Annual Report

EFG Group

2015

EFG Group

EFG Bank European Financial Group SA

Annual Report for the Year ended

December 31, 2015

Contents

Consolidated Financial Highlights

Balance sheet highlights

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
Cash and due from banks	**7,201**	5,155
Loans and advances to customers	**12,082**	13,054
Financial assets	**5,819**	5,743
Structured products issued	**3,238**	3,031
Due to customers	**19,998**	18,719
Shareholders' equity	**1,262**	1,296
Balance sheet total	**27,046**	25,622

Statement of income highlights

(All figures in millions of CHF)	2015	2014
Net interest income	**201**	249
Net banking fee and commission income	**375**	381
Operating income	**697**	718
Operating expenses	**(610)**	(581)
Net profit for the year	**54**	84

Group personnel

	2015	2014
Average number of employees during the year	**2,143**	2,058

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


Zurich
Liechtenstein
Athens
Cyprus
Shanghai
Hong Kong
Taipei
Singapore
Jakarta

Report on the Consolidated Financial Statements for the Year Ended December 31, 2015

EFG Group is composed of EFG Bank European Financial Group SA, Geneva, the Group's regulated parent bank, and its 54%-controlled subsidiary, EFG International AG, Zurich, a global private banking and asset management group listed on SIX Swiss Exchange.

Performance in 2015 was constrained by a range of external factors, including economic and market uncertainties, negative currency effects and the continued low interest rate environment. Client activity levels were subdued, notably in emerging markets including Asia and Latin America.

At the end of 2015, EFG Group's consolidated revenue-generating assets under management (AuM) totalled CHF 83.7 billion, compared to CHF 84.7 billion a year ago. EFG Group's main constituent, EFG International, recorded net new asset of CHF 2.4 billion, which was more than offset by foreign exchange effect of CHF -3.4 billion. Adjusting for the latter, its consolidated AuMs grew by 3% year on year. Continental Europe delivered significant net new asset growth with good performances from all countries. The UK achieved steady growth and Switzerland continued its turnaround, whilst Asia and the Americas experienced a net outflow, partly as a result of the decision to exit certain non-strategic lending business for the former and reflecting negative market developments in Latin America for the latter.

The number of Customer Relationship Officers (CROs) stood at 464 at year-end 2015, up 5% from 442 a year earlier, reflecting a major hiring programme, with emphasis on senior individuals and teams, resulting in 102 new CROs being recruited. During the same period, 80 CROs quitted, partly as a result of performance management or rationalisation.

EFG Group's consolidated operating income totalled CHF 697.1 million, compared to CHF 718.3 million a year earlier, but the underlying private banking business remained stable with core operating income being flat at CHF 641.5 million. The revenue margin was 85 bps, compared with 89 bps a year earlier.

EFG Group's total consolidated operating expenses increased by 5% year-on-year to CHF 609.7 million, from CHF 581.2 million for the previous year. This was partly driven by EFG International's major CRO hiring programme as well as additional investments in growth in relation to compliance and risk functions, the investment and wealth solutions platform, new offices in Cyprus and Chile, and the upgrading to a banking license in Spain. As a result, EFG International's cost-income ratio increased to 86%, from 80% for the previous year. A cost reduction programme has been instigated to address this aspect.

Reported profit was impacted by exceptional legal and professional charges and provisions, including:

- CHF 21.4 million in relation to the US Tax Program. In early December 2015, EFG Bank European Financial Group SA and EFG Bank AG jointly reached a formal resolution with the US Department of Justice in connection with its participation as a Category 2 bank, agreeing a one-time payment of USD 29.9 million;
- CHF 6.8 million in net exceptional legal and professional charges;
- CHF 3.6 million in relation to CRO acquisition costs; and
- CHF 2.2 million in restructuring costs relating to the cost reduction programme.

This resulted in an IFRS net consolidated profit for the year of CHF 53.9 million, compared with CHF 83.9 million for the previous year.

EFG Group's consolidated balance sheet total stood at CHF 27.0 billion, versus CHF 25.6 billion a year earlier, reflecting a CHF 1.2 billion increase in client deposits on the liabilities side, and a CHF 2.0 billion increase in cash available at central banks partly offset by a CHF 1.0 billion reduction of loans and advances to customers on the assets side. Total consolidated shareholders' equity remained stable at CHF 1.3 billion. EFG Group's consolidated common equity tier 1 and total capital adequacy ratios stood at 13.3% and

17.4% respectively at year-end 2015. The EFG Group had a consolidated Liquidity Coverage Ratio of 226% at the same date.

Focus on growth

EFG continues to hire high quality CROs. It is also increasing the net new asset contribution of existing CROs through a range of initiatives including the provision of enhanced practical support, more active performance management, and further leveraging of its investment and wealth solutions platform. Lending continues as part of all-round private banking relationships, and, during the year, higher spreads were achieved through repricing which more than offset the decline in volume following a one-off adjustment to the portfolio. In addition, CEE capabilities were upgraded during the year, with senior appointments in Switzerland and the UK, including a highly experienced Global Market Coordinator for CEE and Russia. The new advisory branch in Cyprus is operational, performing in line with expectations and, along with Athens, reached break-even during the year. In relation to the new business in Chile, a high quality leadership team was appointed with a proven track record in the local market.

Looking ahead

The planned combination of EFG International with BSI announced in February 2016 will create a leading Swiss private bank with significant scale and global reach. The new entity will become the fifth largest private bank in Switzerland, with approximately CHF 170 billion in combined assets under management and 860 CROs. It will benefit from complementary geographic footprints, with a presence in all major markets and a significant expansion in key growth markets including Asian and Latin America. Other sources of competitive differentiation will include a strong focus on private banking, an entrepreneurial business model, and a strong and loyal client base. Subject to shareholder and regulatory approvals, completion of this transaction is expected during the fourth quarter of 2016. The combined business will have excellent growth opportunities and synergy potential.

Finally, the Board wishes to thank Mr Jean Pierre Cuoni on his retirement from the Board of Directors for the invaluable contribution he made to the EFG Group. His entrepreneurial spirit as co-founder of EFG International was key in establishing its position in today's private banking landscape.

Spiro J. Latsis
Chairman of the Board

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

Report of the statutory auditor to the General Meeting of the Shareholders of EFG Bank European Financial Group SA on the consolidated financial statements

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of EFG Bank European Financial Group SA, which comprise the statement of income, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flow and notes (pages 10 to 98), for the year ended December 31, 2015.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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 Audit expert Auditor in charge	Jérémie Pellaud Audit expert

Geneva, April 25, 2016

EFG Bank European Financial Group SA

Consolidated Financial Statements for the year ended December 31, 2015

Consolidated Statement of Income for the year ended December 31, 2015

(All figures in millions of CHF)	Note	2015	2014
Interest and discount income		**414.9**	460.0
Interest expense		**(214.1)**	(211.1)
Net interest income	5	**200.8**	248.9
Banking fee and commission income		**451.8**	477.4
Banking fee and commission expense		**(76.8)**	(96.2)
Net banking fee and commission income	6	**375.0**	381.2
Dividend income	7	**6.5**	1.1
Net trading income	8	**104.4**	69.3
Net loss from financial instruments measured at fair value	9	**(6.4)**	(3.0)
Gains less losses on disposal of available-for-sale investment securities	10	**14.2**	18.2
Other operating income		**2.6**	2.6
Net other income		**121.3**	88.2
Operating income		**697.1**	718.3
Operating expenses	12	**(609.7)**	(581.2)
Provisions	39	**(20.0)**	(37.8)
Reversal of impairment on loans and advances to customers	11	**0.1**	0.3
Reversal of impairment on financial assets held-to-maturity	29	**-**	2.5
Profit before tax		**67.5**	102.1
Income tax expense	14	**(13.6)**	(18.2)
Net profit for the year		**53.9**	83.9
Net profit for the year attributable to:			
Net profit attributable to equity holders of the Group		**25.6**	43.1
Net profit attributable to non-controlling interests		**28.3**	40.8
		53.9	83.9

The notes on pages 15 to 98 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended December 31, 2015

(All figures in millions of CHF)	2015	2014
Net profit for the year	**53.9**	83.9
Other comprehensive (loss) / income		
Items that may be reclassified subsequently to the Statement of Income:		
Net (loss) / gain on hedge of investments in foreign operations, with no tax effect	**(10.1)**	17.1
Currency translation differences, with no tax effect	**(12.0)**	21.2
Fair value (losses) / gains on available-for-sale investment securities, before tax	**(20.8)**	27.5
Tax effect on available-for-sale investment securities	**1.7**	(1.1)
Transfer to the Statement of Income of realised available-for-sale investment securities reserve, before tax	**(14.2)**	(18.2)
Items that will not be reclassified to the Statement of Income:		
Defined benefit costs	**(27.8)**	(29.4)
Other comprehensive (loss) / income for the year, net of tax	**(83.2)**	17.1
Total comprehensive (loss) / income for the year	**(29.3)**	101.0
Total comprehensive (loss) / income for the year attributable to:		
Equity holders of the Group	**(17.9)**	52.6
Non-controlling interests	**(11.4)**	48.4
	(29.3)	101.0

The notes on pages 15 to 98 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet as at December 31, 2015

Assets

(All figures in millions of CHF)	Note	Dec. 31, 2015	Dec. 31, 2014
Cash and balances with central banks	17	**5,017.7**	3,007.1
Treasury bills and other eligible bills	19	**757.1**	626.0
Due from other banks	20	**2,183.5**	2,148.1
Loans and advances to customers	21	**12,081.9**	13,053.9
Derivative financial instruments	24	**735.5**	569.8
Financial assets at fair value:			
Trading assets	25	**90.9**	153.7
Designated at inception	26	**305.0**	329.7
Investment securities:			
Available-for-sale	27	**4,243.8**	4,093.5
Held-to-maturity	29	**1,179.4**	1,165.7
Intangible assets	31	**271.7**	274.9
Property, plant and equipment	32	**30.6**	30.1
Deferred income tax assets	15	**35.0**	32.8
Other assets	33	**114.3**	136.8
Total assets		**27,046.4**	25,622.1
Of which assets to significant shareholders		***0.3***	*0.3*

Liabilities

Due to other banks	34	**484.8**	467.4
Due to customers	35	**19,998.2**	18,719.3
Subordinated loans	36	**242.8**	246.3
Debt issued	36	**392.0**	411.1
Derivative financial instruments	24	**713.4**	661.0
Financial liabilities designated at fair value	37	**353.1**	369.2
Other financial liabilities	38	**3,237.9**	3,030.7
Current income tax liabilities		**4.9**	5.9
Deferred income tax liabilities	15	**35.1**	35.4
Provisions	39	**7.7**	38.0
Other liabilities	40	**314.2**	341.6
Total liabilities		**25,784.1**	24,325.9
Of which liabilities to significant shareholders		***53.7***	*59.7*

Shareholders' equity

Share capital	43	**250.0**	250.0
Reserves and retained earnings		**478.6**	496.2
		728.6	746.2
Non-controlling interests	45	**533.7**	550.0
Total shareholders' equity		**1,262.3**	1,296.2
Total liabilities and shareholders' equity		**27,046.4**	25,622.1

The notes on pages 15 to 98 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended December 31, 2015

(All figures in millions of CHF)	Share capital	Reserve and retained earnings	Sub-Total	Non-controlling interests	Total
Balance at January 1, 2014	**250.0**	**454.5**	**704.5**	**488.2**	**1,192.7**
Net profit for the year		43.1	43.1	40.8	83.9
Other comprehensive income for the year		9.5	9.5	7.6	17.1
Total comprehensive income for the year recognised in equity		**52.6**	**52.6**	**48.4**	**101.0**
Dividends distributed by subsidiaries attributable to non-controlling interests		-	-	(13.2)	(13.2)
Dividend paid by parent Bank		(3.0)	(3.0)	-	(3.0)
Dividends paid on Bons de Participation		(0.2)	(0.2)	(0.2)	(0.4)
Net sales / purchases of treasury shares of a quoted subsidiary		0.6	0.6	0.4	1.0
Net changes in Group's holdings in subsidiaries		(11.2)	(11.2)	11.2	-
Employee equity incentive plans		8.2	8.2	6.8	15.0
Non-controlling interests put options		(11.7)	(11.7)	(9.6)	(21.3)
Contribution by non-controlling interests into equity of a subsidiary		6.4	6.4	18.0	24.4
Balance at December 31, 2014	**250.0**	**496.2**	**746.2**	**550.0**	**1,296.2**
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**

The notes on pages 15 to 98 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow for the year ended December 31, 2015

(All figures in millions of CHF)	Note	2015	2014
Cash flows from operating activities			
Interest received		407.3	407.6
Interest paid		(216.1)	(199.9)
Banking fee and commission received		449.9	474.6
Banking fee and commission paid		(77.5)	(98.9)
Dividend received		6.5	1.1
Net trading income		98.9	67.1
Other operating receipts		2.5	2.3
Staff costs paid		(403.4)	(386.4)
Other operating expenses paid		(145.8)	(134.5)
Income tax paid		(13.2)	(13.1)
Cash flows from operating activities before changes in operating assets and liabilities		109.1	119.9
Changes in operating assets and liabilities			
Net decrease / (increase) in treasury bills		42.9	(81.3)
Net (increase) / decrease in due from other banks		(277.6)	421.2
Net (increase) / decrease in derivative financial instruments		(102.9)	107.2
Net decrease / (increase) in loans and advances to customers		681.1	(1,013.4)
Net decrease in other assets		8.0	25.7
Net increase in due to other banks		16.6	173.3
Net increase in due to customers		1,677.2	1,574.4
Net decrease in other liabilities		(96.6)	(13.5)
Net cash flows from operating activities		2,057.8	1,313.5
Cash flows from investing activities			
Purchase of securities		(2,241.8)	(3,728.2)
Proceeds from sale of securities		1,925.9	3,924.9
Purchase of property, plant and equipment		(7.3)	(7.5)
Purchase of intangible assets		(13.2)	(7.6)
Proceeds from sale of property, plant and equipment		-	1.8
Net cash flows used in investing activities		(336.4)	183.4
Cash flows from financing activities			
Dividend paid		(20.3)	(16.6)
Capital contributions from minority shareholders		-	24.4
Cash received on employee share options exercised		1.9	5.0
Net proceeds from sale of treasury shares of quoted subsidiary		0.4	1.0
Debt issued		-	392.0
Issuance of structured products		3,593.0	7,398.7
Redemption of structured products		(3,267.3)	(6,938.5)
Net cash flows from financing activities		307.7	866.0
Effect of exchange rate changes on cash and cash equivalents		(86.6)	(87.4)
Net change in cash and cash equivalents		1,942.5	2,275.5
Cash and cash equivalents at beginning of period		5,504.4	3,228.9
Net change in cash and cash equivalents		1,942.5	2,275.5
Cash and cash equivalents	18	7,446.9	5,504.4

The notes on pages 15 to 98 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 InternationaI's principal places of business are in Switzerland, the Bahamas, Cayman Islands, Channel Islands, Hong Kong, Liechtenstein, Luxembourg, Monaco, Singapore, Spain, Taiwan, the United Kingdom and the United States of America.

