EFG Group

Basel III
Pillar 3 disclosures
31 December 2016

25.04.2017

1. General information

This report discloses the Group's application of the Basel III Framework as at December 31, 2016 as required by the Swiss Financial Market Supervisory Authority (FINMA), with the comparatives for 2015. However, the comparison is biased due to the acquisition of the BSI Group in 2016.

In order to have the full view of the Group's regulatory environment and capital requirements, this report should be read along with the Group's 2016 Annual Report (http://www.efggroup.com/). However, certain disclosures contained in this report cannot be reconciled with disclosures in the Group Annual Report due to the way the Group manages risk internally being different to the way it reports hereunder, but there is no difference in the scope of consolidation between these two reports.

For Capital Adequacy purposes, the Group applies Swiss accounting for banks (ARB). As at December 31, 2016, the only material difference affecting the Group's capital adequacy positions between Swiss ARB and IFRS relates to the fact that the Swiss ARB do not require any actuarial pension liability to be calculated based on short term interest rate to be recognized for defined contribution plans (except if the pension plan showed an actuarial deficit as calculated based on a reference average long term interest rate and the employer was due to the fund that deficit). Under IFRS, an additional pension liability of CHF 362 million is recognized on the balance sheet. In addition, under FINMA rules, Risk Weighted Assets are higher by CHF 1 bn than under BIS rules, as they include higher risk weightings for loans collateralized by funds or the cash surrender value of life insurances policies.

2. Capital

The Group reports regulatory capital according to the Swiss Capital Ordinance, therefore complying with the Swiss Financial Market Supervisory Authority (FINMA) requirements.

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

Approaches used for risk types

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

General market risk associated with interest rate risk instruments are calculated using the Maturity Method. The Delta-plus method is used for options.

Capital Management

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

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

The Group's eligible capital comprises two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares of quoted subsidiaries), non-controlling interests (arising on consolidation 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 (includes Credit Valuation Adjustments (CVA)), market risk, non-counterparty related risk, settlement risk and operational risk.

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

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended December 31, 2016 and 2015 under FINMA rules. 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**	FINMA Fully applied Swiss GAAP Dec. 31, 2015
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 deduction	**(28.3)**	(45.7)
Less: Non-controlling interests in Shareholders' Equity	**(1,271.1)**	(397.5)
Plus: Eligible non-controlling interests at Common Equity	**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

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

(All figures in millions of CHF)	**FINMA Fully applied Swiss GAAP Dec. 31, 2016**	FINMA Fully applied Swiss GAAP Dec. 31, 2015
Credit risk including Settlement risk and credit value adjustment	**8,703.3**	5,154.3
Settlement risk	**0.9**	-
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**	6,742.4

** 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)*

Capital Adequacy Ratio

(In %)	**FINMA Fully applied Swiss GAAP Dec. 31, 2016**	FINMA Fully applied Swiss GAAP Dec. 31, 2015
Common Equity Tier 1 ratio (CET1)	**15.5**	13.6
Total Tier 1 Capital (T1)	**16.6**	14.5
Total Capital Ratio	**18.7**	17.7

3. Credit Risk

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

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

Regulatory gross credit risk exposures by risk weightings using external ratings

		Risk Weightings					
(All amounts in millions of CHF)		**0%**	**1%-35%**	**36%-75%**	**76-100%**	**150%**	**Total regulatory gross credit**
Private Individuals	Standard & Poor's	**-**	**-**	**-**	**-**	**-**	**-**
	Unrated	**-**	**4,928.5**	**1,729.2**	**7,503.7**	**222.2**	**14,383.6**
Public entities (including sovereign & central banks)	Standard & Poor's	**3,213.8**	**65.7**	**75.2**	**-**	**-**	**3,354.7**
	Unrated	**10,157.3**	**-**	**50.0**	**10.1**	**-**	**10,217.4**
Corporates	Standard & Poor's	**-**	**1,359.1**	**241.4**	**166.4**	**4.5**	**1,771.4**
	Unrated	**-**	**1,165.1**	**35.1**	**3,864.9**	**34.3**	**5,099.4**
Banks & multilateral institutions	Standard & Poor's	**437.6**	**3,431.1**	**958.3**	**3.7**	**-**	**4,830.7**
	Unrated	**2.7**	**1,702.2**	**622.9**	**300.7**	**1.4**	**2,629.9**
Other	Standard & Poor's	**-**	**-**	**0.1**	**-**	**-**	**0.1**
	Unrated	**-**	**-**	**-**	**403.0**	**28.6**	**431.6**
Total at 31 December 2016		**13,811.4**	**12,651.7**	**3,712.2**	**12,252.5**	**291.0**	**42,718.8**
Total at 31 December 2015		**7,768.3**	**7,887.9**	**2,687.5**	**8,048.5**	**284.9**	**26,677.1**

