(iv) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(v) Financial liabilities at fair value

A financial liability is classified in this category if acquired principally for the purpose of buying in the short term, or if so designated by management as a hedge for an asset, or as a hedge for the derivative component of a structured product.

(j) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or portfolio of assets is impaired includes observable data that come to the attention of the Group about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified within the individual financial assets in the portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio; or
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

See (i) above for more details on application to life insurance assets.

(i) Available-for-sale assets

The Group determines that available-for-sale investments are potentially impaired for:

- Equity investments when there has been a significant or prolonged decline in the fair value of the investments below their cost. In determining what is significant or prolonged, the Group's management exercises judgment. The Group evaluates among other factors, the normal volatility in valuation. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.
- Debt investments when indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Statement of Income – is removed from Other Comprehensive Income and recognised in the Statement of Income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in the Statement of Income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Income, the impairment loss is reversed through the Statement of Income.

(ii) Financial assets carried at amortised cost

Impairment is recognised in the Statement of Income if there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has occurred, and (i) is as a result of one or more events related to a credit event, and (ii) if the impairment can be reliably estimated.

Trigger events may include (i) changes in credit worthiness of the counterparty, (ii) default or financial difficulty and/or bankruptcy of the counterparty, (iii) changes in the estimated cash flows due to adverse changes in the financial health of borrowers and national and economic conditions leading to defaults.

If a trigger event exists, the Group moves to the second step and the amount of the loss is measured as the difference between the respective assets carrying value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred).

The carrying value of the asset is reduced through the use of an allowance account and the loss is recognised in the Statement of Income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the Statement of Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of Income.

(k) Debt securities in issue and other financial liabilities

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the Statement of Income over the life of the borrowings using the effective interest method. If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of the liability and the consideration paid is included in gains less losses from other securities.

(l) Leases

The leases entered into by the Group are operating leases. The total payments made under operating leases are charged to the Statement of Income on a straight-line basis over the life of the lease.

(m) Deferred income tax

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. The expected effective tax rates are used to determine deferred income tax. The principal temporary differences arise from goodwill impairment, property, plant and equipment depreciation, pension and other retirement benefits obligations, and revaluation of certain financial assets and liabilities, including derivative instruments.

Deferred tax assets are only recognised to the extent that it is probable that they will crystallise in the future. Deferred tax relating to changes in fair values of available-for-sale investments, which is taken directly as Other Comprehensive income, is charged or credited directly as Other Comprehensive Income and is subsequently recognised in the Statement of Income together with the deferred gain or loss.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, 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.

(n) Employee benefits

(i) Retirement benefit obligations

The Group operates various pension schemes which are either defined contribution or defined benefit plans, depending on prevailing practice in each country.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. This applies to most of the locations where the Group operates except for Switzerland.

A defined benefit plan is a pension plan that is not a defined contribution plan. The Switzerland pension plan in place is classified as a defined benefit plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. In Switzerland, the Group maintains pension plans according to Swiss pension law. The Group's legal obligation, in respect of this plan, is merely to pay contributions at defined rates (defined contribution). However, these plans incorporate certain guarantees of minimum interest accumulation and conversion of capital to pension. As a result, these plans have been reported as defined benefit pension plans for IFRS purposes.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used as reference of risk free rates. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited as other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the Statement of Income.

(ii) Short-term employee benefits

The Group recognises short-term compensated absences and approved bonuses as a liability and an expense.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options or restricted stock units is recognised as an expense over the vesting period for options or restricted stock units granted under the plan.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or restricted stock units granted, excluding the impact of any non-market vesting conditions (for example, profitability and revenue growth targets). Non-market vesting conditions are included in assumptions about the number of options and restricted stock units that are expected to become exercisable. The expense recognised during each period is the pro-rata amount of the fair value of options expected to become exercisable plus the impact of the revision of original estimates, if any, which is recognised in the Statement of Income, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to the share capital (nominal value) and share premium when the options are exercised.

(o) Related party transactions

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

(p) Provisions

Provisions are recognised when:

a) The Group has a present legal or constructive obligation as a result of past events;
b) It is probable that an outflow of economic benefits will be required to settle the obligation; and
c) Reliable estimates of the amount of the obligation can be made.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(q) Dividend distributions

Dividend distribution on ordinary shares is recognised as a deduction in the Group's equity when approved by the corresponding company's shareholders.

(r) Treasury shares of quoted subsidiaries

Where the Company, or any of its subsidiaries, purchases shares in the quoted share capital of any company in the Group, or obtains rights to do so, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from total shareholders' equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Incremental costs directly attributable to the issue of new shares from Group's quoted subsidiaries are shown in equity as a deduction from the proceeds, net of tax.

(s) Fiduciary activities

Where the Group acts in a fiduciary capacity, such as nominee, trustee or agent, assets and income arising on fiduciary activities, together with related undertakings to return such assets to customers, are excluded from the financial statements. See note 48.

(t) Cash and cash equivalents

Cash and cash equivalents includes 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.

(u) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

(v) Repurchase and reverse-repurchase agreements

Repurchase and reverse-repurchase agreements are treated as secured financing agreements. The transfer of securities in the case of repurchase and reverse-repurchase agreements is not recorded in the balance sheet since the risks and rewards of ownership of the securities are not transferred. In reverse-repurchase agreements, cash collateral provided and in repurchase agreements, the cash collateral received are stated on the balance sheet. Interest income from reverse-repurchase agreements and interest expense from repurchase agreements are accrued in the period in which they are incurred.

3. Critical accounting estimates and judgements in applying accounting policies

In the process of applying the Group's accounting policies, the Group's management makes various judgments, estimates and assumptions that affect the reported amounts of assets and liabilities recognized in the financial statements in future periods. Estimates and judgments 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.

(a) Business combinations

The Group follows the guidance of IFRS 3 on acquisition of businesses. The fair value of assets and liabilities acquired are determined in accordance with IFRS 3 and other relevant IFRS standards. The Group uses independent experts to assist in the valuation of certain assets (pension, real estate, intangible assets related to client relationships). Consideration of the fair value of contingent liabilities and provisions are made by Group management in conjunction with the Group's legal and other advisors and additional information is disclosed in note 31.

As described in note 31, the process to finalise the acquired balance sheet of the BSI Group and the purchase consideration with the seller is not yet complete. Once the outcome of this process is known, the relevant amounts recorded at the date of acquisition will be retrospectively adjusted as allowed by IFRS.

(b) Impairment of intangible assets

The Group tests at least annually whether goodwill has suffered impairment in accordance with the accounting policy stated in note 2 (h). The recoverable amounts of cash-generating units are the higher of the assets' value in use and fair value less costs to sell which is determined on the basis of the best information available on the amount that could be obtained from the disposal of the assets in an arm's length transaction, after deduction of the costs of disposal. The value in use is determined by using a discounted cash-flow calculation based on the estimated future operating cash-flows of the asset. An impairment is recorded when the carrying amount exceeds the recoverable amount. For key assumptions used in value in use calculations and further information please refer to note 32.2.

(c) Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques (note 4.2.1). Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are validated before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(d) Financial assets at fair value - Life insurance policies

The Group follows the guidance of IFRS 13 on the valuation of unquoted designated at fair value life insurance policies (note 4.2.1). Given the illiquidity of the market for life insurance policies and the absence of market observable valuations for portfolios of similar characteristics, the Group has adopted an Income Approach (Method 1) to the valuation. The Income Approach risk adjusts future cash flows and then discounts these using a risk free rate. The key risk adjustments made in the fair value measurement include longevity risk (including the risk of statistical volatility), credit risk, risk of change in cost of insurance and liquidity risk. The valuation is most sensitive to longevity risk and risk of change in cost of insurance (premium increase risk), and as a result the Group discloses sensitivities to these in note 4.2.1.

(e) Available-for-sale – Life insurance policies

The Group follows the guidance of IFRS 13 on the valuation of unquoted available-for-sale life insurance policies. The Group uses a valuation method as described in (d) above.

(f) Impairment of other available-for-sale investments

The Group determines any impairment of available-for-sale investments through a two-step process. The Group first performs a review at each reporting date to determine whether there is objective evidence that impairment exists for a financial asset. If such evidence exists, the Group measures and records the impairment loss in the reporting period. The Group determines that available-for-sale investments are potentially impaired when there has been a significant or prolonged decline in the fair value of the investments below their cost. In determining what is significant or prolonged, the Group's management exercises judgment. The Group evaluates among other factors, the normal volatility in valuation. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(g) Held-to-maturity investments – Life insurance policies

The Group concluded that it is appropriate to classify certain life insurances policies as held-to-maturity for the reasons explained below and that these financial assets fall within the definition of IAS 39.9 related to held-to-maturity classification:

- Non-derivative financial asset: Life insurance policies are not treated as derivatives and are akin to fixed income instruments. A derivative typically

involves only a percentage of the notional exposure being paid for and a leverage effect. However, the full value of the life insurance policies was paid when they were acquired and no leverage effect exists.

- Fixed or determinable payments: Cash flows relating to life insurance policies are the premium payments required to keep policies in force and the death benefits receivable. The cash flow timing is determined by mortality assumptions derived from the standard mortality tables.
- Fixed maturity: No financial assets with indefinite lives can be classified as held-to-maturity. The life insurance policies have a prefixed event that determines the maturity of the instrument (i.e. the death of the insured which is estimated based on actuarial data).
- Intention and ability to hold to maturity: the Group concluded on recognition in 2010 that it had and continues to have the intention and the ability to hold these life insurance policies until maturity.

On October 31, 2016, the Group filed two legal claims in the U.S. District Court of California against AXA Equitable Life Insurance Company and Transamerica Occidental Life Insurance Company challenging extraordinary and unprecedented increases in cost of insurance communicated by these carriers. Additionally, on February 2, 2017, the Group filed a third legal claim in the same court against Lincoln National Life Insurance Company. All these policies are currently classified as Investment securities: Held-to-Maturity in the Group's Balance Sheet as of December 31, 2016. The outcomes of these litigations depend on many factors, including the inherent unpredictability of legal outcomes.

The Group is challenging in court the extraordinary and unprecedented increases in cost of insurance communicated by these three carriers that originally issued certain life insurance policies classified as held-to-maturity in the Group's balance sheet. The Group tests at least annually whether life insurance policies held-to-maturity have suffered impairment in accordance with the accounting policy stated in note 2 (j). The Group has concluded that there is no impairment at December 31, 2016.

For sensitivity purposes the Group has made an assessment of the potential impact of the use of the full level of these communicated extraordinary and unprecedented cost of insurance increases, rather than management's best estimate. Management's assessment of the potential impact is that the sum of the carrying value and the premiums expected to be paid under the currently estimated life expectancy curves would be approximately CHF 135 million higher than the total death benefits receivable, resulting in a potential impairment.

(h) Held-to-maturity investments - Others

The Group follows the IAS 39 guidance on classifying non-derivative financial assets, with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. The Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity, it will be required to reclassify the entire category as available-for-sale. The investments would therefore be measured at fair value, not amortised cost.

(i) Income taxes and deferred tax

The Group is subject to income taxes in various jurisdictions. Estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant

estimates are required to determine the current and deferred tax assets and liabilities. 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.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The determination of whether an outflow is probable and the amount, which are assessed by Group management in conjunction with the Group's legal and other advisors requires the judgement of the Group's management.

(k) Retirement benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefit will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 43.

(l) Loans and advances to customers

Allowances for credit losses represent management's best estimate of credit losses incurred in the loan portfolio at the balance sheet date due to credit deterioration of the issuer or counterparty. In preparing these consolidated financial statements management has made estimates and assumptions taking into account historical information and experience. Actual results may differ from these estimates.

4. Financial risk assessment and management

The management of the Group believes that the proper management of risks is critical for the continued success of the Group and its subsidiaries. In this respect, the Group has established a comprehensive risk supervision framework, also taking into consideration regulatory requirements in Switzerland and other applicable jurisdictions. As part of this risk supervision framework, the Group has established policies and procedures in order to ensure that various categories of risk, such as credit, country, market, liquidity, operational, compliance, legal and reputational, can be identified and managed throughout the organisation in an effective and consistent manner.

The Group's primary activities performed through its business units reflect the execution of client related activities, with the clients carrying the risk. Within the risk appetite framework agreed and approved by EFG International's Board of Directors and

its related Risk Committee, the Group also maintains "nostro" positions in a number of selected areas. Consequently, the Group takes limited credit, market and liquidity risks, with most credit risk being limited to margin loans and other secured exposures to clients as well as exposures to banks and financial institutions, and with market risk being mainly restricted to foreign exchange, interest rate gapping and life insurance settlement positions maintained within defined parameters. The Group is also exposed to operational and reputational risks.

At EFG International level, where the vast majority of the risks of the Group lie, ultimate responsibility for the supervision of risk management lies with EFG International's Board of Directors, which define the risk appetite of the organisation and sets policies. The EFG International's Board of Directors, has delegated certain supervision and approval functions to its Risk Committee and Audit Committee.

The Group is also exposed to certain financial risks that may impact adversely our portfolio of life insurance policies, in the form of increases in the cost of insurance charges and longevity risk. Monitoring changes in cost of insurance and longevity expectations of the insureds is based on periodic studies done by expert actuaries retained by the Group. Typical financial information submitted for monitoring and approval includes financial forecasts, impairment reviews, cash flow projections, sensitivity analysis using different scenarios and results of actuarial studies. Managements utilises all information available to determine the assumptions used in the valuation of these portfolios. This information is submitted to key management personnel on a periodic basis and is reviewed by the EFG International's Executive Committee.

The EFG International's Board has delegated to the EFG International's Risk Committee the responsibility to analyse the main risks the Group may be exposed to. These main risks are the credit, market and operational risk as detailed below. Monitoring of credit risk is based on the ratings, diversification and evolution; the one for the market risk is based on the average positions over the last year and on the calculation of Value at Risk ("VaR") (including stress scenario analysis); the one for the operational risk on its inventory of the identified risks with an indication of their probability of occurrence and the potential financial impacts estimated. In addition, the Group has taken into account in its analysis the risk mitigation measures and the internal control framework (including the internal procedures). EFG International's Board has also focused its attention to the guarantee of a constant monitoring and evaluation of these risks, as well as the measurement of the potential impact of these risks on the financial statements. Based on this analysis, the EFG International's Board has approved the Risk Policy.

At the EFG International management level, the ultimate responsibility for the implementation of policies and compliance with procedures lies with the following EFG International's committees: Executive Committee; Regulatory and Compliance Committee; Management Risk Committee and Executive Credit Committee. Independent assurance to EFG International's Board of Directors, Risk Committee, Audit Committee and Executive Committee on the implementation of and adherence to the Group's policies and procedures by the Group's business entities, as well as the effectiveness of the organisation's risk management framework is provided by both internal and external auditors, or by other external providers when mandated.

At EFG Bank European Financial Group SA ("the Bank") level, the Board of Directors supervises the Bank's risks managed by the Management and proceeds annually with an assessment of the Bank's risks. In addition, it monitors EFG International's

risk via attendance of EFG International's Risk Committee by Board members and Executives of the Bank and through the quarterly risk assessment report issued by EFG International's Chief Risk Officer.

Risk Governance and Organisation at EFG International level

The EFG International Board of Directors determines the overall risk appetite for the Group. The EFG International Board of Directors has delegated responsibilities for risk oversight activities as follows:

– The Risk Committee of EFG International's Board of Directors is responsible for overseeing Executive Management's implementation of the Group Risk Appetite policy, reporting on the state of risk culture in the Group, and interacting with and overseeing the Chief Risk Officer and the Chief Compliance Officer. The Committee's work includes oversight of the strategies for capital and liquidity management as well as the management of all relevant risks of the Group, such as credit, market, liquidity, operational and reputational risks, to ensure they are consistent with the stated risk appetite.

– The Audit Committee of EFG International's Board of Directors is responsible for the oversight of: (i) the financial and business reporting processes, including the selection and application of appropriate accounting policies, (ii) the integrated internal control systems for financial reporting as well as the internal controls of areas beyond financial reporting, (iii) the Company's and Group tax risks, and (iv) the internal and external audit processes.

– EFG International's Executive Committee has responsibility for the implementation of, and compliance with, risk related policies, procedures and internal regulations which also include operational, legal and reputational risks.

– EFG International's Asset and Liability Committee is responsible for the management of the Group's consolidated balance sheet. In particular, it is responsible for the management of EFGI Market Risk exposure and liquidity, with control delegated to the Risk Committee and the Management Risk Committee.

– EFG International's Regulatory and Compliance Committee is responsible for the oversight of the Group with regards to matters relating to regulatory and compliance activities.

– EFG International's Management Risk Committee is responsible for the review of market, credit, concentration and liquidity & funding risks' exposures incurred by the Group and the structures in place for monitoring and reporting them, including compliance with policies and procedures, as well as exposures relative to limits. The Management Risk Committee is also responsible for the overall stress test programme encompassing trading and banking book portfolios.

– EFG International's Fiduciary and Suitability Committee is responsible for monitoring of the regulated Asset Management businesses within the Group associated with the discretionary management of assets. The Regulatory and Advisory Compliance team ensures through a network of Fiduciary and Suitability Committees that the holdings of discretionary and advisory portfolios managed or advised throughout the Group adhere to the mandate in place, to the Group Limits Directive and to the strategy that applies to the relevant model portfolio. These committees also ensure that whatever is purchased for clients is suitable for them, conforming to the Group's Suitability Directive. The same team also ensures through a network of Local Product Committees that all products or securities sold to clients or bought for them have been through the appropriate approval process.

Fiduciary and Suitability Committees and Local Product Committees report their findings respectively to the Fiduciary and Suitability Committee and the Group Product Committee, which in turn send their minutes to the Executive Committee and the Risk Committee.

– EFG International's Executive Credit Committee has responsibility for the management of client credit risk, including insurance companies and corporate names.

– EFG International's Country and Counterparty Subcommittee of the Executive Credit Committee is responsible for correspondent banking broker and custodian relationships and for counterparty credit risk for banks and financial institutions as well as country limits within approved guidelines and parameters.

– EFG International's Chief Risk Officer is responsible for the management and oversight of credit, market, liquidity and operational risks. In achieving this, further to the appointment of global risk officers within Risk Management responsible for each of these risks, he also collaborates with other central Group functions that also undertake risk oversight activities for their respective area of responsibility, such as the Chief Financial Officer, Chief Operating Officer, Group Chief Compliance Officer and General Counsel. Each business region has its own designated Regional Risk Officer who is responsible for the oversight of risk Management in the region and reports to local senior management and to the Group's Chief Risk Officer.

– EFG International's Chief Financial Officer is also responsible for the consolidated financial regulatory reporting, balance sheet and capital management, i.e. the maintenance of a sound capital adequacy ratio, global Compliance function and the relationship with regulators across the Group, and product approval and fiduciary review processes.

– EFG International's Chief Operating Officer is, among other, responsible for the oversight of IT security matters, operational integration of new businesses, business continuity management throughout the Group and the Group's insurance cover policies, as well as the Treasury Middle Office of EFG Bank AG in Switzerland.

– EFG International's Group Chief Compliance Officer heads the Compliance function and is responsible for providing efficient support to the Groups managing bodies with regards to the management of compliance, regulatory and reputational risk. In addition, the Compliance function is also responsible for monitoring compliance with anti-money laundering/know-your-customer and cross-border activity rules, as well as adherence to product suitability, product selling restrictions and the Code of Conduct.

– EFG International's General Counsel is responsible for the management and oversight of legal risk, together with the Litigation team.

Members of the Executive Committee of EFG Bank European Financial Group SA participate, as member or attendee as the case may be, in meeting of some of these EFG International Board or Management Committees as relevant.

4.1 Credit risk

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

4.1.1 Credit risk management

a) Loans and advances

A basic feature of the credit approval process is a separation between the firm's business origination and credit risk management activities. Credit requests are initiated by Client Relationship Officers and must be supported by Regional Business Heads and are thereafter analysed and submitted to the competent credit approval bodies and processed by the credit departments.

EFG International's Executive Credit Committee has overall responsibility for EFG International's client credit business, including the implementation of credit policies and procedures defined by the EFG International's Board. Certain duties, including monitoring of day-to-day operations, have been delegated to the various Credit Departments within the EFG International group under the supervision of the Credit Department of EFG Bank AG. The approval of loans, ceilings and other exposures has been delegated, based on certain defined risk and size criteria, to senior members of the credit departments, certain credit committees of international units and to the Executive Credit Committee of EFG International. Credits granted by EFG Bank European Financial Group SA are under the approval responsibility of its own Credit Committee and Board as relevant.

To qualify as collateral for a margin loan, a client's securities portfolio must be well diversified with differing margins applied depending on the type of risk profile and liquidity of the security. Additional margins are applied if the loan and the collateral are not in the same currency or diversification criteria are not fully met. Within the EFG International group, mortgages are mainly booked in Switzerland and at EFG Private Bank Ltd, London. They are related predominantly to properties in Switzerland and in prime London locations.

Within the EFG International Group, the approval of large and higher risk profile exposures is centralised in Switzerland, in compliance with local regulatory and legal requirements of the individual, international business units.

Management insists on thoroughly understanding the background and purpose of each loan (which is typically for investment in securities, funds or investment related insurance policies) as well as the risks of the underlying collateral of each loan.

The Group'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 Group's loan book is of high quality. Consequently, an overwhelming majority of the Group's credit exposures are rated within the top three categories.

Following table describes the internal definition of different grading level (broadly they follow the risk categories of external rating agencies):

Group's ratings	Rating	Description of grade	S&P's rating
1	Top	Secured by "cash collateral or equivalent" - good diversification	AAA
2	High	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 ratings such as S&P's ratings or their equivalents, are used by the Group for managing the credit risk exposures.

4.1.2 Risk limit control and mitigation policies

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

Credit loans guaranteed by real estate is treated in conformity with the regulatory authorities directives pertaining to examination, valuation and treatment of credits guaranteed by real estate and with the internal directives (regulations, procedures) on mortgage loans in relation to different geographical areas. All the real estate provided as collateral must be evaluated by either the automatic valuation tool approved by the Credit Department or by internal professionals of the Credit Department. External valuations can also be accepted as long as the competence and independence of the external professional can be guaranteed.

Credit departments monitor credit exposures against approved limits and pledged collateral. If necessary, they initiate rectification steps. Most collateral is valued daily (but may be valued more frequently during periods of high market volatility). However, structured notes, certain mutual and hedge funds are valued monthly, whereas insurance policies are valued at least annually. UK mortgage valuations are reviewed annually and updated using statistical (indexation) methods.

Management of exposure to financial institutions is based on a system of counterparty limits coordinated at the Group level, subject to country limits. Limits for exposure to counterparties are granted based upon internal analyses. The limits are set and supervised by EFG

International's Executive Credit Committee depending on each counterparty's S&P or Moody's ratings (with reference to individual and support ratings) and on the counterparties total equity. These limits are annually reported to the Risk Committee.

At EFG Bank European Financial Group SA level, the limits are approved by its management Committee and Board of Directors as relevant. Limits are set within individual and consolidated regulatory limits.

Other specific control and mitigation measures are outlined below.

a) Collateral

The Group 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 Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:

– Charges over financial instruments such as debt securities and equities;
– Bank guarantees;
– Mortgages over residential and to a limited extent commercial properties;
– Assignment of guaranteed cash surrender value of life insurance policies.

b) Derivatives

The Group maintains a strict monitoring of credit risk exposure induced by over-the-counter derivatives transactions vs. dedicated limits granted. Credit risk exposure considers the current credit risk exposure through the marking-to-market of the transactions and the potential future exposure through dedicated add-on factors applied to the notional of the transactions. While being ignored in the computation of credit risk, EFGI Business units have signed mitigating agreements with its most important financial institutions counterparties; collateral paid or received being taken into consideration.

c) Credit related commitments

Credit related commitments include the following:

– Guarantees, forward rate agreements 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 Group is potentially exposed to loss in an amount equal to the total unused commitments. However, commitments to extend credit are contingent upon customers maintaining specific credit standards.

For all the above, the same standards apply regarding approval competences, collateral requirements and monitoring procedures as outlined under paragraph 4.1.1. a).

The guarantees and irrevocable lines of credit can be drawn by the customers only if the client has adequate collateral pledged with the Group. Should the guarantees and irrevocable lines of credit be drawn, the majority of the facilities would be rated by the Group with a rating of 1 to 3.

4.1.3. Exposure to credit risk

The following table compares a worst case scenario of credit risk exposure to the Group at December 31, 2016 and 2015, before and after collateral held or other credit enhancements. Equity related financial instruments are not included in the below analysis as they are not considered as subject to credit risk.

	Maximum exposure before collateral held or other credit enhancements		Exposure after collateral held or other credit enhancements	
(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Cash and balances with central banks	**9,117.9**	5,017.7	**9,117.9**	5,017.7
Treasury bills and other eligible bills	**1,945.6**	757.1	**1,945.6**	757.1
Due from other banks	**2,939.6**	2,183.6	**2,294.4**	1,749.1
Loans and advances to customers:				
Overdrafts, Lombard loans and term loans	**12,118.9**	8,836.0	**380.2**	47.8
Mortgages	**6,782.6**	3,245.9	**-**	-
Derivative financial instruments	**830.6**	735.5	**190.8**	135.3
Financial assets at fair value:				
Trading Assets - Debt securities	**491.5**	90.9	**491.5**	90.9
Designated at inception - Debt securities	**456.0**	305.0	**161.2**	27.2
Investment securities - Debt securities	**6,604.9**	5,394.6	**6,604.9**	5,394.6
Other assets	**547.6**	114.3	**181.6**	78.5
On-balance sheet assets	**41,835.2**	26,680.6	**21,368.1**	13,298.2
Financial guarantees	**781.6**	292.3	**150.4**	1.3
Loan commitments, and other credit related guarantees	**213.2**	104.3	**133.3**	22.6
Off-balance sheet items	**994.8**	396.6	**283.7**	23.9
Total	**42,830.0**	27,077.2	**21,651.8**	13,322.1

See note 23 Collateral for loans and advances to customers which shows that collateral comprised 96.9% (2015: 99.5%) of the total. Mortgages are 100% secured.

Exposure after collateral held or other credit enhancements by ratings

December 31, 2016 based on S&P's ratings:

(All figures in millions of CHF)	AAA - AA	A	BBB - BB	B - C	Unrated	Total
Cash and balances with central banks	9,052.0	-	65.9	-	-	9,117.9
Treasury bills and other eligible bills	1,945.6	-	-	-	-	1,945.6
Due from other banks	377.6	1,001.3	260.9	-	654.6	2,294.4
Loans and advances to customers:						
Overdrafts, Lombard loans and term loans	28.3	52.5	261.1	37.9	0.4	380.2
Mortgages	-	-	-	-	-	-
Derivative financial instruments	27.7	69.7	7.9	-	85.5	190.8
Financial assets at fair value:						
Trading Assets - Debt securities	46.7	108.3	323.4	11.6	1.5	491.5
Designated at inception - Debt securities	154.9	3.7	-	2.6	-	161.2
Investment securities - Debt securities	5,332.1	898.3	194.7	-	179.8	6,604.9
Other assets	-	-	-	-	181.6	181.6
Total on-balance sheet assets 2016	**16,964.9**	**2,133.8**	**1,113.9**	**52.1**	**1,103.4**	**21,368.1**
Total on-balance sheet assets 2015	10,367.6	1,620.7	420.4	57.1	832.4	13,298.2
Financial guarantees	-	-	-	-	150.4	150.4
Loan commitments, and other credit related guarantees	-	-	-	-	133.3	133.3
Total off-balance sheet items 2016	**-**	**-**	**-**	**-**	**283.7**	**283.7**
Total off-balance sheet items 2015	-	-	-	-	23.9	23.9

Concentration of risks of financial assets with credit risk exposure

The Group manages the risk of concentration by monitoring and reviewing on a regular basis its large exposures.