The number of employees of the EFG Group at year end was 2,179 (2014: 2,069).

As at December 31, 2015, 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, 2016.

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, 2015. 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, 2015.

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, 2015. These are as follows:

New and amended standards adopted by the Group:

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, 2014.

There are several amendments that apply for the first time in 2015 further presented below. These did not have any significant impact on the consolidated financial statements of the Group.

– Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014).

– Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

– Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

– Amendment to IAS 16 'Property, Plant and Equipment' clarifies that a revenue-based depreciation method is not appropriate. The Group will apply this amendment for the financial reporting period commencing on 1 January 2016. It is not expected to have any impact on the Group's financial statements.

– Amendment to IAS 38 'Intangible Assets' clarifies that a revenue-based amortisation method is not appropriate (with the exception of limited circumstances when the presumption can be overcome). The Group will apply this amendment for the financial reporting period commencing on January 1, 2016. It is not expected to have any impact on the Group's financial statements.

– IFRS 9 "Financial Instruments: Classification and Measurement" (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.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair-value-through-profit-or-loss in other comprehensive income.

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.

Hedge accounting requirements will be amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

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 limit the variability of the expected cash flow. The estimated impact of the IFRS adoption is to decrease the shareholders' equity by approximatively CHF 210 million and increase interest income before tax by CHF 20 million per year. This impact is less than the CHF 249.3 million shown in note 4.2.2 as relates to only part of the portfolio as described above.

The Group does not expect the impact of the expected credit loss measured under the IFRS 9 requirements to be material.

– Amendment to IFRS 11 'Joint arrangements' includes the requirement for a joint operator to account for the assets, liabilities, revenues and expenses in relation to its involvement in a joint operation. The Group will apply this amendment for the financial reporting period commencing on January 1, 2016. It is not expected to have a material impact on the Group's financial statements.

– 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 income statement. 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. It is not expected to have any impact on the Group's 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 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 lis 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:

	2015 Closing rate	2015 Average rate	2014 Closing rate	2014 Average rate
USD	**0.993**	**0.963**	0.989	0.915
GBP	**1.470**	**1.471**	1.542	1.507
EUR	**1.083**	**1.068**	1.202	1.215

(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.

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:

- Leasehold improvements: 5-20 years
- Computer hardware: 3-5 years
- Furniture, equipment and motor vehicles: 3-10 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 31.2). 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 estimated costs less accumulated amortisation calculated on a 4 to 13 year basis. The remaining life is reviewed periodically for reasonableness.

(iii) Other intangible assets - Trademarks

They are stated at estimated costs less accumulated amortisation calculated on a 10 to 14 year basis.

(iv) Other intangible assets - Non-compete agreements

They are stated at estimated costs less accumulated amortisation calculated on a 3 to 10 year basis (depending on contractual agreements).

(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 3-10 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.

Life insurance policies are included as financial assets at fair value, available-for-sale and held-to-maturity. 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, 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 over the estimated remaining life of the life insurance policies. Any excess of death benefit compared to the carrying amount of an individual matured policy is amortised into the Statement of Income over the estimated remaining life of the outstanding 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 the present value of the estimated future cash flows discounted using the original effective interest rate 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 assets in the following categories: at fair value; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value

This category has two sub-categories: 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.

(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.

(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) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of 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

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) Defined 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 a pension plan 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, this plan incorporates certain guarantees of minimum interest accumulation and conversion of capital to pension. As a result, this plan has 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 47.

(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.

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) 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 31.2.

(b) Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques (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.

(c) 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. This is a change from the Income Approach (Method 2) adopted in prior years, and the change is considered appropriate given the combination of the improved data the Group has obtained about life expectancies during 2015 and the related risks, the updated 2015 Valuation Basic Tables and the decreased market activity for this asset class. The Income Approach risk adjusts future cash flows and then discounts these using a risk free rate. The key risk adjustments made include longevity risk (including the risk of statistical volatility), credit risk, risk of change in cost of insurance, liquidity risk, reputational risk, operational risk and legal 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.

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

The Group follows the guidance of IFRS13 on the valuation of unquoted available-for-sale life insurance policies. The uses a valuation method as described in (c) above.

(e) 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.

(f) 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.

(g) 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.

(h) Income taxes

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.

(i) 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.

(j) Retirement benefit obligation

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 42.

4. Financial risk assessment and management

The Group's activities are predominantly carried out on its clients' behalf, with the clients carrying the risk. As such, the Group takes limited credit risk, market risk and liquidity risk. Most credit risk is limited to interbank placements with rated financial institutions, investments in bonds of financial institutions, sovereign and corporate bodies, as well as mortgages, lombard loans, other secured loans and credit risk associated with the Group's holding of life insurance policies. Market risk is largely restricted to limited foreign exchange and interest rate gapping positions maintained by the Group. 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 has delegated certain functions to its Risk Committee, which sets risk policies and risk appetite. Implementation of the Group's policies and compliance with procedures is the responsibility of EFG International's Executive Committee and its sub-committees for market risk and credit / counterparty risk. 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 a Board member and Executives of the Bank and through the quarterly risk assessment report issued by EFG International's Chief Risk Officer.

The main risks to which the Group is exposed are the credit, market, liquidity and operational risks as detailed below. Monitoring of credit risk is based on the ratings diversification and evolution; monitoring of market risk is based on the average positions of last year and on the calculation of VaR (including stress scenario analysis); monitoring of operational risk is based on the monitoring of operational losses, events that may potentially lead to an operational loss and operational issues. In addition, the Group has taken into account in its analysis the risk mitigation measures and the internal control framework (including the internal procedures). Attention is given to the guarantee of a constant monitoring and evaluation of the risk, as well as the measurement of the potential impact of these risks on the financial statements.

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.

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 rating 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 3 categories.

Group's internal ratings scale and comparison to external ratings:

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

The ratings of a major rating agency (shown in the table above) are mapped to the Group's rating classes based on above internal definitions and on the long-term average default rates for each external grade. The Group uses the external ratings to benchmark its internal credit risk assessment.

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. Approximately 80% of mortgages are originated by EFG Private Bank Ltd (in the UK) and its subsidiaries. These mortgages are related predominantly to residential properties in prime London locations.

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.
- 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, 2015 and 2014, 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, 2015**	Dec. 31, 2014	**Dec. 31, 2015**	Dec. 31, 2014
Cash and balances with central banks	**5,017.7**	3,007.1	**5,017.7**	3,007.1
Treasury bills and other eligible bills	**757.1**	626.0	**757.1**	626.0
Due from other banks	**2,183.5**	2,148.1	**1,749.1**	1,666.1
Loans and advances to customers				
Overdrafts, Lombard loans and term loans	**8,836.0**	9,446.1	**47.8**	113.9
Mortgages	**3,245.9**	3,607.8	**-**	-
Derivative financial instruments	**735.5**	569.8	**135.3**	138.8
Financial assets at fair value:				
Trading Assets - Debt securities	**90.9**	153.7	**90.9**	153.7
Designated at inception - Debt securities	**305.0**	329.7	**27.2**	30.9
Investment securities - Debt securities	**5,394.6**	5,229.8	**5,394.6**	5,229.8
Other assets	**114.3**	136.8	**78.5**	136.8
On-balance sheet assets	**26,680.5**	25,254.9	**13,298.2**	11,103.1
Financial guarantees	**292.3**	260.1	**1.3**	1.3
Loan commitments, and other credit related guarantees	**104.3**	169.1	**22.6**	36.7
Off-balance sheet assets	**396.6**	429.2	**23.9**	38.0
Total	**27,077.1**	25,684.1	**13,322.1**	11,141.1

See note 23 Collateral for loans and advances to customers which shows that collateral comprised 99.5% (2014: 99.0%) of the total. Mortgages are 100% secured.

Exposure after collateral held or other credit enhancements by ratings

December 31, 2015 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	4,976.4	-	41.3	-	-	5,017.7
Treasury bills and other eligible bills	757.1	-	-	-	-	757.1
Due from other banks	315.4	665.1	116.4	-	652.2	1,749.1
Loans and advances to customers:						
Overdrafts, Lombard loans and term loans	-	-	45.4	2.0	0.4	47.8
Mortgages	-	-	-	-	-	-
Derivative financial instruments	41.4	39.1	2.2	-	52.6	135.3
Financial assets at fair value:						
Trading Assets - Debt securities	-	59.1	24.6	-	7.2	90.9
Designated at inception - Debt securities	24.6	2.2	-	0.4	-	27.2
Investment securities - Debt securities	4,252.7	855.2	190.5	54.7	41.5	5,394.6
Other assets	-	-	-	-	78.5	78.5
Total on-balance sheet assets 2015	**10,367.6**	**1,620.7**	**420.4**	**57.1**	**832.4**	**13,298.2**
Total on-balance sheet assets 2014	8,868.8	1,168.4	285.9	59.7	720.3	11,103.1
Financial guarantees	-	-	-	-	1.3	1.3
Loan commitments, and other credit related guarantees	-	-	-	-	22.6	22.6
Total off-balance sheet assets 2015	-	-	-	-	**23.9**	**23.9**
Total off-balance sheet assets 2014	-	-	-	-	38.0	38.0

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, 2015 the carrying value of the exposure of the ten largest borrowers was CHF 1,518.0 million (2014: CHF 1,864 million).

4.1.4 Loans and advances

Loans and advances are summarised as follows:

(All figures in millions of CHF)		**Dec. 31, 2015**		Dec. 31, 2014	
		Loans and advances to customers	**Due from other banks**	Loans and advances to customers	Due from other banks
Neither past due nor impaired	a)	**11,830.4**	**2,183.5**	13,025.1	2,148.1
Past due but not impaired	b)	**251.5**	**-**	28.8	-
Impaired		**6.7**	**-**	7.3	-
Gross		**12,088.6**	**2,183.5**	13,061.2	2,148.1
Less: allowance for impairment		**(6.7)**	**-**	(7.3)	-
Net		**12,081.9**	**2,183.5**	13,053.9	2,148.1

The total impairment provision for loans and advances of CHF 6.7 million (2014: CHF 7.3 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, 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**

	Dec. 31, 2014 Loans and advances to customers		
(All figures in millions of CHF)	Overdrafts, Lombard and Term Loans	Mortgages	Total
Grades			
Grade 1 - 2	6,378.0	693.0	7,071.0
Grade 3	2,649.2	2,338.0	4,987.2
Grade 4 - 5	185.2	532.3	717.5
Grade 6 - 7	224.8	16.2	241.0
Grade 8	-	-	-
Grade 9 - 10	7.5	0.9	8.4
	9,444.7	3,580.4	13,025.1

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, 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**

	Dec. 31, 2014		
(All figures in millions of CHF)	Overdrafts, Lombard & Term loans	Mortgages	Total
Greater than 180 days, past due	0.1	25.6	25.7
Less than 180 days, past due	0.5	2.6	3.1
Total	0.6	28.2	28.8
Fair value of collateral	-	42.8	42.8

The increase in loans past due is mainly due to a loan for approximately USD 194 million for which the Group was granted security over a portfolio of financial collateral by a pledgor whose parent company has been put into receivership. The receiver has raised legal issues as to the validity and enforceability of the security and the loans. The Group considers the loans fully collateralized and thus fully recoverable and has not made a provision. In addition, the Bank has the personal covenant of a UHNWI client. The Group has informed the competent regulatory authorities and fully cooperates with them in connection with their ongoing review of the matter.