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

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

(All amounts in millions of CHF)	Private Individuals[2]	Corporates[3]	Banks & Multilateral Institutions[4]	Public Entities & Sovereign[5]	Other[6]	Regulatory gross credit exposure[1]
Cash and balances with central banks	-	-	-	**9,118.0**	-	**9,118.0**
Amounts due from banks	-	-	**2,975.5**	**1.7**	-	**2,977.2**
Amounts due from security financing transactions	-	-	**53.7**	-	-	**53.7**
Loans and advances to customers:						
Loans	**8,491.8**	**3,319.5**	**47.1**	**59.7**	**282.2**	**12,200.3**
Mortgage	**5,379.1**	**1,393.8**	-	-	-	**6,772.9**
Derivatives [7]	**187.5**	**227.4**	**813.8**	-	-	**1,228.7**
Other financial instruments at fair value	-	**175.7**	-	-	-	**175.7**
Financial Investments	-	**1,531.0**	**2,662.6**	**4,336.7**	**25.5**	**8,555.8**
Accrued income and prepaid expenses	**27.5**	**37.6**	**21.4**	**45.9**	**57.9**	**190.3**
Equity interests	-	-	-	-	**6.2**	**6.2**
Other assets [8]	**0.2**	**0.5**	**95.6**	**10.1**	**30.3**	**136.7**
As at December 31, 2016	**14,086.1**	**6,685.5**	**6,669.7**	**13,572.1**	**402.1**	**41,415.5**
Contingent liabilities	**232.6**	**163.7**	**12.5**	-	-	**408.8**
Irrevocable commitments	**64.9**	**21.5**	**14.9**	-	**1.5**	**102.8**
Obligations to pay up shares and make further contributions	-	-	**0.3**	-	-	**0.3**
Credit commitments	-	**0.1**	**0.1**	-	-	**0.2**
Security lending and borrowing	-	-	**763.1**	-	**28.1**	**791.2**
Total other exposures at December 31, 2016	**297.5**	**185.3**	**790.9**	-	**29.6**	**1,303.3**
Total gross credit exposures at December 31, 2016	**14,383.6**	**6,870.8**	**7,460.6**	**13,572.1**	**431.7**	**42,718.8**
As at December 31, 2015	8,615.7	5,091.9	5,285.5	7,351.9	112.6	26,457.6
Total other exposures at December 31, 2015	147.0	66.9	5.6	-	-	219.5
Total gross credit exposures at December 31, 2015	8,762.7	5,158.8	5,291.1	7,351.9	112.6	26,677.1

[1] Gross regulatory credit risk is after provisions and application of credit conversion factors on off balance sheet items.

[2] Includes trusts and comparable domiciled companies with an identifiable individual beneficial owner.

[3] Includes non-bank financial institutions, investment funds and other trusts with collective investment structure.

[4] Includes banks and multilateral development banks

[5] Sovereign counterparties include central banks and governments, as well as other public entities.

[6] Other includes international organisations which are not banks nor public entities.