As of December 31, 2016, the carrying value of the exposure of the ten largest borrowers was CHF 1,840.1 million (2015: CHF 1,518 million).

4.1.4 Loans and advances

Loans and advances are summarised as follows:

		Dec. 31, 2016		Dec. 31, 2015	
(All figures in millions of CHF)		**Loans and advances to customers**	**Due from other banks**	Loans and advances to customers	Due from other banks
Neither past due nor impaired	a)	**18,630.9**	**2,939.6**	11,830.4	2,183.5
Past due but not impaired	b)	**270.6**	**-**	251.5	-
Impaired		**43.2**	**-**	6.7	-
Gross		**18,944.7**	**2,939.6**	12,088.6	2,183.5
Less: allowance for impairment		**(43.2)**	**-**	(6.7)	-
Net		**18,901.5**	**2,939.6**	12,081.9	2,183.5

The total impairment provision for loans and advances of CHF 43.2 million (2015: CHF 6.7 million) comprises specific provisions against individual loans. Note 22 relates to the impairment allowance for loans and advances to customers.

a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group (refer to note 4.1.1 for definition of internal grades).

	Dec. 31, 2016 Loans and advances to customers		
(All figures in millions of CHF)	**Overdrafts, Lombard and Term loans**	**Mortgages**	**Total**
Grades			
Grade 1 - 2	**8,346.6**	**2,065.7**	**10,412.3**
Grade 3	**2,907.7**	**3,345.1**	**6,252.8**
Grade 4 - 5	**462.6**	**1,260.9**	**1,723.5**
Grade 6 - 7	**44.6**	**125.6**	**170.2**
Grade 8	**13.4**	**19.1**	**32.5**
Grade 9 - 10	**19.3**	**20.3**	**39.6**
	11,794.2	**6,836.7**	**18,630.9**

	Dec. 31, 2015 Loans and advances to customers		
(All figures in millions of CHF)	Overdrafts, Lombard and Term loans	Mortgages	Total
Grades			
Grade 1 - 2	6,236.8	394.3	6,631.1
Grade 3	2,143.6	2,232.7	4,376.3
Grade 4 - 5	237.2	540.7	777.9
Grade 6 - 7	19.3	21.0	40.3
Grade 8	-	0.3	0.3
Grade 9 - 10	4.5	-	4.5
	8,641.4	3,189.0	11,830.4

b) Loans and advances past due, but not impaired

Loans and advances less than 180 days past due, are not considered impaired unless other information is available to indicate the contrary. The gross amount of loans and advances to customers by class, that were past due but not impaired, were as follows:

	Dec. 31, 2016		
(All figures in millions of CHF)	**Overdrafts, Lombard & Term loans**	**Mortgages**	**Total**
Greater than 180 days, past due	**208.9**	**50.5**	**259.4**
Less than 180 days, past due	**9.6**	**1.6**	**11.2**
Total	**218.5**	**52.1**	**270.6**
Fair value of collateral	**335.5**	**92.1**	**427.6**

	Dec. 31, 2015		
(All figures in millions of CHF)	Overdrafts, Lombard & Term loans	Mortgages	Total
Greater than 180 days, past due	193.0	49.7	242.7
Less than 180 days, past due	1.6	7.2	8.8
Total	194.6	56.9	251.5
Fair value of collateral	196.4	84.3	280.7

4.1.5 Impairment and provisioning policies

The internal and external rating systems described in note 4.1.1 focus primarily on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that are expected at the balance sheet date based on objective evidence of impairment (see note 2 (j)).

All the impairment provisions come from the bottom grade. The table below shows the percentage of the Group's on balance sheet items relating to loans and advances to customers, and the associated impairment provision for each of the Group's internal grade descriptions:

	Dec. 31, 2016		Dec. 31, 2015	
Grade descriptions	**Loans and advances (%)**	**Impairment provision (%)**	Loans and advances (%)	Impairment provision (%)
Grade 1 - 2	**55.0%**	**-**	54.9%	-
Grade 3	**33.1%**	**-**	36.2%	-
Grade 4 - 5	**9.1%**	**-**	6.4%	-
Grade 6 - 7	**2.3%**	**4.1%**	2.4%	-
Grade 8	**0.2%**	**3.0%**	0.0%	-
Grade 9 - 10	**0.3%**	**92.9%**	0.1%	100.0%
	100.0%	**100.0%**	100.0%	100.0%

The internal rating tool assists management to determine whether objective evidence of impairment exists, based on criteria set out by the Group including delinquency in contractual payments of principal or interest, breach of loan covenants or conditions, initiation of bankruptcy proceedings, deterioration in the value of collateral and downgrading below investment grade level.

4.1.6 Debt securities, treasury bills, other eligible bills and investment securities

The table below presents an analysis of debt securities, treasury bills, other eligible bills and investment securities subject to credit risk, by rating agency designation at December 31, 2016 and December 31, 2015 based on internal ratings:

	Dec. 31, 2016					
(All figures in millions of CHF)	**Treasury bills and other eligible bills**	**Trading Assets**	**Designated at inception**	**Investment securities Available-for-sale**	**Investment securities Held-to-maturity**	**Total**
Grade 1 - 2	**1,945.6**	**46.8**	**383.2**	**4,473.3**	**858.8**	**7,707.7**
Grade 3	**-**	**108.3**	**41.6**	**748.7**	**149.6**	**1,048.2**
Grade 4 - 5	**-**	**323.3**	**30.3**	**2.6**	**192.1**	**548.3**
Grade 6	**-**	**11.6**	**-**	**-**	**-**	**11.6**
Unrated	**-**	**1.5**	**0.9**	**170.4**	**9.4**	**182.2**
Total	**1,945.6**	**491.5**	**456.0**	**5,395.0**	**1,209.9**	**9,498.0**

	Dec. 31, 2015					
(All figures in millions of CHF)	Treasury bills and other eligible bills	Trading Assets	Designated at inception	Investment securities Available-for-sale	Investment securities Held-to-maturity	Total
Grade 1 - 2	757.1	-	199.4	3,390.6	862.1	5,209.2
Grade 3	-	59.1	45.5	735.0	120.2	959.8
Grade 4 - 5	-	24.6	40.1	52.2	138.3	255.2
Grade 6	-	-	18.9	4.1	50.6	73.6
Unrated	-	7.2	1.1	33.3	8.2	49.8
Total	757.1	90.9	305.0	4,215.2	1,179.4	6,547.6

4.2. Market risk

Market risk is the risk of losses arising from unexpected changes in interest rates, exchange rates, share prices or the prices of precious metals and commodities, as well as the corresponding expected volatility. Market risk can have an impact on the Groups Statement of Income and the value of its assets.

Risks related to the balance sheet structure (interest rate and foreign exchange rate) are managed by EFG International's Asset and Liability Committee and monitored by EFG International's Group Market Risk, in accordance with the principles and maximum limits stipulated by EFG International's Groups Risk Policy. The Board delegated Risk Committee of EFGI International, the Group's principal business, sets sensitivity risk limits for the economic

value of equity and the net interest income, which are monitored by the EFG International's Group Risk Control. The Group uses derivative financial products for Asset and Liability Management (ALM) and for trading purposes.

The Group carries out trading operations both for its clients and on its own account using all financial products and their derivatives. The trading portfolio is governed by a dedicated Market Risk Policy, which defines the organisational structure, responsibilities, limit systems and maximum acceptable risk. The trading activities are monitored on a daily basis by the Group Market Risk.

In addition to its trading portfolio, the Group has an investment portfolio, which allows it to diversify balance sheet assets and to optimise any excess liquidity. The investment portfolio is divided into a range of portfolios on the basis of the type of product and strategy. The risks of the investment portfolio are under the supervision of the Asset and Liability Committee and monitored by the Group Market Risk.

4.2.1 Assets and liabilities measured at fair value

a) Fair value hierarchy

IFRS 13 require classification of financial instruments at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For financial instrument that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

	Dec. 31, 2016				
(All figures in millions of CHF)	Level 1	Level 2	Level 3	Total	Total
Derivative financial instruments (assets):					
Currency derivatives	-	395.1	-	395.1	
Interest rate derivatives	-	24.8	-	24.8	
Equity derivatives	-	322.4	-	322.4	
Other derivatives	-	25.0	-	25.0	
Life insurance related	-	-	63.3	63.3	
Total derivatives assets					830.6
Trading assets:					
Equity	247.0	9.5	-	256.5	
Debt	478.3	13.2	-	491.5	
Total trading assets					748.0
Designated at inception:					
Commodities	136.2	-	-	136.2	
Life Insurance related	-	-	319.8	319.8	
Total financial assets designated at inception					456.0
Investment securities available-for-sale					
Equity	0.4	-	41.9	42.3	
Debt	4,420.2	942.6	-	5,362.8	
Life Insurance related	-	-	32.2	32.2	
Total investment securities available-for-sale					5,437.3
Total assets measured at fair value	5,282.1	1,732.6	457.2	7,471.9	7,471.9
Derivative financial instruments (liabilities):					
Currency derivatives	-	312.5	-	312.5	
Interest rate derivatives	9.7	95.7	-	105.4	
Equity derivatives	1.6	332.9	-	334.5	
Other derivatives	-	23.2	-	23.2	
Total derivatives liabilities					775.6
Financial liabilities designated at fair value:					
Equity	81.5	80.2	36.0 *	197.7	
Debt	-	114.4	-	114.4	
Life Insurance related	-	-	342.3	342.3	
Total financial liabilities designated at fair value					654.4
Total liabilities measured at fair value	92.8	958.9	378.3	1,430.0	1,430.0
Assets less liabilities measured at fair value	5,189.3	773.7	78.9	6,041.9	6,041.9

** Level 3 equity related financial liabilities designated at fair value of CHF 36.0 million comprises put options held by non-controlling interests with valuations based on contractual terms and therefore is not dependent on internal assumptions on inputs, but is classified as level 3 due to the absence of quoted prices or observable inputs.*

	Dec. 31, 2015				
(All figures in millions of CHF)	Level 1	Level 2	Level 3	Total	Total
Derivative financial instruments (assets):					
Currency derivatives	-	156.3	-	156.3	
Interest rate derivatives	0.2	24.0	-	24.2	
Equity derivatives	-	430.7	-	430.7	
Other derivatives	-	62.1	-	62.1	
Life insurance related	-	-	62.2	62.2	
Total derivatives assets					735.5
Trading assets:					
Debt	90.9	-	-	90.9	
Total trading assets					90.9
Designated at inception:					
Life Insurance related	-	-	305.0	305.0	
Total financial assets designated at inception					305.0
Investment securities: Available-for-sale					
Equity	0.5	-	28.1	28.6	
Debt	3,283.1	896.6	-	4,179.7	
Life Insurance related	-	-	35.5	35.5	
Total investment securities available-for-sale					4,243.8
Total assets measured at fair value	3,374.7	1,569.7	430.8	5,375.2	5,375.2
Derivative financial instruments (liabilities):					
Currency derivatives	-	101.4	-	101.4	
Interest rate derivatives	-	92.4	-	92.4	
Equity derivatives	-	458.9	-	458.9	
Other derivatives	-	60.7	-	60.7	
Total derivatives liabilities					713.4
Financial liabilities designated at fair value:					
Equity	-	-	34.6 *	34.6	
Life Insurance related	-	-	318.5	318.5	
Total financial liabilities designated at fair value					353.1
Total liabilities measured at fair value	-	713.4	353.1	1,066.5	1,066.5
Assets less liabilities measured at fair value	3,374.7	856.3	77.7	4,308.7	4,308.7

** Level 3 equity related financial liabilities designated at fair value of CHF 34.6 million comprises put options held by non-controlling interests with valuations based on contractual terms and therefore is not dependent on internal assumptions on inputs, but is classified aslevel 3 due to the absence of quoted prices or observable inputs.*

(i) Financial instruments in 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 group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily of quoted bonds and equity.

(ii) Financial instruments in 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.

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.

b) Movements of level 3 instruments

	2016 Assets in level 3			
(All figures in millions of CHF)	**Derivative financial instruments**	**Designated at inception**	**Available-for-sale**	**Total Assets in level 3**
At January 1	**62.2**	**305.0**	**63.6**	**430.8**
Total gains or losses				
in the Statement of Income - Interest and discount income	-	47.3	2.1	49.4
in the Statement of Income - Net trading income	-	-	-	-
in the Statement of Income - Net loss from financial instruments designated at fair value	1.1	(64.2)	-	(63.1)
as Other Comprehensive Income	-	-	(4.4)	(4.4)
Purchases / Premiums paid	(1.5)	47.0	6.7	52.2
Addition in scope of consolidation due to BSI acquisition	-	-	11.5	11.5
Disposals / Premiums received	-	(23.6)	(6.1)	(29.7)
Exchange differences	1.5	8.3	0.7	10.5
At December 31	**63.3**	**319.8**	**74.1**	**457.2**
Change in unrealised gain or losses for the period included in the Statement of Income for assets held at the end of the reporting period	1.1	(16.9)	2.1	(13.7)

(All figures in millions of CHF)	Liabilities in level 3 Financial liabilities designated at fair value	Total Liabilities in level 3
At January 1	**353.1**	**353.1**
Total gains or losses		
in the Statement of Income - Interest and discount income	**52.0**	**52.0**
in the Statement of Income - Net gain from financial instruments designated at fair value	**(49.0)**	**(49.0)**
Purchases / Premiums paid	**1.5**	**1.5**
Addition in scope of consolidation due to BSI acquisition	**34.7**	**34.7**
Disposals / Premiums received	**(22.7)**	**(22.7)**
Exchange differences	**8.7**	**8.7**
At December 31	**378.3**	**378.3**
Change in unrealised gain or losses for the period included in the Statement of Income for assets held at the end of the reporting period	**3.0**	**3.0**

(All figures in millions of CHF)	2015 Assets in level 3 Derivative financial instruments	Designated at inception	Available-for-sale	Total Assets in level 3
At January 1	56.1	329.7	70.1	455.9
Total gains or losses				
in the Statement of Income - Interest and discount income	-	51.4	3.8	55.2
in the Statement of Income - Net trading income	5.1	-	-	5.1
in the Statement of Income - Net loss from financial instruments designated at fair value	-	(99.5)	-	(99.5)
as Other Comprehensive Income	-	-	(13.1)	(13.1)
Purchases / Premiums paid	1.8	39.5	5.8	47.1
Disposals / Premiums received	(1.2)	(15.3)	(2.5)	(19.0)
Exchange differences	0.4	(0.8)	(0.5)	(0.9)
At December 31	62.2	305.0	63.6	430.8
Change in unrealised gain or losses for the period included in the Statement of Income for assets held at the end of the reporting period	5.1	(48.1)	3.8	(39.2)

(All figures in millions of CHF)	Liabilities in level 3 Financial liabilities designated at fair value	Total Liabilities in level 3
At January 1	369.2	369.2
Total gains or losses		
in the Statement of Income - Interest and discount income	52.5	52.5
in the Statement of Income - Net gain from financial instruments designated at fair value	(82.2)	(82.2)
Purchases / Premiums paid	(17.4)	(17.4)
Disposals / Premiums received	35.3	35.3
Exchange differences	(4.3)	(4.3)
At December 31	353.1	353.1
Change in unrealised gain or losses for the period included in the Statement of Income for assets held at the end of the reporting period	(29.7)	(29.7)

c) Fair value methodology used for level 3 instruments - valuation technique

Valuation governance

The Group's model governance is outlined in a model vetting policy, which describes the Group's model risk governance framework, model validation approach and the model validation process.

A significant part of independent price verification process is the estimation of the accuracy of modelling methods and input assumptions, which return fair value estimates derived from valuation techniques. As part of the model governance framework, benchmarking of the fair values estimates is performed against external sources and recalibration performed on a continuous basis against changes in fair value versus expectations. Fair value measurements are compared with observed prices and market levels, for the specific instruments to be valued whenever possible.

As a result of the above and in order to align with independent market information and accounting standards, valuation adjustments may be made to the business's fair value estimate.

Valuation techniques

If the market for a financial instrument is not active, the Group establishes fair value by using one of the following valuation techniques:

i) Recent arm's length market transactions between knowledgeable, willing parties (if available)
ii) Reference to the current fair value of another instrument (that is substantially the same)
iii) Discounted cash flow analysis
iv) Option pricing models

(All figures in millions of CHF)		**Dec. 31, 2016**	Dec. 31, 2015
Valuation techniques			
Discounted cash flow analysis			
Available-for-sale - Equity securities	Equities in stock exchanges and clearing houses	**37.6**	27.8
Available-for-sale - Equity securities	Private equity funds	**4.3**	0.3
Financial liabilities designated at fair value	Liability to purchase non-controlling interests	**(36.0)**	(34.6)
Discounted cash flow analysis and life expectancies (non-market observable inputs)			
Derivatives	Synthetic life settlement policies	**63.3**	62.2
Financial assets at fair value	Physical life settlement policies	**23.3**	27.2
Financial assets at fair value	Physical life settlement policies *	**294.8**	277.8
Available-for-sale	Physical life settlement policies	**32.2**	35.5
Financial liabilities designated at fair value	Synthetic life settlement policies *	**(342.3)**	(318.5)
Total		**77.2**	77.7

** Assets valued at CHF 294.8 million (2015: CHF 277.8 million) and similarly valued liabilities at CHF 342.3 million (2015: CHF 318.5 million) are linked and thus a change in value in one would be mostly reflected in the other.*

The Group values certain financial instruments at fair value using models which rely on inputs to the models that are not based on observable market data (unobservable inputs). These financial instruments are classified as level 3. Below is a summary of the valuation techniques and unobservable inputs to the valuations of these level 3 financial instruments that significantly affect the value, and describe the interrelationship between observable inputs and how they affect the valuation.

i) Life settlement policies

The Group uses a discounted cash flow valuation technique for the valuation of physical and synthetic life settlement policies and related financial instruments. The approach makes use of market observable and non-market observable inputs.

The inputs incorporate:

- actuarially based assumptions on life expectancy
- premium estimates, and
- risk adjustments, and
- interest rate curves or discount factors.

The assumptions on life expectancy are based on the Valuation Basic Table ("VBT") last published by the Society of Actuaries in 2015 and adjusted by external life settlement underwriter and actuaries to reflect the individual medical characteristics of the referenced insureds. Premium estimates are based on cost of insurance estimates, which are provided by independent parties specialised and experienced in the field of premium calculations for life settlement policies. The Group conducts a regular in-depth review of such providers to ensure high quality standards and reliability of the forecasts. The risk adjustments as well

as the discount factors reflect the risk compensation (return) an investor in a life settlement policy would expect to receive by buying a life settlement policy. The market for life settlement policies is private and fragmented, hence the appropriate inputs are unobservable. As a result, assumptions are made in determining relevant risk adjustments.

The fair value for held-to-maturity assets related to the life insurance portfolio is calculated using cash flows market participants would expect, which are provided by independent parties specialising in calculating future cost of insurance charges for life insurance policies and adjusted to account for uncertainties. The determination of future premium cash flows ultimately payable to the carriers of these policies is a critical judgement area. These premiums are revised on a periodic basis by these independent parties. The determination of the fair value for this portfolio is a critical process and therefore the Group reviews these estimates on a periodic basis and relies on expert actuaries and legal advisors in order to minimise risks surrounding the assumptions related to the life expectancy and cost of insurance estimates.

These risk adjusted cash flows have been discounted at the term matching linearly interpolated market swap curve. The fair values are within Level 3 of the fair value hierarchy because certain assumptions are not observable in the market. The methodology to determine the fair value of the life insurance portfolio is as described at note 3 (d). The sensitivity to the fair value of the Group's fair value assets related to the life insurance portfolio is included below:

(All figures in millions of CHF)		Dec. 31, 2016					
		Discount factor		Longevity		Premium Estimates	
Life settlements sensitivity		-1%	+1%	-3 months	+3 months	-5%	+5%
Derivatives	Synthetic policies	3.3	(3.0)	0.1	(0.2)	-	-
Financial assets at fair value	Physical policies	13.5	(12.6)	18.9	(22.1)	10.4	(10.2)
Available-for-sale	Physical policies	2.4	(2.2)	2.3	(2.1)	2.2	(2.2)
Financial liabilities designated at fair value	Synthetic policies	(13.3)	12.4	(16.1)	21.2	-	-
Total impact on shareholders equity		5.9	(5.4)	5.2	(3.2)	12.6	(12.4)

ii) Equity in stock exchanges and clearing houses

The participation in SIX Group is based on a valuation using the expected net asset value of SIX Group at the end of December 2016 which the Group understands would be the basis for any sale or purchase between SIX Group shareholders. As SIX Group have has not yet published its December financial statements at the time of preparing these consolidated financial statements, the Group has made an estimate of the net asset value using unobservable data, being the estimated SIX Group year-end net as of December 2016. The sensitivity to this valuation is that the gain/loss taken through Other Comprehensive Income for a 30% higher and 30% lower 12 month 2016 estimated profit would be CHF 0.5 million gain or CHF (0.5) million loss on this position classified as available-for-sale.

iii) Put option over non-controlling interests – liability to purchase non-controlling interests

The put options of the minority shareholders of Asesores y Gestores Financieros SA give rise to a financial liability designated at fair value of CHF 36.0 million that corresponds to the estimated discounted repurchase amount.

The put options valuation methodology has been contractually agreed upon with the minority shareholders and is based on unobservable but objective accounting information related to the Continuing Valuation Methodology ("CVM"). This valuation methodology takes into account three relevant accounting measures: EBITDA, Net revenues and Normalised Net Assets.

The CVM shall contractually never be lower than the fixed price of EUR 33.5 million which should be paid to minority shareholder upon the exercise of the put. The actual CVM calculated as of December 31, 2016 is below the contractual amount CVM and thus the current sensitivity of the put options is considered to be zero (2015: nil), hence no sensitivity to this currently exists.

Put options held by non-controlling interests have valuations primarily based on contractual terms and depends on internal assumptions only to a limited extent and are classified as Level 3.

d) Offsetting

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

	Dec. 31, 2016					
				Related amounts not set off in balance sheet		
(All figures in millions of CHF)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of recognised financial assets presented in the balance sheet	Financial liabilities subject to netting agreements	Cash collateral received	Net exposure
Derivatives	867.3	(36.7)	830.6	(230.6)	(434.3)	165.7
Life insurance policies - Designated at fair value at inception	294.8	-	294.8	(294.8)	-	-
Total financial assets	1,162.1	(36.7)	1,125.4	(525.4)	(434.3)	165.7

				Related amounts not set off in balance sheet		
(All figures in millions of CHF)	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of recognised financial liabilities presented in the balance sheet	Financial assets subject to netting agreements balance sheet	Cash collateral paid	Net exposure
Derivatives	812.3	(36.7)	775.6	(230.6)	(161.6)	383.4
Life insurance policies - Designated at fair value at inception	342.3	-	342.3	(296.5)	(137.6)	-
Total financial liabilities	1,154.6	(36.7)	1,117.9	(527.1)	(299.2)	383.4

			Dec. 31, 2015			
				Related amounts not set off in balance sheet		
(All figures in millions of CHF)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of recognised financial assets presented in the balance sheet	Financial liabilities subject to netting agreements	Cash collateral received	Net exposure
Derivatives	757.2	(21.7)	735.5	(115.2)	(485.0)	135.3
Life insurance policies - Designated at fair value at inception	277.8	-	277.8	(277.8)	-	-
Total financial assets	1,035.0	(21.7)	1,013.3	(393.0)	(485.0)	135.3

				Related amounts not set off in balance sheet		
(All figures in millions of CHF)	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of recognised financial liabilities presented in the balance sheet	Financial assets subject to netting agreements balance sheet	Cash collateral paid	Net exposure
Derivatives	735.1	(21.7)	713.4	(115.2)	(130.8)	467.4
Life insurance policies - Designated at fair value at inception	318.5	-	318.5	(277.8)	(128.3)	-
Total financial liabilities	1,053.6	(21.7)	1,031.9	(393.0)	(259.1)	467.4

The Group is netting down legs of identified credit default swaps where the counterparty, the maturities and the currency are matched and where the Group has a legal enforceable right to settle net with the counterparty, and where operationally the settlement is made on a net basis.

At the end of December 2016 derivative financial instruments valued at CHF 38.5 million have been netted with derivative financial instruments with a negative value of CHF 37.2 million for a net presentation of derivative financial instruments as an asset with a value of CHF 1.3 million.

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for the net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

4.2.2 Assets and liabilities not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value. Changes in credit risk related to the Group are not reflected in the table below.

		Dec. 31, 2016		
(All figures in millions of CHF)	Note	**Carrying value**	**Fair Value**	**Difference**
Financial Assets				
Due from other banks	i)	**2,939.6**	**2,939.4**	**(0.2)**
Loans and advances to customers	ii)	**18,901.5**	**19,058.9**	**157.4**
Investment securities - Held-to-maturity - Life insurance related	iii)	**854.7**	**524.1**	**(330.6)**
Investment securities - Held-to-maturity - Debt	iv)	**355.2**	**337.3**	**(17.9)**
		23,051.0	**22,859.7**	**(191.3)**
Financial Liabilities				
Due to other banks	v)	**423.1**	**423.1**	**-**
Due to customers	vi)	**32,933.5**	**32,935.7**	**(2.2)**
Subordinated loans	vii)	**265.3**	**270.3**	**(5.0)**
Debt issued	viii)	**334.4**	**334.6**	**(0.2)**
Other financial liabilities	ix)	**3,828.5**	**3,834.2**	**(5.7)**
		37,784.8	**37,797.9**	**(13.1)**
Net financial instruments not measured at fair value		**(14,733.8)**	**(14,938.2)**	**(204.4)**

		Dec. 31, 2015		
(All figures in millions of CHF)	Note	Carrying value	Fair Value	Difference
Financial Assets				
Due from other banks	i)	2,183.5	2,183.6	0.1
Loans and advances to customers	ii)	12,081.9	12,243.8	161.9
Investment securities - Held-to-maturity - Life insurance related	iii)	815.7	566.4	(249.3)
Investment securities - Held-to-maturity - Debt	iv)	363.7	343.5	(20.2)
		15,444.8	15,337.3	(107.5)
Financial Liabilities				
Due to other banks	v)	484.8	484.8	-
Due to customers	vi)	19,998.2	19,997.8	0.4
Subordinated loans	vii)	242.8	261.5	(18.7)
Debt issued	viii)	392.0	392.0	-
Other financial liabilities	ix)	3,237.9	3,262.3	(24.4)
		24,355.7	24,398.4	(42.7)
Net financial instruments not measured at fair value		(8,910.9)	(9,061.1)	(150.2)

i) Due from other banks

Due from other banks includes 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. Determined fair values are within level 2 of the fair value hierarchy.

iii) Investment securities - Held-to-maturity - Life insurance related

Carrying value of Held-to-maturity – Life insurance related
The Group holds a financial investment in 211 life insurance policies as of December 31, 2016 (219 at December 31, 2015) which are classified in the Held-to-Maturity category and measured at amortised cost, subject to assessment for possible impairment to determine their realisable value at each reporting date.