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, 2015		Dec. 31, 2014	
Grade descriptions	**Loans and advances (%)**	**Impairment provision (%)**	Loans and advances (%)	Impairment provision (%)
Grade 1 - 2	**54.9%**	-	54.1%	-
Grade 3	**36.2%**	-	38.2%	-
Grade 4 - 5	**6.4%**	-	5.5%	-
Grade 6 - 7	**2.4%**	-	2.1%	-
Grade 8	**0.0%**	-	0.0%	-
Grade 9 - 10	**0.1%**	**100.0%**	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, 2015 and December 31, 2014 based on internal ratings:

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**

Dec. 31, 2014						
(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	626.0	-	180.1	3,489.8	890.6	5,186.5
Grade 3	-	124.0	72.2	525.7	95.6	817.5
Grade 4 - 5	-	22.3	32.7	18.2	118.1	191.3
Grade 6	-	-	11.0	2.1	54.5	67.6
Unrated	-	7.4	33.7	28.3	6.9	76.3
Total	626.0	153.7	329.7	4,064.1	1,165.7	6,339.2

4.2. Market risk

Market risk refers to fluctuations in interest rates, exchange rates, share prices and commodity prices. Market risk derives from trading in treasury and investment market products which are priced daily; as well as from more traditional banking business, such as loans.

The Group engages in trading of securities, derivatives, structured products, currencies, precious metal and commodities on behalf of its clients. This business is conducted primarily out of dealing rooms in Geneva, Hong Kong, London, Cayman and Miami.

The Group does not engage in proprietary trading in securities other than its holding of fixed income securities and life insurance policies in its banking book. The Group maintains small proprietary positions in foreign exchange instruments.

Due to the nature of the Group's business and the absence of any meaningful proprietary trading activities, the market risk resulting from trading positions is limited compared to overall market risk. The largest market risk exposures relate to currency risk in connection with the capital of subsidiaries that are denominated in local currencies and the valuation of life insurance policies.

As the Group's market risk exposures are low, sensitivities would be immaterial.

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.

(All figures in millions of CHF)	Dec. 31, 2015 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 as Level 3 due to the absence of quoted prices or observable inputs.*

(All figures in millions of CHF)	Dec. 31, 2014 Level 1	Level 2	Level 3	Total	Total
Derivative financial instruments (assets):					
Currency derivatives	-	151.9	-	151.9	
Interest rate derivatives	0.1	40.1	-	40.2	
Equity derivatives	-	318.0	-	318.0	
Other derivatives	-	3.5	-	3.5	
Life insurance related	-	-	56.2	56.2	
Total derivatives assets					569.8
Trading assets:					
Debt	153.7	-	-	153.7	
Total trading assets					153.7
Designated at inception:					
Life Insurance related	-	-	329.7	329.7	
Total financial assets designated at inception					329.7
Investment securities: Available-for-sale					
Equity	0.3	-	29.1	29.4	
Debt	3,368.4	654.8	-	4,023.2	
Life Insurance related	-	-	40.9	40.9	
Total investment securities available-for-sale					4,093.5
Total assets measured at fair value	3,522.5	1,168.3	455.9	5,146.7	5,146.7
Derivative financial instruments (liabilities):					
Currency derivatives	-	108.9	-	108.9	
Interest rate derivatives	0.2	228.6	-	228.8	
Equity derivatives	-	321.4	-	321.4	
Other derivatives	-	1.9	-	1.9	
Total derivatives liabilities					661.0
Financial liabilities designated at fair value:					
Equity	-	-	38.7*	38.7	
Life Insurance related	-	-	330.5	330.5	
Total financial liabilities designated at fair value					369.2
Total liabilities measured at fair value	0.2	660.8	369.2	1,030.2	1,030.2
Assets less liabilities measured at fair value	3,522.3	507.5	86.7	4,116.5	4,116.5

** Level 3 equity related financial liabilities designated at fair value of CHF 38.7 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.*

(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

	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, 2015	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, 2015	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, 2015	**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, 2015	**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)

(All figures in millions of CHF)	Assets in level 3 Derivative financial instruments	Designated at inception	Available-for-sale	Total Assets in level 3
At January 1, 2014	48.1	298.6	64.8	411.5
Total gains or losses				
in the Statement of Income - Interest and discount income	-	48.1	4.1	52.2
in the Statement of Income - Net trading income	4.1	-	-	4.1
in the Statement of Income - Net loss from financial instruments designated at fair value	-	(59.8)	-	(59.8)
as Other Comprehensive Income	-	-	(7.5)	(7.5)
Purchases / Premiums paid	-	34.9	6.0	40.9
Disposals / Premiums received	-	(25.8)	(0.9)	(26.7)
Transfer from Level 3 to Level 2	(1.5)	-	-	(1.5)
Exchange differences	5.4	33.7	3.6	42.7
At December 31, 2014	56.1	329.7	70.1	455.9
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	4.1	11.7	4.1	(3.5)

(All figures in millions of CHF)	Liabilities in level 3 Financial liabilities designated at fair value	Total Liabilities in level 3
At January 1, 2014	310.7	310.7
Total gains or losses		
in the Statement of Income - Interest and discount income	48.8	48.8
in the Statement of Income - Net gain from financial instruments designated at fair value	(49.9)	(49.9)
Increase through shareholders' equity*	21.3	21.3
Purchases / Premiums paid	30.8	30.8
Disposals / Premiums received	(25.2)	(25.2)
Exchange differences	32.7	32.7
At December 31, 2014	369.2	369.2
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)	(1.1)

** In relation with put options held by non-controlling interest already issued.*

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 the fair value 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, 2015	Dec. 31, 2014
Valuation techniques			
Discounted cash flow analysis			
Available-for-sale - Equity securities	Equities in stock exchanges and clearing houses	27.8	28.7
Available-for-sale - Equity securities	Private equity funds	0.3	0.4
Financial liabilities designated at fair value	Liability to purchase non-controlling interests	(34.6)	(38.7)
Discounted cash flow analysis and life expectancies (non-market observable inputs)			
Derivatives	Synthetic life settlement policies	62.2	56.2
Financial assets at fair value	Physical life settlement policies	27.2	30.9
Financial assets at fair value	Physical life settlement policies *	277.8	298.8
Available-for-sale	Physical life settlement policies	35.5	40.9
Financial liabilities designated at fair value	Synthetic life settlement policies *	(318.5)	(330.5)
Total		77.7	86.7

** Assets valued at CHF 277.8 million (2014: CHF 298.8 million) and similarly valued liabilities at CHF 318.5 million (2014: CHF 330.5 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,

– 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 sensitivity to the Group's valuation of physical and synthetic life settlement policies and related financial instruments is included below:

(All figures in millions of CHF)		Dec. 31, 2015					
		Discount factor		Longevity		Premium Estimates	
Life settlements sensitivity		-1%	+1%	-3 months	+3 months	-5%	+5%
Derivatives	Synthetic policies	3.6	(3.2)	-	(0.1)	-	-
Financial assets at fair value	Physical policies	14.0	(12.9)	21.3	(21.0)	10.1	(9.9)
Available-for-sale	Physical policies	2.7	(2.4)	2.3	(2.1)	2.1	(2.0)
Financial liabilities designated at fair value	Synthetic policies	(13.7)	12.7	(20.3)	20.5	-	-

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 2015 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 net profit for the year ended December 2015. The sensitivity to this valuation is that the gain/loss taken through Other Comprehensive Income for a 30% higher and 30% lower 12 month 2015 estimated profit would be CHF 0.5 million gain or CHF (0.4) 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 34.6 million that corresponds to the estimated discounted repurchase amount, which was deducted from shareholders' equity when the put options were created. In 2014 there were additional put options written by the Group to the minority shareholders for an amount of CHF 21.3 million.

The put options valuation methodology has been contractually agreed upon with the minority shareholders and is based on unobservable but objective accounting information (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 32.2 million which should be paid to minority shareholder upon the exercise of the put. The actual CVM calculated as of December 31, 2015 is below the contractual amount CVM and thus the current sensitivity of the put options is considered to be zero (2014: 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, 2015

(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	Related amounts not set off in balance sheet: Financial liabilities subject to netting agreements	Related amounts not set off in balance sheet: 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**

(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	Related amounts not set off in balance sheet: Financial assets subject to netting agreements balance sheet	Related amounts not set off in 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**

Dec. 31, 2014

(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	Related amounts not set off in balance sheet: Financial liabilities subject to netting agreements	Related amounts not set off in balance sheet: Cash collateral received	Net exposure
Derivatives	619.1	(49.3)	569.8	(152.8)	(314.3)	102.7
Life insurance policies - Designated at fair value at inception	298.8	-	298.8	(298.8)	-	-
Total financial assets	917.9	(49.3)	868.6	(451.6)	(314.3)	102.7

(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	Related amounts not set off in balance sheet: Financial assets subject to netting agreements balance sheet	Related amounts not set off in balance sheet: Cash collateral paid	Net exposure
Derivatives	710.3	(49.3)	661.0	(152.8)	(225.7)	282.5
Life insurance policies - Designated at fair value at inception	330.5	-	330.5	(298.8)	(109.6)	-
Total financial liabilities	1,040.8	(49.3)	991.5	(451.6)	(335.3)	282.5

The Group is netting down legs of identified CDS 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 2015 derivative financial instruments valued at CHF 23.1 million have been netted with derivative financial instruments with a negative value of CHF 21.7 million for a net presentation of derivative financial instruments as an asset with a value of CHF 1.4 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.

(All figures in millions of CHF)	Note	Dec. 31, 2015 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)**

(All figures in millions of CHF)	Note	Dec. 31, 2014 Carrying value	Fair Value	Difference
Financial Assets				
Due from other banks	i)	2,148.1	2,148.1	-
Loans and advances to customers	ii)	13,053.9	13,146.1	92.2
Investment securities - Held-to-maturity - Life insurance related	iii)	774.2	525.4	(248.8)
Investment securities - Held-to-maturity - Debt	iv)	391.5	374.4	(17.1)
		16,367.7	16,194.0	(173.7)
Financial Liabilities				
Due to other banks	v)	467.4	466.9	0.5
Due to customers	vi)	18,719.3	18,716.3	3.0
Subordinated loans	vii)	246.3	265.3	(19.0)
Debt issued	viii)	411.1	411.1	-
Other financial liabilities	ix)	3,030.7	3,037.6	(6.9)
		22,874.8	22,897.2	(22.4)
Net financial instruments not measured at fair value		(6,507.1)	(6,703.2)	(196.1)

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

The fair value for held-to-maturity assets related to the life insurance portfolio is calculated using expected cash flows. These risk adjusted cash flows have been discounted at the term matching linearly interpolated market swap curve (2014: expected cash flows, not risk adjusted, Internal Rate of Return of 12.33%). The carrying value is derived from an acquisition value (based on an IRR at acquisition of 10.7%), premiums paid and an accrual on life insurance policies at year end. The overall yield of the investment (accrual and amortized death benefits of previously matured life insurance policies) is 1.3% (2014: 3.4%). 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 4.2.1 c).

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 1 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 1 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)	**Dec. 31, 2015**	Dec. 31, 2014
At January 1	**1.3**	1.5
Recognised in the Statement of Income	**(0.2)**	(0.2)
At December 31	**1.1**	1.3

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. The Group produces its VaR figures with an In-house tool using a 10-days holding period with a 201-day observation period.

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:

VaR by risk type		**2015**		
		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**
Equity price risk	**0.6**	**0.5**	**0.6**	**0.5**
VaR	**4.6**	**5.2**	**6.5**	**3.9**

VaR by risk type		2014		
		12 months to 31 December		
(All figures in millions of CHF)	At December 31	Average	High	Low
Interest rate risk	3.2	3.8	5.7	2.7
Currency risk	0.2	0.3	0.4	0.1
Equity price risk	0.6	0.3	0.6	0.2
VaR	4.0	4.4	6.7	3.0

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, 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, 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)	-	-

(All figures in millions of CHF)				Dec. 31, 2014	
				Price risk	
Category	Product	Impact from:	Market value	Satement of Income	Statement of Comprehensive Income
Available-for-sale	Unquoted equities	30% lower profits	28.7	-	(0.4)
Available-for-sale	Private equity funds	30% lower profits	0.4	-	(0.1)
Financial liabilities at fair value	Liabilities to purchase non-controlling interests	20% increase in revenue	(38.7)	-	-

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

In line with the FINMA circular 08/6 related to interest rate income, 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, 2015					
(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	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)	-	-
	Dec. 31, 2014					
Total financial assets	12,459.0	2,239.0	2,640.5	3,103.2	4,842.7	25,284.3
Total financial liabilities	8,431.8	1,446.5	1,678.4	1,000.1	11,727.8	24,284.6
On-balance sheet interest repricing gap	4,027.2	792.5	962.1	2,103.1	(6,885.1)	999.7
Off-balance sheet interest repricing gap	2,495.5	(178.0)	(902.6)	(1,414.9)	-	-

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.

For the sensitivity to changes in interest rate (internal rate of return) related to the Life Insurance portfolio see note 3 (d).

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 the subsidiaries and branches of EFG Bank AG 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 risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. The Group manages its liquidity risk in such a way as to ensure that sufficient liquidity is available to meet its commitments to customers, both in demand for loans and repayments of deposits, and to satisfy its own cash flow needs.

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. Both the Group's capital, reserves position and conservative gapping policy, ensure that the Group runs only a small liquidity risk when funding customer loans.

EFG International Group's liquidity risk management process is carried out by the Financial Markets 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 (notes 4.3.3-4.3.4).

Financial Markets 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.