[7] Includes replacement value and add-ons

[8] Includes accrued receivables

Regulatory gross credit risk exposures by geography

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

(All amounts in millions of CHF)	Switzerland	Other Europe	Americas	Asia	Others	Total
Cash and balances with central banks	**7,023.2**	**1,917.5**	**0.6**	**176.7**	**-**	**9,118.0**
Amounts due from banks	**821.4**	**1,030.7**	**477.8**	**641.5**	**5.8**	**2,977.2**
Amounts due from security financing transactions	**-**	**53.7**	**-**	**-**	**-**	**53.7**
Loans and advances to customers:						
Loans	**1,390.5**	**3,518.0**	**3,965.7**	**3,010.6**	**315.5**	**12,200.3**
Mortgage	**2,666.6**	**2,459.5**	**1,056.9**	**475.3**	**114.6**	**6,772.9**
Derivatives [1]	**346.8**	**621.6**	**152.3**	**102.9**	**5.1**	**1,228.7**
Other financial instruments at fair value	**-**	**23.4**	**152.3**	**-**	**-**	**175.7**
Financial Investments	**123.0**	**4,162.2**	**2,349.4**	**1,534.5**	**386.7**	**8,555.8**
Accrued income and prepaid expenses	**23.6**	**98.1**	**55.5**	**10.6**	**2.5**	**190.3**
Equity interests	**3.0**	**3.2**	**-**	**-**	**-**	**6.2**
Other assets	**70.1**	**53.0**	**8.6**	**5.0**	**-**	**136.7**
As at December 31, 2016	**12,468.2**	**13,940.9**	**8,219.1**	**5,957.1**	**830.2**	**41,415.5**
Contingent liabilities	**57.9**	**165.4**	**152.4**	**24.4**	**8.7**	**408.8**
Commitments	**59.7**	**35.0**	**5.7**	**0.4**	**2.0**	**102.8**
Obligations to pay up shares and make further contributions	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**
Credit commitments	**0.0**	**0.2**	**0.0**	**0.0**	**0.0**	**0.2**
Security lending and borrowing	**398.7**	**385.4**	**7.1**	**0.0**	**0.0**	**791.2**
Total other exposures at December 31, 2016	**516.6**	**586.0**	**165.2**	**24.8**	**10.7**	**1,303.3**
Total gross credit exposures at December 31, 2016	**12,984.8**	**14,526.9**	**8,384.3**	**5,981.9**	**840.9**	**42,718.8**
As at December 31, 2015	6,090.2	8,694.2	6,457.1	4,458.4	757.7	26,457.6
Total other exposures at December 31, 2015	22.6	109.2	68.1	9.1	10.5	219.5
Total gross credit exposures at December 31, 2015	6,112.8	8,803.4	6,525.2	4,467.5	768.2	26,677.1

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

Risk Weighted Assets and total regulatory net credit exposure

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

(All amounts in millions of CHF)	Regulatory gross credit risk exposure	Less: Credit risk exposure mitigation with financial collateral	Total regulatory net credit exposure[1]	Average risk Weight	FINMA Risk weighted assets
Cash and balances with central banks	**9,118.0**	**-**	**9,118.0**	**0%**	**-**
Amounts due from banks	**2,977.2**	**825.2**	**2,152.0**	**26%**	**567.6**
Amounts due from security financing transactions	**53.7**	**-**	**53.7**	**50%**	**26.8**
Loans and advances to customers:					
Loans	**12,200.3**	**8,168.5**	**4,031.8**	**85%**	**3,414.4**
Mortgage	**6,772.9**	**437.6**	**6,335.3**	**44%**	**2,791.6**
Derivatives[2]	**1,228.7**	**679.8**	**548.9**	**57%**	**315.1**
Other financial instruments at fair value	**175.7**	**-**	**175.7**	**22%**	**39.2**
Financial Investments	**8,555.8**	**-**	**8,555.8**	**14%**	**1,219.0**
Accrued income and prepaid expenses	**190.3**	**20.2**	**170.1**	**61%**	**103.0**
Equity interests	**6.2**	**-**	**6.2**	**150%**	**9.3**
Other assets[3]	**136.7**	**0.1**	**136.6**	**43%**	**58.5**
Total on balance sheet	**41,415.5**	**10,131.4**	**31,284.1**	**27%**	**8,544.5**
Contingent liabilities	**408.8**	**314.7**	**94.0**	**74%**	**69.9**
Commitments	**102.8**	**7.5**	**95.3**	**69%**	**66.1**
Obligations to pay up shares and make further contributions	**0.3**	**-**	**0.3**	**100%**	**0.3**
Credit commitments	**0.2**	**-**	**0.2**	**50%**	**0.1**
Security lending and borrowing	**791.2**	**679.3**	**111.9**	**20%**	**22.4**
Total off balance sheet	**1,303.3**	**1,001.5**	**301.7**	**53%**	**158.8**
Total at December 31, 2016	**42,718.8**	**11,132.9**	**31,585.8**	**28%**	**8,703.3**
Total on-balance sheet at December 31, 2015	26,457.6	7,591.5	18,866.1	27%	5,065.2
Total off-balance sheet at December 31, 2015	219.5	129.5	90.0	63%	57.1
Total at December 31, 2015 (phased-in)	26,677.1	7,721.0	18,956.1	27%	5,122.3