These life insurance policies are issued by U.S. life insurance companies. The Group pays a periodic premium to the life insurance company to keep the policy valid. If the Group did not pay this premium, the insurance policy would lapse and then the Group would not receive the death benefit when the insured individual died. When the insured individual (U.S based individuals) die, the life insurance company pays a lump sum death benefit to the Group. The insured individuals have an average age of 87.6 years and have an implied average life expectation of 6.6 years based on the life expectations derived from the 2015 Valuation Basic Table. Males represent 61% of the population and females 39%. The total death benefit receivable is USD 1,444 million.

The carrying value of these investments is CHF 854.7 million (USD 839 million) at December 31, 2016 (December 31, 2015: USD 822 million) and is derived from an acquisition value, premiums paid and a revenue accrual.

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

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

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

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

b) *Cost of insurance in realisable value*
The determination of the appropriate level of increase of cost of insurance in the underlying policies is one of the most important assumptions applied by management in the valuation model. Increases in cost of insurance considers the aging of the insured persons and increases in pricing levels of premiums imposed by certain carriers that issued these policies. The majority of life insurance policies have increasing annual premiums payable. In certain instances additional increases have been announced by the insurance companies. The Group considers the increases in cost of insurance to be unjustified and will challenge their implementation in US courts, while continuing to monitor relevant pending actions. Where the insurance companies have communicated extraordinary and unprecedented increases, which management believes are not justified under the policies, management has set its own best estimates taking into account the factors outlined above.

The Group uses management's best estimate considering historic information and relying on specialised opinions and information from external service providers about trends and market developments. Management also considers the outcome of disputes involving significant increases in premiums observed in the US market affecting the life insurance policies in the portfolio. The Group has concluded that this asset is not impaired at December 31, 2016.

For sensitivity purposes the Group has made an assessment of the potential impact of the use of the full level of these communicated extraordinary and unprecedented cost of insurance increases, rather than management's best estimate. In this scenario, the net carrying value would have been higher than the estimated future net cash flows, potentially requiring impairment. Management's assessment of the potential impact (assuming the full level of these extraordinary and unprecedented cost of insurance increases had been applied for the purposes of this sensitivity assessment) is that the carrying value would have exceeded the net cash flows from the total death benefits receivable less the future notified premiums required to be paid (in the absence of a successful claim against the three insurance carriers), and this would potentially result in an impairment of approximately CHF 135 million.

Fair value of Held-to-maturity – Life insurance related
The fair value for held-to-maturity assets related to the life insurance portfolio is calculated using cash flows market participants would expect, which are provided by independent parties specialised and experienced in the field of premium calculations for life insurance policies and adjusted to account for uncertainties. These risk adjusted cash flows have been discounted at the term matching linearly interpolated market swap curve. The fair values are within Level 3 of the fair value hierarchy. The methodology to determine the fair value of the life insurance portfolio is as described at note 3 (d).

The sensitivity to the fair value (for assessing the difference between carrying value and fair value) of the Group's held-to-maturity assets related to the life insurance portfolio is included below:

(All figures in millions of CHF)	Dec. 31, 2016					
	Discount Factor		Life expectancy		Premium Estimates	
Life insurance sensitivity	**-1%**	**+1%**	**-3 months**	**+3 months**	**-5%**	**+5%**
Held-to-maturity - Fair value disclosure	**52.1**	**(45.8)**	**34.0**	**(33.0)**	**39.8**	**(39.4)**

The fair value would reduce based on the above sensitivities in the following scenarios:

- a 1% increase in discount factor,
- a 3 months extension in life expectancies, and
- a 5% increase in premium estimates.

A 1% increase in discount rates (parallel shift) would reduce the present value of the cash flows, primarily the net present value of the death benefits receivable, reducing fair value. A 3 month extension in life expectancies has effectively two negative impacts; additional cash outflows for premium payments, and delay in the receipt of the net death benefit, reducing fair value.

A 5% increase in premiums, would result in a parallel upward shift by 5% of all estimated future premium payments, and would result in higher future cash outflows, reducing fair value. Any change in the fair value illustrated by the above sensitivities would result in the gap between the carrying value and fair value increasing by the same amount.

The determination of the best estimate cash flows included in the measurement of the life insurance policies under IAS 39 and basis for the fair value estimate of these assets under IFRS 13 is considered to be a critical accounting policy for the Group, due to the lack of observable readily available information and the complexity of the determination of these assumptions. The recent increases in cost of insurance charges communicated by the carriers are considered extraordinary and unprecedented and therefore the Group filed two legal claims on 31 October 2016 against AXA Equitable Life Insurance Company and Transamerica Occidental Life Insurance Company to contest the increases. As of December 31, 2016, the Group holds 18 and 48 policies issued by these carriers, respectively. On February 2, 2017, the Group also filed a third legal claim in the U.S. District Court of California against Lincoln National Life Insurance Company with respect to 28 policies. The Group believes that it will prevail in these claims, however legal proceedings are inherently unpredictable and the actual future outcome might materially differ from the Group's expectations. The ultimate resolution of these legal actions produce an impact in our assumptions and therefore the Group relies on actuaries to set the cost of insurance assumptions.

Carrying Value versus Fair Value

The fair value is CHF 330.6 million lower than the carrying value at December 31, 2016. The Group has performed a preliminary assessment on the impact of adopting IFRS 9. The adoption of IFRS 9 would result in measuring a significant portion of the currently held-to-maturity life insurance investments at fair value. Approximately 10% of the portfolio is expected to continue being measured at amortised cost due to embedded premium return features which limits the variability of the expected cash flow. The estimated impact of the IFRS adoption is to decrease the shareholders' equity by approximately CHF 277 million.

As this decrease in shareholders equity arises from IFRS 9, and the Group reports regulatory capital under Swiss GAAP, the adoption of IFRS 9 will not have any impact on the Groups regulatory capital.

iv) Investment securities - Held-to-maturity - Debt

Fair value for held-to-maturity assets is calculated using expected cash flows discounted at current market rates, based on estimates using quoted market prices for securities with similar credit, maturity and yield characteristics. Determined fair values are within level 2 of the fair value hierarchy.

v) & vi) 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. Determined fair values are within level 2 of the fair value hierarchy.

vii) Subordinated loans

The estimated fair value of the subordinated loans is based on the quoted market prices for these listed securities. Determined fair values are within level 2 of the fair value hierarchy.

viii) Debt issued

The estimated fair value of the debt issued is based on the quoted market prices for these listed securities. Determined fair values are within level 2 of the fair value hierarchy.

ix) Other financial liabilities

The value of structured products sold to clients is reflected on an accrual basis for the debt host (and on a fair value for the embedded derivative). The fair value of the debt host is based on the discounted amount of estimated future cash flows expected to be paid up to the date of maturity of the instrument. Expected cash flows are discounted at current market rates to determine fair value. The fair values are within level 3 of the fair value hierarchy.

4.2.3. Deferred day-1 profit or loss

The table reflects financial instruments for which fair value is determined using valuation models where not all inputs are market-observable. Such financial instruments are initially recognised in the Group's Financial Statements at their transaction price, although the values obtained from the relevant valuation model on day-1 may differ. The table shows the aggregate difference yet to be recognised in the Statement of Income at the beginning and end of the period.

(All figures in millions of CHF)	**2016**	2015
At January 1	**1.1**	1.3
Recognised in the Statement of Income	**(0.1)**	(0.2)
At December 31	**1.0**	1.1

4.2.4. Market risk measurement techniques

Market risk exposure is measured in several ways: nominal and VaR exposure, gap reports, sensitivity to risk factors and stress tests. VaR is not used for regulatory reporting of risks. It is used internally only, for control and management purposes. As part of the management of market risk, the Group may from time to time, undertake various hedging strategies (note 24). The Group enters into interest rate swaps to hedge the interest rate risk associated with the fixed rate bond assets as well as fixed rate liabilities.

The major measurement techniques used to measure and control market risk, are outlined below.

a) Value at Risk

The Value at Risk (VaR) computation is a risk analysis tool designed to statistically estimate the maximum potential periodic loss from adverse movements in interest rates (excluding credit spreads), foreign currencies and equity prices, 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 Group VaR methodology is based on a full revaluation historical VaR approach covering all assets and liabilities on the balance sheet with the exclusion of those mentioned in note 4.2.4(b). The Group produces its VaR figures with an in-house tool using a 10-days holding period with a 201-day observation period at a 99% confidence level.

The VaR computation does not purport to represent actual losses in fair value on earnings to be incurred by the Group, nor does it consider the effect of favourable changes in market rates. The Group cannot predict actual future movements in such market rates, and it does not claim that these VaR results are indicative of future movements in such market rates; or to be representative of any actual impact that future changes in market rates may have on the Group's future results of operations or financial position.

Daily risk reports review compliance with market risk limits. The following table presents VaR (as described above) for market risk, by risk type:

		2016		
VaR by risk type		**12 months to 31 December**		
(All figures in millions of CHF)	**At December 31**	**Average**	**High**	**Low**
Interest rate risk	**7.2**	**3.7**	**8.0**	**2.2**
Currency risk	**2.2**	**0.7**	**2.9**	**0.2**
VaR	**9.4**	**4.4**	**10.9**	**2.4**

		2015		
VaR by risk type		12 months to 31 December		
(All figures in millions of CHF)	At December 31	Average	High	Low
Interest rate risk	3.4	4.3	5.2	3.2
Currency risk	0.6	0.4	0.7	0.2
VaR	4.0	4.7	5.9	3.4

The Group considers interdependencies between the risk variables to be insignificant.

b) Alternative sensitivity analysis

Alternative sensitivity analysis is performed on the following financial instruments, which are not covered by VaR:

i) Trading assets and designated at fair value through profit or loss, which includes life insurance policies, structured products and unquoted equities

ii) Available-for-sale - life insurance policies

iii) Financial liabilities - life insurance policies and liabilities to purchase non-controlling interests.

The sensitivity analysis calculates the impact from changes in equity prices, interest rates and life expectancies. The computation does not purport to represent actual gains and losses to be incurred by the Group. The Group cannot predict actual future movements in such market rates, and it does not claim that these results are indicative of future movements in such market rates; or to be representative of any actual impact that future changes in market rates may have on the Group's future results of operations or financial position.

The following risks exist for positions at December 31, 2016 and at December 31, 2015 for which i) VaR is not calculated above or ii) Sensitivity analysis is not presented in note 4.2.1 c).

(All figures in millions of CHF)				**Dec. 31, 2016**	
				Price risk	
Category	**Product**	**Impact from:**	**Market value**	**Satement of Income**	**Statement of Comprehensive Income**
Available-for-sale	Unquoted equities	30% lower profits	**37.6**	**-**	**(0.5)**
Available-for-sale	Private equity funds	30% lower profits	**4.3**	**-**	**(1.5)**
Financial liabilities at fair value	Liabilities to purchase non-controlling interests	20% increase in revenue	**(36.0)**	**-**	**-**

(All figures in millions of CHF)				Dec. 31, 2015	
				Price risk	
Category	Product	Impact from:	Market value	Satement of Income	Statement of Comprehensive Income
Available-for-sale	Unquoted equities	30% lower profits	27.8	-	(0.4)
Available-for-sale	Private equity funds	30% lower profits	0.3	-	(0.1)
Financial liabilities at fair value	Liabilities to purchase non-controlling interests	20% increase in revenue	(34.6)	-	-

c) Stress tests

VaR calculations are complemented by various stress tests, which identify the potential impact of extreme market scenarios on portfolios 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 by internal market risk management. Stress test results are calculated daily by the Market Risk Management Unit and reported to management.

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

The stress tests include:

i) Risk factor stress testing, where stress movements are applied to each risk category, and

ii) Ad hoc stress testing, which includes applying possible stress events to specific positions or regions.

Results of the stress tests are reviewed by senior management in each business unit, and by the Risk Committee of the Board. Stress testing is tailored to the business and typically uses scenario analysis.

d) Earnings at risk

Net Interest Income sensitivity (NII) and Interest Earnings at Risk (IEAR) measurements have been implemented and outcomes are regularly reviewed against defined stress scenario limits.

4.2.5 Interest rate risk

The Bank's and EFG International's Boards set limits for the interest repricing gap or mismatch; which is monitored by the Market Risk Management Unit. The table below summarises the Group's exposure to interest rate risk. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Dec. 31, 2016					
(All figures in millions of CHF)	Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	9,117.9	-	-	-	-	9,117.9
Treasury bills	1,899.9	45.7	-	-	-	1,945.6
Due from other banks	591.3	11.4	-	-	2,336.9	2,939.6
Loans and advances to customers	11,968.7	1,951.7	4,396.9	584.2	-	18,901.5
Derivative financial instruments	375.9	84.9	44.3	12.7	312.8	830.6
Financial assets at fair value:						
Trading Assets	733.2	8.5	5.8	-	0.5	748.0
Designated at inception	-	-	-	456.0	-	456.0
Investment securities:						
Available-for-sale	2,251.3	1,103.4	1,589.5	246.6	246.5	5,437.3
Held-to-maturity	-	1,202.6	2.3	5.0	-	1,209.9
Other assets	-	-	-	-	547.6	547.6
Total financial assets	26,938.2	4,408.2	6,038.8	1,304.5	3,444.3	42,134.0
Liabilities						
Due to other banks	130.0	-	-	-	293.1	423.1
Due to customers	10,799.3	1,087.6	99.9	63.4	20,883.3	32,933.5
Derivative financial instruments	319.1	128.3	179.3	58.3	90.6	775.6
Financial liabilities designated at fair value	22.5	61.8	50.5	397.6	122.0	654.4
Other financial liabilities	1,200.6	761.9	1,523.1	342.9	-	3,828.5
Subordinated loans	76.8	-	188.5	-	-	265.3
Debt issued	-	334.4	-	-	-	334.4
Provisions	-	-	-	-	199.3	199.3
Other liabilities	-	-	-	-	800.0	800.0
Total financial liabilities	12,548.3	2,374.0	2,041.3	862.2	22,388.3	40,214.1
On-balance sheet interest repricing gap	14,389.9	2,034,2	3,997.5	442.3	(18,944.0)	1,919.9
Off-balance sheet interest repricing gap	3,029.1	(471.3)	(2,355.7)	(202.1)	-	-

(All figures in millions of CHF)	Dec. 31, 2015 Up to 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	5,017.7	-	-	-	-	5,017.7
Treasury bills	687.7	69.4	-	-	-	757.1
Due from other banks	465.4	242.0	-	-	1,476.1	2,183.5
Loans and advances to customers	6,778.9	1,702.1	3,583.0	17.9	-	12,081.9
Derivative financial instruments	252.1	1.4	0.5	0.2	481.3	735.5
Financial assets at fair value:						
Trading Assets	61.6	17.6	11.7	-	-	90.9
Designated at inception	-	-	-	305.0	-	305.0
Investment securities:						
Available-for-sale	2,573.1	321.9	881.3	426.3	41.2	4,243.8
Held-to-maturity	-	1,171.0	3.4	5.0	-	1,179.4
Other assets	-	-	-	-	114.3	114.3
Total financial assets	15,836.5	3,525.4	4,479.9	754.4	2,112.9	26,709.1
Liabilities						
Due to other banks	211.3	15.0	-	-	258.5	484.8
Due to customers	8,563.4	889.9	213.4	-	10,331.5	19,998.2
Subordinated loans	-	-	-	242.8	-	242.8
Debt issued	-	-	392.0	-	-	392.0
Derivative financial instruments	198.2	4.3	0.1	0.1	510.7	713.4
Financial liabilities designated at fair value	-	-	-	318.5	34.6	353.1
Other financial liabilities	803.3	646.3	1,358.9	429.4	-	3,237.9
Provisions	-	-	-	-	7.7	7.7
Other liabilities	-	-	-	-	314.2	314.2
Total financial liabilities	9,776.2	1,555.5	1,964.4	990.8	11,457.2	25,744.1
On-balance sheet interest repricing gap	6,060.3	1,969.9	2,515.5	(236.4)	(9,344.3)	965.0
Off-balance sheet interest repricing gap	2,165.0	(99.7)	(1,582.8)	(482.5)	-	-

Fair value interest rate risk hedges

The Group interest rate risk arises from long-term exposures to bonds. Holdings in bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising where it has acquired fixed rates bonds. Interest rate swaps used for hedging purposes are disclosed in note 24.1.

4.2.6 Foreign exchange risk

The Group 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, in foreign operations. The overall net nominal positions per

currency are monitored against overnight limits. In addition 10 sliding days stop loss limits are in place for VaR stress test. Entities in the Group use derivative contracts, such as forward or option contracts primarily to offset customer transactions.

Apart from the exposure to foreign currencies which relates to banking and trading activities in subsidiary companies, the Group is also exposed to foreign currency fluctuations because most of its foreign subsidiaries and branches use local currencies as their reporting currencies. From time to time the Group may enter into currency hedging arrangements to reduce the effects of exchange rate fluctuations on its income.

The Group takes on limited exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank's and EFG International's Boards set limits on the level of exposure. See note 4.2.4 which reflects the Currency risk VaR.

4.3 Liquidity risk

Liquidity risks arise when financing activities are difficult or expensive as a result of liquidity crisis on the markets or reputational issues. They also arise when it is difficult to meet own commitments in a timely manner due to a lack of very liquid assets. The Group manages liquidity risk in such a way as to ensure that ample liquidity is available to meet commitments to customers, both in demand for loans and repayments of deposits, and to satisfy the Group's own cash flow needs within all of its business entities.

Funding operations aim to avoid concentrations in funding facilities. The Group also has a liquidity management process in place that includes liquidity contingency plans, encompassing repo borrowing and liquidation of marketable securities. Stress tests are undertaken monthly as part of the reporting requirements established within the Groups Risk Guidelines.

Our customer deposit base, our capital and liquidity reserves position and our conservative gapping policy when funding customer loans ensure that the Group runs only limited liquidity risks.

Fund transfer pricing

The pricing of assets and credit business is based on the current liquidity situation. EFG International applies a matched fund transfer pricing system that distinguishes between the margins earned by the customer business and the profits arising out of certain interest rate positions. The system is based on current market rates and is the basis for calculating the profitability of profit centres and products.

The Group's capital and deposit base has continued to provide a substantial excess of funding. Structural mismatches are reflected in the interest rate position of the Groups and the result of the maturity transformation is shown in net interest income.

4.3.1 Liquidity risk management process

The Group 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 Group also has a liquidity management process in place that includes liquidity contingency plans. These

contingency measures include the activation of repo transactions with prime counterparties, the liquidation of marketable securities and/or draw downs on lines of credit (Lombard facility) with the Swiss National Bank.

The Group complies with all regulatory requirements, including overnight liquidity limits in the various countries in which it operates banks. It reports its daily liquidity situation to management on an individual entity basis for its banking subsidiaries. Stress tests are undertaken monthly, or as necessary.

The Group's liquidity risk management process is carried out by the Group Treasury department and monitored by the Market Risk Management Unit. It includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers
- Maintaining a portfolio of highly marketable assets that can easily be liquidated (repaid or sold) as protection against any unforeseen interruption to cash flow
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements
- 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 (note 4.3.3).

Group Treasury also monitors unmatched medium-term assets and the usage of overdraft facilities.

4.3.2 Funding approach

Sources of liquidity are regularly reviewed by Financial Markets to maintain a wide diversification by currency, geography, provider, product and term.

4.3.3 Financial liabilities cash flows

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

	Dec. 31, 2016					
(All figures in millions of CHF)	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
Liabilities						
Due to other banks	**321.1**	**102.0**	**-**	**-**	**-**	**423.1**
Due to customers	**29,671.8**	**2,010.7**	**1,099.2**	**101.7**	**63.4**	**32,946.8**
Subordinated loans	**-**	**-**	**14.3**	**-**	**251.0**	**265.3**
Debt issued	**-**	**-**	**-**	**334.4**	**-**	**334.4**
Derivative financial instruments	**728.9**	**18,902.8**	**2,508.2**	**477.7**	**97.3**	**22,714.9**
Financial liabilities designated at fair value	**36.0**	**-**	**-**	**-**	**618.4**	**654.4**
Other financial liabilities	**892.0**	**416.6**	**829.5**	**950.8**	**441.2**	**3,530.1**
Provisions	**-**	**-**	**17.1**	**182.2**	**-**	**199.3**
Other liabilities	**749.6**	**15.6**	**33.1**	**1.3**	**0.4**	**800.0**
Total financial liabilities	**32,399.4**	**21,447.7**	**4,501.4**	**2,048.1**	**1,471.7**	**61,868.3**
Total off balance-sheet	**994.8**	**-**	**-**	**-**	**-**	**994.8**

	Dec. 31, 2015					
(All figures in millions of CHF)	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities						
Due to other banks	483.5	1.4	-	-	-	484.9
Due to customers	17,561.5	1,486.1	879.0	84.9	-	20,011.5
Subordinated loans	-	-	13.5	-	229.3	242.8
Debt issued	-	-	-	392.0	-	392.0
Derivative financial instruments	9,740.6	3,821.9	1,612.2	27.7	-	15,202.4
Financial liabilities designated at fair value	34.6	-	-	-	318.5	353.1
Other financial liabilities	619.3	376.8	557.8	1,175.0	531.5	3,260.4
Provisions	-	-	7.7	-	-	7.7
Other liabilities	269.4	10.1	32.1	2.5	0.1	314.2
Total financial liabilities	28,708.9	5,696.3	3,102.3	1,682.1	1,079.4	40,269.0
Total off balance-sheet	396.6	-	-	-	-	396.6

For more detailed information on off-balance sheet exposures by maturity, refer to note 47.

4.3.4 Summary of Liquidity

The Group's central treasury manages the liquidity and financing risks on an integrated basis. The liquidity positions of the Group's entities are monitored and managed daily and exceed the regulatory minimum, as required by the Group's market risk framework and policy. Overall, the Group, through its business entities enjoys a favourable funding base with stable and

diversified customer deposits which provide the vast majority of the Group's total funding. Together with its capital resources, the surplus of stable customer deposits over loans to the Group's customers is placed with the given treasury units where the Group's funding and liquidity are managed to ensure this complies with the different local regulatory requirements. In addition, all entities operate within the Group's liquidity policies and guidelines.

4.3.5 Concentration risk

The Group monitors concentration risk through the following mechanisms:

- At EFG International level, the overall level of market and credit exposures are tightly monitored by means of specific risk parameters and indicators approved by EFG International's Board of Directors and/or its delegated Risk Committee in line with the Group's overall committed level of risk appetite and avoidance of any concentration risk and, at EFG Bank European Financial Group SA level, by the Board of Directors, the Credit Committee and/or the Executive Committee.
- These exposures and corresponding limits are proactively reviewed through Management Risk Committee and/or EFG International's Board delegated Risk Committee, respectively the Bank's Board of Directors in respect of EFG Bank European Financial Group SA, to ensure full consideration is given to both market and liquidity conditions, the overall risk framework of the Group, and to avoid any possible concentration risk in light of changing market environments.

4.4. Securities repurchase and reverse purchase agreements

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	**53.7**	60.0
Book value of obligations from cash collateral delivered in connection with securities lending and repurchase transactions *	**-**	-
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	**776.3**	-
with unrestricted right to resell or pledge	***776.3***	-
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing, as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	**870.3**	59.2
of which repledged securities	***767.9***	*29.0*

* Before netting agreements

Amounts paid or received in cash are booked under the balance sheet item "Due from other banks" or "Due to other banks".

4.5 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. The regulatory capital requirement of the Group is ultimately determined by the rules implemented by the Swiss Financial Market Supervisory Authority FINMA.

In prior years, the Group reported regulatory capital using IFRS as a basis and has changed this in 2016. As the Bank and its major operating subsidiary, EFG International, report under Swiss GAAP for capital adequacy purposes, the Group has decided to report regulatory capital using Swiss GAAP as a basis. This is the basis the Group uses to report to the Swiss Financial Market Supervisory Authority. The Group will publish the Basel III Pillar 3 Disclosures for the year ended December 31, 2016 on its website (www.efggroup.com) by April 30, 2017, which will comment differences in capital adequacy between Swiss GAAP and IFRS figures.

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 mostly from minority interests in EFG International's ordinary equity, Bons de Participation issued by EFG International and a Tier 1 subordinated debt issued by EFG International) and reserves from retained earnings.
- Tier 2 capital: subordinated debts.

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.

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended December 31, 2016 and 2015. 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 Fully applied Swiss GAAP Dec. 31, 2016 Unaudited**	FINMA Fully applied Swiss GAAP Dec. 31, 2015 Unaudited
Tier 1 capital		
Share capital	**500.0**	250.0
Reserves and retained earnings	**684.8**	496.8
Non-controlling interests	**1,381.0**	549.0
Swiss GAAP: Total shareholders' equity	**2,565.8**	1,295.8
Less: Proposed dividend on Ordinary Shares of quoted subsidiaries and parent Bank	**(42.8)**	(20.3)
Less: Goodwill (net of acquisition related liabilities) and intangibles (excluding software)	**(81.9)**	(228.7)
Less: Other Basel III deductions	**(28.3)**	(45.7)
Less: Non-controlling interests in Shareholders' Equity	**(1,271.1)**	(397.5)
Plus: Eligible non-controlling interests at Common Equity Tier 1	**777.0**	311.0
Common Equity Tier 1 (CET1)	**1,918.7**	914.6
Additional Tier 1 capital (AT1) - Eligible non-controlling interests	**138.3**	62.3
Total qualifying Tier 1 capital	**2,057.0**	976.9
Tier 2 capital		
Tier 2 capital (T2) - Eligible non-controlling interests	**258.1**	213.2
Total regulatory capital	**2,315.1**	1,190.1
Risk-weighted assets		
Credit risk including settlement risk and credit value adjustment	**8,704.2**	5,154.3
Non-counterparty related risk	**302.1**	37.2
Market risk *	**1,020.4**	320.4
Operational risk *	**2,361.3**	1,230.5
Total risk-weighted assets	**12,388.0**	6,742.5

	Dec. 31, 2016	Dec. 31, 2015
Ratio **		
CET1 Ratio	**15.5**	13.6
Total capital ratio	**18.7**	17.7

** Risk weighted figure calculated by taking 12.5 times the capital adequacy requirement.*

*** (after deducting proposed dividend on Ordinary Shares of quoted subsidiaries to non-controlling interests and dividend from the parent bank).*

In addition to the existing requirement for the Group to hold eligible capital proportionate to risk weighted assets, the Group is required to report the leverage ratio. This is a non-risk-based metric, defined as the ratio between total qualifying Tier 1 capital and total exposure. Total exposure includes balance-sheet and off-balance sheet exposures.

The Basel Committee on Banking Supervision will define the requirements, which it will place on the leverage ratio from 2018 after the conclusion of an observation period. This observation period will also be used to clarify a number of currently open questions regarding the calculation of total exposure. The indicative leverage ratio requirement, which is not yet binding, is three percent. This may however be subject to change once the observation period has ended.