(All figures in millions of CHF)	Up to 1 month	1 - 3 months	Dec. 31, 2015 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**

(All figures in millions of CHF)	Up to 1 month	1 - 3 months	Dec. 31, 2014 3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities						
Due to other banks	230.1	236.6	1.0	-	-	467.7
Due to customers	14,844.1	1,719.1	2,076.0	93.4	-	18,732.6
Subordinated loans	-	-	14.1	-	232.2	246.3
Debt issued	-	-	-	411.1	-	411.1
Derivative financial instruments	8,636.6	2,082.4	1,727.6	51.4	-	12,498.0
Financial liabilities designated at fair value	38.7	-	-	-	330.5	369.2
Other financial liabilities	425.7	142.4	779.9	1,130.2	560.1	3,038.3
Provisions	-	8.0	30.0	-	-	38.0
Other liabilities	291.0	18.9	30.4	1.0	0.3	341.6
Total financial liabilities	24,466.2	4,207.4	4,659.0	1,687.1	1,123.1	36,142.8
Total off balance-sheet	429.2	-	-	-	-	429.2

For more detailed information on off-balance sheet exposures by maturity, refer to note 46.

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:

- The overall level of market and credit exposures are tightly monitored by means of specific risk parameters and indicators in line with the Group's overall committed level of risk appetite and avoidance of any concentration risk.

- 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 Capital Management

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

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

The Group's eligible capital comprises two tiers:

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

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

Risk-weighted assets are determined according to specified requirements which reflect the varying levels of risk attached to assets and off-balance sheet exposures, and include amounts in respect of credit risk, 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, 2015 and 2014. During those two years, each regulated entity of the Group at the individual level and the EFG Group as a whole complied with their respective capital adequacy requirement.

(All figures in millions of CHF)	**FINMA Phase-in Dec. 31, 2015 Unaudited**	FINMA Phase-in Dec. 31, 2014 Unaudited
Tier 1 capital		
Share capital	**250.0**	250.0
Reserves and retained earnings	**478.6**	496.2
Non-controlling interests	**533.7**	550.0
IFRS: Total shareholders' equity	**1,262.3**	1,296.2
Less: Proposed dividend on Ordinary Shares of quoted subsidiaries and parent Bank	**(20.3)**	(20.0)
Less: Accrual for estimated expected future dividend on Bons de Participation	**(0.0)**	(0.1)
Less: Available-for-sale investment securities revaluation reserve	**(2.9)**	(19.7)
Less: Goodwill (net of acquisition related liabilities) and intangibles (excluding software)	**(228.7)**	(239.5)
Less: additional deduction FINMA [1]	**(20.8)**	(21.5)
Less: Other Basel III deductions [2]	**(18.3)**	(7.3)
Less: Non-controlling interest in Shareholders' Equity	**(383.9)**	(394.5)
Plus: Eligible non-controlling interest at Common Equity Tier 1	**311.6**	203.9
Common Equity Tier 1 (CET1)	**899.0**	797.5
Additional Tier 1 capital (AT1) - Eligible non-controlling interest	**62.8**	52.9
Total qualifying Tier 1 capital	**961.8**	850.4
Tier 2 capital		
Tier 2 capital (T2) - Eligible non-controlling interest	**217.4**	176.1
Total regulatory capital	**1,179.2**	1,026.5
Risk-weighted assets		
Credit risk including Settlement risk	**5,122.3**	4,225.2
Non-counterparty related risk	**85.3**	51.2
Market risk *	**320.3**	233.7
Operational risk *	**1,230.5**	1,331.1
Total risk-weighted assets	**6,758.4**	5,841.2

	Dec. 31, 2015 %	Dec. 31, 2014 %
Ratio **		
CET1 Ratio	**13.3**	13.7
Total Ratio	**17.4**	17.6

** 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).*

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

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

5. Net interest income

(All figures in millions of CHF)	2015	2014
Interest and discount income		
Banks and customers	**311.6**	328.7
Financial assets designated at fair value	**52.6**	50.6
Available-for-sale investment securities	**36.6**	51.7
Held-to-maturity investment securities *	**10.4**	27.6
Treasury bills and other eligible bills	**3.7**	1.4
Total interest and discount income	**414.9**	460.0
Interest expense		
Banks and customers **	**(116.8)**	(162.7)
Financial liabilities at fair value	**(52.8)**	(27.8)
Other financial liabilities	**(22.6)**	-
Subordinated loans	**(16.7)**	(17.5)
Debt issued	**(5.2)**	(3.1)
Total interest expense	**(214.1)**	(211.1)
Net interest income	**200.8**	248.9

** Net of amortisation of revaluation loss recorded in available-for-sale equity reserve, relating to the life insurance policies transferred form available-for-sale to held-to-maturity, of CHF (10.7) million (2014: CHF (10.4) million).*

*** Negative interest on Swiss Francs deposits placed by the Bank at the Swiss National Bank amounts to CHF 17.4 in the year ended December 31, 2015 (2014: CHF nil) and are disclosed as Interest expense due to Banks and customers.*

Interest income accrued on impaired financial assets is nil (2014: nil).

6. Net banking fee and commission income

(All figures in millions of CHF)	2015	2014
Advisory and management fees	**212.9**	213.1
Brokerage fees	**150.9**	177.1
Commission and fees income on other services	**88.0**	87.2
Banking fee and commission income	**451.8**	477.4
Commission and fee expenses on other services	**(76.8)**	(96.2)
Banking fee and commission expense	**(76.8)**	(96.2)
Net banking fee and commission income	**375.0**	381.2

7. Dividend income

(All figures in millions of CHF)	2015	2014
Available-for-sale investment securities	**6.5**	1.1
Dividend income	**6.5**	1.1

8. Net trading income

Net trading income of CHF 104.4 million (2014: CHF 69.3 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)	2015	2014
Financial instruments measured at fair value		
Equity securities	1.9	0.7
Debt securities	0.1	(1.3)
Derivatives financial instruments	6.6	6.4
Life insurance securities	(15.4)	(8.4)
Inefficiency on fair value hedges	0.4	(0.4)
Net loss from financial instruments measured at fair value	(6.4)	(3.0)
Inefficiency on fair value hedges		
Net gain / (loss) on hedging instruments	76.3	(109.2)
Net (loss) / gain on hedged items attribuable to the hedged risk	(75.9)	108.8
Net gain / (loss) representing ineffective portions of fair value hedges	0.4	(0.4)

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

(All figures in millions of CHF)	2015	2014
Transfer from the Statement of Comprehensive Income		
Debt securities	15.5	19.0
Life insurance securities	(1.3)	(0.8)
Gains less losses on disposal of available-for-sale investment securities	14.2	18.2

11. Reversal of impairment on loans and advances to customers

(All figures in millions of CHF)	2015	2014
Impairment on amounts due from customers	-	(0.2)
Reversal of impairment on amounts due from customers	0.1	0.5
Reversal of impairment on loans and advances to customers (note 22)	0.1	0.3

12. Operating expenses

(All figures in millions of CHF)	2015	2014
Staff costs (note 13)	(439.8)	(423.7)
Professional services	(21.6)	(17.6)
Advertising and marketing	(11.2)	(10.7)
Administrative expenses	(51.9)	(51.6)
Operating lease rentals	(29.3)	(27.0)
Depreciation of property, plant and equipment (note 32)	(6.1)	(7.8)
Amortisation of intangible assets:		
Computer software and licences (note 31)	(3.8)	(3.5)
Other intangible assets (note 31)	(4.2)	(3.5)
Legal and litigation expenses	(18.3)	(13.0)
Other	(23.5)	(22.8)
Operating expenses	(609.7)	(581.2)

13. Staff costs

(All figures in millions of CHF)	2015	2014
Wages, salaries and staff bonuses	(358.1)	(349.5)
Social security costs	(26.9)	(25.9)
Pension costs:		
Defined benefits (note 42)	(10.4)	(8.1)
Other net pension costs	(7.6)	(8.5)
Employee Equity Incentive Plans (note 51)	(13.5)	(10.5)
Other	(23.3)	(21.2)
Staff costs	(439.8)	(423.7)

As at December 31, 2015 the number of employees of the Group was 2,179 (2014: 2,069) and the average for the year was 2,143 (2014: 2,058).

14. Income tax expense

(All figures in millions of CHF)	2015	2014
Current tax expense	(15.6)	(14.5)
Deferred tax gain / (expense) (note 15)	2.0	(3.7)
Total income tax expense	(13.6)	(18.2)

The tax of 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)	2015	2014
Operating profit before tax	67.5	102.1
Tax at the weighted average applicable rate of 15% (2014: 15%)	(10.3)	(15.3)
Tax effect of:		
(Loss) / Income not subject to tax	(1.8)	8.1
Different tax rates in different countries	2.9	4.8
Unrecognised tax loss carry forwards fot the year	(7.6)	(15.6)
Recognition of previously unrecognised tax loss carry forwards	7.7	0.8
Impairment of deferred tax	(1.6)	-
Other differences	(2.9)	(1.0)
Total income tax expense	(13.6)	(18.2)

The weighted average tax rate of 15% 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, 2015	Dec. 31, 2014
Deferred income tax assets	35.0	32.8
Deferred income tax liabilities	(35.1)	(35.4)
Net deferred income tax liabilities	(0.1)	(2.6)
The movement on the net deferred income tax account is as follows:		
At January 1	(2.6)	1.7
Deferred tax gain / (expense) for the period in the Statement of Income	2.0	(3.7)
Available-for-sale adjustment through Other Comprehensive Income	1.7	(1.1)
Exchange differences	(1.2)	0.5
At December 31	(0.1)	(2.6)

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

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
Tax losses carried forward	28.9	27.5
Difference between local tax rules and accounting standards	4.6	4.1
Employee equity incentive plans amortisation	1.5	1.2
Deferred income tax assets	35.0	32.8
Arising from acquisition of intangible assets	(26.4)	(26.4)
Valuation of financial assets not reflected in local tax accounts	(7.0)	(7.2)
Sundry differences between local tax rule and accounting standards	(1.7)	(1.8)
Deferred income tax liabilities	(35.1)	(35.4)
Net deferred income tax liabilities	(0.1)	(2.6)

The deferred income tax gain / (expense) in the Statement of Income comprises the following temporary differences:

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
Utilisation of tax losses carried forward	(2.5)	(2.9)
Creation of deferred tax assets	6.0	-
Impairment of deferred tax assets	(1.6)	-
Deferred tax liabilities related to intangible amortisation	(0.3)	(0.4)
Other temporary differences	0.4	(0.4)
Deferred tax gain / (expense)	2.0	(3.7)

The Group has deferred tax assets related to tax losses carried forward of CHF 28.9 million as a result of subsidiaries with tax losses of CHF 215.5 million (2014: CHF 179 million) to carry forward against future taxable income. These tax losses will expire as summarised below:

(All figures in millions of CHF)						Dec. 31, 2015
	Dec. 31, 2015	Tax rate %	Carried forward losses	Expiry in 1-3 years	Expiry in 4-7 years	Expiry after 7 years
EFG International AG, Switzerland	12.5	7.83%	159.6	159.6	-	-
EFG Bank (Luxembourg) SA, Luxembourg	15.1	29.22%	51.7	-	-	51.7
EFG Capital Holdings Corp.	1.3	31.00%	4.2	-	-	4.2
Total	28.9		215.5	159.6	-	55.9

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

(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.*

(All figures in millions of CHF)				Dec. 31, 2014
	Dec. 31, 2014	Expiry in 1-3 years	Expiry in 4-7 years	Expiry after 7 years no expiry
EFG International AG, Switzerland	888.2	245.4	642.8	-
EFG Bank AG, Switzerland	184.4	-	184.4	-
EFG Bank (Luxembourg) SA, Luxembourg*	100.7	-	-	100.7
Total	1,173.3	245.4	827.2	100.7

* *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

		2015	
(All figures in millions of CHF)	**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	34.3	70.1	104.4
Net gain / (loss) 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

(All figures in millions of CHF)	2014 Swiss	 Foreign	 Total
Interest and discount income	143.7	316.3	460.0
Interest expense	(52.2)	(158.9)	(211.1)
Net interest income	91.5	157.4	248.9
Banking fee and commission income	101.9	375.5	477.4
Banking fee and commission expense	(23.8)	(72.4)	(96.2)
Net banking fee and commission income	78.1	303.1	381.2
Dividend income	1.1	-	1.1
Net trading income	16.8	52.5	69.3
Net (loss) / gain from financial instruments measured at fair value	(6.5)	3.5	(3.0)
Gains less losses from investment securities	(47.5)	65.7	18.2
Other operating income / (loss)	115.5	(112.9)	2.6
Net other income	79.4	8.8	88.2
Operating income	249.0	469.3	718.3
Operating expenses	(236.1)	(345.1)	(581.2)
Other provisions	(29.1)	(8.7)	(37.8)
Reversal of impairment on financial assets held-to-maturity	-	2.5	2.5
Reversal of impairment on loans and advances to customers	0.1	0.2	0.3
Profit before tax	(16.1)	118.2	102.1
Income tax expense	(3.9)	(14.3)	(18.2)
Net profit for the period from continuing operations	(20.0)	103.9	83.9
Profit for the year	(20.0)	103.9	83.9
Net profit / (loss) for the year attributable to:			
Equity holders of the Group			
(Loss) / profit for the year from continuing operations	(13.3)	56.4	43.1
Non-controlling interests			
(Loss) / profit for the year from continuing operations	(6.7)	47.5	40.8
Profit for the year from discontinued operations	-	-	-
	(20.0)	103.9	83.9

17. Cash and balances with central banks

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
Cash in hand	5.5	6.0
Balances with central banks	5,012.2	3,001.1
Cash and balances with central banks	5,017.7	3,007.1

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, 2015	Dec. 31, 2014
Cash and balances with central banks	5,017.7	3,007.1
Treasury bills and other eligible bills	574.0	400.0
Due from other banks - At sight	1,466.3	1,554.4
Due from other banks - At term	388.9	542.9
Cash and cash equivalents with less than 90 days maturity	7,446.9	5,504.4

19. Treasury bills and other eligible bills

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
Treasury bills	757.1	626.0
Treasury bills and other eligible bills	757.1	626.0
Pledged treasury bills with central banks and clearing system companies	-	-

20. Due from other banks

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
At sight	1,466.3	1,554.4
At term - with maturity of less than 90 days	388.9	542.9
At term - with maturity of more than 90 days	328.3	50.8
Due from other banks	2,183.5	2,148.1
Pledged due from other banks	*443.1*	*378.0*

21. Loans and advances to customers

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
Due from customers	**8,841.0**	9,451.7
Mortgages	**3,247.6**	3,609.5
Gross loans and advances	**12,088.6**	13,061.2
Less: Provision for impairment losses (note 22)	**(6.7)**	(7.3)
Loans and advances to customers	**12,081.9**	13,053.9

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

(All figures in millions of CHF)	Dec. 31, 2015	%	Dec. 31, 2014	%
Latin America and Caribbean	**3,629.7**	**30.1%**	3,625.6	27.8%
United Kingdom	**2,612.1**	**21.6%**	2,280.3	17.5%
Asia and Oceania	**2,610.8**	**21.6%**	3,021.1	23.1%
Europe (other than below)	**1,969.0**	**16.3%**	2,510.0	19.2%
Africa and Middle East	**423.6**	**3.5%**	470.0	3.6%
United States and Canada	**391.0**	**3.2%**	544.3	4.2%
Switzerland	**316.3**	**2.6%**	241.1	1.8%
Luxembourg	**129.4**	**1.1%**	361.5	2.8%
Total	12,081.9	100.0%	13,053.9	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 531.3 million (2014: 552.0 million) are pledged as collateral for a debt issuance by a Group company, Chestnut Financing PLC (note 36).

