Half-Year Report

2020

EFG International is a global private banking group offering private banking and asset management services and is headquartered in Zurich. Its registered shares (EFGN) are listed on the SIX Swiss Exchange. In 2017, EFG International completed the integration of BSI, a Lugano-based bank with a long-standing tradition of Swiss private banking and a broad international network. At 30 June 2020, EFG International's largest shareholders are EFG Bank European Financial Group (44.8% stake) and BTG Pactual (28.9%).

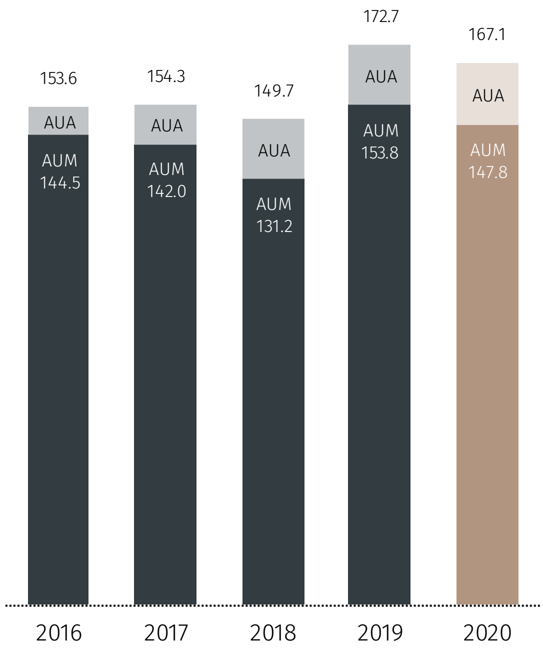
As a leading Swiss private bank, EFG International has a presence in major financial centres and growth markets. It has strong roots in Switzerland, with Zurich, Geneva and Lugano serving as key hubs for the governance and operation of the bank. EFG International operates in around 40 locations worldwide, with a network spanning Europe, Asia Pacific, the Americas and the Middle East.

EFG International is a financial partner that offers security and solidity. An entrepreneurial spirit has shaped the bank since it was established in 1995, enabling it to develop hands-on solutions and to build long-lasting client relationships.

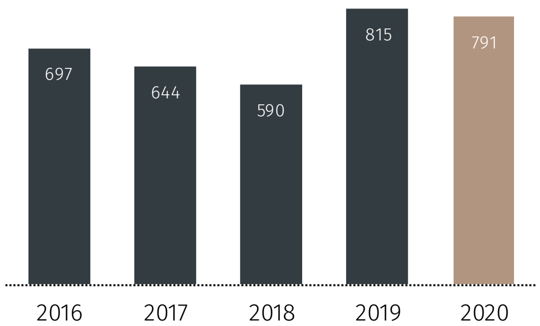
EFG International Performance Evolution

AUM and AUA

in CHF billions

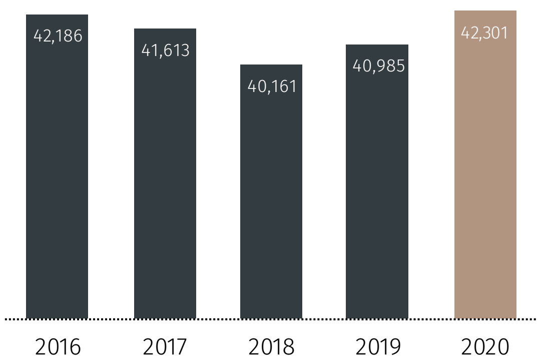


Client Relationship Officers (CROs)



Total balance sheet

in CHF millions



EFG International Financial Highlights

in CHF millions	30 June 2020
Income	
IFRS net profit attributable to equity holders	34.8
IFRS net profit attributable to ordinary shareholders	34.8
Underlying net profit*	37.7
Operating income	563.7
Cost/income ratio*	87.3
Balance sheet	
Total assets	42,300.7
Shareholders' equity	1,643.4
Market capitalisation	
Share price (in CHF)	6.74
Market capitalisation (ordinary shares)	1,985.5
Regulatory capital	
Total regulatory capital	1,982.8
Total capital ratio (Swiss GAAP Basel III)	19.1%