(All figures in millions of CHF)	**FINMA Fully applied Swiss GAAP Dec. 31, 2016 Unaudited**	FINMA Fully applied Swiss GAAP Dec. 31, 2015 Unaudited
On balance sheet exposure (excluding derivatives and other adjustments)	**41,480.1**	25,979.7
Derivative exposures (including add-ons)	**1,025.8**	425.2
Securities financing transactions	**1,339.0**	60.0
Other off balance sheet exposure	**1,000.0**	186.5
Total exposure	**44,844.9**	26,651.4
Total qualifying Tier 1 capital	**2,057.0**	976.9
Leverage Ratio	**4.6%**	3.7%

5. Net interest income

(All figures in millions of CHF)	**2016**	2015
Interest and discount income		
Banks and customers	**337.8**	311.6
Financial assets designated at fair value	**50.1**	52.6
Available-for-sale investment securities	**44.8**	36.6
Held-to-maturity investment securities	**10.7**	21.1
Amortisation of Available-for-sale equity reserve	**(10.9)**	(10.7)
Treasury bills and other eligible bills	**5.9**	3.7
Total interest and discount income	**438.4**	414.9
Interest expense		
Banks and customers *	**(122.1)**	(116.8)
Financial liabilities at fair value	**(51.8)**	(52.8)
Other financial liabilities	**(26.9)**	(22.6)
Subordinated loans	**(40.8)**	(16.7)
Debt issued	**-**	(5.2)
Total interest expense	**(241.6)**	(214.1)
Net interest income	**196.8**	200.8

** Negative interest on Swiss Francs deposits placed by the Bank at the Swiss National Bank amounts to CHF 26.6 million in the year ended December 31, 2016 (2015: CHF 17.4 million) and are disclosed as Interest expense due to Banks and customers.*

*** Interest expense on subordinated loans includes amortisation of CHF 19.8 million of discount related to a bond that the Group has agreed to repay prior to the original maturity date in January 2022 (see note 37).*

Interest income accrued on impaired financial assets is CHF nil (2015: nil).

6. Net banking fee and commission income

(All figures in millions of CHF)	**2016**	2015
Advisory and management fees	**228.2**	212.9
Brokerage fees	**152.3**	150.9
Commission and fees income on other services	**98.5**	88.0
Banking fee and commission income	**479.0**	451.8
Commission and fee expenses on other services	**(84.1)**	(76.8)
Banking fee and commission expense	**(84.1)**	(76.8)
Net banking fee and commission income	**394.9**	375.0

7. Dividend income

(All figures in millions of CHF)	**2016**	2015
Available-for-sale investment securities	**1.9**	6.5
Dividend income	**1.9**	6.5

8. Net trading income and foreign exchange gains less losses

Net trading income of CHF 128.9 million (2015: CHF 104.4 million) comprised results from foreign exchange transactions and results on revaluation of assets and liabilities denominated in other currencies, including the mark to market of interest rate swaps.

9. Net loss from financial instruments measured at fair value

(All figures in millions of CHF)	**2016**	2015
Financial instruments measured at fair value		
Equity securities	**(3.5)**	1.9
Debt securities	**3.2**	0.1
Derivatives financial instruments	**5.9**	6.6
Life insurance securities	**(13.7)**	(15.4)
Inefficiency on fair value hedges	**-**	0.4
Net loss from financial instruments measured at fair value	**(8.1)**	(6.4)
Inefficiency on fair value hedges		
Net gain on hedging instruments	**14.9**	76.3
Net loss on hedged items attributable to the hedged risk	**(14.9)**	(75.9)
Net gain representing ineffective portions of fair value hedges	**-**	0.4

10. Gains less losses on disposal of available-for-sale investment securities

(All figures in millions of CHF)	**2016**	2015
Transfer from the Statement of Comprehensive Income		
Debt securities	**3.1**	15.5
Life insurance securities	**(1.4)**	(1.3)
Gains less losses on disposal of available-for-sale investment securities	**1.7**	14.2

11. (Impairment) / Reversal of impairment on loans and advances to customers

(All figures in millions of CHF)	**2016**	2015
Impairment on loans and advances to customers	**(3.9)**	-
Reversal of impairment on loans and advances to customers	**0.1**	0.1
(Impairment) / Reversal of impairment on loans and advances to customers (note 22)	**(3.8)**	0.1

12. Operating expenses

(All figures in millions of CHF)	**2016**	2015
Staff costs (note 13)	**(470.8)**	(439.8)
Professional services	**(56.9)**	(21.6)
Advertising and marketing	**(8.8)**	(11.2)
Administrative expenses	**(59.2)**	(51.9)
Operating lease rentals	**(33.1)**	(29.3)
Depreciation of property, plant and equipment (note 33)	**(6.8)**	(6.1)
Amortisation of intangible assets:		
Computer software and licences (note 32)	**(4.5)**	(3.8)
Other intangible assets (note 32)	**(4.6)**	(4.2)
Legal and litigation expenses	**(22.6)**	(18.3)
Other	**(28.4)**	(23.5)
Operating expenses	**(695.7)**	(609.7)

13. Staff costs

(All figures in millions of CHF)	**2016**	2015
Wages, salaries and staff bonuses	**(373.9)**	(358.1)
Social security costs	**(29.0)**	(26.9)
Pension costs:		
Defined benefits (note 43)	**(11.2)**	(10.4)
Other net pension costs	**(10.2)**	(7.6)
Employee Equity Incentive Plans (note 52)	**(24.9)**	(13.5)
Other	**(21.6)**	(23.3)
Staff costs	**(470.8)**	(439.8)

As at December 31, 2016 the number of full time equivalent employees (FTE's) of the Group was 3,582 (2015: 2,147) and the average for the year was 2,461 (2015: 2,111).

14. Income tax expense

(All figures in millions of CHF)	**2016**	2015
Current tax expense	**(21.4)**	(15.6)
Deferred tax gain (note 15)	**23.9**	2.0
Total income tax gain / (expense)	**2.5**	(13.6)

The tax on the Group's profit or loss before tax differs from the theoretical amount that would arise using the weighted average basic rate of tax of the most material entities of the Group as follows:

(All figures in millions of CHF)	**2016**	2015
Profit before tax	**334.1**	67.5
Tax at the weighted average applicable rate of 17% (2015: 15%)	**(57.4)**	(10.3)
Tax effect of:		
Impact of bargain gain on business acquistion not subject to tax	**90.2**	-
Utilisation of tax losses carried forward	**(4.8)**	-
Recognition of previously unrecognised tax loss carry forwards	**4.0**	7.7
Unrecognised tax loss carry forwards fot the year	**(15.8)**	(7.6)
Loss not subject to tax	**(9.9)**	(1.8)
Different tax rates in different countries	**0.4**	2.9
Impairment of deferred tax assets	**(0.1)**	(1.6)
Other differences	**(4.1)**	(2.9)
Total income tax gain / (expense)	**2.5**	(13.6)

The weighted average tax rate of 17% is based on the operating entities local tax relative to the taxable income in these jurisdictions.

15. Deferred income taxes

Deferred income taxes are calculated under the liability method on all temporary differences, using the expected effective local applicable rate.

Deferred income tax assets and liabilities comprise the following:

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Deferred income tax assets	**33.8**	35.0
Deferred income tax liabilities	**(10.8)**	(35.1)
Net deferred income tax assets / (liabilities)	**23.0**	(0.1)
The movement on the net deferred income tax account is as follows:		
At 1 January	**(0.1)**	(2.6)
Deferred tax gain for the period in the Statement of Income	**23.9**	2.0
Arising on acquisition of BSI	**-**	-
Available-for-sale adjustment through Other Comprehensive Income	**(1.3)**	1.7
Exchange differences	**0.5**	(1.2)
At 31 December	**23.0**	(0.1)

Deferred income tax assets and liabilities are attributable to the following items:

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Tax losses carried forward	**28.2**	28.9
Difference between local tax rules and accounting standards	**3.3**	4.6
Employee equity incentive plans amortisation	**2.3**	1.5
Deferred income tax assets	**33.8**	35.0
Arising from acquisition of intangible assets	**(1.0)**	(26.4)
Valuation of financial assets not reflected in local tax accounts	**(7.5)**	(7.0)
Sundry differences between local tax rule and accounting standards	**(2.3)**	(1.7)
Deferred income tax liabilities	**(10.8)**	(35.1)
Net deferred income tax assets / (liabilities)	**23.0**	(0.1)

The deferred income tax gain in the Statement of Income comprises the following temporary differences:

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Utilisation of tax losses carried forward	**(4.2)**	(2.5)
Creation of deferred tax assets	**6.0**	6.0
Impairment of deferred tax assets	**(0.1)**	(1.6)
Deferred tax liabilities related to intangible amortisation	**21.5**	(0.3)
Other temporary differences	**0.7**	0.4
Deferred tax gain (note 14)	**23.9**	2.0

The deferred tax liabilities related to intangible assets of CHF 21.5 million for 2016 above primarily relates to the BSI Group intangible assets recognised on acquisition (see note 31).

The Group has deferred tax assets related to tax losses carried forward of CHF 28.2 million as a result of subsidiaries with tax losses of CHF 181.8 million (2015: CHF 215.5 million) to carry forward against future taxable income. These tax losses will expire as summarised below:

(All figures in millions of CHF)						**Dec. 31, 2016**
	Dec. 31, 2016	**Tax rate%**	**Carried forward losses**	**Expiry in 1-3 years**	**Expiry in 4-7 years**	**Expiry after 7 years**
EFG International AG, Switzerland	**8.3**	**7.83%**	**106.4**	**106.4**	**-**	**-**
EFG Bank (Luxembourg) SA, Luxembourg*	**13.7**	**29.22%**	**46.8**	**-**	**-**	**46.8**
EFG Chile SpA	**0.3**	**35.00%**	**0.8**	**-**	**-**	**0.8**
EFG Corredores de Boisa SpA	**0.4**	**35.00%**	**1.3**	**-**	**-**	**1.3**
EFG Private Bank Ltd	**5.1**	**20.25%**	**25.2**	**-**	**-**	**25.2**
Asesores Y Getores Financieros SA	**0.4**	**30.00%**	**1.3**	**.**	**.**	**1.3**
Total	**28.2**		**181.8**	**106.4**	**-**	**75.4**

** Taxed as single fiscal unity with EFG Investment (Luxembourg) SA.*

The Group has unused tax losses for which no deferred tax assets is recognised as follows:

(All figures in millions of CHF)				**Dec. 31, 2016**
	Dec. 31, 2016	**Expiry in 1-3 years**	**Expiry in 4-7 years**	**Expiry after 7 years no expiry**
EFG International AG, Switzerland	**1,117.6**	**896.5**	**221.1**	**-**
BSI SA	**338.1**	**-**	**338.1**	**-**
EFG Bank AG, Switzerland	**255.6**	**97.6**	**158.0**	**-**
EFG Bank (Luxembourg) SA, Luxembourg*	**141.5**	**-**	**-**	**141.5**
Total	**1,852.8**	**994.1**	**717.2**	**141.5**

** Taxed as single fiscal unity with EFG Investment (Luxembourg) SA.*

(All figures in millions of CHF)				Dec. 31, 2015
	Dec. 31, 2015	Expiry in 1-3 years	Expiry in 4-7 years	Expiry after 7 years no expiry
EFG International AG, Switzerland	843.3	843.3	-	-
EFG Bank AG, Switzerland	186.8	97.6	89.2	-
EFG Bank (Luxembourg) SA, Luxembourg*	144.3	-	-	144.3
Total	1,174.4	940.9	89.2	144.3

** Taxed as single fiscal unity with EFG Investment (Luxembourg) SA.*

16. Analysis of Swiss and Foreign income and expenses from ordinary banking activities, as per the operating location

(All figures in millions of CHF)	Swiss	2016 Foreign	Total
Interest and discount income	150.3	288.1	438.4
Interest expense	(71.5)	(170.1)	(241.6)
Net interest income	78.8	118.0	196.8
Banking fee and commission income	130.1	348.9	479.0
Banking fee and commission expense	(24.8)	(59.3)	(84.1)
Net banking fee and commission income	105.3	289.6	394.9
Dividend income	1.9	-	1.9
Net trading income and foreign exchange gains less losses	54.7	74.2	128.9
Net loss from financial instruments measured at fair value	(1.7)	(6.4)	(8.1)
Gains less losses on disposal of available-for-sale investment securities	(7.7)	9.4	1.7
Other operating income / (loss)	153.0	(146.5)	6.5
Net other income	200.2	(69.3)	130.9
Operating income	384.3	338.3	722.6
Operating expenses	(325.5)	(370.2)	(695.7)
Bargain gain on business acquisitions	530.8	-	530.8
Impairment on goodwill and other intangibles	(92.6)	(106.9)	(199.5)
Other provisions	(10.8)	(9.5)	(20.3)
Impairment on loans and advances to customers	(0.5)	(3.3)	(3.8)
Profit before tax	485.7	(151.6)	334.1
Income tax gain / (expense)	12.2	(9.7)	2.5
Net profit for the year	497.9	(161.3)	336.6
Net profit / (loss) for the year attributable to:			
Equity holders of the Group	216.8	(72.4)	144.4
Non-controlling interests	281.1	(88.9)	192.2
	497.9	(161.3)	336.6

(All figures in millions of CHF)	2015 Swiss	Foreign	Total
Interest and discount income	136.4	278.5	414.9
Interest expense	(63.6)	(150.5)	(214.1)
Net interest income	72.8	128.0	200.8
Banking fee and commission income	99.9	351.9	451.8
Banking fee and commission expense	(21.2)	(55.6)	(76.8)
Net banking fee and commission income	78.7	296.3	375.0
Dividend income	6.5	-	6.5
Net trading income and foreign exchange gains less losses	34.3	70.1	104.4
Net (loss) / gain from financial instruments measured at fair value	(92.0)	85.6	(6.4)
Gains less losses from investment securities	(85.1)	99.3	14.2
Other operating income / (loss)	163.1	(160.5)	2.6
Net other income	26.8	94.5	121.3
Operating income	178.3	518.8	697.1
Operating expenses	(248.1)	(361.6)	(609.7)
Other provisions	(21.7)	1.7	(20.0)
Reversal of impairment on loans and advances to customers	-	0.1	0.1
Profit before tax	(91.5)	159.0	67.5
Income tax expense	(0.1)	(13.5)	(13.6)
Net profit for the year	(91.6)	145.5	53.9
Net profit / (loss) for the year attributable to:			
Equity holders of the Group	(52.3)	77.9	25.6
Non-controlling interests	(39.3)	67.6	28.3
	(91.6)	145.5	53.9

17. Cash and balances with central banks

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Cash in hand	**94.6**	5.5
Balances with central banks	**9,023.3**	5,012.2
Cash and balances with central banks	**9,117.9**	5,017.7

18. Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity:

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Cash and balances with central banks	**9,117.9**	5,017.7
Treasury bills and other eligible bills	**1,090.6**	574.0
Due from other banks - At sight	**1,752.1**	1,466.3
Due from other banks - At term	**772.8**	388.9
Cash and cash equivalents with less than 90 days maturity	**12,733.4**	7,446.9

19. Treasury bills and other eligible bills

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Treasury bills	**1,945.6**	757.1
Treasury bills and other eligible bills	**1,945.6**	757.1
Pledged treasury bills with central banks and clearing system companies	**-**	-

20. Due from other banks

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
At sight	**1,752.1**	1,466.3
At term - with maturity of less than 90 days	**772.8**	388.9
At term - with maturity of more than 90 days	**414.7**	328.3
Due from other banks	**2,939.6**	2,183.5
Pledged due from other banks	***716.2***	*443.1*

21. Loans and advances to customers

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Due from customers	**12,154.5**	8,841.0
Mortgages	**6,790.2**	3,247.6
Gross loans and advances	**18,944.7**	12,088.6
Less: Provision for impairment losses (note 22)	**(43.2)**	(6.7)
Loans and advances to customers	**18,901.5**	12,081.9

Geographic sector risk concentrations within the Group's customer loan portfolio were as follows:

(All figures in millions of CHF)	**Dec. 31, 2016**	**%**	Dec. 31, 2015	%
Latin America and Caribbean	**4,464.3**	**23.7%**	3,629.7	30.1%
Switzerland	**3,863.5**	**20.4%**	316.3	2.6%
Asia and Oceania	**3,157.9**	**16.7%**	2,610.8	21.6%
United Kingdom	**3,119.5**	**16.5%**	2,612.1	21.6%
Europe (other)	**2,873.7**	**15.2%**	1,969.0	16.3%
United States and Canada	**585.1**	**3.1%**	391.0	3.2%
Africa and Middle East	**469.3**	**2.5%**	423.6	3.5%
Luxembourg	**368.2**	**1.9%**	129.4	1.1%
Total	**18,901.5**	**100.0%**	12,081.9	100.0%

This analysis is based on the client's place of residence and not necessarily on the domicile of the credit risk.

Mortgages with a value of CHF 438.7 million (2015: CHF 531.3 million) are pledged as collateral for a debt issuance by a Group company, Chestnut Financing PLC (note 37).

22. Provision for impairment losses on loans and advances to customers

(All figures in millions of CHF)	**2016**	2015
At January 1	**6.7**	7.3
Impairment on loans and advances to customers (note 11)	**3.9**	-
Reversal of impairment on loans and advances to customers (note 11)	**(0.1)**	(0.1)
Utilisation of provision	**(5.6)**	(0.1)
Addition in scope of consolidation due to BSI acquisition	**38.0**	-
Exchange differences	**0.3**	(0.4)
At December 31	**43.2**	6.7

23. Collateral for loans

(All figures in millions of CHF)	**Dec 31, 2016**	Dec 31, 2015
Loans and advances to customers:		
Mortgages	**6,782.6**	3,245.9
Secured by other collateral	**11,738.7**	8,788.2
Unsecured	**380.2**	47.8
Total loans and advances to customers	**18,901.5**	12,081.9
Off-balance sheet commitments:		
Contingent liabilities secured by other collateral	**711.1**	372.7
Contingent liabilities unsecured	**283.7**	23.9
Total off-balance sheet commitments	**994.8**	396.6

The unsecured loans include CHF 348 million (2015: CHF 34.4 million) of loans made with no collateral and CHF 32.2 million (2015: CHF 13.4 million) of loans where the collateral value is below the value of the loan. The uncollateralised portion of these loans is classified as "unsecured", however within approved unsecured lending limits for the customers.

See note 4.1 for further details on collateral.

24. Derivatives financial instruments

24.1 Derivatives

The Group'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 Group assesses counterparties using the same techniques as for its lending activities.

Credit risk on index, interest rate and bond futures is negligible because futures contracts are collateralised by cash or marketable securities, and changes in their value are settled daily.

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 Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, credit spreads or foreign exchange rates, relative to their terms. The fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

24.1 Derivatives (continued)

The fair value of derivative instruments held are set out in the following table:

(All figures in millions of CHF)	**Dec. 31, 2016** Contract/ notional amount	Fair values Assets	Fair values Liabilities	Dec. 31, 2015 Contract/ notional amount	Fair values Assets	Fair values Liabilities
Derivatives held for trading:						
Currency and precious metal derivatives						
Currency forwards	**8,447.5**	**52.0**	**51.0**	3,579.6	37.2	22.4
Currency swaps	**22,315.9**	**216.8**	**169.0**	11,057.8	99.0	55.8
OTC currency options	**12,488.7**	**128.3**	**93.8**	4,283.3	20.1	23.2
	43,252.1	**397.1**	**313.8**	18,920.7	156.3	101.4
Interest rate derivatives						
Interest rate swaps	**2,074.0**	**10.1**	**42.6**	919.2	9.7	4.4
OTC interest rate options	**32.4**	**2.9**	**6.0**	121.5	12.2	14.1
Interest rate futures	**182.2**	**0.4**	**0.1**	64.8	0.2	-
	2,288.6	**13.4**	**48.7**	1,105.5	22.1	18.5
Other derivatives						
Equity options and index futures	**2,800.1**	**322.4**	**334.6**	2,391.4	430.7	458.9
Credit default swaps	**1,258.3**	**22.7**	**21.5**	326.7	60.9	59.5
Total return swaps	**137.5**	**63.3**	**-**	134.0	62.2	-
Commodity options and futures	**3.2**	**0.3**	**0.3**	3.7	1.2	1.2
	4,199.1	**408.7**	**356.4**	2,855.8	555.0	519.6
Total derivative assets / liabilities held for trading	**49,739.8**	**819.2**	**718.9**	22,882.0	733.4	639.5
Derivatives held for hedging:						
Derivatives designated as fair value hedges						
Interest rate swaps	**3,294.5**	**11.4**	**56.7**	2,250.1	2.1	73.9
Total derivative assets / liabilities held for hedging	**3,294.5**	**11.4**	**56.7**	2,250.1	2.1	73.9
Total derivative assets / liabilities	**53,034.3**	**830.6**	**775.6**	25,132.1	735.5	713.4

24.2 Hedging activities

The hedging practices and accounting treatment are disclosed in note 2(d).

Fair value hedges

The Group hedges its interest rate risk resulting from a potential decrease in the fair value of fixed rate bond assets or loans, by using interest rate swaps. The net fair value of these swaps at December 31, 2016 was negative CHF 45.3 million (2015: negative CHF 71.8 million).

25. Financial assets at fair value - trading assets

(All figures in millions of CHF)		**Dec. 31, 2016**	Dec. 31, 2015
Issued by non public issuers:	Banks	**285.5**	73.9
Issued by non public issuers:	Other	**462.5**	17.0
Total		**748.0**	90.9

The movement in the account is as follows:

(All figures in millions of CHF)		
At January 1	**90.9**	153.7
Addition in scope of consolidation due to BSI acquisition	**761.5**	-
Additions	**4.3**	13.9
Disposals (sale and redemption)	**(109.3)**	(77.5)
Accrued interest	**(0.2)**	(0.1)
Gain from changes in fair value	**0.8**	0.9
At December 31	**748.0**	90.9

26. Financial assets at fair value - designated at inception

(All figures in millions of CHF)		**Dec. 31, 2016**	Dec. 31, 2015
Issued by other issuers:	US life insurance companies *	**294.8**	277.8
Issued by other issuers:	US life insurance companies	**25.0**	27.2
Commodities	Precious metals	**136.2**	-
Total		**456.0**	305.0
Life insurance policies securities	Unquoted - Discounted cash flow analysis *	**294.8**	277.8
Life insurance policies securities	Unquoted - Discounted cash flow analysis	**25.0**	27.2
Commodities	Quoted	**136.2**	-
Total		**456.0**	305.0
Pledged securities with central banks, clearing system companies or third party banks		**294.8**	277.8

The movement in the account is as follows:

(All figures in millions of CHF)	**2016**	2015
At January 1	**305.0**	329.7
Addition in scope of consolidation due to BSI acquisition	**170.8**	-
Additions	**46.8**	39.5
Disposals (sale and redemption)	**(58.1)**	(15.3)
Accrued interest	**47.2**	51.4
Losses from changes in fair value	**(64.1)**	(99.5)
Exchange differences	**8.4**	(0.8)
At December 31	**456.0**	305.0

** See note 38 Financial liabilities designated at fair value*

27. Investment securities - available-for-sale

(All figures in millions of CHF)		**Dec. 31, 2016**	Dec. 31, 2015
Issued by public bodies:	Government	**1,389.1**	1,119.2
Issued by public bodies:	Other public sector	**803.7**	584.3
Issued by other issuers:	Banks	**2,522.8**	1,882.5
Issued by other issuers:	US life insurance companies	**32.2**	35.5
Issued by other issuers:	Other	**689.5**	622.3
Total		**5,437.3**	4,243.8
Debt securities:	Listed / Quoted	**4,385.3**	3,283.1
Debt securities:	Unquoted - Discounted cash flow analysis	**935.8**	896.6
Debt securities:	Unlisted	**41.7**	-
Equity securities:	Listed / Quoted	**0.4**	0.5
Equity securities:	Unquoted - Other valuation Models	**41.9**	28.1
Life insurance related:	Unquoted - Discounted cash flow analysis	**32.2**	35.5
Total		**5,437.3**	4,243,8
Pledged securities with central banks, clearing system companies or third party banks		***719.9***	*232.0*

The movement in the account is as follows:

(All figures in millions of CHF)	**2016**	2015
At January 1	**4,243.8**	4,093.5
Addition in scope of consolidation due to BSI acquisition	**806.2**	-
Additions	**2,785.3**	2,113.9
Disposals (sale and redemption)	**(2,395.4)**	(1,786.3)
Fair value gains / (losses) on available-for-sale investment securities	**14.9**	(84.5)
Transfer to the Statement of income of realised available-for-sale investment securities	**1.7**	14.2
Change in accrued interest	**6.1**	(5.5)
Exchange differences	**(25.3)**	(101.5)
At December 31	**5,437.3**	4,243.8

The Group has pledged Financial Investments securities as collateral for CHF 35.8 million (2015: CHF 131.7 million). This is related to the Group's role as collateral provider in relation to structured products issued by a subsidiary, where the holders of the structured products assume a default risk that varies according to the creditworthiness of the issuer. The insolvency of the issuer may result in a total loss for the investor. In order to minimise this risk, SIX Swiss Exchange offers a service for the collateralisation of structured products, and the Group has pledged assets to SIX Swiss Exchange.

28. Investment securities - available-for-sale equity reserve

Statement of Comprehensive Income - revaluation of available-for-sale investment securities:

Gains and losses arising from the changes in the fair value of available-for-sale investment securities are recognised in a revaluation reserve for available-for-sale financial assets in the Statement of Comprehensive Income.

The movement of the reserve is a follows:

(All figures in millions of CHF)	**2016**	2015
At January 1	**(111.5)**	(78.2)
Fair value gains / (losses) on available-for-sale investment securities, before tax	**12.4**	(20.8)
Transfer to Statement of Income of realised available-for-sale investment securities reserve, before tax	**(1.7)**	(14.2)
Tax effect on available-for-sale investment securities	**(1.3)**	1.7
At December 31	**(102.1)**	(111.5)

29. Investment securities - held to maturity

(All figures in millions of CHF)		**Dec. 31, 2016**	Dec. 31, 2015
Issued by public bodies:	Government	**43.0**	43.3
Issued by public bodies:	Other public sector	**311.1**	313.2
Issued by other issuers:	Banks	**1.1**	7.2
Issued by other issuers:	US Life insurance companies	**854.7**	815.7
Gross investment securities - held-to-maturity		**1,209.9**	1,179.4
Impairment on financial assets held-to-maturity		**-**	-
Total		**1,209.9**	1,179.4

The movement in the account is as follows:

(All figures in millions of CHF)	**2016**	2015
At January 1	**1,179.4**	1,165.7
Addition in scope of consolidation due to BSI acquisition	**-**	-
Additions/premiums paid	**77.6**	74.5
Redemptions	**(76.2)**	(46.6)
Accrued interest	**10.0**	20.4
Exchange differences	**19.1**	(34.6)
At December 31	**1,209.9**	1,179.4
Pledged securities with central banks and clearing system companies	-	-

30. Shares in subsidiary undertakings

EFG Bank European Financial Group SA holds 100% of EFG Investments Limited, Jersey and 44.2% (2015: 54.4%) of EFG International AG, which in turn holds directly or indirectly 100% of the other subsidiaries, with the exception of Asesores y Gestores Financieros S.A. and its subsidiaries in which it holds and controls 54% (2015: 56%).