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

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
At January 1	**7.3**	9.6
Reversal of impairment on loans and advances to customers (note 11)	**(0.1)**	(0.3)
Utilisation of provision	**(0.1)**	(2.3)
Exchange differences	**(0.4)**	0.3
At December 31	**6.7**	7.3

23. Collateral for loans

(All figures in millions of CHF)	**Dec 31, 2015**	Dec 31, 2014
Loans and advances to customers:		
Mortgages	**3,245.9**	3,607.7
Secured by other collateral	**8,788.2**	9,332.3
Unsecured	**47.8**	113.9
Total loans and advances to customers	**12,081.9**	13,053.9
Off-balance sheet commitments:		
Contingent liabilities secured by other collateral	**372.7**	391.2
Contingent liabilities unsecured	**23.9**	38.0
Total off-balance sheet commitments	**396.6**	429.2

The unsecured loans include CHF 34.4 million (2014: CHF 34.4 million) of loans made with no collateral and CHF 13.4 million (2014: CHF 79.5 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, 2015 Contract/ notional amount	Dec. 31, 2015 Fair values Assets	Dec. 31, 2015 Fair values Liabilities	Dec. 31, 2014 Contract/ notional amount	Dec. 31, 2014 Fair values Assets	Dec. 31, 2014 Fair values Liabilities
Derivatives held for trading:						
Currency and precious metal derivatives						
Currency forwards	3,579.6	37.2	22.4	4,211.1	43.6	25.9
Currency swaps	11,057.8	99.0	55.8	7,664.9	82.6	56.6
OTC currency options	4,283.3	20.1	23.2	2,593.2	25.7	26.4
	18,920.7	156.3	101.4	14,469.2	151.9	108.9
Interest rate derivatives						
Interest rate swaps	919.2	9.7	4.4	1,185.1	11.9	7.4
OTC interest rate options	121.5	12.2	14.1	226.3	25.4	27.2
Interest rate futures	64.8	0.2	-	0.5	0.1	0.2
	1,105.5	22.1	18.5	1,411.9	37.4	34.8
Other derivatives						
Equity options and index futures	2,391.4	430.7	458.9	2,267.3	318.0	321.4
Credit default swaps	326.7	60.9	59.5	196.4	2.0	0.4
Total return swaps	134.0	62.2	-	133.6	56.2	-
Commodity options and futures	3.7	1.2	1.2	33.7	1.5	1.5
	2,855.8	555.0	519.6	2,631.0	377.7	323.3
Total derivative assets / liabilities held for trading	22,882.0	733.4	639.5	18,512.1	567.0	467.0
Derivatives held for hedging:						
Derivatives designated as fair value hedges						
Interest rate swaps	2,250.1	2.1	73.9	2,607.0	2.8	194.0
Total derivative assets / liabilities held for hedging	2,250.1	2.1	73.9	2,607.0	2.8	194.0
Total derivative assets / liabilities	25,132.1	735.5	713.4	21,119.1	569.8	661.0

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, 2015 was negative CHF 71.8 million (2014: negative CHF 191.2 million).

25. Financial assets at fair value - trading assets

(All figures in millions of CHF)		Dec. 31, 2015	Dec. 31, 2014
Issued by non public issuers:	Banks	73.9	138.7
Issued by non public issuers:	Other	17.0	15.0
Total		90.9	153.7

The movement in the account is as follows:

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
At January 1	153.7	162.0
Additions	13.9	13.8
Disposals (sale and redemption)	(77.5)	(24.0)
Accrued interest	(0.1)	0.6
Gain from changes in fair value	0.9	1.3
At December 31	90.9	153.7

26. Financial assets at fair value - designated at inception

(All figures in millions of CHF)		Dec. 31, 2015	Dec. 31, 2014
Issued by other issuers:	US life insurance companies *	277.8	298.8
Issued by other issuers:	US life insurance companies	27.2	30.9
Total		305.0	329.7
Life insurance policies securities	Unquoted - Discounted cash flow analysis *	277.8	298.8
Life insurance policies securities	Unquoted - Discounted cash flow analysis	27.2	30.9
Total		305.0	329.7
Pledged securities with central banks, clearing system companies or third party banks		277.8	298.8

The movement in the account is as follows:

At January 1	329.7	349.8
Additions	39.5	34.9
Disposals (sale and redemption)	(15.3)	(77.0)
Accrued interest	51.4	48.0
Losses from changes in fair value	(99.5)	(59.7)
Exchange differences	(0.8)	33.7
At December 31	305.0	329.7

** See note 37 Financial liabilities designated at fair value.*

27. Investment securities - available-for-sale

(All figures in millions of CHF)		Dec. 31, 2015	Dec. 31, 2014
Issued by public bodies:	Government	**1,119.2**	1,664.2
Issued by public bodies:	Other public sector	**584.3**	541.7
Issued by other issuers:	Banks	**1,882.5**	1,461.8
Issued by other issuers:	US life insurance companies	**35.5**	40.9
Issued by other issuers:	Other	**622.3**	384.9
Total		**4,243.8**	4,093.5
Debt securities:	Listed / Quoted	**3,283.1**	3,368.4
Debt securities:	Unquoted - Discounted cash flow analysis	**896.6**	654.8
Debt securities:	Unlisted	-	-
Equity securities:	Listed / Quoted	**0.5**	0.3
Equity securities:	Unquoted - Other valuation Models	**28.1**	29.1
Life insurance related:	Unquoted - Discounted cash flow analysis	**35.5**	40.9
Total		**4,243.8**	4,093.5
Pledged securities with central banks, clearing system companies or third party banks		***232.0***	*466.8*

The movement in the account is as follows:

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
At January 1	**4,093.5**	3,844.5
Additions	**2,113.9**	3,624.7
Disposals (sale and redemption)	**(1,786.3)**	(3,711.4)
Fair value (losses) / gains on available-for-sale investment securities	**(84.5)**	9.3
Transfer to the income statement of realised available-for-sale investment securities	**14.2**	18.2
Change in accrued interest	**(5.5)**	8.8
Exchange differences	**(101.5)**	299.4
At December 31	**4,243.8**	4,093.5

The Group has pledged Financial Investments as collateral for CHF 131.7 million (2014: CHF 358.9 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)	Dec. 31, 2015	Dec. 31, 2014
At January 1	(78.2)	(86.4)
Fair value (losses) / gains on available-for-sale investment securities, before tax	(20.8)	27.5
Transfer to Statement of Income of realised available-for-sale investment securities reserve, before tax	(14.2)	(18.2)
Tax effect on available-for-sale investment securities	1.7	(1.1)
At December 31	(111.5)	(78.2)

29. Investment securities - held to maturity

(All figures in millions of CHF)		Dec. 31, 2015	Dec. 31, 2014
Issued by public bodies:	Government	43.3	48.2
Issued by public bodies:	Other public sector	313.2	340.2
Issued by other issuers:	Banks	7.2	3.1
Issued by other issuers:	US Life insurance companies	815.7	774.2
Gross investment securities - held-to-maturity		1,179.4	1,165.7
Impairment on financial assets held-to-maturity		-	-
Total		1,179.4	1,165.7

The movement in the account is as follows:

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
At January 1	1,165.7	1,118.9
Additions/premiums paid	74.5	54.8
Redemptions	(46.6)	(112.4)
Accrued interest	20.4	33.5
Reversal of impairment	-	2.5
Exchange differences	(34.6)	68.4
At December 31	1,179.4	1,165.7
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 54.4% of EFG International AG, which in turn holds directly or indirectly 100% of the other subsidiaries, with the exception of EFG Investment 2 (UK) Limited (in which it holds and controls 90.01%) and Asesores y Gestores Financieros S.A. (in which it holds and controls 55.99%) and LFS Invest VII AB (which it controls but in which it holds 10.7%).

The following is a listing of the Group's main subsidiaries at December, 31 2015

Name	Line of business	Country of incorporation	Direct voting %	Indirect voting %		Share Capital (000s)
Main Subsidiaries						
EFG International AG	Holding	Switzerland	54.4	n/a	CHF	75,959
EFG Bank AG	Bank	Switzerland	100.0	54.4	CHF	162,410
EFG Bank (Monaco)	Bank	Monaco	100.0	54.4	EUR	37,048
EFG Bank & Trust (Bahamas) Limited	Bank	Bahamas	100.0	54.4	USD	32,000
EFG Bank von Ernst AG	Bank	Liechtenstein	100.0	54.4	CHF	25,000
EFG Bank (Luxembourg) SA	Bank	Luxembourg	100.0	54.4	EUR	28,000
EFG Private Bank Limited	Bank	United Kingdom	100.0	54.4	GBP	1,596
EFG Private Bank (Channel Island) Ltd	Bank	Guernsey	100.0	54.4	GBP	5,000
A&G Bank Privada SA	Bank	Spain	55.99	30.5	EUR	20,204
Asesores Y Gestores Financieros SA	Investment Advisory and holding	Spain	55.99	30.5	EUR	118
EFG Investment Services (Cayman) Limited	Investment Advisory & Fund Administration	Cayman Islands	100.0	54.4	USD	-
EFG Investment Services Inc	Investment Advisory & Fund Administration	USA	100.0	54.4	USD	-
EFG Capital International Corp	Broker dealer	USA	100.0	54.4	USD	12,200
Chestnut Financing PLC	Finance Company	United Kingdom	-	-	GBP	-
EFG Finance (Guernsey) Limited	Finance Company	Guernsey	100.0	54.4	EUR	26
EFG Finance (Jersey) Limited	Finance Company	Jersey	100.0	54.4	CHF	3
EFG Funding (Guernsey) Limited	Finance Company	Guernsey	100.0	54.4	CHF	-
EFG International (Guernsey) Limited	Finance Company	Guernsey	100.0	54.4	EUR	1
EFG International Finance (Luxembourg) Sarl	Finance Company	Luxembourg	100.0	54.4	CHF	2,200
EFG International Finance (Guernsey)	Structured product issuance	Guernsey	100.0	54.4	CHF	5,000
EFG Investment 2 (UK) Ltd	Holding	United Kingdom	90.01	49.0	USD	132,205
EFG Investment (Luxembourg) SA	Holding	Luxembourg	100.0	54.4	EUR	579,803
EFG Investment and Wealth Solutions Holding AG	Holding	Switzerland	100.0	54.4	CHF	600
LFS Investment VII AB	Investment Company	Sweden	10.7	5.8	SEK	100
EFG Investments Limited	Investment Company	Jersey	100.0	n/a	CHF	10

LFS Investment VII AB is a subsidiary of the Group with only 10.7% ownership and voting rights. Management has assessed that the Group has control over this entity as it has power to make investment decisions. In addition, the entity's funding is dependent on the Group and therefore the Group is exposed to variable returns from the facilities granted.

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 unconsolidated 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 interests at the end of the period is CHF 533.7 million of which CHF 514.2 is in respect with EFG International AG, CHF 18.3 million is in respect of 44.01% interest in Asesores Y Gestores Financieros S.A., Madrid, CHF Nil in respect of 89.3% interest in LFS Investment VII AB and CHF 1.2 million in respect of 9.99% interest in EFG Investment 2 (UK) Ltd.

31. Intangible assets

(All figures in millions of CHF)	Computer software and licences	Other Intangible Assets	Goodwill	Total Intangible Assets
At January 1, 2014				
Cost	43.4	190.0	604.2	837.6
Accumulated amortisation and impairment	(36.3)	(158.4)	(376.0)	(570.7)
Net book value	7.1	31.6	228.2	266.9
Year ended December 31, 2014				
Opening net book amount	7.1	31.6	228.2	266.9
Acquisition of computer software and licences	5.1	-	-	5.1
Acquisition of other intangible assets	-	2.5	-	2.5
Amortisation charge for the year - Computer software and licences (note 12)	(3.5)	-	-	(3.5)
Amortisation charge for the year - Other intangible assets (note 12)	-	(3.5)	-	(3.5)
Exchange differences	0.2	0.3	6.9	7.4
Closing net book value	8.9	30.9	235.1	274.9
At December 31, 2014				
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, 2015				
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, 2015				
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**

The Group has acquired several legal entities and/or businesses since its inception. These business combinations have generally been made in order to achieve one or several of the following objectives: acquiring "client relationships", acquiring specific know-how or products, or setting up a permanent establishment in a given location.