Ratings	**long term**	**outlook**
Moody's	A3	Stable
Fitch	A	Negative

Personnel	
Total number of CROs	791
Total number of employees (FTE's)**	3,127

Listing

Listing at the SIX Swiss Exchange, Switzerland; ISIN: CH0022268228

Ticker symbols	
Reuters	EFGN.S
Bloomberg	EFGN SW

* Excluding impact of non-underlying items (see "Alternative performance measures" section of this report)
** Excluding FTE's on notice period or in social plan

Entrepreneurial thinking.
Private banking.

Contents

Chair and CEO interview

Peter Fanconi, Giorgio Pradelli

The first six months of 2020 were a challenging period in many respects. How has EFG responded to the coronavirus pandemic?

Giorgio Pradelli: The past few months have been unprecedented for all of us, both on a professional and a personal level. At EFG, our priority was to protect the health and well-being of our clients and employees, while ensuring uninterrupted service. As a result, we swiftly implemented wide-ranging split office and work-from-home arrangements, while also accelerating the development of our digital capabilities to facilitate client interaction and provide relevant, up-to-date market insights.

Peter, you only recently joined EFG. What were your first impressions?

Peter Fanconi: First and foremost, I want to thank the shareholders and the Board of Directors for the trust they have placed in me. I would also like to thank the management team and everyone else who helped me to swiftly get acquainted with the business, so that I was well prepared to embark on my new role at EFG.

Over the years, EFG has continuously grown and evolved, transforming itself while staying true to its distinctive entrepreneurial spirit and the principle of never resting and always challenging the status quo. With the global spread of the coronavirus, this ability to adapt and overcome obstacles was more important than ever. Joining EFG during such a challenging time, in the midst of the coronavirus crisis, I was very pleased to see how decisively the management team acted and how well the entire organisation has adapted to the new environment.

How has the coronavirus and the related market turmoil impacted on EFG's business?

Giorgio Pradelli: Overall, we managed the crisis well and demonstrated the operational resilience and financial stability of our business. We have maintained our strong capital position with ample liquidity, reflecting our conservative balance sheet management. Nevertheless, we have seen some adverse effects on revenues, as Assets under Management declined due to negative market and foreign exchange impacts, as well as the fact that interest rates are virtually zero across all major currencies.

How is this reflected in EFG's financial performance?

Giorgio Pradelli: Despite the challenging and uncertain environment, we continued to execute our 2022 strategic plan, which focuses on achieving profitable and sustainable growth. We remained close to our clients and attracted strong net asset inflows with an annualised growth rate of 5.5%, at the upper end of our 4-6% target range. Equally, we continued to deliver improvements in efficiency, lowering our cost base – even when the full impact of Shaw and Partners and our new locations are included – and we improved our IFRS net profit by 10.5% year on year.

Chair and CEO interview

Peter Fanconi: I believe that our solid financial performance in the first half of 2020, despite the adverse external impacts, is a testimony to the strength and resilience of EFG's distinctive business model. Based on our client-centric CRO model, we supported our clients, offering them continuous high-quality private banking services that are tailored to their individual needs.

EFG's cost/income ratio remains comparatively high. How do you explain this?

Giorgio Pradelli: Improving the operational efficiency of our business continues to rank high on our agenda. We have already made significant progress in this area. Since the acquisition of BSI in 2016, we have reduced our underlying cost base by approximately 30% on a comparable basis, excluding our investments in growth initiatives. Even when taking these investments into consideration, we still reduced our costs on a year-on-year basis. However, we have seen some pressure on revenues and we therefore need to further optimise the efficiency of our business. In particular, we are accelerating the execution of our previously announced cost management measures, rationalising our international footprint to focus on high-yielding, high-growth target markets and optimising the operational set-up of our eight main offshore booking centres.