The following is a list of the Group's main subsidiaries at December, 31 2016

Name	Line of business	Country of incorporation	Direct voting %	Indirect voting %		Share Capital (000s)
Main Subsidiaries						
EFG International AG	Holding	Switzerland	**44.2**	**n/a**	**CHF**	**143,678**
EFG Bank AG	Bank	Switzerland	**100.0**	**44.2**	**CHF**	**162,410**
EFG Bank (Monaco)	Bank	Monaco	**100.0**	**44.2**	**EUR**	**47,152**
EFG Bank & Trust (Bahamas) Limited	Bank	Bahamas	**100.0**	**44.2**	**USD**	**32,000**
EFG Bank von Ernst AG	Bank	Liechtenstein	**100.0**	**44.2**	**CHF**	**25,000**
EFG Bank (Luxembourg) SA	Bank	Luxembourg	**100.0**	**44.2**	**EUR**	**28,000**
EFG Private Bank Limited	Bank	United Kingdom	**100.0**	**44.2**	**GBP**	**1,596**
EFG Private Bank (Channel Island) Ltd	Bank	Guernsey	**100.0**	**44.2**	**GBP**	**5,000**
BSI Bank SA	Bank	Switzerland	**100.0**	**44.2**	**CHF**	**1,840,000**
BSI Europe SA	Bank	Luxembourg	**100.0**	**44.2**	**EUR**	**35,400**
BSI Monaco SAM	Bank	Monaco	**100.0**	**44.2**	**EUR**	**18,000**
BSI Bank (Panama) SA	Bank	Panama	**100.0**	**44.2**	**USD**	**10,410**
Oudart SA	Asset Management Company	France	**100.0**	**44.2**	**EUR**	**5,500**
EOS Servizi Fiduciari SpA	Fiduciary Company	Italy	**100.0**	**44.2**	**EUR**	**4,250**
Patrimony 1873 SA	Asset Management Company	Switzerland	**100.0**	**44.2**	**CHF**	**5,000**
A&G Bank Privada SA	Bank	Spain	**54.00**	**23.9**	**EUR**	**20,204**
EFG Capital International Corp	Broker / dealer	USA	**100.0**	**44.2**	**USD**	**12,200**
Chestnut Financing PLC	Finance Company	United Kingdom	**-**	**-**	**GBP**	**-**
EFG Funding (Guernsey) Limited	Finance Company	Guernsey	**100.0**	**44.2**	**CHF**	**-**
EFG International (Guernsey) Limited	Finance Company	Guernsey	**100.0**	**44.2**	**EUR**	**1**
EFG International Finance (Luxembourg) Sarl	Finance Company	Luxembourg	**100.0**	**44.2**	**CHF**	**2,200**
EFG International Finance (Guernsey)	Structured product issuance	Guernsey	**100.0**	**44.2**	**CHF**	**5,000**
EFG Investment (Luxembourg) SA	Holding	Luxembourg	**100.0**	**44.2**	**EUR**	**78,899**
EFG Investment and Wealth Solutions Holding AG	Holding	Switzerland	**100.0**	**44.2**	**CHF**	**600**
EFG Investments Limited	Investment Company	Jersey	**100.0**	**n/a**	**CHF**	**10**

Chestnut Financing PLC is an entity that is owned by a trust, however the Group is exposed to all the variable returns of the entity through the subordinated class of funding provided to the entity, and none to the non-controlling interests.

The Group uses other entities to manage assets on behalf of its customers. These entities are subject to an investment management agreement in which the Group acts as administrator only and is remunerated via a fixed fee. In some of these entities the Group is participating in the funding by providing loan facilities granted which are secured by way of fund assets. The management has

assessed that the Group has no effective power over these entities nor over the operations of the entity, as it is not their asset manager, and also it is not exposed materially to a variability of returns from these entities. Transactions made with these entities are done at arm's length and returns on facilities granted are subject to normal credit risk exposure.

The total non-controlling interest at the end of the period is CHF 1,290.1 million of which CHF 1,267.5 is in respect with EFG International AG, CHF 21.6 million is in respect of 46% interest in Asesores Y Gestores Financieros S.A., Madrid, and CHF 1 million in respect of 9.99% interest in EFG Investment 2 (UK) Ltd.

31. Business combinations

On October 31, 2016, EFG Group, through the EFGI Group acquired 100% of the share capital of BSI Holdings AG ("BSI Group") for an expected final purchase consideration of CHF 783.9 million.

The BSI Group is a leading global private banking group, offering private banking, wealth management and asset management services. The BSI Group's principal places of business are in Switzerland, Bahamas, France, Hong Kong, Italy, Luxembourg, Monaco, Panama and Singapore. The BSI Group had 1,728 full time equivalent employees at October 31, 2016.

The primary reason for the acquisition is to create one of the largest private banks in Switzerland by Revenue Generating AUM, providing the Group with the scale to strengthen its position as one of the country's leading private banking groups. As a result, the Group will also be better positioned to take advantage of further consolidation opportunities in the Swiss private banking market. The EFGI Group and BSI Group have complementary geographic footprints both in Switzerland and abroad. As such, the Group will benefit from significant broader coverage, with additional booking centres in Switzerland, Europe and Latin America, and with the potential for significant cost synergies.

The expected final purchase consideration reflects the total fair value of consideration transferred, and comprises the following:

(All figures in millions of CHF)	
Issuance of 86,178,609 ordinary shares by EFG International	**454.2**
Additional Tier 1	**31.2**
Cash consideration	**576.0**
Total initial consideration	**1,061.4**
Expected price adjustment	**(277.5)**
Expected final purchase consideration	**783.9**

The ordinary shares issued are reflected at the fair value of the shares issued, applying EFG International share's closing price of CHF 5.27 on October 28, 2016 to the 86,178,609 shares issued. The Additional Tier 1 notes were issued at arms-length rates and as a result the fair value is equal to the notional value. The cash consideration reflects the cash paid to the seller on October 31, 2016 based on the sellers tentative estimate as at that date.

The final purchase price is subject to a process set forth in the Sale and Purchase Agreement, whereby the Group and the seller determine the final valuation of the assets and liabilities and other price adjustments related to the relevant period. Any unresolved differences between the Group and the seller will be referred to an independent expert for review and adjudication.

Under this process, the Group made a formal submission to the seller on February 2, 2017 and based on its current estimates, the Group expects a downward price adjustment of CHF 277.5 million. This is reflected as a receivable due from the seller and included in Other Assets – see note 34. The seller advised the Group that it intends to object to the submission made by the Group on February 2, 2017.

The process to determine the final purchase price is not yet complete and the impact of any adjustments that may arise on the amounts recorded in these financial statements is not known. However, based on presently available information and assessments, any eventual impact on the Group's regulatory capital is not expected to be material.

There is no contingent consideration.

As at October 31, 2016 and December 31, 2016 there are no indemnification assets, however the Group has agreed indemnities with the seller up to the expected final purchase consideration for breaches of warranties and indemnity matters regarding certain legal and regulatory matters. As a security for potential indemnification claims by the Group, the seller has transferred 51 million ordinary EFG International shares into a Swiss escrow account which have been locked up until October 31, 2018, subject to claims pending at that time.

The acquisition of the BSI Group gives rise to a gain reflected in the Statement of Income of CHF 530.8 million which is arrived at as follows:

(All figures in millions of CHF)	
Fair value of net assets acquired	**1,314.7**
Expected final purchase consideration	**783.9**
Bargain gain on business acquisition	**530.8**

The bargain purchase arises as a result of numerous factors, which include the following:

Intangible assets recognition – CHF 110.0 million of acquisition related intangibles have been identified as part of the purchase price allocation exercise. These relate to client relationships. The transaction was originally priced on the basis of the tangible book value and thus any intangibles that are identified for IFRS 3 purposes increase the acquired net asset value, and thus result in the creation of CHF 110.0 million of bargain purchase.

Consideration in shares – approximately CHF 250 million of bargain purchase as part of the purchase consideration was for shares in the Group. The sale and purchase contract fixed the number of shares. Due to the decline in the share price of the Group between the date when the price was contractually fixed for the shares (CHF 9.50 per share) between the buyer and seller, and the quoted market price at close of business on October 28, 2016 of CHF 5.27 per share (being the last trading day before the shares were issued), resulting in a lower purchase consideration with no impact on net assets acquired, and hence creating an element of the bargain purchase. In addition the seller agreed to subscribe for additional shares (in lieu of cash consideration) at a price of CHF 6.12 per share, but the issuance was only effective at

the closing of the transaction on October 31, 2016. At Closing the fair value of these shares of CHF 5.27 per share was below this contractually agreed price, resulting in a lower purchase consideration with no impact on net assets acquired, and hence creating an element of the bargain purchase.

Decrease in Assets under Management – approximately CHF 205 million of bargain gain arises from a purchase price adjustment related to the decline in the Assets under Management of the BSI Group between December 1, 2015 and October 31, 2016. As this reduces the purchase price and has no impact on the net assets, a bargain purchase arises for this compensation for the loss of future revenues and profits.

The bargain purchase on acquisition will not trigger any tax liability.

The Group has incurred costs related to the acquisition of BSI of CHF 35.6 million and CHF 14.2 million related to the commencement of the integration of the BSI business with the existing EFG businesses. The details of the acquisition related costs are as follows:

(All figures in millions of CHF)	
Cost of share issuance - directly through equity	**(17.6)**
Advisors, lawyers and accountants - Operating expenses	**(18.0)**
Total acquisition costs	**(35.6)**

The acquisition balance sheet reflecting assets and liabilities at fair value at October 31, 2016 is as follows:

Summarised acquired balance sheet

(All figures in millions of CHF)		Oct. 31, 2016	
Assets	**Carrying Value**	**Fair Value**	**Difference**
Cash and balances with central banks	**3,008.6**	**3,008.6**	**-**
Treasury bills and other eligible bills	**765.2**	**765.2**	**-**
Due from other banks	**1,530.8**	**1,530.8**	**-**
Loans and advances to customers	**8,334.8**	**8,334.8**	**-**
Derivative financial instruments	**160.9**	**160.9**	**-**
Financial assets at fair value	**907.5**	**907.5**	**-**
Investment securities: Available-for-sale	**806.2**	**806.2**	**-**
Intangible assets	**1.0**	**117.5**	**116.5**
Property, plant and equipment	**226.3**	**226.3**	**-**
Deferred income tax assets	**0.2**	**0.2**	**-**
Other assets	**86.6**	**86.6**	**-**
Total Assets	**15,828.1**	**15,944.6**	**116.5**

Summarised acquired balance sheet (continued)

Liabilities			
Due to other banks	371.6	371.6	-
Due to customers	12,883.2	12,883.2	-
Subordinated loans	98.8	98.8	-
Debt issued	4.4	4.4	-
Derivative financial instruments	185.8	185.8	-
Financial liabilities designated at fair value	125.6	125.6	-
Other financial liabilities	159.8	159.8	-
Current income tax liabilities	8.9	8.9	-
Deferred income tax liabilities	0.1	0.1	-
Provisions	191.1	191.1	-
Other liabilities	600.6	600.6	-
Total Liabilities	14,629.9	14,629.9	-
Net assets	1,198.2	1,314.7	116.5

The carrying value of loans and advances to customers above is shown after impairment provision of CHF 38.0 million which represented the best estimate of the amounts not expected to be collected by the BSI Group as of acquisition date.

Summarised statement of income for the period November 1, 2016 to December 31, 2016:

(All figures in millions of CHF)	
Operating income	84.9
Operating expenses	(88.2)
Other provisions	(3.1)
Impairment on loans and advances to customers	(0.5)
Loss before tax	(6.9)
Taxes	(1.9)
Loss for the period	(8.8)
Net loss for the period attributable to:	
Net loss attributable to owners of the Group	(3.9)
Net loss attributable to non-controlling interests	(4.9)

Contigent liabilities

In addition other contingent liabilities exist, where an outflow of resources may arise, however the obligation cannot be measured with sufficient reliability and a fair value cannot be estimated. These include the following:

(i) *FIFA*

In 2015, the US Attorney's Office for the Eastern District of New York and the Office of the Attorney General in Switzerland initiated criminal investigations into bribery and money-laundering allegations involving officials of Fédération Internationale de Football Association

("FIFA") and its member associations and related parties. Certain FIFA-related accounts were opened and maintained by the BSI Group and they are currently under review. The U.S. Department of Justice ("DoJ") has issued requests for assistance to the Swiss authorities in obtaining information for some of the FIFA-related accounts. The U.S. and Swiss authorities are also investigating whether the Group and other financial institutions complied with their anti-money laundering obligations in connection with the FIFA-related accounts. The BSI Group is cooperating fully with the Swiss and U.S. authorities in these ongoing investigations. It cannot be excluded that penalty payments may be payable to DoJ or to other regulatory bodies, however it is not possible to estimate these. EFGI is entitled to indemnification against any loss that may arise from this claim from the seller of the BSI Group.

(ii) *Malaysian matter*

The U.S. Department of Justice ("DoJ") and the Office of the Attorney General in Switzerland are currently conducting criminal investigations into money-laundering allegations involving 1Malaysia Development Berhad ("1MDB"), a sovereign wealth fund owned by the government of Malaysia. Certain 1MDB-related accounts were opened and maintained by the BSI Group and they are currently under review. DoJ has issued requests for assistance to the Swiss authorities in obtaining information for some of the 1MDB-related accounts. The DoJ is also investigating whether the BSI Group and other financial institutions complied with their anti-money laundering obligations in connection with the 1MDB-related accounts. The BSI Group is fully cooperating with the Swiss and US authorities in these ongoing investigations. EFGI is entitled to indemnification against any loss that may arise from these matters from the seller of the BSI Group.

(iii) *Italian proceedings*

The BSI Group is the named defendant in two civil proceedings pending before the Court of Torre Annunziata, arising from its role as a trustee of certain trusts associated with three families who owned an Italian shipping company which was declared bankrupt in 2012, allegedly causing aggregate losses to approximately 13,000 bondholders through the issuance of approximately EUR 1 billion of bonds that did not comply with applicable laws. In 2014, members of the families involved were convicted for embezzlement and fraud in Italy. The claimants in the civil proceedings claim that the BSI Group was aware of the embezzlement scheme and the BSI Group, in its capacity as trustee of these trusts, would be liable for damages and disgorgement of assets and profits should it be found to have committed any wrongdoing. The BSI Group is vigorously defending against the claim, however is unable to quantify its maximum exposure in connection with the civil proceedings, but cannot exclude the possibility that this will be significant. EFGI is entitled to indemnification against any loss that may arise from this claim from the seller of the BSI Group.

(iv) *DoJ NPA*

On March 30, 2015, BSI Group entered into a non-prosecution Agreement ("NPA") with the DoJ in connection with its US Tax Program for Swiss Banks. The NPA may be terminated or re-negotiated should BSI be determined by the Tax Division of the DoJ to have committed any U.S. federal offences during the four years following the date of the NPA. This could lead to further prosecutions of BSI in relation to the matters which were the subject matter of the NPA. BSI Group cannot exclude the possibility that the above mentioned matter, or future proceedings of which BSI Group is currently unaware, will cause the Tax Division of the DoJ to conclude that

such U.S. federal offences have been committed, resulting in the termination or, at minimum, re-negotiation of the NPA. Currently investigations by DoJ are ongoing and the Group is not aware of any potential penalties. EFGI is entitled to indemnification against any loss that may arise from these matters from the seller of the BSI Group.

The following contingent liabilities exist where the fair value has been able to be assessed.

(v) *Shareholder agreement*

The counter-party in a share transaction brought a claim against the BSI Group for CHF 90 million related to a shareholders agreement, where the BSI Group sold their minority holding in a company that was also a supplier of services to the BSI Group. The buyer of the minority holding has brought a claim for losses allegedly suffered from the BSI Group terminating its contract with that supplier. The Group is vigorously defending against the claim. The BSI Group assessed that there is no reason to make any provision for this claim as management is of the opinion that the Group is unlikely to face payments or losses. In addition, under IFRS 3 an assessment has been made of this present obligation that arises from past events and calculated that the fair value of this claim is zero. EFGI is entitled to indemnification against any loss that may arise from these matters from the seller of the BSI Group.

Provisions for litigation and charges

BSI Group was party to a number of disputes for which it had recorded provisions. The Group reviewed the provision levels upon acquisition of BSI Group and assigned fair value to them as follows:

(i) *Madoff*

BSI Group is named as a defendant in two sets of actions pending before the Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") arising out of investments in funds that invested, directly or indirectly, with Bernard L. Madoff Investment Securities ("BLMIS"). The trustee for the Securities Investment Protection Act liquidation proceeding of BLMIS asserts claims to recover avoidable transfers of approximately USD 56.4 million that BSI allegedly received as redemption payments from funds invested with BLMIS, as well as all applicable fees, interests, costs, and disbursements. In addition claims have been made in two adversary proceedings, asserting claims for an aggregate of USD 51.9 million and of USD 1.7 billion, as well as all applicable fees, interests, costs and disbursements, against all defendants named in these actions, including BSI Group and Banca del Gottardo. BSI Group has blocked various clients' accounts and has booked certain provisions for this litigation in its financial statements. BSI Group is vigorously defending these claims. In addition, under IFRS 3 an assessment has been made of this present obligation that arises from past events and calculated that the fair value of this claim is CHF 16.3 million.

(ii) *Client related*

The liquidator of an investment company has brought a claim against the BSI Group in the Commercial Court of Paris. The liquidator alleges that the Group is liable for processing a specific transfer of USD 50 million. The BSI Group is vigorously defending against the claim.

Under IFRS 3 an assessment has been made of this present obligation that arises from past events and calculated that the fair value of this claim is zero.

The BSI Group is the defendant in a lawsuit brought by a client who was allegedly defrauded by an employee of the BSI Group. This is a long standing claim and is considered as unlikely to be settled within a year. Under IFRS 3 an assessment has been made of this present obligation that arises from past events and calculated that the fair value of this claim is CHF 6.6 million.

The BSI Group is defending various lawsuits primarily brought by ex-clients of the BSI Group. These are long standing claims and are considered as unlikely to be settled within a year. Under IFRS 3 an assessment has been made of this present obligation that arises from past events and calculated that the fair value of this claim is CHF 17.6 million.

The BSI Group received a claim of a client, active in the trading domain. The client alleged that BSI Group invested the client's asset without having received any specific order refusing to accept the negative performance of the portfolio. The client stated that in 2008 he gave to BSI the order to disinvest all assets and to hold only cash in the portfolio. After months of negotiations without an acceptable solution the client started a lawsuit in Zurich for a total value of USD 7.9 million. The bank is of the opinion that the client was primarily responsible for the losses. Under IFRS 3 an assessment has been made of this present obligation that arises from past events and calculated that the fair value of this claim is zero.

(iii) *Regulatory related*

The BSI Group took a provision of CHF 95.0 million for disgorgement of profits levied by FINMA on the BSI Group with regard to the investigations into 1MDB, arising from activities that occurred between 2011 and April 2015. The BSI Group, however, appealed FINMA's decision prior to the acquisition and suspended the payment of the disgorgement of profits. With the acquisition of the BSI Group, the fair value of this dispute was estimated at CHF 95.0 million

BSI Group had created a provision of CHF 35.0 million in respect of proceedings in Germany for alleged aiding and abetting of tax evasion by German residents. With the acquisition of the BSI Group, the fair value of this dispute was estimated at CHF 35.0 million.

The Group has been indemnified, cumulatively up to CHF 400 million (and up to the amount of purchase consideration for certain cases), by the seller of the BSI Group for potential future penalties and charges in respect of these cases. In addition as at December 31, 2016 an amount of CHF 277.5 million is receivable from the seller. The seller is a regulated bank in Brazil and the Group does not foresee any risks related to the credit risk of the seller. As additional security for potential indemnification claims by the Group, the seller has transferred 51 million ordinary EFG International shares into a Swiss escrow account.

32. Intangible assets

(All figures in millions of CHF)	Computer software and licences	Other Intangible Assets	Goodwill	Total Intangible Assets
		2015		
At January 1				
Cost	45.8	192.8	608.0	846.6
Accumulated amortisation and impairment	(36.9)	(161.9)	(372.9)	(571.7)
Net book value	8.9	30.9	235.1	274.9
Year ended December 31				
Opening net book amount	8.9	30.9	235.1	274.9
Acquisition of computer software and licences	12.0	-	-	12.0
Acquisition of other intangible assets	-	1.2	-	1.2
Amortisation charge for the year - Computer software and licences (note 12)	(3.8)	-	-	(3.8)
Amortisation charge for the year - Other intangible assets (note 12)	-	(4.2)	-	(4.2)
Exchange differences	(0.3)	(1.2)	(6.9)	(8.4)
Closing net book value	16.8	26.7	228.2	271.7
At December 31				
Cost	56.7	187.4	599.5	843.6
Accumulated amortisation and impairment	(39.9)	(160.7)	(371.3)	(571.9)
Net book value	16.8	26.7	228.2	271.7

(All figures in millions of CHF)	**Computer software and licences**	**Other Intangible Assets**	**Goodwill**	**Total Intangible Assets**
		2016		
Year ended December 31				
Opening net book amount	**16.8**	**26.7**	**228.2**	**271.7**
Addition in scope of consolidation due to BSI acquisition	**1.1**	**116.4**	**-**	**117.5**
Acquisition of computer software and licences	**13.5**	**-**	**-**	**13.5**
Acquisition of other intangible assets	**-**	**4.7**	**-**	**4.7**
Impairment charge for the year	**-**	**(14.7)**	**(184.8)**	**(199.5)**
Amortisation charge for the year - Computer software and licences (note 12)	**(4.5)**	**-**	**-**	**(4.5)**
Amortisation charge for the year - Other intangible assets (note 12)	**-**	**(4.6)**	**-**	**(4.6)**
Exchange differences	**-**	**(4.2)**	**(2.9)**	**(7.1)**
Closing net book value	**26.9**	**124.3**	**40.5**	**191.7**
At December 31				
Cost	**71.3**	**168.3**	**59.5**	**299.1**
Accumulated amortisation and impairment	**(44.4)**	**(44.0)**	**(19.0)**	**(107.4)**
Net book value	**26.9**	**124.3**	**40.5**	**191.7**

32.1 Impairment charge for the year

An impairment charge of CHF199.5 million has been recorded for the year ended December 31, 2016 (31.12.2015: nil). The detail of the impairment charge is as follows:

(All figures in millions of CHF)	Method used to estimate the recoverable amount of the cash generting unit	Other Intangible Assets	Goodwill	Total
Banque Edouard Constant	**Value in use**	-	(76.3)	(76.3)
Harris Allday	**Value in use**	(12.7)	(30.6)	(43.3)
PRS Group	**Value in use**	-	(37.8)	(37.8)
Other cash generating units		(2.0)	(40.1)	(42.1)
Impairment on goodwill and other intangibles		(14.7)	(184.8)	(199.5)

The recoverable amounts of Banque Edouard Constant, Harris Allday and PRS cash generating units was estimated to be nil.

The Banque Edouard Constant goodwill was impaired due to a combination of a decline in revenue and an updated expectation that this will continue to decline in future years due to the pressures being experienced by Private Banking in Switzerland, and due to higher costs being incurred by this business due to increased regulatory and infrastructure costs. The Group discounted these revised cash flow estimates using a discount rate of 6.97% (in 2015, the recoverable amount was calculated using a fair value less costs to sell method, where key inputs were P/E multiple of 11.2 and AUM multiple of 3.4%).

The Harris Allday goodwill and intangibles were impaired due to changes in the management of the cash generating unit and the assumptions made in previous years that a recovery in profitability would support the profitability of this business. This did not occur in 2016 and as a result the future profitability has been reassessed. The Group discounted these revised cash flow estimates using a discount rate of 7.85% (2015: 7.85%).

The PRS goodwill was impaired due to the business underperforming versus the expected business plans made in previous years. Revised projections of profitability no longer support the value of this business. The Group discounted these revised cash flow estimates using a discount rate of 8.16% (2015: 8.26%).

32.2 Impairment test

The Group's goodwill and intangible assets (together "Intangibles") acquired in business combinations are reviewed at least annually for impairment by comparing the recoverable amount of each cash generating unit ("CGU") to which Intangibles have been allocated a carrying value.

Where the carrying values have been compared to recoverable amounts using the "value in use" approach, the risk adjusted discount rates used are based on observable market long-term government bond yields (10 years) for the relevant currencies plus a risk premium of 6.8% (2015: 5% to 5.9%). The risk premiums were determined using capital asset pricing models and are based on capital market data as of the date of impairment test. A period of 5 years is used for all cash flow projections.

Where the carrying values have been compared to "fair value less costs to sell", the fair values has been calculated using a PE approach based on similar transactions for comparable listed companies. The revenue basis for the PE approach was based on expected future revenues.

The carrying amounts of goodwill and intangible assets as at December 31, 2016 allocated to each cash generating unit are as follows:

(All figures in millions of CHF)				Intangible Assets	Goodwill	Total
Segment	**Cash generating unit**	**Discount rate/ Growth Rate**	**Period**			
Value in use						
Continental Europe	Asesores y Gestores Financieros SA	**8.21% / 2.0%**	**5 years**	**5.3**	**19.7**	**25.0**
Fair value less costs to sell		**P/E**	**AuM Multiple**			
Continental Europe	Banque Monégasque de Gestion	**9.6**	**3.3%**	**2.4**	**20.8**	**23.2**
Other						
BSI Group	BSI Group			**108.7**	**-**	**108.7**
Various	Other Cash Generating Units			**7.9**	**-**	**7.9**
Total carrying values				**124.3**	**40.5**	**164.8**

The assessment for impairment of goodwill and intangibles of the Group considered the performance outlook of each cash generating unit and the underlying business operations, to determine whether the recoverable amount for these cash generating units covers its carrying amount. Based on the tests performed, the Group concluded that intangibles assets and goodwill remained recoverable at December 31, 2016. Earnings are estimated based on current and future business initiatives and forecast results derived therefrom.

On October 31, 2016 the Group acquired the BSI Group. A purchase price allocation exercise was performed which identified and valued client relationships at CHF 110.0 million, with a useful life of 14 years. The year-end carrying value was CHF 108.7 million after amortisation. No other intangible assets were identified that were considered to have any value. As these intangible assets were only acquired two months before year end, and no triggering events occurred in this period, no impairment test was performed on these assets.

The table below shows the sensitivity to permanent declines in forecasted future profits. For sensitivity purposes the impact of a 20% and a 50% decline in forecasted profit before tax are presented.