The accounting for these business combinations was dependent on the accounting standard in force at the time of the acquisition.

31.1 Impairment charge for the year

No impairment charges were recorded for the year ended December 31, 2015 and for the year ended December 31, 2014.

31.2 Impairment tests

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. On the basis of the impairment testing methodology described below, the Group concluded that the year-end 2015 balances of Intangibles allocated to all its cash generating units remain recoverable.

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 5% to 5.9% (2014: 5.8% to 6.7%). The risk premiums were determined using capital asset pricing model 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 have been calculated using two methodologies. Firstly, on the basis of the recoverable Net Asset Value and Intangibles using comparable market transactions (1.5% to 3% of Assets under Management). Secondly, calculations have been performed using a PE approach (range between 9.5 and 12.2 for 2015 and 12.0 and 14.0 for 2014) 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, 2015 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						
United Kingdom	Harris Allday	7.85% / 1.0%	5 years	15.6	35.8	51.4
Americas	PRS Group	8.26% / 1.0%	5 years	-	36.8	36.8
Continental Europe	Asesores y Gestores Financieros SA	6.76 / 2.00%	5 years	0.8	19.9	20.7
Fair value less costs to sell		**P/E**	**AuM Multiple**			
Switzerland	Banque Edouard Constant	11.2	3.4	-	76.3	76.3
Continental Europe	Banque Monégasque de Gestion	10.5	3.0	2.9	20.9	23.8
Other						
Various	Other Cash Generating Units	Various*		7.4	38.5	45.9
Total carrying values				26.7	228.2	254.9

** Discounts rates for Value in use approach are between 4.9% and 8.3% (2014: 6.3% and 9.2%).*

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, 2015. Earnings are estimated based on current and future business initiatives and forecast results derived therefrom.

The table below shows the sensitivity to permanent declines in assets under management, which would have an impact on 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 Edouard Constant	12.8	36.6	-	4%
Harris Allday	-	7.5	-	41%
PRS Group	1.1	14.5	-	17%
Banque Monégasque de Gestion	-	0.8	-	48%
Asesores y Gestores Financieros SA	-	-	-	74%

32. Property, plant and equipment

(All figures in millions of CHF)	Land and Buildings	Leasehold improvements	Furniture, equipment, motor vehicles	Computer hardware	Total
At January 1, 2014					
Cost	12.8	37.8	19.4	40.2	110.2
Accumulated depreciation	(0.8)	(27.9)	(15.3)	(34.7)	(78.7)
Net book value	12.0	9.9	4.1	5.5	31.5
Year ended December 2014					
Opening net book amount	12.0	9.9	4.1	5.5	31.5
Additions	-	2.5	2.6	2.4	7.5
Depreciation charge for the year (note 12)	(0.1)	(3.2)	(1.2)	(3.3)	(7.8)
Disposal and write-offs	-	(0.2)	(1.2)	(0.4)	(1.8)
Exchange differences	0.1	0.4	0.1	0.1	0.7
Closing net book value	12.0	9.4	4.4	4.3	30.1
At December 31, 2014					
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 2015					
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, 2015					
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**

33. Other assets

(All figures in millions of CHF)	**Dec. 31, 2015**	Dec. 31, 2014
Prepaid expenses and accrued income	**36.5**	36.0
Settlement balances	**35.8**	34.8
Current income tax assets	**1.8**	5.4
Other assets	**40.2**	60.6
Other assets	**114.3**	136.8

Settlement balances of CHF 35.8 million (2014: CHF 34.8 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.

34. Due to other banks

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
Due to other banks at sight	**268.9**	261.8
Due to other banks at term	**215.9**	205.6
Due to other banks	**484.8**	467.4

35. Due to customers

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
Non interest bearing	**10,331.5**	10,625.4
Interest bearing	**9,666.7**	8,093.9
Due to customers	**19,998.2**	18,719.3

36. Subordinated loans and debt issued

(All figures in millions of CHF if not otherwise stated)			Dec. 31, 2015	Dec. 31, 2014
Subordinated loans - issuers	**Weighted average interest rate %**	**Due dates**		
EFG International (Guernsey) Ltd - EUR 66’425’000	8.00% p.a.	January 2022	**55.6**	59.4
EFG Funding (Guernsey) Ltd - CHF 180’000’000	4.75% p.a.	January 2023	**187.2**	186.9
Total subordinated loans			**242.8**	246.3

Subordinated loans are presented net of unamortised discount on issuance of CHF 22.9 million (2014: 29.3 million).

Debt issued - issuers				
Chestnut Financing PLC - GBP 266,300,000	1.28% p.a.	August 2017	**392.0**	411.1
Total debt issued			**392.0**	411.1

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 531.3 million (2014: CHF 552.0 million).

37. Financial liabilities designated at fair value

(All figures in millions of CHF)		Dec. 31, 2015	Dec. 31, 2014
Synthetic life insurance	- Unquoted - Discounted cash flow analysis	318.5	330.5
Equities securities (liabilities to purchase non-controlling interests)	- Discounted cash flow analysis	34.6	38.7
Total financial liabilities designated at fair value		353.1	369.2

The movement in the account is as follows:

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
At January 1	369.2	310.7
Accrued interest	52.5	48.8
Additions	35.3	33.0
Disposals (sale and redemption)	(17.4)	(27.4)
Gains from changes in fair value	(82.2)	(49.9)
Exchange differences	(4.3)	32.7
Increase through shareholders' equity	-	21.3
At December 31	353.1	369.2

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 277.8 million (2014: CHF 298.8 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. In 2014, the liability increase by reclassification from Group equity, when the non-controlling shareholders subscribed for additional capital in Asesores Y Gestores Financieros S.A. As of December 31, 2015 the financial liability was valued at CHF 34.6 million (2014: CHF 38.7 million).

38. Other financial liabilities

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
Structured products issued	3,237.9	3,030.7
Total other financial liabilities	3,237.9	3,030.7

39. Provisions

(All figures in millions of CHF)	Provision for litigation risks	Provision for restructuring	Other provisions	Total
At January 1, 2014	28.6	1.5	23.1	53.2
Increase in provisions recognised in the Statement of Income	7.4	-	31.3	38.7
Release of provisions recognised in the Statement of Income	(0.9)	-	-	(0.9)
Net provision charges recognised in the Statement of Income		-		*37.8*
Provisions used during the year	(28.0)	(0.9)	(24.2)	(53.1)
Exchange differences	(0.1)	-	0.2	0.1
At December 31, 2014	7.0	0.6	30.4	38.0
Expected payment within 12 months	7.0	0.6	30.4	38.0
Expected payment thereafter	-	-	-	-
	7.0	0.6	30.4	38.0

(All figures in millions of CHF)	**Provision for litigation risks**	**Provision for restructuring**	**Other provisions**	**Total**
At January 1, 2015	**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, 2015	**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**

Provision for litigation risks

Includes CHF 1.8 million of provisions for various small litigation cases which are expected to be settled within a year.

Provision for restructuring

(i) During the year the Group announced that it was reviewing the cost base and as a result of that decision, in certain locations the employment contracts of employees were terminated. The Group provided CHF 2.2 million for these announced restructurings, and paid these amounts in the year. The remaining provision is nil.

(ii) The Group is liquidating the businesses in France. The remaining provision of CHF 0.3 million relates to the residual closure costs.

Other provisions

Other provisions of CHF 5.6 million comprise primarily the following:

(i) A provision of CHF 4.6 million for potential client claims. This is expected to be settled within a year.

(ii) A provision of CHF 1.0 million related to the US Department of Justice's ("DOJ") Program for Swiss banks ("DOJ Program"). In December 2013 it was announced that EFG Bank AG and EFG Bank European Financial Group SA (collectively the "Bank") would jointly take part in the DOJ Program for Swiss banks as a Category 2 bank with the objective of negotiating a non-prosecution agreement with the DOJ. In December, the Bank reached a formal resolution with the DOJ and signed a non-prosecution agreement with the DOJ making a one-time payment of USD 29.988 million in December 2015. This is higher than the USD 10.8 million provided for in 2014, primarily as a result of certain clients taking actions inconsistent with the information they had provided to the Bank. The Bank has provided for the residual estimated costs of outside legal counsel and other external advisers of CHF 1.0 million.

(iii) At the end of December 2014 a provision existed for CHF 8.0 million for an amount payable related to the withholding tax treaty between Switzerland and the UK. As the amount of undeclared assets held by citizens in Swiss banks and liable for the payment is substantially less than originally anticipated by the Swiss banking industry, the Swiss banks made up the shortfall. This was settled during the year.

40. Other liabilities

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
Deferred income and accrued expenses	**161.3**	169.3
Settlement balances	**60.9**	91.6
Short term compensated absences	**5.9**	5.7
Retirement benefit obligations	**57.2**	30.4
Other liabilities	**28.9**	44.6
Total other liabilities	**314.2**	341.6

41. 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 39) 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 current available information and advice received, it is not expected 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 160 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 defences 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 asserting that redemption payments totalling USD 355 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 defences to the claims.

(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 48 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 recently named as a co-defendant in a 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 wrongdoings, and by doing so participated in causing damage to the plaintiffs. The plaintiffs also claim approximately CAD 13 million as compensation for incurred reputational damage. The Group is vigorously defending the case and believes it has strong defences to the claims.

(vi) The Group is defending itself against a civil claim by a client who alleges that due to the 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 claim for CHF 16.1 million plus interest initiated by a former employee on grounds of a series of agreements was settled by the Group during the year.

In addition to the foregoing contingent liabilities related to litigation, there is one further matter which could, but is not currently expected to have a material effect on the Group.

The Group has advanced loans for approximately USD 194 million for which the Group was granted security over a portfolio of financial collateral by a pledger, whose parent company has been put into receivership. The receiver has raised legal issues as to the validity and enforceability of the security and the loans. The Group has informed the competent regulatory authorities and fully cooperates with them in connection with their ongoing review of the matter. The Group considers the loans are fully collateralized and thus fully recoverable and has not made a provision. In addition, the Group has the personal covenant of a UHNWI client.

42. Retirement benefit obligations

The Group operates two plans which under IFRS are classified as defined benefit plans. These plans are in Switzerland ("the Switzerland plan") for EFG Bank European Financial Group SA and EFG Bank AG and in the Channel Islands ("the Channel Islands plan"). The Switzerland plan is 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 4.3 million; the fair value of plan assets is CHF 4.9 million.

The Switzerland plan is a contribution based plans with guarantee, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. 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 a Group insurance contract. 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 employer and employees in individual accounts with interest. The plan provides limited guarantees of accumulated capital and interest.

The pension fund is organized as a registered Swiss employee welfare foundation, a separate legal entity and is administered by the board of the foundation and professional fund administrators appointed by the board of the foundation. Plan assets held in trusts are governed by local regulations and practice, as is the nature of the relationship between the Group and the foundation or its board. 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 board of the pension foundation. The board of the pension foundation must be composed of representatives of the company and plan participants in accordance with the plan's regulations.

The disclosure below relates to the Switzerland plan.

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 1, 2014
Net amount recognised in the balance sheet		
Present value of funded obligation	**293.2**	238.9
Fair value of plan assets	**236.0**	208.5
Liabilities recognised in the balance sheet	**57.2**	30.4
Net amount recognised in the balance sheet at the beginning of the year	**30.4**	2.6
Net amount recognised in the Statement of Income (note 13)	**10.4**	8.1
Net amount recognised in the Statement of Comprehensive Income	**27.8**	29.4
Company contribution paid in year	**(11.4)**	(9.7)
Net amount recognised in the balance sheet at the end of the year	**57.2**	30.4

(All figures in millions of CHF)	Present value of obligation	Fair value of plan assets	Total
January 1, 2015	**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, 2015	**293.2**	**(236.0)**	**57.2**

(All figures in millions of CHF)	Present value of obligation	Fair value of plan assets	Total
January 1, 2014	185.6	(183.0)	2.6
Current service cost	6.2	-	6.2
Interest expense / (income)	4.6	(4.6)	-
Administrative costs and insurance premiums	1.9	-	1.9
Net amount recognised in the Statement of Income	12.7	(4.6)	8.1
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense / (income)	-	(8.7)	(8.7)
Actuarial loss on defined benefit obligation	38.1	-	38.1
Net amount recognised in the Statement of Comprehensive Income	38.1	(8.7)	29.4
Plan participants contributions	5.3	(5.3)	-
Company contributions	-	(9.7)	(9.7)
Administrative costs and insurance premiums	(1.9)	1.9	-
Benefit payments	(0.9)	0.9	-
Total transactions with fund	2.5	(12.2)	(9.7)
December 31, 2014	238.9	(208.5)	30.4

Significant actuarial assumptions	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Discount rate	**0.90%**	1.35%	2.50%
Salary growth rate	**1.00%**	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	**21.5**	21.4	21.3
female	**24.0**	23.9	23.8
Longevity at age 65 for future pensioners (aged 50):			
male	**22.8**	22.8	22.7
female	**25.3**	25.2	25.1

(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)**

(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
2014 Sensitivity analysis			
Discount rate	0.10%	(3.7)	3.7
Salary growth rate	0.10%	0.5	(0.5)
Pension growth rate	0.10%	2.0	-
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 LPP2010 generational tables and experience. In particular in-service death and disability rates have been adjusted to correspond to recent EFG experience. The plan liability is 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.