In terms of executing the 2022 strategic plan, what were some of the key achievements during the first half of 2020?

Giorgio Pradelli: We made significant progress with our strategic initiatives in 2019 and successfully maintained this positive momentum in the first half of 2020, as we continued to develop our business. With our investments in growth starting to pay off, we saw substantial net new asset inflows and continued to attract experienced, high-quality CRO teams, which are key drivers of growth. In addition, as part of our strategy to expand our presence in target markets, we further increased our majority stake in Shaw and Partners from 51% to 61%.

Looking ahead to the remainder of 2020, what will be your key focus areas?

Giorgio Pradelli: The coronavirus pandemic and the measures that have been implemented by governments worldwide have had an adverse impact on the global economy. With central banks further easing monetary policy to support economies and lowering interest rates, we expect the full impact of the coronavirus to only materialise in the coming months – especially in the finance industry.

In view of these developments, as well as the reduction in Assets under Management and the pressure on revenue margins, we are implementing revenue management actions with a focus on high-value products and services, and we are executing cost reduction measures. As part of our efforts to rationalise our footprint, we are targeting a cost base reduction of approximately 5% by end-2021, by exiting or reducing our presence in low-yielding, high-cost locations. We have therefore decided to sell our operations in Chile and our onshore private banking subsidiary in France (Oudart), and to exit our Guernsey business with the transfer of operations to other booking centres. We are also targeting a further 5% cost reduction by taking decisive actions to significantly optimise the operational set-up of our main eight offshore booking centres through centralisation and automation as well as the introduction of new digital solutions.

Peter Fanconi: EFG's strategy is focused on achieving sustainable and profitable growth. Since the 2022 strategic plan was presented in March 2019, we have made significant progress in delivering this growth by hiring new CRO teams and expanding EFG's presence in target markets with substantial growth potential. Going forward, we need to focus on maintaining this positive momentum and on optimising our cost base. We are confident that we will see a positive impact on revenues once our investments in growth have fully materialised. However, we also need to respond to the changing market environment and the increased structural pressure we are seeing on revenues and margins. Having a lean and agile cost base will become increasingly important.

I believe that EFG has a distinctive business model, which builds on the bank's entrepreneurial approach and client centricity to offer private banking services on a global scale with local know how. If we continue to leverage these strengths, while further developing our digital capabilities to improve the client experience and efficiency, I am convinced that we can successfully deliver on our strategic growth plan.

This section contains certain financial measures of historical and future performance and financial position that are not defined or specified by IFRS, such as "net new assets", "Assets under Management", "operating profit", "underlying results", "cost/income ratio", "revenue margin", "Liquidity Coverage Ratio" and "Loan/Deposit Ratio". These Alternative performance measures (APM) should be regarded as complementary information to, and not as a substitute for the IFRS performance measures. For definitions of APM, together with reconciliations to the most directly reconcilable IFRS line items, please refer to the section headed "Alternative performance measures" of this Half-Year Report.

EFG International Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2020

Condensed consolidated interim income statement for the six months ended 30 June 2020

	Note	**Half-year ended 30 June 2020 CHF millions**	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Interest and discount income		260.8	324.6	355.7
Interest expense		(97.2)	(168.0)	(186.4)
Net interest income	8	**163.6**	156.6	169.3
Banking fee and commission income		403.5	421.8	326.7
Banking fee and commission expense		(83.3)	(103.5)	(52.0)
Net banking fee and commission income	9	**320.2**	318.3	274.7
Dividend income	10	2.1	0.1	7.1
Net trading income and foreign exchange gains less losses	11	47.3	86.3	73.8
Fair value gains less losses on financial instruments measured at fair value	12	27.0	43.2	13.9
Gains less losses on disposal of financial assets at fair value through other comprehensive income	13	2.9	2.5	10.9
Other operating income	14	0.6	8.1	6.1
Net other income		**79.9**	140.2	111.8
Operating income		**563.7**	615.1	555.8
Operating expenses	16	(497.2)	(494.7)	(503.6)
Provisions	22	(15.7)	(15.0)	(9.6)
Loss allowance expense	15	(3.5)	(24.0)	(0.6)
Profit before tax		**47.3**	81.4	42.0
Income tax expense	18	(9.9)	(13.8)	(9.3)
Net profit for the period		**37.4**	67.6	32.7
Net profit for the period attributable to:				
Net profit attributable to equity holders of the Group		34.8	62.7	31.5
Net profit attributable to non-controlling interests		2.6	4.9	1.2
		37.4	67.6	32.7