(All figures in millions of CHF)	Impairment impact of 20% decline in forecasted profit	Impairment impact of 50% decline in forecasted profit	Impairment impact of 100 bp increase in discount rate	Required decline in forecasted profit to equal carrying value
Cash generating unit				
Banque Monégasque de Gestion	**-**	**5.7**	**-**	**34%**
Asesores y Gestores Financieros SA	**-**	**21.6**	**-**	**31%**

33. Property, plant and equipment

(All figures in millions of CHF)	Land and Buildings	Leasehold improvements	Furniture, equipment, motor vehicles	Computer hardware	Total
			2015		
At January 1					
Cost	13.0	40.1	20.7	41.0	114.8
Accumulated depreciation	(1.0)	(30.7)	(16.3)	(36.7)	(84.7)
Net book value	12.0	9.4	4.4	4.3	30.1
Year ended December					
Opening net book amount	12.0	9.4	4.4	4.3	30.1
Additions	-	2.4	1.3	3.6	7.3
Depreciation charge for the year (note 12)	(0.1)	(2.5)	(1.1)	(2.4)	(6.1)
Disposal and write-offs	-	-	(0.1)	-	(0.1)
Exchange differences	(0.1)	(0.2)	(0.2)	(0.1)	(0.6)
Closing net book value	11.8	9.1	4.3	5.4	30.6
At December 31					
Cost	12.8	41.9	21.8	43.4	119.9
Accumulated depreciation	(1.0)	(32.8)	(17.5)	(38.0)	(89.3)
Net book value	11.8	9.1	4.3	5.4	30.6

(All figures in millions of CHF)	Land and Buildings	Leasehold improvements	Furniture, equipment, motor vehicles	Computer hardware	Total
			2016		
Year ended December					
Opening net book amount	**11.8**	**9.1**	**4.3**	**5.4**	**30.6**
Additions in scope of consolidation due to BSI acquisition	**199.8**	**2.7**	**22.1**	**1.7**	**226.3**
Additions	**2.0**	**1.6**	**4.9**	**6.2**	**14.7**
Depreciation charge for the year (note 12)	**(0.1)**	**(2.4)**	**(1.6)**	**(2.7)**	**(6.8)**
Disposal and write-offs	**-**	**(0.3)**	**(0.5)**	**-**	**(0.8)**
Exchange differences	**(0.3)**	**(0.4)**	**(0.2)**	**(0.1)**	**(1.0)**
Closing net book value	**213.2**	**10.3**	**29.0**	**10.5**	**263.0**
At December 31					
Cost	**214.1**	**45.2**	**47.1**	**49.8**	**356.2**
Accumulated depreciation	**(0.9)**	**(34.9)**	**(18.1)**	**(39.3)**	**(93.2)**
Net book value	**213.2**	**10.3**	**29.0**	**10.5**	**263.0**

34. Other assets

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Prepaid expenses and accrued income	**58.2**	36.5
Settlement balances	**85.8**	35.8
Current income tax assets	**2.7**	1.8
Other assets	**400.9**	40.2
Other assets	**547.6**	114.3

Settlement balances of CHF 85.8 million (2015: CHF 35.8 million) reflect trade date versus settlement date accounting principle, which is applied on the issuance of structured products and is dependent on transactions executed over the year-end period.

Included in other assets is a receivable of CHF 277.5 million from Banco BTG Pactual SA related to the acquisition of BSI for refund of purchase consideration overpaid at acquisition. This receivable arose as a result of difference between the consideration paid on October 31, 2016 upon acquisition of the BSI Group and the final consideration calculated by the Group after the financial position and amount of decrease in Assets under Management of the BSI Group were ascertained in February 2017. For detailed information about the BSI Group acquisition, please refer to note 31.

35. Due to other banks

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Due to other banks at sight	**311.0**	268.9
Due to other banks at term	**112.1**	215.9
Due to other banks	**423.1**	484.8

36. Due to customers

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Non interest bearing	**20,883.3**	10,331.5
Interest bearing	**12,050.2**	9,666.7
Due to customers	**32,933.5**	19,998.2

37. Subordinated loans and debt issued

(All figures in millions of CHF if not otherwise stated)			**Dec. 31, 2016**	Dec. 31, 2015
Subordinated loans - issuers	**Weighted average interest rate%**	**Due dates**		
EFG International (Guernsey) Ltd - EUR 66,425,000	8.00% p.a.	January 2022	**76.8**	55.6
EFG Funding (Guernsey) Ltd - CHF 180,000,000	4.75% p.a.	January 2023	**188.5**	187.2
Total subordinated loans			**265.3**	242.8

Subordinated loans are presented net of unamortised discount on issuance of CHF 0.3 million (2015: 22.9 million).

Debt issued - issuers				
Chestnut Financing PLC - GBP 266,300,000	1.28% p.a.	August 2017	**334.4**	392.0
Total debt issued			**334.4**	392.0

The debt issued by Chestnut Financing PLC is secured by a portfolio of mortgages over properties in the United Kingdom with a book value of CHF 438.7 million (2014: CHF 531.3 million).

38. Financial liabilities designated at fair value

(All figures in millions of CHF)		**Dec. 31, 2016**	Dec. 31, 2015
Synthetic life insurance	- Unquoted - Discounted cash flow analysis	**342.3**	318.5
Equities securities	- Quoted	**161.7**	-
Equities securities (liabilities to purchase non-controlling interests)	- Discounted cash flow analysis	**36.0**	34.6
Fixed income securities	- Quoted	**114.4**	-
Total financial liabilities designated at fair value		**654.4**	353.1

The movement in the account is as follows:

(All figures in millions of CHF)	**2016**	2015
At January 1	**353.1**	369.2
Increase in scope of consolidation due to BSI acquisition	**285.4**	-
Accrued interest	**51.3**	52.5
Additions	**111.4**	35.3
Disposals (sale and redemption)	**(102.6)**	(17.4)
Gains from changes in fair value	**(54.3)**	(82.2)
Increase through shareholders' equity	**1.5**	-
Exchange differences	**8.6**	(4.3)
At December 31	**654.4**	353.1

Credit rating impact

Changes in the fair value of financial liabilities designated at fair value are attributable to changes in market risk factors. The credit rating of the Group had no impact on the fair value changes of these liabilities.

Synthetic life insurances

The synthetic life insurance liability relates to a structured transaction which is economically hedging a portfolio of life insurance policies classified as financial asset - life insurance related at fair value of CHF 294.8 million (2015: CHF 277.8 million, see note 26).

Liability to purchase non-controlling shareholders interests

The non-controlling shareholders of Asesores y Gestores Financieros SA have the right to sell their shares to a wholly owned subsidiary of EFG International AG. This right applied from January 1, 2010 and that right expires on the occurrence of potential future events. In accordance with IAS 32, these put options give rise to a financial liability that corresponds to the discounted repurchase amount. As of December 31, 2016, the financial liability was valued at CHF 36.0 million (2015: CHF 34.6 million).

39. Other financial liabilities

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Structured products issued	**3,828.5**	3,237.9
Total other financial liabilities	**3,828.5**	3,237.9

40. Provisions

(All figures in millions of CHF)	2015 Provision for litigation risks	Provision for restructuring	Other provisions	Total
At January 1	7.0	0.6	30.4	38.0
Increase in provisions recognised in the Statement of Income	-	2.2	25.1	27.3
Release of provisions recognised in the Statement of Income	(0.1)	(0.1)	(7.1)	(7.3)
Net provision charges recognised in the Statement of Income				*20.0*
Provisions used during the year	(5.0)	(2.2)	(42.2)	(49.4)
Exchange differences	(0.1)	(0.2)	(0.6)	(0.9)
At December 31	1.8	0.3	5.6	7.7
Expected payment within 12 months	1.8	0.3	5.6	7.7
Expected payment thereafter	-	-	-	-
	1.8	0.3	5.6	7.7

(All figures in millions of CHF)	2016 **Provision for litigation risks**	**Provision for restructuring**	**Other provisions**	**Total**
At January 1	**1.8**	**0.3**	**5.6**	**7.7**
Addition in scope of consolidation due to BSI acquisition	**42.3**	**-**	**148.8**	**191.1**
Increase in provisions recognised in the Statement of Income	**-**	**9.6**	**10.8**	**20.4**
Release of provisions recognised in the Statement of Income	**-**	**-**	**(0.1)**	**(0.1)**
Net provision charges recognised in the Statement of Income				***20.3***
Provisions used during the year	**-**	**(8.5)**	**(10.9)**	**(19.4)**
Exchange differences	**0.1**	**-**	**(0.5)**	**(0.4)**
At December 31	**44.2**	**1.4**	**153.7**	**199.3**
Expected payment within 12 months	**3.7**	**1.4**	**15.7**	**17.1**
Expected payment thereafter	**40.5**	**-**	**138.0**	**182.2**
	44.2	**1.4**	**153.7**	**199.3**

Provision for litigation risks

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

A provision of CHF 16.3 million relates to two substantially similar lawsuits brought by the liquidators of the Fairfield Funds against the BSI Group and other defendants. The liquidators are seeking to “claw back” redemption payments allegedly received by the defendants for shares of the Fairfield Funds during the period from 2004 to 2008. With the acquisition of the BSI Group, the EFG Group maintained a provision of CHF 16.3 million. This lawsuit is unlikely to settle within a year.

A provision of CHF 6.6 million relates to a lawsuit brought by a client of the BSI Group, who was allegedly defrauded by an employee of the BSI Group. With the acquisition of the BSI Group, the Group maintained the existing provision of CHF 6.6 million. This is a long standing claim that is unlikely to settle within a year.

Other provisions of CHF 17.6 million relate to various lawsuits primarily brought by ex-clients of the BSI Group. With the acquisition of the BSI Group, the management assessment of the fair value of these claims was made and provisions of CHF 17.6 million created. These are long standing claims and are considered as unlikely to be settled within a year.

Other provisions of CHF 3.7 million remain for various small litigation cases which are expected to be settled within a year.

Provision for restructuring

During the year the Group acquired the BSI Group. In certain locations where the EFG Group and the BSI Group have a booking centre, the operations are being integrated. As a result, certain announced restructurings are taking place to integrated two businesses in one location and the Group has created provisions of CHF 1.0 million related to these announced restructurings. These are expected to be settled within a year.

Other provisions

The BSI Group took a provision of CHF 95.0 million for disgorgement of profits levied by FINMA on the BSI Group with regard to the investigations into 1MDB, arising from activities that occurred between 2011 and April 2015. The BSI Group, however, appealed FINMA's decision prior to the acquisition and suspended the payment of the disgorgement of profits. With the acquisition of the BSI Group, the provision was maintained for the existing amount of CHF 95.0 million.

A provision of CHF 43.0 million relates to proceedings in Germany against the Group for alleged aiding and abetting of tax evasion by German residents between 2004 and 2015. With the acquisition of the BSI Group, the Group created a provision of CHF 35.0 million. The Group has subsequently re- assessed this and other related claims and increased the provision by a further CHF 8.0 million. This is a recent claim and that is unlikely to settle within a year.

A provision of CHF 5.7 million has been created for the liquidation of a subsidiary of the BSI Group in Singapore. The company was placed into liquidation at the beginning of December 2016 and costs of CHF 3.2 million have been incurred, and the provision utilized for this amount. A provision of CHF 2.5 million remains at year end. This is expected to be utilized within the year.

Other provisions of CHF 13.2 million remain for various other potential cash outflows which are expcted to be settled within a year.

41. Other liabilities

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Deferred income and accrued expenses	**321.7**	161.3
Settlement balances	**16.4**	60.9
Short term compensated absences	**17.8**	5.9
Retirement benefit obligations	**361.7**	57.2
Other liabilities	**82.4**	28.9
Total other liabilities	**800.0**	314.2

42. Contingent liabilities

The Group is involved in various legal and arbitration proceedings in the normal course of its business operations. The Group establishes provisions (see note 40) for current and threatened pending legal proceedings if management is of the opinion that the Group is more likely than not to face payments or losses and if the amount of such payments or losses can be reliably estimated.

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

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

(i) Several entities in the Group have been named as defendants in lawsuits by the liquidators of Fairfield Sentry Ltd. and Fairfield Sigma Ltd. in the US Bankruptcy Court for the Southern District of New York and in the High Court of Justice of the British Virgin Islands, asserting that redemption payments received by the Group entities on behalf of clients should be returned to Fairfield Sentry Ltd. and Fairfield Sigma Ltd. The amount claimed is uncertain, but the Group believes the amount claimed is approximately USD 211 million. The Group entities have obtained a complete and final dismissal of the lawsuits in the British Virgin Islands. They keep vigorously defending the lawsuits in New York and believe they have strong defenses to the claims.

(ii) The Trustee of Bernard L, Madoff Investment Securities LLC ("BLMIS") has filed a complaint in the US Bankruptcy Court for the Southern District of New York ("SDNY") asserting that redemption payments totalling USD 411 million allegedly received by certain Group entities on behalf of clients through Fairfield and Kingate feeder funds should be returned to BLMIS. This action includes the redemptions claimed by the Fairfield liquidators (see previous paragraph). The Group entities are vigorously defending the cases and believe they have strong defenses to the claims. The Group entities have obtained a complete dismissal of the Madoff action in the SDNY, which is now subject to appeal by BLMIS.

(iii) The Group is engaged in litigation proceedings initiated by a client claiming that he has been misled insofar as he thought that his investments were capital protected, that the agreed investment strategy has not been followed and that unauthorized transactions were

performed. The amount claimed is approximately EUR 49 million plus interest. The Group entities are vigorously defending the cases and believe they have strong defences to the claims.

(iv) Various claims have been made against the Group in several jurisdictions for approximately USD 28 million, which the Group is vigorously defending. These proceedings relate to alleged mismanagement practices by a party unrelated to the Group, who was a former investment manager of a fund for which the Group acted as the administrator and custodian. In addition the Group is being sued by the investors in the fund and the fund itself for approximately USD 9 million on the grounds of various alleged breaches. In return the Group has filed a claim against the investment manager. The Group strongly believes that there has been no wrongdoing on its part and that it has strong defences to the claims.

(v) The Group has been named as a co-defendant in litigation brought against certain individuals who have allegedly diverted approximately CAD 127 million from their employer for their own benefit. The plaintiffs allege that an employee of the Group acted on behalf of the alleged fraudsters and executed numerous potentially fraudulent transactions while being fully aware of the wrong doings, and by doing so participated in causing damage to the plaintiffs. The plaintiffs also claim approximately CAD 13 million as compensation for incurred for reputational damage. The Group is vigorously defending the case and believes it has strong defences to the claims.

(vi) The Group is defending against a civil claim by a client who alleges that due to breach of duties in providing investment management services by the Group, he suffered losses on one of his accounts ranging from USD 2 million to USD 11 million. The Group is vigorously defending the case and believes it has strong defences to the claims.

(vii) The Group has extended a loan of USD 193.8 million to an affiliate of a Taiwanese insurance company which was placed in receivership in 2014. The loan is secured by the assets of another affiliate of the insurance company. The former ultimate beneficial owner and chairman of the insurance company also gave the Group a personal guarantee covering the loan. The overall relationship with this insurance company included accounts held at EFG in Hong Kong, Singapore and Switzerland.

A Taiwanese Court found the former ultimate beneficial owner and former chairman of the insurance company guilty of various criminal offenses related to the misappropriation of funds of the insurance company and its subsidiaries, including the proceeds of the loan extended by the Group. The receiver of the insurance company has commenced civil legal and arbitration proceedings against the Group in Taiwan challenging the validity and enforceability of the collateral and the loans and seeking recovery of the underlying assets plus interest. The Group considers this challenge without merit and therefore views the collateral as valid and fully recoverable. The Group is currently seeking to enforce the personal guarantee from the former chairman of the insurance company. It has informed the competent regulatory authorities and fully cooperates with them in connection with their ongoing review of the matter. An investigation by a regulator in East Asia is on-going and may result in fines or other sanctions. The Group has made a provision only for unpaid interest on the loan as it considers the full outstanding principal amount of the loan to be fully cash collateralized. If the pledge of collateral is held to be unenforceable or void, the Group could incur a loss that would materially affect its results of operations and financial condition.

(viii) The liquidator of an investment company has brought a claim against the Group in the Commercial Court of Paris. The liquidator alleges that the Group is liable for processing a specific transfer of USD 50 million. The Group is vigorously defending against the claim.

(ix) Clients have brought legal claims against the the Group for CHF 13.6 million, alleging that the Group performed investments without a formal authorization. The Group is vigorously defending against these claims and believes it has strong defences to the claims.

(x) The Group is the defendant in two civil proceedings pending before the Court of Torre Annunziata, arising from its role as a trustee of certain trusts associated with three families who owned an Italian shipping company which was declared bank-rupt in 2012, allegedly causing aggregate losses to approximately 13,000 bondholders through the issuance of approximately EUR 1 billion of bonds that did not comply with applicable laws. In 2014, members of the families involved were convicted for embezzlement and fraud in Italy. The claimants in the civil proceedings claim that the Group was aware of the embezzlement scheme and the Group, in its capacity as trustee of these trusts, would be liable for damages and disgorgement of assets and profits should it be found to have committed any wrongdoing. The Group is vigorously defending against the claim and believes it has strong defences to the claims. The Group is entitled to indemnification against any loss that may arise from these matters from the seller of the BSI Group.

(xi) The counter-party in a share transaction brought a claim against the Group for CHF 90 million related to a shareholders agreement, where the Group sold their minority holding in a company that was also a supplier of services to the Group. The buyer of the minority holding has brought a claim for losses allegedly suffered from the Group terminating its contract with that supplier. The Group is vigorously defending against the claim and believes it has strong defences to the claim. EFGI is entitled to indemnification against any loss that may arise from this claim from the seller of the BSI Group.

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

(i) The U.S. Department of Justice ("DoJ") and the Office of the Attorney General in Switzerland are currently conducting criminal investigations into money-laundering allegations involving 1Malaysia Development Berhad ("1MDB"), a sovereign wealth fund owned by the government of Malaysia. Certain 1MDB-related accounts were opened and maintained by the Group and they are currently under review. DoJ has issued requests for assistance to the Swiss authorities in obtaining information for some of the 1MDB-related accounts. The U.S. and Swiss authorities are also investigating whether the Group and other financial institutions complied with their anti-money laundering obligations in connection with the 1MDB-related accounts. The Group is cooperating fully with the Swiss and U.S. authorities in these ongoing investigations. The Group is entitled to indemnification against losses that may arise from these matters from the seller of the BSI Group (see note 31).

(ii) In 2015, the US Attorney's Office for the Eastern District of New York and the Office of the Attorney General in Switzerland initiated criminal investigations into bribery and money-laundering allegations involving officials of Fédération Internationale de Football Association ("FIFA") and its member associations and related parties. Certain FIFA-related accounts were opened and maintained by the Group and they are currently under review. The U.S. Department

of Justice ("DoJ") has issued requests for assistance to the Swiss authorities in obtaining information for some of the FIFA-related accounts. The U.S. and Swiss authorities are also investigating whether the Group and other financial institutions complied with their anti-money laundering obligations in connection with the FIFA-related accounts. The Group is cooperating fully with the Swiss and U.S. authorities in these ongoing investigations. The Group is entitled to indemnification against losses that may arise from these matters from the seller of the BSI Group (see note 31).

(iii) Under the Sale and Purchase Agreement for the aquisition of the BSI Group, the Group could become subject to indemnification claims by the seller, which depending on the merits of the claim, could lead to a significant outflow.

43. Retirement benefit obligations

The Group operates four plans which under IFRS are classified as defined benefit plans. Three of these plans are in Switzerland ("the Swiss plans") for EFG Bank European Financial Group SA, EFG Bank AG and BSI SA and one in the Channel Islands ("the Channel Islands plan"). The three Switzerland plans are considered as defined benefit plans under IFRS due to a minimum guaranteed return in Swiss pension legislation, the Group having no obligation relative to these funds other than to provide the minimum guaranteed return.

The Group operates a defined benefit plan in the Channel Islands ("the Channel Islands plan") which is not aggregated with the plan in Switzerland ("the Switzerland plan"), due to its relative size. The Channel Islands plan has funded obligations of CHF 4.1 million; the fair value of plan assets is CHF 4.6 million.

The Swiss plans are contribution based plans with guarantees, which provide benefits to members in the form of a guaranteed level of pension payable for life. Level of benefits is at minimum as required by the Swiss law. Plan benefits are provided in case of retirement from service or on death or disability before retirement based on conversion rates established and reviewed regularly by the foundation. Pre-retirement death and disability benefits are covered by insurance contracts. When leaving the Group pre-retirement, the benefits vested according to the Swiss pension law will be transferred to the plan's participant's new pension scheme. Retirement benefits are based on the accumulation of defined contributions paid by employers and employees in individual accounts with interest. The plans provide limited guarantees of accumulated capital and interest.

The pension funds are organized as registered Swiss employee welfare foundations, as separate legal entities and are administered by the board of the foundation and professional fund administrators appointed by the board of the foundation. Plan assets are held in trusts that are governed by local regulations and practices, as is the nature of the relationship between the Group and the foundations or their boards. According to Swiss pension law, the responsibility for governance of the plans – including investment decisions and contribution schedules – lies jointly with the fund administrators and the boards of the pension foundations. The boards of the pension foundations must be composed of representatives of the companies and plan participants in accordance with the plan's regulations.

The disclosure below relates to the Switzerland plans.

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 1, 2015
Net amount recognised in the balance sheet		
Present value of funded obligation	**1,764.3**	293.2
Fair value of plan assets	**1,402.6**	236.0
Liabilities recognised in the balance sheet	**361.7**	57.2
Net amount recognised in the balance sheet at the beginning of the year	**57.2**	30.4
Increase in scope of consolidation - BSI acquisition	**386.8**	-
Net amount recognised in the Statement of Income (note 13)	**11.2**	10.4
Net amount recognised in the Statement of Comprehensive Income	**(78.8)**	27.8
Company contribution paid in year	**(14.7)**	(11.4)
Net amount recognised in the balance sheet at the end of the year	**361.7**	57.2

		2016	
(All figures in millions of CHF)	**Present value of obligation**	**Fair value of plan assets**	**Total**
January 1	**293.2**	**(236.0)**	**57.2**
Increase in scope of consolidation - BSI acquisition	**1,524.7**	**(1,137.9)**	**386.8**
Current service cost	**14.4**	**-**	**14.4**
Past service costs - plan amendments	**(6.1)**	**-**	**(6.1)**
Interest expense / (income)	**3.5**	**(2.8)**	**0.7**
Administrative costs and insurance premiums	**2.2**	**-**	**2.2**
Net amount recognised in the Statement of Income	**14.0**	**(2.8)**	**11.2**
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense / (income)	**-**	**(45.2)**	**(45.2)**
Actuarial loss on defined benefit obligation	**(33.6)**	**-**	**(33.6)**
Net amount recognised in the Statement of Comprehensive Income	**(33.6)**	**(45.2)**	**(78.8)**
Plan participants contributions	**8.0**	**(8.0)**	**-**
Company contributions	**-**	**(14.7)**	**(14.7)**
Administrative costs and insurance premiums	**-**	**0.2**	**0.2**
Benefit payments	**(42.0)**	**41.8**	**(0.2)**
Total transactions with fund	**(34.0)**	**19.3**	**(14.7)**
December 31	**1,764.3**	**(1,402.6)**	**361.7**

(All figures in millions of CHF)	Present value of obligation	2015 Fair value of plan assets	Total
January 1	238.9	(208.5)	30.4
Current service cost	9.4	-	9.4
Interest expense / (income)	3.2	(2.8)	0.4
Administrative costs and insurance premiums	0.6	-	0.6
Net amount recognised in the Statement of Income	13.2	(2.8)	10.4
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense / (income)	-	4.8	4.8
Actuarial loss on defined benefit obligation	23.0	-	23.0
Net amount recognised in the Statement of Comprehensive Income	23.0	4.8	27.8
Plan participants contributions	5.7	(5.7)	-
Company contributions	-	(11.4)	(11.4)
Administrative costs and insurance premiums	(2.0)	2.0	-
Benefit payments	14.4	(14.4)	-
Total transactions with fund	18.1	(29.5)	(11.4)
December 31	293.2	(236.0)	57.2

Significant actuarial assumptions	**Dec. 31, 2016**	Dec. 31, 2015	Dec. 31, 2014
Discount rate	**0.61%**	0.90%	1.35%
Salary growth rate	**1.25%**	1.00%	1.00%
Pension growth rate	**0.00%**	0.00%	0.00%
Assumptions regarding future mortality	**Years**	Years	Years
Longevity at age 65 for current pensioners:			
male	**22.4**	21.5	21.4
female	**24.4**	24.0	23.9
Longevity at age 65 for future pensioners (aged 50):			
male	**23.9**	22.8	22.8
female	**25.9**	25.3	25.2

(All figures in millions of CHF)	**Change in assumption**	**Impact of an increase in assumption on present value of obligation**	**Impact of a decrease in assumption on present value of obligation**
2016 Sensitivity analysis			
Discount rate	**0.10%**	**(20.9)**	**23.6**
Salary growth rate	**0.10%**	**3.4**	**(2.9)**
Pension growth rate	**0.10%**	**19.6**	**-**
Life expectancy	**1 year**	**11.5**	**(11.4)**

(All figures in millions of CHF)	Change in assumption	Impact of an increase in assumption on present value of obligation	Impact of a decrease in assumption on present value of obligation
2015 Sensitivity analysis			
Discount rate	0.10%	(4.8)	4.8
Salary growth rate	0.10%	0.6	(0.6)
Pension growth rate	0.10%	2.6	-
Life expectancy	1 year	3.0	(3.0)

Actuarial assumptions of both financial and demographic nature are established as unbiased best estimates of future expectations. Assumptions are changed from time to time to reflect changes in the information available to use in formulating best estimates. There were no changes in the methodology used to determine assumptions used.

The assumptions regarding expected mortality rates are set based on advice, published statistics such as LPP2015 generational tables and experience. In particular in-service death and disability rates have been adjusted to correspond to recent experience. The plan liabilities are calculated assuming that the pension conversion rate currently in effect will still be in effect for the next decade. Future changes to conversion rates, whereas probable, cannot be estimated and therefore are ignored.

Financial assumptions include the discount rate, the expected rate of salary growth and the expected rate of pensions increases. The discount rate is set based on consideration of the yields of high quality corporate debt of duration similar to that of the pension liabilities. Where availability of such data is limited, the company considers yields available on government bonds and allowing for credit spreads available in other deeper and more liquid markets for high quality corporate debt.

The salary growth assumption is set based on the employer's expectation for inflation and market forces on salaries. The actuarial gain for the year of CHF 33.6 million includes CHF 24.6 million positive effect of financial assumptions, CHF 10.2 million positive effect of experience and no CHF (1.2) million negative effect in demographic assumptions.

The plans do not guarantee any pension increases although in the event that the plan developed a surplus according to Swiss pension law, then a discretionary pension adjustment could be possible. At the present time, projections for the plans development do not indicate any likelihood of surplus or a pension adjustment and so it is assumed that pensions are fixed.

The sensitivity of the valuation result to changes in assumptions is illustrated by introducing changes to one specific assumption at a time and comparing the result before and after the change. This is separately illustrated for changes in the discount rate and the expected rate of future salary increases. In practice there may be some correlation in changes of assumptions, and for the purposes of the valuation the effect is ignored.

The operation of the pension plans involves exposure to a range of risks most significant being presented further below. The impact of these risks is shared between the Group and the plan participants in case of negative effects. In situations where the pension funds will accumulate surplus assets after providing the target benefits, the boards of the foundation may consider

a distribution of the surplus to participants. No part of the surplus may be attributed to the Group.

(i) Investment risk

Plan assets are invested to achieve a target return. The actual returns earned each year are likely to vary with a result higher or lower than the target. There is a risk that the long term average return may be higher or lower than the target. If the long term return is lower than the target then the fund will not have sufficient assets for plan benefits. The year on year variation in the return will generally be reflected directly in the defined benefit re-measurements.

A component of the return earned each year is derived from investment in bonds, and these bond returns are reflected in changes in the discount rate used to measure the defined benefit obligation. As a result benefit re-measurements through the statement of comprehensive income resulting from asset volatility may be reduced by changes in the related obligation resulting from changes in the discount rate.

(ii) Longevity risk

The plans provide annuity options to individuals on retirement. These annuity options are calculated using a conversion rate which is established by the foundation and reviewed periodically.

The conversion rate is calculated with an assumption for the target rate of return and the life expectancy of the pensioner. Historic experience is that life expectancy improved faster than actuarial tables predicted and so longevity risk tended to be “loss generating.”

(iii) Interest volatility risk

There is a substantial year-on-year liability volatility due to the volatility of the discount rate used in the model which is based on market yields on bonds of a specified type. The funds allocates a substantial proportion of assets to bonds, but the availability of bonds of duration and characteristics similar in nature to the discount rate is limited so that interest rate volatility risk cannot be eliminated. Interest rate volatility does not result in any effect on the Group performance but rather on the re-measurements recognised in Other Comprehensive Income.