42. Retirement benefit obligations (continued)

The salary growth assumption is set based on the employer's expectation for inflation and market forces on salaries. The actuarial loss for the year of CHF 23.0 million includes CHF 19.5 million negative effect of financial assumptions, CHF 3.5 million negative effect of experience and no change in demographic assumptions.

The plan does 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 plan 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 plan 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 fund will accumulate surplus assets after providing the target benefits, the board 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 remeasurements.

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 remeasurements 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 plan provides an annuity option to individuals on retirement. The annuity option is 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 fund 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 remeasurements recognised in Statement of 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 loss of CHF 2.0 million in 2015 (2014: gain of CHF 13.3 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	2015 Total	2015 in%	2014 Total	2014 in%
Cash and cash equivalents	22.3	-	22.3	9.4	33.8	16.2
Equity Instruments	95.1	-	95.1	40.3	76.0	36.5
Debt instruments	100.3	-	100.3	42.5	75.9	36.4
Other	18.3	-	18.3	7.8	22.8	10.9
Total plan assets at the end of the year	**236.0**	-	**236.0**	**100.0**	208.5	100.0

Plan assets of CHF 6.0 million (2014: CHF 5.4 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, 2016 are CHF 10.7 million. The weighted average duration of the defined benefit obligation is 17.3 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, 2015	Dec. 31, 2014
Less than a year	16.7	16.0
Between 1-2 years	12.9	10.7
Between 2-5 years	18.9	19.6
Over 5 years	294.2	242.4
Total	**342.7**	288.7

43. Share capital

	Dec. 31, 2015		Dec. 31, 2014	
	Number of shares	Total nominal value in CHF 000's	Number of shares	Total nominal value in CHF 000's
Authorised, issued and fully paid				
Ordinary shares	2,500,000	250,000	900,000	250,000
Total share capital	**2,500,000**	**250,000**	900,000	250,000

44. Treasury shares of quoted subsidiary

EFG International held its own shares representing 0.1% of its share capital (2014: 0.1%). The shares were acquired at a total cost of CHF 0.9 million (2014: CHF 1.0 million).

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

45. Information related to non-controlling interest

As at December 31, 2015, included within non-controlling interests are other ordinary shareholders in EFG International (see note 30) totalling CHF 499.7 million (2014: CHF 515.1 million), non-controlling interests in susbsidiaries of EFG International CHF 19.5 million (2014: CHF 18.8 million) and CHF 14.5 million (2014: CHF 16.1 million) of Bons de Participation issued by EFG International.

46. Off balance sheet items

(All figures in millions of CHF)	**Dec. 31, 2015**	Dec. 31, 2014
Guarantees issued in favour of third parties	**292.3**	260.1
Irrevocable commitments	**104.3**	169.1
Operating lease commitments	**108.0**	133.3
Total	**504.6**	562.5

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

	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**

	Dec. 31, 2014			
(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	118.2	70.3	71.6	260.1
Irrevocable commitments	70.7	98.4	-	169.1
Operating lease commitments	27.7	77.4	28.2	133.3
Total	216.6	246.1	99.8	562.5

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.

47. Fiduciary transactions

(All figures in millions of CHF)	Dec. 31, 2015	Dec. 31, 2014
Fiduciary transactions with third party banks	978.8	1,244.2
Loans and other fiduciary transactions	5.1	5.4
Total	983.9	1,249.6

48. Segmental reporting

The Group's segmental reporting is based on how internal management reviews the performance of the Group's operations. In 2015, certain costs and revenue items were transferred between business units. 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.

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 advances to customers	0.1	-	-	-	-	0.1	-	-	-	-	-	0.1
Reversal of impairment on financial asets held-to-maturity	-	-	-	-	-	-	-	-	-	-	-	-
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	353	323	282	442	354	1,754	152	118	179	10	(34)	2,179

2014

(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	169.4	120.5	106.8	170.8	116.6	684.1	126.1	16.2	5.0	0.7	(113.8)	718.3
Segment expenses	(128.2)	(86.9)	(79.8)	(108.6)	(81.7)	(485.2)	(44.5)	(15.1)	(39.6)	(4.9)	22.9	(566.4)
Tangible assets and software depreciation	(1.3)	(1.2)	(1.0)	(1.1)	(1.7)	(6.3)	(0.1)	(0.4)	(4.5)	-	-	(11.3)
Total operating margin	39.9	32.4	26.0	61.1	33.2	192.6	81.5	0.7	(39.1)	(4.2)	(90.9)	140.6
Cost to acquire intangible assets and impairment of intangible assets	(0.1)	(1.2)	(0.5)	(1.7)	-	(3.5)	-	-	-	-	-	(3.5)
Other provisions	0.9	-	(2.4)	(0.7)	-	(2.2)	-	-	(35.6)	-	-	(37.8)
Reversal of impairment on loans and avances to customers	0.1	-	0.2	-	-	0.3	-	-	-	-	-	0.3
Reversal of impairment on financial assets held-to-maturity	-	-	-	-	-	-	-	-	2.5	-	-	2.5
Segment profit / (loss) before tax	40.8	31.2	23.3	58.7	33.2	187.2	81.5	0.7	(72.2)	(4.2)	(90.9)	102.1
Income tax expense	(1.2)	(2.0)	(0.8)	(4.1)	(4.5)	(12.6)	(2.5)	(0.1)	(2.5)	(0.5)	-	(18.2)
Net profit for the year	39.6	29.2	22.5	54.6	28.7	174.6	79.0	0.6	(74.7)	(4.7)	(90.9)	83.9
Assets under management	15,617	15,726	12,693	19,729	17,538	81,303	12,237	-	1,062	-	(8,979)	85,623
Employees	324	274	288	406	364	1,656	119	106	183	10	(5)	2,069

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.

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

(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

49. Analysis of swiss and foreign assets, liabilities and shareholders' equity (continued)

(All figures in millions of CHF)	Dec. 31, 2014 Swiss	Foreign	Total
Assets			
Cash and balances with central banks	2,120.9	886.2	3,007.1
Treasury bills and other eligible bills	-	626.0	626.0
Due from other banks	1,599.2	548.9	2,148.1
Loans and advances to customers	3,670.2	9,383.7	13,053.9
Derivative financial instruments	97.0	472.8	569.8
Financial assets at fair value:			
Trading Assets	17.2	136.5	153.7
Designated at inception	-	329.7	329.7
Investment securities:			
Available-for-sale	78.2	4,015.3	4,093.5
Held-to-maturity	51.6	1,114.1	1,165.7
Intangible assets	97.9	177.0	274.9
Property, plant and equipment	15.3	14.8	30.1
Deferred income tax assets	9.3	23.5	32.8
Other assets	32.6	104.2	136.8
Total assets	7,789.4	17,832.7	25,622.1
Liabilities			
Due to other banks	2,309.3	(1,841.9)	467.4
Due to custmomers	4,840.2	13,879.1	18,719.3
Subordinated loans	-	246.3	246.3
Debt issued	-	411.1	411.1
Derivative financial instruments	206.8	454.2	661.0
Financial liabilities designated at fair value	-	369.2	369.2
Other financial liabilities	-	3,030.7	3,030.7
Current income tax liabilities	0.8	5.1	5.9
Deferred income tax liabilities	28.8	6.6	35.4
Provisions	25.5	12.5	38.0
Other liabilities	94.3	247.3	341.6
Total liabilities	7,505.7	16,820.2	24,325.9
Shareholders' Equity			
Share capital	250.0	-	250.0
Reserves and retained earnings	1,689.3	(1,193.1)	496.2
	1,939.3	(1,193.1)	746.2
Non-controlling interests	531.2	18.8	550.0
Total shareholders' equity	2,470.5	(1,174.3)	1,296.2
Total liabilities and shareholders' equity	9,976.2	15,645.9	25,622.1

50. Related party transactions

(All figures in millions of CHF)	Dec. 31, 2015 Key management personnel	Dec. 31, 2014 Key management personnel
Assets		
Loans and advances to customers	**1.2**	3.9
Liabilities		
Due to customers	**64.2**	67.9

(All figures in millions of CHF)	2015	2014
Commission income	**0.7**	0.8

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 (2014: nil).

Key management compensation

Key management personnel of the Group and its subsidiaries are entitled to compensations amounting to CHF 13.4 million (December 31, 2014: CHF 12.8 million) and restricted stock units valued at approximately CHF 3.8 million (December 31, 2014: CHF 2.6 million).

51. 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, 2015 was CHF 13.5 million (2014: CHF 10.5 million).

EFG International granted 2,332,048 restricted stock units in 2015. 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 2015 is CHF 9.03. 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 11.29), 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 March 2016 at prices to be determined based on the relevant valuation inputs on the date of issue.

52. Assets under management and assets under administration

Character of client assets

(All figures in millions of CHF)	Dec 31, 2015	Dec 31, 2014
Equities	**22,338**	21,982
Deposits	**21,977**	20,812
Bonds	**16,292**	16,855
Loans	**12,106**	13,145
Structured notes	**2,435**	2,499
Hedge funds / Fund of hedge funds	**3,343**	3,813
Fiduciary deposits	**810**	1,033
EFG International shares	**838**	922
Other	**4,442**	4,562
Total Assets under Management	**84,581**	85,623
Total Assets under Administration	**9,605**	8,368
Total Assets under Management and Administration	**94,186**	93,991

Assets under Administration are trust assets administered by the Group.

Assets under Management

(All figures in millions of CHF)	Dec 31, 2015	Dec 31, 2014
Character of assets under management		
Assets in own administrated collective investment schemes	**3,025**	3,414
Assets with discretionary management agreements	**14,082**	13,787
Other assets under management	**55,368**	55,277
Total Assets under Management (including double counts)	**72,475**	72,478
Thereof double counts	***1,702***	*2,333*
Loans	**12,106**	13,145
Assets under Administration	**9,605**	8,368
Total Assets under Management and Administration	**94,186**	93,991
Net new asset inflows (including double counts)	**2,384**	4,406

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.

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 (655) million, compared to a net increase in loans and overdrafts in the prior year of CHF 855 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.

53. Post balance sheet events

The Group via EFG international has agreed to acquire BSI. If the transaction completes, the Group will become one of the largest private banks in Switzerland with approximately CHF 170 billion in revenue-generating assets under management. The consideration to be paid in cash and shares, corresponding to approximately CHF 1,328 million, is based on EFG International's closing price on 19 February 2016.

As a result of the share consideration, EFG European Financial Group will remain the largest shareholder with circa. 44%, while BTG Pactual will become shareholder with approximately 20% (up to 30% max.). The acquisition is subject to shareholder and regulatory approvals. Completion of the transaction is expected in fourth quarter 2016.

54. 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) Pension plan

Under IFRS, the discount rate used to determine the defined benefit obligation is based on the yield of high quality corporate bonds of the market in the respective country where the pension plan lies. The remeasurement of defined benefit plan is recognised through the Statement of Comprehensive Income.

Under Swiss law, the discount rate used is determined by the Pension Foundation Board based on the expected returns of the Board's long term investment strategy supported by historical performance.

(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.

Contents

Board of Directors and Management of EFG Bank European Financial Group SA (during 2015, unless otherwise stated)

Board of Directors

Mr Spiro J. Latsis, Chairman

Mrs Anne-Marie L. Latsis

Mrs Marguerite Latsis-Catsiapis

Mr Jean Pierre Cuoni * (until April 23, 2015)

Mr Patrick de Figueiredo (from April 23, 2015)

Mr Alain Bruno Lévy *

Mr Hugh N. Matthews *

* independent members of the Board of Directors

Management

Executive Committee

Mr Pericles Petalas, Chief Executive Officer

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

Mr Josué M'Bon, 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)	**2015**	2014
Cash at central bank	**156**	152
Amounts due from banks	**34**	43
Amount due from customers	**20**	22
Participations	**521**	521
Customer deposits	**165**	168
Balance sheet total	**759**	756

Net result from interest related activities and forex	**-**	1
Net result from Commission related activities and services	**1**	1
Income from participations	**20**	16
Operating expenses	**(6)**	(7)
Net profit for the year	**11**	10

Capital adequacy disclosures (Pillar 3)

Detailed capital adequacy disclosures are published on a consolidated basis on www.efggroup.com in conformity with FINMA Circular 2008/22.