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

[2] Includes replacement value and add-ons

[3] Includes accrued receivables

Credit Exposures after risk mitigation of collateral by risk weighting

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

	Risk Weightings					
(All amounts in millions of CHF)	**0%**	**1%-35%**	**36%-75%**	**76%-100%**	**150%**	**Total regulatory net exposure**
Private individuals	**-**	**4,927.0**	**614.4**	**1,952.0**	**24.3**	**7,517.7**
Public entities[1]	**13,657.2**	**68.3**	**125.2**	**10.0**	**-**	**13,860.7**
Corporates	**-**	**2,479.3**	**253.5**	**1,555.6**	**18.6**	**4,307.0**
Banks & Multilateral institutions	**439.9**	**3,275.2**	**1,134.3**	**99.7**	**-**	**4,949.1**
Derivatives	**0.5**	**226.9**	**264.7**	**56.1**	**28.5**	**576.7**
Other	**-**	**-**	**-**	**374.6**	**-**	**374.6**
As at December 31, 2016	**14,097.6**	**10,976.7**	**2,392.1**	**4,048.0**	**71.4**	**31,585.8**
As at December 31, 2015	7,721.9	7,253.5	1,823.4	2,096.8	60.5	18,956.1

[1]Includes sovereign and central banks

Client impaired loans

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

4. Market Risk

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

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

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

(All amounts in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
Interest rate instruments held in the trading book	**656.3**	284.5
Equities held in the trading book	**100.9**	1.8
Currencies and precious metals	**139.9**	11.7
Commodities	**94.1**	22.4
Options	**29.2**	-
Total Risk Weighted Assets	**1,020.4**	320.4

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

Interest rate instruments in the trading book

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

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

Equities held in the trading book

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

Currency risk, gold and commodity risk

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

5. Interest risk in the banking book

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

(All amounts in millions of CHF)	**Dec. 31, 2016**	Dec. 31, 2015
USD	**(15.6)**	(37.0)
EUR	**25.9**	(8.2)
GBP	**(6.6)**	(14.2)
CHF	**4.6**	1.2
JPY	**(0.3)**	(0.3)
Total banking book impact given an increase of 100 basis point of the interest rates	**8.0**	(58.5)

6. Operational risk

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

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

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

Organisational structure and governance

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

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

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

Operational risk management framework

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

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

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

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

7. Appendices

7.1.1 Breakdown of regulatory capital

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

As at December 31, 2016

	(All figures in millions of CHF)	Numbers Fully applied (FINMA)	Balance sheet reconciliation References
Common equity Tier I capital: Instruments and reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	**500.0**	**b)**
2	Reserves from Retained earnings	**794.7**	
3	Accumulated other comprehensive income (and other reserves)		
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	**777.0**	**c)**
6	**Common equity Tier 1 capital before regulatory adjustments**	**2,071.7**	
Common equity Tier I capital: Regulatory adjustments			
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)	**(55.1)**	**a)**
9	Intangible other than mortgage-servicing rights (net of related tax liability)	**(26.8)**	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**(28.3)**	
11	Cash-flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitization gain on sale (as set out in paragraph 562 of Basel III framework)		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined-benefit pension fund net assets		
16	Investments in own shares		
17	Reciprocal cross-holdings in common equity		
17a	Holdings with a significant investments in the common stock		
17b	Consolidated investments (CET1 instruments)		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	*of which: significant investments in the common stock of financials*		
24	*of which: mortgage servicing rights*		
25	*of which: deferred tax assets arising from temporary differences*		
26	Expected loss for equity positions under the PD-LGD approach and the simple risk-weight method		
26a	Other adjustments for financial statements prepared under internationally recognized accounting principles		
26b	Other deductions - Future expected dividends - Minority interests issued by non-banking subsidiaries	**(42.8)**	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
28	**Total regulatory adjustments to common equity Tier 1**	**(153.0)**	
29	**Common equity Tier 1 capital (CET1)**	**1,918.7**	

	As at December 31,2016 (All figures in millions of CHF)	Numbers Fully applied (FINMA)	Balance sheet reconciliation References
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying addtional Tier 1 instruments plus related stock surplus		
31	*of which: classified as equity under applicable accounting standards*		
32	*of which: classified as liabilities under applicable accounting standards*		
33	Directly issued capital instruments subject to phase-out from additional Tier 1		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	**138.3**	**d)**
35	*of which: instruments issued by subsidiaries subject to phase-out*		
36	**Additional Tier 1 capital before regulatory adjustments**	**138.3**	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own additional Tier 1 instruments		
38	Reciprocal cross-holdings in Additional Tier 1 instruments		
38a	Reciprocal cross-holdings in Additional Tier 1 instruments		
38b	Holdings with a significant investments in the common stock		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
41	Other deductions		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
	Tier I adjustments on impact of transitional arrangements		
	of which: prudential valuation adjustment		
	of which: own CET1 instruments		
	of which: goodwill and intangible assets net of tax, offset against hybrid capital		
	of which: other intangible assets (net of related tax liabilities)		
	of which: gains from the calculation of cash flow hedges		
	of which: IRB shortfall of provisions to expected losses		
	of which: gains on sales related to securitization transactions		
	of which: gains/losses in connection with own credit risk		
	of which: investments		
	of which: expected loss amount for equity exposures under the PD/LG (probability of default/loss given default)		
	of which: mortgage servicing rights		
42a	Excess of the adjustments which are allocated to the CET1 capital		
43	**Total regulatory adjustments to additional Tier 1 capital**		
44	**Additional Tier 1 Capital (AT1)**	**138.3**	
45	**Tier 1 Capital (T1 = CET1 + AT1)**	**2,057.0**	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus		
47	Directly issued capital instruments subject to phase-out from Tier 2		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	**258.1**	
49	*of which: instruments issued by subsidiaries subject to phase-out*		
50	Provisions		
51	**Tier 2 Capital before regulatory adjustments**	**258.1**	