	Note	**Half-year ended 30 June 2020 CHF millions**	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Earnings per ordinary share		CHF	CHF	CHF
Basic	27	0.12	0.21	0.11
Diluted	27	0.11	0.20	0.10

The notes on pages 18 to 52 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2020

	Half-year ended 30 June 2020 CHF millions	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Net profit for the period	**37.4**	67.6	32.7
Other comprehensive income:			
Items that may be reclassified subsequently to the income statement:			
Net (loss)/gain on hedge of investments in foreign operations, with no tax effect	(7.2)	2.5	(1.4)
Currency translation differences, with no tax effect	(42.3)	(5.6)	(12.3)
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	(5.5)	(2.8)	18.1
Items that will not be reclassified to the income statement:			
Retirement benefit (losses)/gains	(37.7)	35.8	20.6
Tax effect on changes in value of retirement benefits	7.4	(12.5)	(4.7)
Net loss on investment in equity instrument measured at fair value through other comprehensive income	(1.8)		
Tax effect on net loss on investment in equity instrument measured at fair value through other comprehensive income	0.4		
Other comprehensive (loss)/income for the period, net of tax	**(86.7)**	17.4	20.3
Total comprehensive (loss)/income for the period	**(49.3)**	85.0	53.0
Total comprehensive (loss)/income for the period attributable to:			
Equity holders of the Group	(50.5)	81.5	52.9
Non-controlling interests	1.2	3.5	0.1
	(49.3)	85.0	53.0

The notes on pages 18 to 52 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim balance sheet at 30 June 2020

	Note	30 June 2020 CHF millions	31 December 2019 CHF millions
Assets			
Cash and balances with central banks		7,616.0	8,384.4
Treasury bills and other eligible bills		1,092.4	1,375.3
Due from other banks		4,034.3	2,622.0
Derivative financial instruments		1,344.6	800.9
Financial assets at fair value through profit and loss		2,342.9	2,399.7
Financial assets at fair value through other comprehensive income		6,180.5	5,395.9
Loans and advances to customers	19	18,706.4	19,029.8
Property, plant and equipment		261.6	282.1
Intangible assets		256.0	258.9
Deferred income tax assets		96.9	93.5
Other assets		369.1	342.3
Total assets		**42,300.7**	40,984.8
Liabilities			
Due to other banks		633.0	397.2
Due to customers		31,965.2	30,705.7
Derivative financial instruments		1,534.5	951.0
Financial liabilities at fair value		578.9	552.0
Financial liabilities at amortised cost		4,709.4	5,312.9
Current income tax liabilities		13.4	20.2
Deferred income tax liabilities		23.9	25.4
Provisions	22	148.4	144.1
Other liabilities		614.8	705.8
Subordinated loans	21	384.1	389.7
Total liabilities		**40,605.6**	39,204.0
Equity			
Share capital	24	147.5	145.8
Share premium		1,855.6	1,858.8
Other reserves		218.2	286.0
Retained earnings		(577.9)	(563.9)
Total shareholders' equity		**1,643.4**	1,726.7
Non-controlling interests		51.7	54.1
Total equity		**1,695.1**	1,780.8
Total equity and liabilities		**42,300.7**	40,984.8

The notes on pages 18 to 52 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity for the six months ended 30 June 2020