Capital and liquidity ratios of the Bank at the individual level (par. 13 of FINMA Circular 2016/1) as at December 31, 2015 (unless otherwise indicated) were as follows on a fully-applied basis:

(All figures in %)	**Actual**	Required
Common Equity Tier 1 (CET1) ratio	**67.9**	7.8
Tier 1 capital ratio	**67.9**	9.6
Total capital adequacy ratio	**168.3**	12.0
Leverage ratio	**11.4**	3.0
Liquidity Coverage Ratio (LCR):		
- Q1 2015 average	**504**	100
- Q2 2015 average	**416**	100
- Q3 2015 average	**500**	100
- Q4 2015 average	**574**	100

Report of the statutory auditor to the General Meeting of the Shareholders of EFG Bank European Financial Group SA on the financial statements

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of EFG Bank European Financial Group SA, which comprise the statement of income, balance sheet, statement of changes in shareholders' equity and notes (pages 106 to 119), for the year ended December 31, 2015.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (art. 728 CO and art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with art. 728a para. 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	Jérémie Pellaud
Audit expert	Audit expert
Auditor in charge	

Geneva, April 25, 2016

Parent Bank Financial Statements for the Year ended December 31, 2015

Statement of Income
for the year ended December 31, 2015

(All figures in thousands of CHF)	Notes	2015	2014
Result from interest related activities			
Interest and discount income	20	(883)	386
Interest and dividend income from financial investments		208	190
Interest expenses		(50)	(33)
Gross result from interest related activities		(725)	543
Changes in value adjustements for default risks and losses from interest activities		(15)	-
Net result from interest related activities		(740)	543
Result from commission related activities and services			
Commission income from securities trading and investment activities		1,150	1,403
Commission income from lending activities		16	79
Commission income and fees from other services		671	1,028
of which central costs recharged to subsidiaries		*197*	*385*
Commission expenses		(1,155)	(1,645)
of which service fees recharged by subsidiaries		*(1,059)*	*(1,529)*
Net result from commission related activities and services		682	865
Net result from trading activities and fair value option	20	1,007	324
Other ordinary income			
Income from participations		19,650	15,720
Real estate income		418	606
Other ordinary income		1	1
Net other ordinary income		20,069	16,327
Total operating income		21,018	18,059
Operating expenses			
Personnel expenses	21	(3,723)	(4,877)
General and administrative expenses	22	(2,561)	(2,136)
of which outsourced services by subsidiaries		*(979)*	*(974)*
Total operating expenses		(6,284)	(7,013)
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		-	(6)
Changes to provision and other value adjustments, and losses		(4)	(35)
Operating result		14,730	11,005
Extraordinary income		-	-
Extraordinary expenses	23	(2,720)	(7)
Taxes	24	(528)	(520)
Net profit for the year		11,482	10,478

Balance Sheet at December 31, 2015

Assets

(All figures in thousands of CHF)	Notes	Dec. 31, 2015	Dec. 31, 2014
Cash at central bank		**155,729**	151,765
Amounts due from banks		**33,921**	42,665
Amounts due from customers	8	**19,765**	22,239
Mortgage loans	8	**505**	530
Positive replacement values of derivative financial instruments	9	**928**	994
Financial investments	10	**16,987**	6,563
Accrued income and prepaid expenses		**678**	419
Participations		**521,442**	521,442
Tangible fixed assets		**9,036**	9,036
Other assets	11	**118**	33
Total assets		**759,109**	755,686
Total subordinated claims		*6,097*	*2,001*
Of which subject to mandatory conversion and / or debt waiver		*-*	*-*

Liabilities

Amounts due to banks		**484**	4,814
Amounts due in respect of customers deposits		**164,801**	168,134
Negative replacement values of derivative financial instruments	9	**130**	575
Accrued expenses and deferred income		**1,180**	857
Other liabilities	11	**136**	130
Provisions	15	**40,527**	37,807
Total liabilities		**207,258**	212,317
Total subordinated liabilities		*-*	*-*

Shareholders' equity

Share capital	16	**250,000**	250,000
Reserve for general banking risks	15	**53,345**	53,345
Statutory reserve from retained earnings		**24,100**	23,500
Voluntary reserve from retained earnings		**212,850**	205,950
Retained earnings carried forward		**74**	96
Net profit for the year		**11,482**	10,478
Total shareholders' equity		**551,851**	543,369
Total liabilities and shareholders' equity		**759,109**	755,686

Off-Balance Sheet Positions at December 31, 2015

(All figures in thousands of CHF)	Notes	**Dec. 31, 2015**	Dec. 31, 2014
Contingent liabilities	8	**4,958**	5,520
Irrevocables commitments	8	**302**	366

Statement of Changes in Shareholders' Equity for the Year ended December 31, 2015

(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	23,500	205,950	96	10,478	543,369
Allocation to/(from) reserves	-	-	600	6,900	(22)	(7,478)	-
Dividend distributed	-	-	-	-		(3,000)	(3,000)
Net profit for the year	-	-	-	-		11,482	11,482
Balance at end of the year	**250,000**	**53,345**	**24,100**	**212,850**	**74**	**11,482**	**551,851**

Proposal for the appropriation of available earnings as at December 31, 2015

With the inclusion of the retained earnings brought forward of CHF 74,581, the available earnings at December 31, 2015 amounted to CHF 11,556,345. 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	7,900,000
Retained earnings carried forward	56,345

Notes to the financial statements

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

EFG Bank European Financial Group SA (or "the Bank"), which has its offices at 24 quai du Seujet, 1201 Geneva, Switzerland, is the regulated parent company of the EFG Group. At December 31, 2015, it held a 54% 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, 2015, the number of people employed by the Bank was 7.5 on a full time basis (2014: 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 new 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). With the exception of the new presentation rules, 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, 2015	Dec. 31, 2014
EUR	1.083	1. 202
USD	0.993	0. 989
GBP	1.470	1. 542

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 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 Management 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 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 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 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, security measures, authorisation frameworks, written operating procedures, legal documentation and support, and compliance checks under the responsibility of the Management. In addition, operational statistics are produced for the attention of the Management.

Board-level risk assessment

The Board of Directors, at its meeting of December 2015, 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. US Tax Program for Swiss Banks

On December 31, 2013, the Bank and its Swiss subsidiary, EFG Bank AG, decided to participate jointly as a Category 2 bank in the US Department of Justice's (DoJ) Program for Non-Prosecution Agreements or Non-Target Letters for Swiss Banks (the "US Program"). On December 3, 2015, the two banks jointly signed a Non-Prosecution Agreement with the DoJ under the US Program, including a one-time payment of USD 29.998 million by EFG Bank AG. The part of this penalty relating to the Bank at the individual level is not material.

6. Post-Balance Sheet Events

The Bank's major subsidiary, EFG International AG, Zurich, ("EFGI") has agreed to acquire BSI. If the transaction completes, the combined EFGI-BSI will become one of the largest private banks in Switzerland with approximately CHF 170 billion in revenue-generating assets under management. The consideration to be paid in cash and shares, corresponding to approximately CHF 1.3 billion, is based on EFGI's closing price on 19 February 2016.

As a result of the share consideration, BTG Pactual will become a shareholder in EFGI with approximately 20% (up to 30% max.), whilst EFG Bank European Financial Group SA will remain the largest shareholder in EFGI with circa. 44%. The acquisition is subject to shareholder and regulatory approvals. Completion of the transaction is expected in the fourth quarter 2016.

7. Breakdown of securities financing transactions

There are no securities financing transactions as at December 31, 2015 (2014: none).

8. 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	2	19,365	420	19,787
Mortgage loans	505	-	-	505
Residential property	*505*	-	-	*505*
Total loans at December 31, 2015	507	19,365	420	20,292
Total loans at December 31, 2014	530	21,844	395	22,769
Loans - after netting with value adjustments				
Total at December 31, 2015	507	19,365	398	20,270
Total at December 31, 2014	530	21,844	395	22,769

(All figures in thousands of CHF)	Secured by mortgage	Secured by other collateral	Unsecured	Total
Off-balance sheet positions				
Contingent liabilities	-	4,958	-	4,958
Irrevocable commitments	-	-	302	302
Total at December 31, 2015	-	4,958	302	5,260
Total at December 31, 2014	-	5,520	366	5,886

(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, 2015	22	-	22	22
Total at December 31, 2014	-	-	-	-

9. 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	911	113	76,813	-	-	-
Option (OTC)	17	17	1,935	-	-	-
Option (traded)	-	-	-	-	-	-
Total derivative financial instruments	928	130	78,748	-	-	-
Total before consideration of netting contracts (all being marked to market):						
Total December 31, 2015	928	130	78,748	-	-	-
Total December 31, 2014	994	575	73,664	-	-	-

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

	Positive replacement values	Negative replacement values				
Of which with banks and securities dealers	928	130		-	-	
Of which with other customers	-	-		-	-	
Total December 31, 2015	928	130		-	-	
Total December 31, 2014	994	575		-	-	

10. Financial investments

(All figures in thousands of CHF)	Book value **Dec. 31, 2015**	Dec. 31, 2014	Fair Value **Dec. 31, 2015**	Dec. 31, 2014
Debt securities	16,976	6,550	16,961	6,492
of which intented to be held to maturity	16,976	6,550	16,961	6,492
of which not intented to be held to maturity (available for sale)	-	-	-	
Equity securities	11	13	48	13
of which qualified participations	-	-	-	-
Total	16,987	6,563	17,009	6,505
of which securities eligible for repurchase agreements transactions in accordance with liquidity requirements	-	-		

December 31, 2015, 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	1,549	5,548	3,029	6,850	16,976
Equity instruments - book value	-	-	-	11	11

11. Other assets and other liabilities

(All figures in thousands of CHF)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
	Other assets		Other liabilities	
Compensation account	-	-	-	-
Indirect taxes	86	30	136	130
Other	32	3	-	-
Total	**118**	33	**136**	130

12. 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, 2015 (2014: none).

13. 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, 2015 (2014: none), neither are any own equity instruments held by own pension scheme.

14. 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, 2015 (unaudited)	**102.6%**
As at December 31, 2014	106.3%

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 2015 financial year or the previous year.

Details of the contributions to the pension fund are provided in Note 21.

15. 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, 2014	Use in conformity with designated purpose	Change of reclassification of provisions	Currency differences	Past due interest, recoveries	New provisions charged to earnings	Release to earnings	Balance at Dec. 31, 2015
Other provisions	37,807	-	-	-	-	2,720	-	40,527
Total provisions	37,807	-	-	-	-	2,720	-	40,527
Reserve for general banking risks	53,345	-	-	-	-	-	-	53,345
Value adjustments for credit default and country risks netted against corresponding assets	37	-	-	-	7	15	-	59
of which value adjustments for credit default and country risks	*37*	-	-	-	*7*	*15*	-	*59*

The reserve for general banking risks has already been taxed.

16. Capital structure and significant shareholders

(All figures in thousands of CHF, or number of units)	Dec. 31, 2015			Dec. 31, 2014		
	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	250,000	2,500,000	250,000	250,000	900,000	250,000
Total share capital	250,000	2,500,000	250,000	250,000	900,000	250,000
of which with voting rights	*250,000*	*2,500,000*	*250,000*	*250,000*	*900,000*	*250,000*

Note: the” Statutory reserve from retained earnings” of CHF 24,100 thousand appearing in the Shareholders’ Equity section of the Balance Sheet is not distributable.

(All figures in thousands of CHF, or %)	Dec. 31, 2015 Participation		Dec. 31, 2014 Participation	
	Nominal	**in %**	Nominal	in %
Significant shareholders				
European Financial Group EFG (Luxembourg) SA, which is ultimately fully controlled by Latsis family interests	250,000	100	250,000	100

17. Due from and due to related parties

(All figures in thousands of CHF)	Amounts due from		Amounts due to	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Qualified participations	343	347	38,399	47,850
Group companies	19,898	3,957	28,957	12,568
Affiliated companies	-	-	2,711	2,737
Bank's governing bodies	15	-	81	112

In addition, the Bank has issued guarantees on behalf of related parties totalling CHF 3,875 thousand as at December 31, 2015 (2014: CHF 4,396 thousand).

The Bank confirms that related party transactions were entered into in line with market terms.

18. Total foreign risk assets by credit rating of the country of risk

(All figures in thousands of CHF)		Dec. 31, 2015	
S&P's ratings	**FINMA Mapping Table**	**Net foreign exposure**	**%**
AAA – AA-	1 & 2	420,717	99.4%
A+ – A-	3	-	-
BBB+ – BBB-	4	2,122	0.5%
BB+ – BB-	5	2	0.0%
B+ – B-	6	424	0.1%
CCC+ – C	7	-	-
Unrated	Unrated	49	0.0%
Total foreign risk assets		**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, 2015	Dec. 31, 2014
Deposits with third party banks	215,564	293,093
Total	**215,564**	293,093

20. 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 1,102 thousand for the year ended December 31, 2015 (2014: CHF nil) 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 2015, 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 1,007 thousand for the year ended December 31, 2015 (2014: CHF 324 thousand). The part related to the Bank's treasury activity totalled CHF 781 thousand for the year ended December 31, 2015 (2014: CHF 100 thousand), offsetting more than 70% of negative interest income, and the part related to the transactions enterred into on behalf clients totalled CHF 226 thousand for the same year (2014: CHF 224 thousand).

21. Personnel expenses

(All figures in thousands of CHF)	2015	2014
Salaries	**(3,156)**	(4,149)
Social security costs	**(248)**	(322)
Contributions to pension plans	**(194)**	(253)
Other personnel expenses	**(125)**	(153)
Total	**(3,723)**	(4,877)

22. General and administrative expenses

All figures in thousands of CHF)	2015	2014
Premises and real estate expenses	**(199)**	(197)
Communication and network expenses	**(31)**	(35)
Computer services	**(4)**	-
Equipment, furniture and other fixtures, operations leases	**(19)**	(19)
Fees of audit firm	**(128)**	(200)
of which financial and regulatory audit services	***(128)***	*(200)*
of which other services	-	-
Other expenses:	**(2,180)**	(1,685)
of which outsourcing services	***(979)***	*(974)*
of which other professional fees	***(783)***	*(336)*
of which marketing and trademarks	***(206)***	*(179)*
of which other	***(212)***	*(196)*
Total	**(2,561)**	(2,136)

23. Extraordinary income and expenses

(All figures in thousands of CHF)	2015	2014
Extraordinary expenses		
Allocation to other provisions	(2,720)	-
Losses	-	(7)
Total	(2,720)	(7)

24. Taxes

(All figures in thousands of CHF)	2015	2014
Current tax on equity and properties, and professional tax	(528)	(520)
Total	(528)	(520)

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 2015 represented 3.6% (2014: 4.7%) of operating result.

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