	As at December 31,2016 *(All figures in millions of CHF)*	Numbers Fully applied (FINMA)	Balance sheet reconciliation References
52	Investments in own Tier 2 instruments		
53	Reciprocal crossholdings in tier 2 instruments		
53a	Investments with a significant influence (Tier 2 instruments)		
53b	Investments to be consolidated (Tier 2 instruments)		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the		
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	Other deductions - Revaluation reserves in available-for-sale equity securities and available-for-sale debt securities		
56a	Surplus deductions, included in AT1		
57	**Total regulatory adjustments to Tier 2 Capital**		
58	**Tier 2 Capital (T2)**	**258.1**	
59	**Total capital (TC = T1 + T2)**	**2,315.1**	
60	**Total risk-weighted assets**	**12,388.0**	

	Capital ratios and buffers	Fully applied (FINMA)
61	Common equity Tier 1 (as a percentage of risk-weighted assets)	**15.5%**
62	Tier 1 (as a percentage of risk-weighted assets)	**16.6%**
63	Total capital (as a percentage of risk-weighted assets)	**18.7%**
64	Institution-specific CET1 capital requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets) taking into account transitional rules	**5.3%**
65	*of which: capital conservation buffer requirement*	**0.6%**
66	*of which: bank-specific countercyclical buffer requirement*	**0.1%**
67	*of which: global systemically important banks (G-SIB) buffer requirement*	**n/a**
68	Common equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	**15.5%**
68a	CET1 capital buffer requirements under Circ.- FINMA 11/2 (as %)	**7.9%**
68b	Available CET1 (as a percentage of risk-weighted assets)	**15.5%**
68c	T1 capital buffer requirements under Circ.- FINMA 11/2 (as %)	**9.7%**
68d	Available T1 excess (as a percentage of risk-weighted assets)	**16.6%**
68e	Regulatory capital buffer requirements under Circ.- FINMA 11/2 (as %)	**12.1%**
68f	Available Regulatory capital (as a percentage of risk-weighted assets)	**18.7%**
Amounts below the thresholds for deduction (before risk-weighting)		
72	Non significant investments in the capital of other financials	
73	Significant investments in the common stock of financials	
74	Mortages servicing rights (net of related tax liability)	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	**5.6**
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	

7.1.2 Reconciliation requirements

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

Assets *(All figures in millions of CHF)*		**According to Swiss GAAP financial statements Dec. 31, 2016**	**Reference**
Cash and cash at central banks		**9,118.0**	
Due from other banks		**3,101.3**	
Amounts due from securities financing transactions		**53.7**	
Amounts due from customers		**12,202.2**	
Mortgage loans		**6,770.9**	
Trading portfolio assets		**747.8**	
Positive replacement values of derivatives financial statements		**830.6**	
Other financial instruments at fair value		**456.0**	
Financial investments		**8,522.6**	
Accrued income and prepaid expenses		**190.4**	
Non-consolidated participations		**1.1**	
Tangible fixed assets		**289.8**	
Intangible assets		**56.2**	
of which goodwill	***55.1***		**a)**
of which other intangible assets	***1.1***		
Other assets		**137.7**	
Total assets		**42,478.3**	
Liabilities			
Amoutns due to banks		**578.8**	
Amounts due in respect of customers deposits		**33,702.5**	
Trading portfolio liabilities		**3,385.7**	
Negative replacement values of derivative financial instruments		**775.6**	
Liabilities from other financial instruments at fair value		**495.5**	
Bonds issues and central mortgage institution loans		**282.2**	
Accrued expenses and deferred income		**350.7**	
Other liabilities		**130.9**	
Provisions		**210.6**	
Total liabilities		**39,912.5**	
of which subordinated liabilities eligible as Tier 2 Capital (T2)		**258.1**	
of which subordinated liabilities eligible as Additional Tier 1 Capital (T1)		**138.3**	
Shareholders' equity			
Share capital		**500.0**	**b)**
of which recognized as CET1	***500.0***		
of which recognized as AT1	**-**		
Reserves for general banking risks		**53.3**	
Reserves and Retained Earnings		**631.5**	
Non-controlling interests		**1,381.0**	
of which recognized as CET1	***777.0***		**c)**
of which recognized as AT1	***138.3***		**d)**
Shareholders' equity		**2,565.8**	
Total liabilities and shareholders' equity		**42,478.3**	