(iv) Death and disability risk

The number of cases of death and disability of active employees may fluctuate considerably from year to year. To mitigate the effect of this risk the foundation has contracted an insurance contract covering the cost of death and disability benefits arising in each year.

The foundation has established a written investment policy whereby the foundation periodically establishes an allocation strategy with target allocations and tactical ranges for the principal classes of investments (equity, fixed income, real estate and liquidity) which aims to maximize the returns on plan assets.

Plan assets are invested under mandates to a number of investment portfolio managers. Investment portfolio managers’ performance is regularly evaluated against its established

strategy. The actual return on plan assets was a gain of CHF 48.0 million in 2016 (2015: loss of CHF 2.0 million). The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of income.

The plan assets do not include any shares of the EFG Group or of any of its subsidiaries.

The asset allocation is as follows:

(All figures in millions of CHF except otherwise indicated)	Quoted	Unquoted	2016 Total	2016 in%	2015 Total	2015 in%
Cash and cash equivalents	**135.8**	**-**	**135.8**	**9.7**	22.3	9.4
Equity Instruments	**485.2**	**-**	**485.2**	**34.6**	95.1	40.3
Debt instruments	**451.2**	**-**	**451.2**	**32.2**	100.3	42.5
Real estate	**107.4**	**126.0**	**233.4**	**16.6**	-	-
Other	**82.0**	**14.9**	**96.9**	**6.9**	18.3	7.8
Total plan assets at the end of the year	**1,261.6**	**140.9**	**1,402.5**	**100.0**	236.0	100.0

Plan assets of CHF 12.1 million (2015: CHF 6.0 million) have been pledged as collateral to third parties who have provided employees with mortgages for financing their main residence. The expected employer contributions to the post-employment benefit plan for the year ending December 31, 2017 are CHF 29.8 million. The weighted average duration of the defined benefit obligation is 14.0 years. The expected maturity analysis of undiscounted pension benefits is as follows:

Expected maturity analysis of undiscounted pension benefits

(All figures in millions of CHF)	Dec. 31, 2016	Dec. 31, 2015
Less than a year	**87.2**	16.7
Between 1-2 years	**74.8**	12.9
Between 2-5 years	**144.5**	18.9
Over 5 years	**1,635.5**	294.2
Total	**1,942.0**	342.7

44. Share capital

	Dec. 31, 2016 Number of shares	Dec. 31, 2016 Total nominal value in CHF 000's	Dec. 31, 2015 Number of shares	Dec. 31, 2015 Total nominal value in CHF 000's
Authorised, issued and fully paid				
Ordinary shares	**5,000,000**	**500,000**	2,500,000	250,000
Total share capital	**5,000,000**	**500,000**	2,500,000	250,000

45. Treasury shares of quoted subsidiary

EFG International held its own shares representing 0.01% of its share capital (2015: 0.1%). The shares were acquired at a total cost of CHF 0.2 million (2015: CHF 0.9 million).

The Group's shareholders' equity has been reduced by the total net cost of own shares purchased less own shares sold.

46. Information related to non-controlling interests

As at December 31, 2016, included within non-controlling interests are other ordinary shareholders in EFG International (see note 30) totalling CHF 1,221.9 million (2015: CHF 499.7 million), non-controlling interests in susbsidiaries of EFG International CHF 22.6 million (2015: CHF 19.5 million), CHF 14.4 million (2015: CHF 14.5 million) of Bons de Participation issued by EFG International and CHF 31.2 million (2015: nil) of Tier 1 Subordinated debt notes issued by EFG International.

47. Off balance sheet items

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Guarantees issued in favour of third parties	**781.6**	292.3
Irrevocable commitments	**213.2**	104.3
Operating lease commitments	**210.1**	108.0
Other	**0.4**	-
Total	**1,205.3**	504.6

The following table summarises the Group's off balance sheet items by maturity:

	Dec. 31, 2016			
(All figures in millions of CHF)	**Not later than 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Guarantees issued in favour of third parties	**480.3**	**164.0**	**137.3**	**781.6**
Irrevocable commitments	**114.6**	**98.6**	**-**	**213.2**
Operating lease commitments	**46.9**	**112.2**	**51.0**	**210.1**
Other	**0.4**	**-**	**-**	**0.4**
Total	**642.2**	**374.8**	**188.3**	**1,205.3**

	Dec. 31, 2015			
(All figures in millions of CHF)	Not later than 1 year	1 - 5 years	Over 5 years	Total
Guarantees issued in favour of third parties	164.8	57.1	70.4	292.3
Irrevocable commitments	39.8	64.4	0.1	104.3
Operating lease commitments	24.9	66.4	16.7	108.0
Total	229.5	187.9	87.2	504.6

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. Where a Group company is the lessee, the future minimum operating lease payments under non-cancellable operating leases is disclosed in the table above.

48. Fiduciary transactions

(All figures in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Fiduciary transactions with third party banks	**1,832.8**	978.8
Loans and other fiduciary transactions	**-**	5.1
Total	**1,832.8**	983.9

49. Segmental reporting

The Group's segmental reporting is based on how internal management reviews the performance of the Group's operations. The comparatives have been restated to align with this change. The primary split is between the Private Banking and the Wealth Management business, and the Investment and Wealth Solutions business. The Private Banking and Wealth Management business is managed on a regional basis and is split into Continental Europe, Switzerland, Americas, United Kingdom and Asia. The Investment Solutions segment includes the business in all locations as it operates on a global basis. The basis for expense allocation between segments follows the arm's length principle. The Corporate Centre is responsible for managing the life settlement policy related investments, certain investment portfolios, funding costs (including funding costs from structured products issuances), global brand related marketing and Swiss back-office and IT functions used on a global basis. Holding and other operations comprises mainly investing activities.

2016													
(All figures in millions of CHF)	Private Banking and Wealth management						Investment Solutions	Wealth Solutions	Corporate Overheads	Holding and Other	BSI	Eliminations	Total
	Switzerland	Continental Europe	Americas	United Kingdom	Asia	Total							
Segment revenue	142.7	118.8	101.2	157.0	129.7	649.4	119.4	21.2	(43.4)	0.6	84.9	(109.5)	722.6
Segment expenses	(115.5)	(87.7)	(80.7)	(104.2)	(86.1)	(474.2)	(46.7)	(15.4)	(76.3)	(5.3)	(86.1)	24.2	(679.8)
Tangible assets and software depreciation	(0.9)	(2.0)	(1.3)	(1.1)	(0.7)	(6.0)	(0.1)	(0.3)	(4.1)	-	(0.8)	-	(11.3)
Total operating margin	26.3	29.1	19.2	51.7	42.9	169.2	72.6	5.5	(123.8)	(4.7)	(2.0)	(85.3)	31.5
Cost to acquire intangible assets and impairment of intangible assets	(0.1)	(0.8)	(0.5)	(1.4)	(0.5)	(3.3)	-	-	-	-	(1.3)	-	(4.6)
Impairment on goodwill and other intangible assets	(97.3)	-	(49.2)	(53.0)	-	(199.5)	-	-	-	-	-	-	(199.5)
Bargain gain on business acquisition	-	-	-	-	-	-	-	-	-	-	530.8	-	530.8
Other provisions	(10.3)	(5.0)	-	(1.1)	(0.1)	(16.5)	-	(0.4)	(0.3)	-	(3.1)	-	(20.3)
Impairment on loans and advances to customers	0.1	(0.2)	(0.1)	(3.1)	-	(3.3)	-	-	-	-	(0.5)	-	(3.8)
Segment profit / (loss) before tax	(81.3)	23.1	(30.6)	(6.9)	42.3	(53.4)	72.6	5.1	(124.1)	(4.7)	523.9	(85.3)	334.1
Income tax expense	20.2	(2.9)	(0.9)	2.6	(6.2)	12.8	(1.5)	(0.2)	(6.0)	(0.7)	(1.9)	-	2.5
Net profit for the year	(61.1)	20.2	(31.5)	(4.3)	36.1	(40.6)	71.1	4.9	(130.1)	(5.4)	522.0	(85.3)	336.6
Assets under management	15,886	17,713	11,521	19,065	15,353	79,538	11,349	-	424	-	62,316	(8,731)	144,896
Employees (FTE's)	314	317	255	384	309	1,579	135	103	172	10	1,613	(30)	3,582

Corporate Overheads includes CHF 32.2 million of acquisition related and integration related costs for the BSI business.

2015

(All figures in millions of CHF)	Private Banking and Wealth management						Investment Solutions	Wealth Solutions	Corporate Overheads	Holding and Other	Eliminations	Total
	Switzerland	Continental Europe	Americas	United Kingdom	Asia	Total						
Segment revenue	151.2	118.0	100.6	168.9	119.4	658.1	136.7	25.8	6.4	(0.3)	(129.6)	697.1
Segment expenses	(120.0)	(87.2)	(82.0)	(117.6)	(90.0)	(496.8)	(47.9)	(18.0)	(52.9)	(4.1)	24.1	(595.6)
Tangible assets and software depreciation	(1.2)	(1.6)	(1.1)	(1.0)	(1.0)	(5.9)	(0.1)	(0.5)	(3.4)	-	-	(9.9)
Total operating margin	30.0	29.2	17.5	50.3	28.4	155.4	88.7	7.3	(49.9)	(4.4)	(105.5)	91.6
Cost to acquire intangible assets and impairment of intangible assets	-	(0.8)	(0.5)	(1.8)	(1.1)	(4.2)	-	-	-	-	-	(4.2)
Other provisions	(21.4)	-	(3.2)	5.1	-	(19.5)	-	-	(0.5)	-	-	(20.0)
Reversal of impairment on loans and avances to customers	0.1	-	-	-	-	0.1	-	-	-	-	-	0.1
Segment profit / (loss) before tax	8.7	28.4	13.8	53.6	27.3	131.8	88.7	7.3	(50.4)	(4.4)	(105.5)	67.5
Income tax expense	(1.6)	(3.2)	(0.7)	(3.4)	(3.7)	(12.6)	(2.7)	(0.4)	2.6	(0.5)	-	(13.6)
Net profit for the year	7.1	25.2	13.1	50.2	23.6	119.2	86.0	6.9	(47.8)	(4.9)	(105.5)	53.9
Assets under management	15,446	17,564	11,632	19,536	16,214	80,392	11,788	-	1,268	-	(8,867)	84,581
Employees (FTE's)	336	320	282	436	353	1,727	151	116	175	10	(32)	2,147

External revenues from clients have been recognised in both the Asset Management and Private Banking segments related to asset management mandates for private banking clients. This double count is eliminated to reconcile to the total operating income.

50. Analysis of swiss and foreign assets, liabilities and shareholders' equity

	Dec. 31, 2016		
(All figures in millions of CHF)	Swiss	Foreign	Total
Assets			
Cash and balances with central banks	7,044.8	2,073.1	9,117.9
Treasury bills and other eligible bills	81.2	1,864.4	1,945.6
Due from other banks	2,156.7	782.9	2,939.6
Loans and advances to customers	9,340.0	9,561.5	18,901.5
Derivative financial instruments	323.0	507.6	830.6
Financial assets at fair value:			
Trading Assets	736.7	11.3	748.0
Designated at inception	136.3	319.7	456.0
Investment securities:			
Available-for-sale	768.6	4,668.7	5,437.3
Held-to-maturity	50.9	1,159.0	1,209.9
Participation fully consolidated			
Intangible assets	131.1	60.6	191.7
Property, plant and equipment	244.5	18.5	263.0
Deferred income tax assets	9.0	24.8	33.8
Other assets	359.0	188.6	547.6
Total assets	21,381.8	21,240.7	42,622.5
Liabilities			
Due to other banks	1,451.8	(1,028.7)	423.1
Due to customers	13,984.9	18,948.6	32,933.5
Derivative financial instruments	315.8	459.8	775.6
Financial liabilities designated at fair value	200.6	453.8	654.4
Other financial liabilities	-	3,828.5	3,828.5
Subordinated loans	-	265.3	265.3
Debt issued	-	334.4	334.4
Current income tax liabilities	10.1	9.1	19.2
Deferred income tax liabilities	7.2	3.6	10.8
Provisions	183.4	15.9	199.3
Other liabilities	565.5	234.5	800.0
Total liabilities	16,719.3	23,524.8	40,244.1
Shareholders' Equity			
Share capital	500.0	-	500.0
Reserves and retained earnings	1,029.8	(441.5)	588.3
	1,529.8	(441.5)	1,088.3
Non-controlling interests	1,889.8	(599.7)	1,290.1
Total shareholders' equity	3,419.6	(1,041.2)	2,378.4
Total liabilities and shareholders' equity	20,138.9	22,483.6	42,622.5

(All figures in millions of CHF)	Dec. 31, 2015 Swiss	Foreign	Total
Assets			
Cash and balances with central banks	4,155.9	861.8	5,017.7
Treasury bills and other eligible bills	-	757.1	757.1
Due from other banks	1,756.9	426.6	2,183.5
Loans and advances to customers	3,277.0	8,804.9	12,081.9
Derivative financial instruments	109.8	625.7	735.5
Financial assets at fair value:			
Trading Assets	12.5	78.4	90.9
Designated at inception	-	305.0	305.0
Investment securities:			
Available-for-sale	77.6	4,166,2	4,243.8
Held-to-maturity	51.8	1,127.6	1,179.4
Intangible assets	105.2	166.5	271.7
Property, plant and equipment	15.8	14.8	30.6
Deferred income tax assets	12.8	22.2	35.0
Other assets	22.8	91.5	114.3
Total assets	9,598.1	17,448.3	27,046.4
Liabilities			
Due to other banks	2,641.8	(2,157.0)	484.8
Due to customers	5,142.1	14,856.1	19,998.2
Subordinated loans	-	242.8	242.8
Debt issued	-	392.0	392.0
Derivative financial instruments	115.5	597.9	713.4
Financial liabilities designated at fair value	-	353.1	353.1
Other financial liabilities	-	3,237.9	3,237.9
Current income tax liabilities	0.8	4.1	4.9
Deferred income tax liabilities	28.5	6.6	35.1
Provisions	2.4	5.3	7.7
Other liabilities	122.2	192.0	314.2
Total liabilities	8,053.3	17,730.8	25,784.1
Shareholders' Equity			
Share capital	250.0	-	250.0
Reserves and retained earnings	1,679.9	(1,201.3)	478.6
	1,929.9	(1,201.3)	728.6
Non-controlling interests	514.2	19.5	533.7
Total shareholders' equity	2,444.1	(1,181.8)	1,262.3
Total liabilities and shareholders' equity	10,497.4	16,549.0	27,046.4

51. Related party transactions

(All figures in millions of CHF)	**Dec. 31, 2016** **Key management personnel**	Dec. 31, 2015 Key management personnel
Assets		
Loans and advances to customers	**1.9**	1.2
Liabilities		
Due to customers	**136.8**	64.2

(All figures in millions of CHF)	**2016**	2015
Commission income	**0.8**	0.7

A number of banking transactions are entered into with related parties. These include loan, deposits and derivatives transactions.

Key management personnel comprise directors, key members of the management of the Company, its parents and EFG International, as well as closely linked parties.

No provisions have been recognised in respect of loans given to related parties (2015: nil).

Key management compensation

Key management personnel of the Group are entitled to compensations amounting to CHF 12.4 million (December 31, 2015: CHF 13.4 million) and restricted stock units valued at approximately CHF 4.4 million (December 31, 2015: CHF 3.8 million).

52. Employee equity incentive plans

The expense recorded in the Statement of Income spreads the cost of the grants equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Total expense related to the Plan in the Statement of Income for the period ended December 31, 2016 was CHF 24.9 million (2015: CHF 13.5 million).

EFG International granted 6,307,950 restricted stock units in 2016. There are two classes of restricted stock units. Both of the classes vest 1/3 every year over the next three years. One class has a 3-year lock-up restriction ("Restricted stock units with 3 year lock-up"), while the other class has no lock-up condition attached ("Restricted stock units with 1/3 exercisable annually"). The weighted average deemed value of each Restricted stock unit granted in 2016 is CHF 4.79. The values of the restricted stock units were determined using a model which takes into account the present value of the expected dividends during the period between the grant date and the earliest exercise date. The significant inputs into the model were the arithmetic average share price (closing) of the five consecutive business days following the earnings announcement (CHF 5.98) and the discount determined by management (20%) and the expected life of the restricted stock units (12 to 36 months).

EFG International will grant restricted stock units in April 2017 at prices to be determined based on the relevant valuation inputs on the date of issue.

53. Assets under management and assets under administration

Character of client assets

(All figures in millions of CHF)	**Dec 31, 2016**	Dec 31, 2015
Equities	**32,476**	22,338
Deposits	**34,772**	21,977
Bonds	**37,220**	16,292
Loans	**19,020**	12,106
Structured notes	**3,900**	2,435
Hedge funds / Fund of hedge funds	**5,372**	3,343
Fiduciary deposits	**705**	810
Other	**11,431**	5,280
Total Assets under Management	**144,896**	84,581
Total Assets under Administration	**9,036**	9,605
Total Assets under Management and Administration	**153,932**	94,186

Assets under Administration are trust assets administered by the Group.

The Group has CHF 7,905 million of assets under custody not included in the above.

Assets under Management

(All figures in millions of CHF)	**Dec 31, 2016**	Dec 31, 2015
Character of assets under management		
Assets in own administrated collective investment schemes	**5,325**	3,025
Assets with discretionary management agreements	**26,527**	14,082
Other assets under management	**94,024**	55,368
Total Assets under Management (including double counts)	**125,876**	72,475
Thereof double counts	***4,985***	*1,702*
Loans	**19,020**	12,106
Total Assets under Administration	**9,036**	9,605
Total Assets under Management and Administration	**153,932**	94,186
Net new asset inflows (including double counts)	**(5,515)**	2,384

Double counts primarily include the self-managed collective investment schemes and structured products issued by Group companies which are also included in customer portfolios and already included in assets under management.

Total Managed Assets (including double counts)	Dec 31, 2016	
(All figures in millions of CHF)	***Excluding Loans***	***Including Loans***
At beginning of year	**71,646**	**83,752**
Net New Money outflow	**(4,542)**	**-**
Net New Assets outflow	**-**	**(5,515)**
Market performance and currency impact	**1,505**	**1,055**
Increase in scope of consolidation due to BSI acquisition	**58,618**	**66,954**
Other effects	**(1,351)**	**(1,351)**
Total at end of year	**125,876**	**144,896**

Net new assets consist of new client acquisition, client departures and inflows or outflows attributable to existing clients (whether in cash or securities). In the year, loans and overdrafts decreased as a result of the net of new loans and repayments of CHF (973) million, compared to a net increase in loans and overdrafts in the prior year of CHF 655 million. Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in net new assets. Effects resulting from any acquisition or disposal of Group companies are not included in net new assets.

54. Post balance sheet events

On January 13, 2017 the Group repaid the EUR 67,604,000 8% Resettable Guaranteed Subordinated Notes due 2022 (ISIN: XS0732522023) issued by EFG International (Guernsey) Limited at their principal amount together with interest accrued to the date of redemption at the first optional call date.

The Group is challenging the extraordinary and unprecedented increases in cost of insurance recently communicated by certain carriers, resulting in premium increases that impact adversely our portfolio of investments in life insurance policies. On February 2, 2017, the Group filed a legal claim in the U.S. District Court of California against Lincoln National Life Insurance Company with respect to policies which are currently classified as held-to-maturity in the balance sheet as of December 31, 2016.

On February 2, 2017 the Group submitted to the seller of the BSI Group a claim for a price adjustment as per the Sale and Purchase Agreement, to which the seller raised an objection on March 13, 2017 (see note 31).

55. Swiss banking law requirements

The Group is subject to consolidated supervision by the Swiss Financial Market Supervisory Authority (FINMA). The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS). Set out below are the deviations which would result if the provisions of the Banking Ordinance and the Guidelines of the FINMA governing financial statement reporting, pursuant to Article 23 through Article 27 of the Banking Federal Ordinance, were applied in the preparation of the consolidated financial statements of the Group.

(a) Financial investments

Under IFRS, available-for-sale financial investments are carried at fair value. Changes in the fair value of available-for-sale financial investments are recorded as increases or decreases to shareholders' equity (refer to consolidated Statement of Comprehensive Income) until an investment is sold, collected or otherwise disposed of, or until an investment is determined to be impaired. At the time an available-for-sale investment is determined to be impaired, the cumulative unrealized gain or loss previously recognised as Other Comprehensive Income is included in the Statement of Income for the period. On disposal of an available-for-sale investment, the difference between the net disposal proceeds and carrying amount, including any previously recognised unrealised gain or loss arising from a change in fair value reported as Other Comprehensive Income, is included in the Statement of Income for the period.

Under Swiss law, financial investments are carried at the lower of cost or market value and accrual method. Positive and negative balance of market-related and/or credit worthiness-related value adjustments to financial investments valued according to the lower of cost or market value principle are included in the Statement of Income as sundry ordinary income and sundry ordinary expenses respectively. Gains or losses on disposals are recognized in the Statement of Income as income from the sale of financial investments.

(b) Fair value option

Under IFRS, the Group has two sub-categories of financial assets, those held for trading, and those designated as fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Under Swiss law, the fair value option is more restrictive and can only be applied when there is an economic hedging relationship between the financial instrument on the asset side and that on the liability side, meaning that income is largely neutralised by the fair value valuation (in order to prevent any accounting mismatch).Changes in fair value attributable to changes in own creditworthiness are not recognised in the Statement of Income.

(c) Derivative financial instruments

Under the specific rules of IAS 39, the majority of the Group's derivative financial instruments are classified as trading and reflected on the balance sheet at fair values. Changes in fair values are reflected in net trading income and replacement values are reported on a gross basis, unless certain restrictive netting requirements are met.

Under Swiss law, the majority of the Group's derivative instruments are also recorded on Balance sheet at their fair values (gross positive and negative replacement values). Replacement values are reported on a net basis provided the netting agreements are legally enforceable, and changes in fair values are reflected as net trading income. However, when derivatives are used for hedging purposes, they are valued in analogous manner to that used for the hedged position.

(d) Goodwill and Intangible Assets

Under both IFRS and under Swiss law, goodwill and intangible assets resulting from acquisitions and mergers are capitalized in the balance sheet.

Under IFRS, goodwill is not amortised but is tested for impairment at least annually and is carried at cost less accumulated impairment losses. Intangible assets are amortised on a systematic basis over their useful lives. In addition, intangible assets are tested for impairment when there is any indication that the asset may be impaired. Intangible assets are carried at cost less amortisation and accumulated impairment losses.

Under Swiss law, goodwill and intangible assets are amortised over the estimated economic life on a straight-line basis within five years. In jusified cases, the amortization period can be a maximum of 10 years. The net carrying value of intangible assets is, in addition, reappraised annually, with any reduction to the net carrying value taken immediately as an expense in the Statement of Income.

(e) Retirement benefit obligtions

Under IFRS and the specific rules of IAS 19R, the Group records a liability for the swiss pension funds as if they are defined benefit schemes.

Under Swiss Law, the funds are classified as defined contribution schemes and the Group's liability for a fully funded pension fund is limited and as a result no liability exists for any amounts other than unpaid employers' contributions.

(f) Extraordinary income and expense

Under IFRS, items of income and expense shall not be classified as extraordinary items, in the Statement of Comprehensive Income or the separate Statement of Income (if presented), or in the Notes.

Under Swiss law, income and expense items related to other accounting periods, as long as they are attributable to corrections or mistakes from previous periods, and/or not directly related with the core business activities of the enterprise (realised gains on sale of investments in associated undertakings or property, plant and equipment) are recorded as extraordinary income or expense.

(g) Discontinued operations

Under IFRS, assets and liabilities of an entity held-for-sale are separated from the ordinary balance sheet positions and reported in separate discontinued operations items. In addition, such assets and liabilities are remeasured at the lower of their carrying value or fair value less costs to sell.

Under Swiss law, these positions remain in the ordinary balance sheet positions until disposal and are not remeasured.

Report of the statutory auditor to the General Meeting of EFG Bank European Financial Group SA

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of EFG Bank European Financial Group SA and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 10 to 124) give a true and fair view of the consolidated financial position of the Group as at December 31, 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the standalone financial statements of EFG Bank European Financial Group SA and our auditor's reports thereon. Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Swiss law, ISAs and Swiss Auditing Standards 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 consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Christophe Kratzer Guillaume Fahrni
Audit expert
Auditor in charge

Geneva, April 25, 2017

Contents

Board of Directors and Management of EFG Bank European Financial Group SA (during 2016, unless otherwise stated)

Board of Directors

Mr Spiro J. Latsis, Chairman

Mrs Anne-Marie L. Latsis

Mrs Marguerite Latsis-Catsiapis

Mr John S. Latsis (from December 9, 2016)

Mr Patrick de Figueiredo (2)

Mr Alain Bruno Lévy (1)

Mr Hugh N. Matthews (1)

(1) independent
(2) independent since January 1, 2017

Management

Executive Committee

Mr Pericles Petalas, Chief Executive Officer

Mr Eric Bertschy, Deputy Chief Executive Officer (and Chief Financial Officer)

Mr Josué M'Bon, Chief Risk Officer

Other members of Management

Mrs Isabelle Imesch Perego, First Vice President

Mr Marc Peterhans, First Vice President

Operations

EFG Bank AG, Central Operations, Geneva

Individual Highlights

Financials

(All figures in millions of CHF)	**2016**	2015
Cash at central bank	**230**	156
Amounts due from banks	**20**	34
Amount due from customers	**23**	20
Participations	**780**	521
Balance sheet total	**1,077**	759

Net result from interest related activities and forex	**(1)**	-
Net result from Commission related activities and services	**1**	1
Income from participations	**20**	20
Operating expenses	**(9)**	(6)
Net profit for the year	**12**	11

Capital adequacy disclosures (Pillar 3)

Detailed capital adequacy disclosures are published on a consolidated basis on www.efggroup.com in conformity with FINMA Circular 2016/1.