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

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

(All figures in millions of CHF)		Dec. 31, 2016	Dec. 31, 2015
1	Total consolidated assets as per published financial statements (as per Swiss GAAP)	**42,478.3**	27,046.4
2	Restatement of investments in banks, financial companies, insurers and commercial companies which are consolidated as per accounting standards but not for regulatory purposes (margin nos. 6-7 FINMA circ. 15/3) and adjustments as regards assets which are to be deducted from Tier 1 capital (margin nos. 16-17 FINMA circ. 15/3)	**(110.2)**	(270.7)
3	Restatement of fiduciary assets which are recognized in the balance sheet as per accounting standards but which do not need to be taken into consideration for leverage ratio (margin no. FINMA circ. 15/3)	**-**	-
4	Restatement of derivatives (margin nos. 21-51, FINMA circ. 15/3)	**191.5**	(310.9)
5	Restatement of securities financing transactions (SFT) (margin nos. 52-73, FINMA circ. 15/3)	**1,285.3**	-
6	Restatement of off-balance sheet transactions (conversion of off-balance sheet transactions into credit equivalents) (margin nos. 74-76, FINMA circ. 15/3)	**1,000.0**	198.4
7	Other restatements	**-**	-
8	Total exposure for leverage ratio (sum of lines 1-7)	**44,844.9**	26,663.2

b) Detailed presentation of leverage ratio

(All figures in millions of CHF)		Dec. 31, 2016	Dec. 31, 2015
	Balance sheet items		
1	Balance sheet items2 (without derivatives and SFT but including collateral)(margin nos. 14 - 15, FINMA circ. 15/3)	**41,590.3**	26,250.4
2	(Assets which must be deducted from eligible Tier 1 capital) (margin nos. 7 and 16-17 FINMA circ. 15/3)	**(110.2)**	(270.7)
3	Sum of balance sheet items for leverage ratio without derivatives and SFT (sum of lines 1 and 2)	**41,480.1**	25,979.7
	Derivatives		
4	Positive replacement values for derivative transactions, including those for CCPs taking into consideration received margins and netting agreements (margin nos. 22-23 and 34-35 FINMA circ. 15/3)	**666.5**	636.4
5	Add-ons for all derivatives (margin nos. 22 and 25 FINMA circ. 15/3)	**568.1**	182.0
6	Reintegration of collateral posted for derivatives if their accounting treatment caused a reduction of assets (margin no. 27 FINMA 15/3)	**-**	-
7	Deduction of receivables caused by cash variation margins posted as per margin no. 36 FINMA circ. 15/3	**(208.8)**	(393.1)
8	(Deduction for trade exposures to qualified central counterparties (QCCP) if he institution is not obligated to reimburse the client for any losses suffered due to changes in the value of its transactions) (margin no. 39 FINMA circ. 15/3)	**-**	-
9	The effective notional value of written credit derivatives after deducting any negative replacement values (margin no. 43 FINMA circ. 15/3)	**21.4**	-
10	Offsetting of effective notional values of offsetting credit derivatives (margin nos. 44-50 FINMA circ. 15/3) and deduction of add-ons for written credit derivatives as per margin no. 51 FINMA circ. 15/3)	**(21.4)**	-
11	**= Total exposures from derivatives (sum of lines 4–10) Securities financing transactions (SFT)**	**1,025.8**	425.3
12	Gross assets for SFT without offsetting (except in the case of novation with a QCCP as per margin no. 57 FINMA circ. 15/3), including those which were recorded as sale (margin no. 69 FINMA circ. 15/3), less the items stated in margin no. 58, FINMA circ. 15/3	**844.9**	59.9
13	Offsetting of cash payables and cash receivables related to SFT counterparties (margin nos. 59-62 FINMA circ. 15/3)	**-**	-
14	Exposures to SFT counterparties (margin nos. 63-68 FINMA circ. 15/3)	**494.1**	-
15	Exposures for SFT with the bank acting as agent (margin nos. 70-73 FINMA 15/3)	**-**	-
16	**= Total exposures from SFT (sum of lines 12-15)**	**1,339.0**	59.9

b) Detailed presentation of leverage ratio (continued)

(All figures in millions of CHF)		**Dec. 31, 2016**	Dec. 31, 2015
	Other off-balance sheet items		
17	Off-balance sheet transactions as gross notional values prior to applying credit conversion factors	**5,790.5**	400.7
18	(Restatement of conversion to credit equivalents) (margin nos. 75-76, FINMA circ. 15/3)	**(4,790.5)**	(202.4)
19	**= Total exposures from off-balance sheet items (sum of lines 17 and 18) Eligible capital and exposure measure**	**1,000.0**	198.3
	Eligible capital and exposure measure		
20	Tier 1 capital (margin no. 5, FINMA circ. 15/3)	**2,057.0**	961.8
21	**Exposure measure (sum of lines 3, 11, 16 and 19) Leverage ratio**	**44,844.9**	26,663.2
	Leverage ratio	**%**	%
22	**Leverage Ratio (margin nos. 3–4, FINMA circ. 15/3)**	**4.6**	3.6

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

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

Q1 2016 Average

	(All figures in millions of CHF)	Values not weighted (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)	Weighted values (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)
A.	**High quality liquid assets (HQLA)**		
1	Total of high quality liquid assets (HQLA)		**6,324**
B.	**Cash outflows**		
2	Deposits from retail clients	**9,444**	**1,334**
3	*of which stable deposits*	-	-
4	*of which less stable deposits*	***9,444***	***1,334***
5	Unsecured funding provided by corporate or wholesale clients	**8,244**	**3,863**
6	*of which operational deposits (all counterparties) and desposits of member institutions with their central institution*	-	-
7	*of which non-operational deposits (all counterparties)*	***8,243***	***3,863***
8	*of which unsecured debt instruments*	***1***	***1***
9	Secured funding provided by corporate or wholesale clients and collateral swaps	-	-
10	Other cash outflows	**51**	**42**
11	*of which cash outflows related to derivative and other transactions*	***37***	***37***
12	*of which cash outflows due to losses in funding possibilities for asset-backed securities (ABS), covered bonds and other structured financing instruments, assets backed commercial papers (ABCP), special purpose entities (conduits), securities investment vehicles and other such financing facilities*	-	-
13	*of which cash outflows from committed credit and liquidity facilities*	***14***	***5***
14	Other contractual funding agreements	**514**	**503**
15	Other contingent funding	-	-
16	**Total cash outflows**		**5,742**
C.	**Cash inflows**		
17	Collateralized financing transactions (e.g. reverse rep transactions)	**10**	**10**
18	Cash inflows from non-impaired receivables	**4,117**	**2,730**
19	Other cash inflows	**116**	**116**
20	**Total cash inflows**	**4,243**	**2,856**
			Net values
21	**Total high quality liquid assets (HQLA)**		**6,324**
22	**Total net cash outflow**		**2,886**
	Liquidity coverage ratio (LCR) in %		**219%**

Q2 2016 Average

	Amounts in millions of CHF	Values not weighted (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)	Weighted values (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)
A.	**High quality liquid assets (HQLA)**		
1	Total of high quality liquid assets (HQLA)		**7,699**
B.	**Cash outflows**		
2	Deposits from retail clients	**9,557**	**1,343**
3	*of which stable deposits*	**-**	**-**
4	*of which less stable deposits*	***9,557***	***1,343***
5	Unsecured funding provided by corporate or wholesale clients	**8,155**	**3,835**
6	*of which operational deposits (all counterparties) and desposits of member institutions with their central institution*	**-**	**-**
7	*of which non-operational deposits (all counterparties)*	***8,154***	***3,834***
8	*of which unsecured debt instruments*	***1***	***1***
9	Secured funding provided by corporate or wholesale clients and collateral swaps	**-**	**-**
10	Other cash outflows	**73**	**61**
11	*of which cash outflows related to derivative and other transactions*	***54***	***54***
12	*of which cash outflows due to losses in funding possibilities for asset-backed securities (ABS), covered bonds and other structured financing instruments, assets backed commercial papers (ABCP), special purpose entities (conduits), securities investment vehicles and other such financing facilities*	**-**	**-**
13	*of which cash outflows from committed credit and liquidity facilities*	***19***	***7***
14	Other contractual funding agreements	**463**	**463**
15	Other contingent funding	**-**	**-**
16	**Total cash outflows**		**5,702**
C.	**Cash inflows**		
17	Collateralized financing transactions (e.g. reverse rep transactions)	**12**	**12**
18	Cash inflows from non-impaired receivables	**3,932**	**2,545**
19	Other cash inflows	**96**	**96**
20	**Total cash inflows**	**4,040**	**2,653**
			Net values
21	**Total high quality liquid assets (HQLA)**		**7,699**
22	**Total net cash outflow**		**3,049**
23	**Liquidity coverage ratio (LCR) in %**		**253%**