Capital and liquidity key metrics of the Bank at the individual level (par. 13 of FINMA Circular 2016/1) as at December 31, 2016 (unless otherwise indicated) were as follows on a fully-applied basis:

	Actual		Required
	(in millions of CHF)	(in%)	(in%)
Common Equity Tier 1 (CET1) capital / ratio	**27.7**	**90.8**	7.8
Tier 1 capital / ratio	**27.7**	**90.8**	9.6
Total regulatory capital / ratio	**68.4**	**224.2**	12.0
Risk-weighted assets (RWA)	**30.5**		
Minimum capital requirements based on 8% of RWA	**2.4**		
Minimum capital requirement for Category 3 banks (12% of RWA)	**3.7**		
Minimum capital required for banks by law (Art. 15 and 16 BkOrd)	**10.0**		
Anti-cyclical buffer	**-**		
Leverage ratio: underlying net capital / ratio	**301.1**	**9.2**	3.0
Liquidity Coverage Ratio (LCR):			
Average HQLA / net outflow / ratio			
- Q1 2016	**142**	**31**	**453**	100
- Q2 2016	**185**	**49**	**378**	100
- Q3 2016	**232**	**65**	**357**	100
- Q4 2016	**230**	**65**	**355**	100

Parent Bank Financial Statements for the Year ended December 31, 2016

Statement of Income
for the year ended December 31, 2016

(All figures in thousands of CHF)	Notes	**2016**	2015
Result from interest related activities			
Interest and discount income	19	**(1,051)**	(883)
Interest and dividend income from financial investments		**268**	208
Interest expenses		**(38)**	(50)
Gross result from interest related activities		**(821)**	(725)
Changes in value adjustements for default risks and losses from interest activities		**-**	(15)
Net result from interest related activities		**(821)**	(740)
Result from commission related activities and services			
Commission income from securities trading and investment activities		**1,060**	1,150
Commission income from lending activities		**21**	16
Commission income and fees from other services		**580**	671
of which central costs recharged to subsidiaries		***186***	*197*
Commission expenses		**(1,149)**	(1,155)
of which service fees recharged by subsidiaries		***(1,088)***	*(1,059)*
Net result from commission related activities and services		**512**	682
Net result from trading activities and fair value option	19	**1,219**	1,007
Other ordinary income			
Income from participations		**19,650**	19,650
Real estate income		**471**	418
Other ordinary income		**-**	1
Net other ordinary income		**20,121**	20,069
Total operating income		**21,031**	21,018
Operating expenses			
Personnel expenses	20	**(4,170)**	(3,723)
General and administrative expenses	21	**(4,492)**	(2,561)
of which outsourced services by subsidiaries		***(966)***	*(979)*
Total operating expenses		**(8,662)**	(6,284)
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		**-**	-
Changes to provision and other value adjustments, and losses		**(4)**	(4)
Operating result		**12,365**	14,730
Extraordinary income		**142**	-
Extraordinary expenses	22	**(223)**	(2,720)
Taxes	23	**(690)**	(528)
Net profit for the year		**11,594**	11,482

Balance Sheet
at December 31, 2016

Assets

(All figures in thousands of CHF)	Notes	**Dec. 31, 2016**	Dec. 31, 2015
Cash at central bank		**230,445**	155,729
Amounts due from banks		**20,446**	33,921
Amounts due from customers	7	**22,705**	19,765
Mortgage loans	7	**482**	505
Positive replacement values of derivative financial instruments	8	**1,763**	928
Financial investments	9	**11,468**	16,987
Accrued income and prepaid expenses		**816**	678
Participations		**779,723**	521,442
Tangible fixed assets		**9,283**	9,036
Other assets	10	**79**	118
Total assets		**1,077,210**	759,109
Total subordinated claims		***2,118***	*6,097*
Of which subject to mandatory conversion and / or debt waiver		**-**	-

Liabilities

Amounts due to banks		**365**	484
Amounts due in respect of customers deposits		**223,361**	164,801
Negative replacement values of derivative financial instruments	8	**831**	130
Accrued expenses and deferred income		**1,391**	1,180
Other liabilities	10	**67**	136
Provisions	14	**40,750**	40,527
Total liabilities		**266,765**	207,258
Total subordinated liabilities		**-**	-

Shareholders' equity

Share capital	15	**500,000**	250,000
Reserve for general banking risks	14	**53,345**	53,345
Statutory reserve from retained earnings		**24,700**	24,100
Voluntary reserve from retained earnings		**220,750**	212,850
Retained earnings carried forward		**56**	74
Net profit for the year		**11,594**	11,482
Total shareholders' equity		**810,445**	551,851
Total liabilities and shareholders' equity		**1,077,210**	759,109

Off-Balance Sheet Positions at December 31, 2016

(All figures in thousands of CHF)	Notes	**Dec. 31, 2016**	Dec. 31, 2015
Contingent liabilities	7	**5,996**	4,958
Irrevocables commitments	7	**250**	302

Statement of Changes in Shareholders' Equity for the Year ended December 31, 2016

(All figures in thousands of CHF)	**Share capital**	**Reserve for general banking risks**	**Statutory reserve from retained earnings**	**Voluntary reserve from retained earnings**	**Retained earnings carried forward**	**Net profit for the year**	**Total**
Balance at beginning of the year	250,000	53,345	24,100	212,850	74	11,482	551,851
Allocation to/(from) reserves	-	-	600	7,900	(18)	(8,482)	-
Dividend distributed	-	-	-	-		(3,000)	(3,000)
Share capital increase	250,000	-	-	-	-	-	250,000
Net profit for the year	-	-	-	-		11,594	11,594
Balance at end of the year	**500,000**	**53,345**	**24,700**	**220,750**	**56**	**11,594**	**810,445**

Proposal for the appropriation of available earnings as at December 31, 2016

With the inclusion of the retained earnings brought forward of CHF 56,345, the available earnings at December 31, 2016 amounted to CHF 11,650,803. The Board of Directors proposes that this amount be appropriated as follows:

	in CHF
Allocation to the statutory reserve from retained earnings	600,000
Dividend to shareholders	3,000,000
Allocation to the voluntary reserve from retained earnings	8,000,000
Retained earnings carried forward	50,803

1. Name of the Bank, legal form and activity description

EFG Bank European Financial Group SA (or "the Bank"), which has is offices at 24 quai du Seujet, 1201 Geneva, Switzerland, is the regulated parent company of the EFG Group. At December 31, 2016, it held a 44% controlling interest in EFG International AG, a private banking group, based in Zurich, Switzerland, and listed on SIX Swiss Exchange. The Bank is regulated by the Swiss Financial Market Supervisory Authority (FINMA) on both individual and consolidated bases. Its activities consist of:

(i) administrative tasks, as a holding company, related to the consolidated supervision of the EFG Group exercised by the FINMA; and

(ii) the provision of classical private banking services, as a fully-licensed bank, using the operating platform of its Swiss banking subsidiary, EFG Bank AG.

At December 31, 2016, the number of people employed by the Bank was 7.5 on a full time basis (2015: 7.5).

2. Accounting Principles

The statutory financial statements have been prepared in accordance with the accounting and valuation principles laid down in the Swiss Code of Obligations, the Swiss Banking Act and the Swiss Banking Ordinance and, since January 1st 2015, the Bank has applied the Directives from the Swiss Federal Financial Market Supervisory Authority (FINMA) on Accounting rules for banks, securities dealers, financial groups and conglomerates (ARB) (Circ. FINMA 2015/1). There has been no change in the balance sheet recognition or valuation. As the Bank also issues consolidated financial statements, which are published in the first part of this Annual Report, these individual financial statements only include those notes which are required in accordance with the provisions of paragraphs 327 to 340 of Circ. FINMA 2015/1. The Bank applies the principle which requires the statutory financial statements to show a prudent view of the financial position and result of operations.

Transaction recording and presentation in the balance

All transactions of the Bank are entered into its books on the day they are transacted. The balance sheet is prepared according to the following principles: securities transactions, as well as payments, are entered in the balance sheet on the day of transaction; deposits and loans, as well as spot and forward foreign exchange transactions, are entered in the balance sheet on their respective value dates.

Cash at central bank

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

Balances due from and to banks, due from and to clients and mortgages

These are stated at nominal value, net of specific value adjustments in respect of doubtful receivables.

Value adjustments for non-performing loans are booked in the Statement of Income through "Changes in value adjustments for default risks and losses from interest operations".

Financial investments

These securities are held on a medium (available for sale) or long (held to maturity) term basis.. Bonds are held to maturity and are valued under the straight-line method. Equities are valued at the lower of cost or market/fair value. Reductions in market value below cost are recorded in the statement of income under "Other ordinary expenses". Any subsequent increases in

market value of previously written-down financial investments up to initial cost are recorded in the statement of income under "Other ordinary income".

Fixed assets

Fixed assets comprise buildings owned by the Bank, fixtures and fittings, computer and telecommunication equipment, and other office equipment, the purchase cost of which, or the project they relate to, exceeds CHF 10,000. Purchases below this threshold are expensed.

Buildings are recorded in the balance sheet at their acquisition price, less any impairment that would be required.

Other fixed assets are depreciated on a straight-line basis over their estimated useful economic life, which are as follows:

- Fixture and fittings: between 5 and 10 years;
- Computer and telecommunication equipment: between 3 and 4 years;
- Other fixed assets: between 5 and 10 years.

Investments in subsidiaries

Investments in subsidiaries are stated at their total cost, less any write-downs to reflect any impairment in the total value of the underlying investments taken as a whole.

Value adjustments

(including Management's estimates)

Value of assets, including loans, is adjusted when a prolonged impairment in value of these assets is identified, in accordance with the general principle of prudence. In addition, loans are risk-evaluated according to the domicile of the risk. Specific value adjustments in respect of doubtful receivables are netted against corresponding assets.

Provisions
(including Management's estimates)

Provisions are set up to cover probable material liabilities that have been identified in respect of situations existing at the date of the balance sheet, in accordance with the general principle of prudence.

In addition, a general provision may be set up for undetermined risks. The general provision is considered, according to Art. 30 sct (4) let (c) of the Swiss Capital Adequacy Ordinance, as Tier 2 regulatory capital.

Taxes

Accruals are made for income tax due, but not yet paid, and included in the balance sheet under the caption "Accrued expenses and deferred income".

Reserve for general banking risks

The reserve for general banking risks is considered as part of the shareholders' equity of the Bank and, according to Art. 21 of the Swiss Capital Adequacy Ordinance, as Common Equity Tier 1 regulatory capital.

Foreign currencies

Assets and liabilities denominated in foreign currencies on the balance sheet are translated into Swiss francs at the year-end market exchange rates.

Transactions in foreign currency are translated into Swiss francs at the rates prevailing on the date of the transactions.

Foreign currency positions are marked to market and the result taken to the statement of income.

The year-end exchanges rates of the main currencies against the Swiss franc were as follows:

	Dec. 31, 2016	Dec. 31, 2015
EUR	**1.074**	1.083
USD	**1.019**	0.993
GBP	**1.254**	1.470

Derivative financial instruments

The term "derivative financial instruments" incorporates interest rate, currency, equity (or indices), precious metals and other commodities which are traded (whether through an exchange or over-the-counter) in the form of forward contracts, options, swaps or futures.

Transactions in derivatives are entered into by the Bank either on a proprietary basis, mainly for foreign exchange hedging purposes, or on behalf of clients. Positions resulting from these derivative transactions are marked to market and the result included in the statement of income under "Result from trading activities and fair value option". This includes interest differential embedded in the valuation of forex swaps entered into for treasury management purposes. The market value of derivative contracts undertaken for the Bank's own account or on behalf of clients corresponds to the replacement value of these contracts. Positive and negative replacement values of derivatives are reported in the corresponding balance-sheet captions and are not netted, unless proper netting agreements are in place with counterparties.

3. Risk Management

The activity of the Bank consists of, on the one hand, carrying out supervision of subsidiaries and, on the other hand, providing traditional private banking services using the operating platform of its Swiss indirect subsidiary, EFG Bank AG, whereby most of the transactions are entered into on behalf of clients. The Bank maintains only relatively small proprietary positions, usually for asset and liability management purposes. The policy of the Bank regarding market, credit and liquidity risks, as well as the use of derivatives, is set in this context.

The operational infrastructure provided by EFG Bank AG comprises the Accounting, Treasury, Risk Management, Private Banking (partly), Back Office, Legal and Compliance, Credit, IT and Logistics departments of EFG Bank AG, which also work on behalf of the Bank.

Written regulations and directives are issued by the Management (and approved, where appropriate, by the Board of Directors) concerning credit and market risks, the approval and supervisory procedure for credits, liquidity monitoring and the mitigation of operational risks associated with private banking transactions, back-office processes, fund transfers, recording of transactions, legal and compliance aspects, and information technology.

Market risk

Market risk limits are determined by the risk policy framework approved by the Board of Directors.

As regards interest rate risk, the Bank limits its balance sheet-related exposure by a policy of matched refinancing. It is not the Bank's policy to engage in active interest rate trading. The risk associated with interest rate variation is monitored on a monthly basis by the Management based on aggregated interest positions provided by the Risk Management department, on a daily basis by the Chief Risk Officer and Treasury department based on ongoing positions held at the trading desk.

The Bank carries out foreign currency transactions both for its clients and on its own account. It is not part of the Bank's policy, however, to take significant foreign currency positions. The overall net nominal positions per currency are

subject to intraday and overnight limits. The total intraday foreign exchange position is monitored by the Risk Management department based on random checks. The total overnight foreign exchange position is monitored on a daily basis by the Chief Risk Officer and the Risk Management department.

Use of derivatives: transactions in derivatives are entered into by the Bank either (i) on a proprietary basis, mainly for balance sheet foreign exchange hedging purposes, within limits set by the Board; or (ii) on behalf of clients with the Bank, hedging client-related positions with banking counterparties. Market risks are managed using "value-at-risk", scenario analysis and stress testing.

Liquidity risk

The size of the Bank's capital and reserves and its matched refinancing policy ensure that it avoids incurring any significant liquidity risk. Liquidity is managed by the Treasury department on an ongoing basis and is monitored by the Chief Risk Officer based on daily risk reports, which include relevant gaps. In addition, a Liquidity Coverage Ratio report is prepared monthly and submitted to the Bank's Executive Committee.

Credit risk

Due to the private banking nature of the activity, most of the credit exposure towards clients is secured by liquid assets pledged as collateral. Discount factors and diversification rules apply when determining the loanable value of assets pledged as collateral. Most of the assets pledged as collateral are valued daily, and more frequently during periods of high market volatility.

Loans are risk-evaluated and an internal grading system enables the Bank to determine any value adjustment requirement for doubtful debts on an individual basis. The value of loans is adjusted when a prolonged impairment in value is identified, in accordance with the general principle of prudence.

In addition, in the ordinary course of business, the Bank has credit exposure to reputable banking and brokerage counterparties.

The granting and renewal of credit limits to customers are subject to a procedure involving different levels of approval (Credit Department, Credit Committee (executive level) and Board of Directors) according to the amount and type of collateral involved. Outstanding credit commitments, limits and adequacy of collateral of each borrower (or group of borrowers), large exposures and country risk are monitored on an ongoing and independent basis by the Credit Administration department and the Chief Risk Officer.

Responsibility for the approval of limits in favour of banking counterparties resides primarily with the Executive Committee and the Board of Directors. Outstanding credit commitments and limits for bank counterparties and country exposures are independently monitored by the Counterparty and Country Risk Control Department and the Chief Risk Officer.

Operational risk

Operational risk is the risk of loss or business suspension resulting from failures in business processes, systems and people, or from external causes. It is limited by means of organisational measures, automations, internal controls, physical and IT security measures, approval frameworks, documented operating procedures, legal documentation and support, and compliance checks. In addition, operational data are produced for the attention of the Management.

Board-level risk assessment

The Board of Directors, at its meeting of December 2016, has reviewed the Bank's annual risk assessments and reports, covering credit, market, liquidity, operational and compliance risks.

4. Outsourced Activities

The management of certain client accounts; the execution, processing and settlement of transactions; electronic fund transfers and clearing; securities custody and corporate actions; daily risk management and control; compliance; IT development, operations, security and database and file maintenance; discretionary and asset management; and the printing, sending and/or electronic storage of advices, portfolio valuations and account statements have been outsourced to the Bank's Swiss indirect subsidiary, EFG Bank AG, using common operating procedures and platform, but with distinct supervision by the Bank's Management.

Salary and pension fund administration have been outsourced to a third party service company specialising in this area. IT development projects may also be outsourced on a case-by-case basis.

5. Post-Balance Sheet Events

There has been no post-balance sheet event requiring disclosure.

6. Breakdown of securities financing transactions

There are no securities financing transactions as at December 31, 2016 (2015 none).

7. Presentation of collateral for loans, receivables and off-balance sheet transactions, as well as impaired loans / receivables

(All figures in thousands of CHF)	Secured by mortgage	Secured by other collateral	Unsecured	Total
Loans - before netting with value adjustments				
Amounts due from customers	1	22,327	399	22,727
Mortgage loans	482	-	-	482
Residential property	*482*	-	-	*482*
Total loans at December 31, 2016	**483**	**22,327**	**399**	**23,209**
Total loans at December 31, 2015	507	19,365	420	20,292
Loans - after netting with value adjustments				
Total at December 31, 2016	**483**	**22,305**	**399**	**23,187**
Total at December 31, 2015	507	19,365	398	20,270

(All figures in thousands of CHF)	Secured by mortgage	Secured by other collateral	Unsecured	Total
Off-balance sheet positions				
Contingent liabilities	-	5,996	-	5,996
Irrevocable commitments	-	-	250	250
Total at December 31, 2016	**-**	**5,996**	**250**	**6,246**
Total at December 31, 2015	-	4,958	302	5,260

(All figures in thousands of CHF)	Gross amount	Estimated liquidation value of collateral	Net debt amount	Individual value adjustments
Impaired loans				
Total at December 31, 2016	**22**	**-**	**22**	**22**
Total at December 31, 2015	22	-	22	22

8. Derivative financial instruments

(All figures in thousands of CHF)	Held for trading Positive replacement values	Negative replacement values	Contract Volume	Held for hedging Positive replacement values	Negative replacement values	Contract Volume
Foreign exchange / Precious metal						
Forward contracts	**1,761**	**831**	**125,991**	**-**	**-**	**-**
Option (OTC)	**2**	**-**	**382**	**-**	**-**	**-**
Option (traded)	**-**	**-**	**-**	**-**	**-**	**-**
Total derivative financial instruments	**1,763**	**831**	**126,373**	**-**	**-**	**-**

Total before consideration of netting contracts (all being marked to market):

Total December 31, 2016	**1,763**	**831**	**126,373**	**-**	**-**	**-**
Total December 31, 2015	928	130	78,748	-	-	-

Total after consideration of netting contracts (all being marked to market):

	Positive replacement values	Negative replacement values			
Of which with banks and securities dealers	1,763	831		-	-
Of which with other customers	-	-		-	-
Total December 31, 2016	1,763	831		-	-
Total December 31, 2015	928	130		-	-

9. Financial investments

(All figures in thousands of CHF)	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
	Book value		Fair Value	
Debt securities	11,456	16,976	11,546	16,961
of which intended to be held to maturity	*11,456*	*16,976*	*11,546*	*16,691*
of which not intended to be held to maturity (available for sale)	-	-	-	
Equity securities	12	11	69	48
of which qualified participations	-	-	-	-
Total	**11,468**	**16,987**	**11,615**	**17,009**
of which securities eligible for repurchase agreements transactions in accordance with liquidity requirements	-	-		

December 31, 2016, based on S&P's ratings (or, if not available, equivalent rating from Moody's or Fitch, or alternatively from banks):

(All figures in thousands of CHF)	A+ to A-	BBB+ to BBB-	BB+ to BB-	Unrated	Total
Debt instruments - book value	**1,637**	**2,122**	**-**	**7,697**	**11,456**
Equity instruments - book value	**-**	**-**	**-**	**12**	**12**

10. Other assets and other liabilities

(All figures in thousands of CHF)	**Dec. 31, 2016**	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
	Other assets		**Other liabilities**	
Compensation account	**-**	-	**-**	-
Indirect taxes	**55**	86	**67**	136
Other	**24**	32	**-**	-
Total	**79**	118	**67**	136

11. Assets pledged or assigned to secure own commitments and asset under reservation of ownership

The Bank has no asset pledged as collateral to its own liabilities and no asset under reservation of ownership as at December 31, 2016 (2015: none).

12. Disclosure of liabilities relating to own pension scheme and number and nature of equity instruments of the bank held by own pension scheme

The Bank has no liabilities towards own pension scheme as at December 31, 2016 (2015: none), neither are any own equity instruments held by own pension scheme.

13. Disclosures on the economic situation of own pension schemes

The financial statements of the pension foundation for the staff of EFG employed in Switzerland (including the Bank), drawn up in accordance with the Swiss GAAP FER standard 26, show the following coverage ratio:

As at December 31, 2016 (unaudited)	**104.0%**
As at December 31, 2015	103.2%

The reserve for fluctuations in the value of the pension fund foundation has not yet reached the relevant regulatory thereshold giving rise to a surplus in cover as defined by Swiss GAAP FER Standard 16.

The pension fund does not include any employer contribution reserves for the 2016 financial year or the previous year.

Details of the contributions to the pension fund are provided in Note 20.

14. Presentation of provisions, reserves for general banking risks and value adjustments, and changes therein during the year

(All figures in thousands of CHF)	Balance at Dec. 31, 2015	Use in conformity with designated purpose	Change of reclassi-fication of provisions	Currency differences	Past due interest, recoveries	New provisions charged to earnings	Release to earnings	Balance at Dec. 31, 2016
Other provisions	40,527	-	-	-	-	**223**	-	**40,750**
Total provisions	40,527	-	-	-	-	**223**	-	**40,750**
Reserve for general banking risks	53,345	-	-	-	-	-	-	**53,345**
Value adjustments for credit default risk netted against corresponding assets	59	-	-	-	-	-	-	**59**
of which value adjustments for credit default risk	*59*	-	-	-	-	-	-	***59***

The reserve for general banking risks has already been taxed.

15. Capital structure and significant shareholders

	Dec. 31, 2016			Dec. 31, 2015		
(All figures in thousands of CHF, or number of units)	**Total nominal value**	**Number of units**	**Dividend bearing capital**	Total nominal value	Number of units	Dividend bearing capital
Capital structure						
Share capital, issued and fully paid up	**500,000**	**5,000,000**	**500,000**	250,000	2,500,000	250,000
Total share capital	**500,000**	**5,000,000**	**500,000**	250,000	2,500,000	250,000
of which with voting rights	***500,000***	***5,000,000***	***500,000***	*250,000*	*2,500,000*	*250,000*

Note: the" Statutory reserve from retained earnings" of CHF 24,700 thousand appearing in the Shareholders' Equity section of the Balance Sheet is not distributable.

	Dec. 31, 2016		Dec. 31, 2015	
	Participation		Participation	
(All figures in thousands of CHF, or%)	**Nominal**	**in%**	Nominal	in%
Significant shareholders				
European Financial Group EFG (Luxembourg) SA, which is ultimately fully controlled by Latsis family interests	**500,000**	**100**	250,000	100

16. Due from and due to related parties

(All figures in thousands of CHF)	Amounts due from		Amounts due to	
	Dec. 31, 2016	Dec. 31, 2015	**Dec. 31, 2016**	Dec. 31, 2015
Qualified participations	**340**	343	**97,899**	38,399
Group companies	**5,991**	19,898	**36,828**	28,957
Affiliated companies	**-**	-	**2,705**	2,711
Bank's governing bodies	**-**	15	**330**	81

In addition, the Bank has issued guarantees on behalf of related parties totalling CHF 3,525 thousand as at December 31, 2016 (2015: CHF 3,875 thousand).

The Bank confirms that related party transactions were entered into in line with market terms.

17. Total foreign risk assets by credit rating of the country of risk

(All figures in thousands of CHF)		**Dec. 31, 2016**		Dec. 31, 2015	
S&P's ratings	**FINMA Mapping Table**	**Net foreign exposure**	**%**	Net foreign exposure	%
AAA – AA-	1 & 2	**415,256**	**99.8%**	420,717	99.4%
A+ – A-	3	**-**	**-**	-	-
BBB+ – BBB-	4	**2**	**0.0%**	2,122	0.5%
BB+ – BB-	5	**78**	**0.0%**	2	0.0%
B+ – B-	6	**464**	**0.1%**	424	0.1%
CCC+ – C	7	**-**	**-**	-	-
Unrated	Unrated	**106**	**0.1%**	49	0.0%
Total foreign risk assets		**415,906**	**100.0%**	423,315	100.0%

Comments on rating system used: According to the FINMA "mapping tables linking the credit rating categories and risk weightings in accordance with the Basel Minimum standards" (Circular 2012/01 - cm 63), the above table uses Standard and Poors country rating convert to FINMA credit rating. This table is based on the country of underlying risk (i.e that of the underlying security).

19. Fiduciary transactions

(All figures in thousands of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Deposits with third party banks	**120,004**	215,564
Deposits with intercompany banks	**1,187**	-
Total	**121,191**	215,564

19. Material refinancing income in *Interest and discount income*, material negative interest and trading (forex) income by type of activity

There are no refinancing costs for trading portfolios.

Negative interest (-0.75% p.a.) on Swiss francs deposits placed by the Bank at the Swiss National Bank totalled CHF 1,347 thousand for the year ended December 31, 2016 (2015: CHF 1'102) and are booked as a negative entry under the caption "Interest and discount income" as per paragraph A3-10 of FINMA Circular 2015/1. As part of its own treasury management, during the course of 2016, the Bank enterred into forex swaps (forward currency purchases) to macro-hedge deposits from customers held in foreign currency in order to receive a higher yield (after deduction of the interest charged by the SNB on resulting Swiss francs additional deposits held with it) than that it would have received through the mere onward placements of foreign currencies with third-party banks. Forex instruments are marked to market and their changes in fair value were recorded through the Statement of Income under the caption "Net result from trading activities and fair value option", which totalled CHF 1,219 thousand for the year ended December 31, 2016 (2015: CHF 1,007 thousand). The part related to the Bank's treasury activity totalled CHF 1,124 thousand for the year ended December 31, 2016 (2015: CHF 781 thousand), offsetting more than 80% of negative interest income, and the part related to the transactions enterred into on behalf clients totalled CHF 95 thousand for the same year (2015: CHF 226 thousand).

20. Personnel expenses

(All figures in thousands of CHF)	**2016**	2015
Salaries	**(3,557)**	(3,156)
Social security costs	**(279)**	(248)
Contributions to pension plans	**(194)**	(194)
Other personnel expenses	**(140)**	(125)
Total	**(4,170)**	(3,723)

21. General and administrative expenses

All figures in thousands of CHF)	**2016**	2015
Premises and real estate expenses	**(195)**	(199)
Communication and network expenses	**(28)**	(31)
Computer services	**-**	(4)
Equipment, furniture and other fixtures, operations leases	**(20)**	(19)
Fees of audit firm	**(160)**	(128)
of which financial and regulatory audit services	***(160)***	*(128)*
of which other services	**-**	-
Other expenses:	**(4,089)**	(2,180)
of which outsourcing services	***(966)***	*(979)*
of which other professional fees	***(294)***	*(783)*
of which marketing and trademarks	***(134)***	*(206)*
of which other	***(2,695)***	*(212)*
Total	**(4,492)**	(2,561)

22. Extraordinary income and expenses

(All figures in thousands of CHF)	**2016**	2015
Extraordinary income		
Gain on absorption of a subsidiary	**142**	-
Other	**-**	-
Total	**142**	-
Extraordinary expenses		
Allocation to other provisions	**(223)**	(2,720)
Losses	**-**	-
Total	**(223)**	(2,720)

23. Taxes

(All figures in thousands of CHF)	**2016**	2015
Current tax on equity and properties, and professional tax	**(690)**	(528)
Total	**(690)**	(528)

As a holding company, the Bank is mainly taxed on its equity and properties and is also subject to a cantonal professional tax. The tax expense for 2016 represented 3.3% (2015: 3.6%) of operating result.

Report of the statutory auditor to the General Meeting of EFG Bank European Financial Group SA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of EFG Bank European Financial Group SA, which comprise the balance sheet as at December 31, 2016, statement of income, statement of changes in shareholders' equity and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 132 to 146) as at December 31, 2016 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the entity's articles of incorporation, and for such internal control as the Board of Directors determines 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 Board of Directors is responsible for assessing the entity'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 Board of Directors either intends to liquidate the entity or to cease operations, or has 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 Swiss law and Swiss Auditing Standards 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.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers Ltd

Christophe Kratzer Guillaume Fahrni
Audit expert
Auditor in charge

Geneva, April 25, 2017

EFG Bank European Financial Group SA
Quai du Seujet 24
1201 Geneva
Switzerland
www.efggroup.com