Q3 2016 Average

	Amounts in millions of CHF	Values not weighted (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)	Weighted values (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)
A.	**High quality liquid assets (HQLA)**		
1	Total of high quality liquid assets (HQLA)		**7,732**
B.	**Cash outflows**		
2	Deposits from retail clients	**9,752**	**1,382**
3	*of which stable deposits*	**-**	**-**
4	*of which less stable deposits*	***9,752***	***1,382***
5	Unsecured funding provided by corporate or wholesale clients	**7,731**	**3,656**
6	*of which operational deposits (all counterparties) and desposits of member institutions with their central institution*	**-**	**-**
7	*of which non-operational deposits (all counterparties)*	***7,730***	***3,655***
8	*of which unsecured debt instruments*	***1***	***1***
9	Secured funding provided by corporate or wholesale clients and collateral swaps	**-**	**-**
10	Other cash outflows	**84**	**68**
11	*of which cash outflows related to derivative and other transactions*	***61***	***61***
12	*of which cash outflows due to losses in funding possibilities for asset-backed securities (ABS), covered bonds and other structured financing instruments, assets backed commercial papers (ABCP), special purpose entities (conduits), securities investment vehicles and other such financing facilities*	**-**	**-**
13	*of which cash outflows from committed credit and liquidity facilities*	***23***	***7***
14	Other contractual funding agreements	**515**	**515**
15	Other contingent funding	**-**	**-**
16	**Total cash outflows**		**5,621**
C.	**Cash inflows**		
17	Collateralized financing transactions (e.g. reverse rep transactions)	**-**	**-**
18	Cash inflows from non-impaired receivables	**3,957**	**2,556**
19	Other cash inflows	**106**	**106**
20	**Total cash inflows**	**4,063**	**2,662**
			Net values
21	**Total high quality liquid assets (HQLA)**		**7,732**
22	**Total net cash outflow**		**2,959**
23	**Liquidity coverage ratio (LCR) in %**		**261%**

Q4 2016 Average

	Amounts in millions of CHF	Values not weighted (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)	Weighted values (Daily or monthly averages as per provisions of margin nos. 46.3-46.4)
A.	**High quality liquid assets (HQLA)**		
1	Total of high quality liquid assets (HQLA)		**11,700**
B.	**Cash outflows**		
2	Deposits from retail clients	**15,755**	**2,076**
3	*of which stable deposits*	***952***	***48***
4	*of which less stable deposits*	***14,803***	***2,028***
5	Unsecured funding provided by corporate or wholesale clients	**14,441**	**7,366**
6	*of which operational deposits (all counterparties) and desposits of member institutions with their central institution*	-	-
7	*of which non-operational deposits (all counterparties)*	***14,441***	***7,366***
8	*of which unsecured debt instruments*	-	-
9	Secured funding provided by corporate or wholesale clients and collateral swaps	-	-
10	Other cash outflows	**668**	**641**
11	*of which cash outflows related to derivative and other transactions*	***606***	***606***
12	*of which cash outflows due to losses in funding possibilities for asset-backed securities (ABS), covered bonds and other structured financing instruments, assets backed commercial papers (ABCP), special purpose entities (conduits), securities investment vehicles and other such financing facilities*	***13***	***13***
13	*of which cash outflows from committed credit and liquidity facilities*	***49***	***22***
14	Other contractual funding agreements	**537**	**498**
15	Other contingent funding	**914**	**46**
16	**Total cash outflows**		**10,627**
C.	**Cash inflows**		
17	Collateralized financing transactions (e.g. reverse rep transactions)	**28**	**25**
18	Cash inflows from non-impaired receivables	**7,787**	**4,986**
19	Other cash inflows	**425**	**425**
20	**Total cash inflows**	**8,240**	**5,436**
			Net values
21	**Total high quality liquid assets (HQLA)**		**11,700**
22	**Total net cash outflow**		**5,191**
23	**Liquidity coverage ratio (LCR) in %**		**225%**