CHF millions	Share capital	Share premium	Other reserves	Retained earnings	Total shareholders equity	Non-controlling interests	Total equity
	Attributable to owners of the Group						
Balance at 31 December 2018	**145.1**	**1,876.8**	**206.4**	**(600.6)**	**1,627.7**	**28.4**	**1,656.1**
Net profit for the period				31.5	31.5	1.2	32.7
Net loss on hedge of net investments in foreign operations, with no tax effect			(1.4)		(1.4)		(1.4)
Currency translation difference, with no tax effect			(11.2)		(11.2)	(1.1)	(12.3)
Net gain on investments in debt instruments measured at fair value through other comprehensive income, with no tax effect			18.1		18.1		18.1
Retirement benefit gains			20.6		20.6		20.6
Tax effect on retirement benefit gains			(4.7)		(4.7)		(4.7)
Total comprehensive income for the period	**–**	**–**	**21.4**	**31.5**	**52.9**	**0.1**	**53.0**
Dividend paid on ordinary shares				(86.7)	(86.7)		(86.7)
Dividend paid on Bons de Participation				(0.1)	(0.1)		(0.1)
Dividend paid on non-controlling interests						(1.0)	(1.0)
Acquisition of subsidiary						13.8	13.8
New shares issued	0.8	12.5			13.3		13.3
Ordinary shares repurchased	(1.0)	(12.5)			(13.5)		(13.5)
Employee equity incentive plans vested			14.8		14.8		14.8
Employee equity incentive plans exercised	2.0		(2.0)				–
Other				(0.1)	(0.1)	0.3	0.2
Balance at 30 June 2019	**146.9**	**1,876.8**	**240.6**	**(656.0)**	**1,608.3**	**41.6**	**1,649.9**

The notes on pages 18 to 52 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity for the six months ended 30 June 2020 continued

	Attributable to owners of the Group						
CHF millions	Share capital	Share premium	Other reserves	Retained earnings	Total shareholders equity	Non-controlling interests	Total equity
Balance at 01 July 2019	**146.9**	**1,876.8**	**240.6**	**(656.0)**	**1,608.3**	**41.6**	**1,649.9**
Net profit for the period				62.7	62.7	4.9	67.6
Net gain on hedge of net investments in foreign operations, with no tax effect			2.5		2.5		2.5
Currency translation difference, with no tax effect			(4.2)		(4.2)	(1.4)	(5.6)
Net losses on investments in debt instruments measured at fair value through other comprehensive income, with no tax effect			(2.8)		(2.8)		(2.8)
Retirement benefit gains			35.8		35.8		35.8
Tax effect on retirement benefit gains			(12.5)		(12.5)		(12.5)
Total comprehensive income for the period	**–**	**–**	**18.8**	**62.7**	**81.5**	**3.5**	**85.0**
Ordinary shares repurchased	(1.5)	(16.6)			(18.1)		(18.1)
New shares issued		(1.4)			(1.4)		(1.4)
Dividend paid on Bons de Participation				(0.1)	(0.1)		(0.1)
Gain on settlement of put option				29.7	29.7		29.7
Dividend paid on non-controlling interests						(1.0)	(1.0)
Transactions with non-controlling interests						0.4	0.4
Acquisition of subsidiary						2.6	2.6
Change in ownership interests with no loss of control			9.9		9.9	7.0	16.9
Employee equity incentive plans vested			17.1		17.1		17.1
Employee equity incentive plans exercised	0.4		(0.4)		–		–
Other				(0.2)	(0.2)		(0.2)
Balance at 31 December 2019	**145.8**	**1,858.8**	**286.0**	**(563.9)**	**1,726.7**	**54.1**	**1,780.8**

The notes on pages 18 to 52 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity for the six months ended 30 June 2020 continued

	Attributable to owners of the Group						
CHF millions	Share capital	Share premium	Other reserves	Retained earnings	Total Shareholder's equity	Non-controlling interests	Total equity
Balance at 31 December 2019	**145.8**	**1,858.8**	**286.0**	**(563.9)**	**1,726.7**	**54.1**	**1,780.8**
Net profit for the period				34.8	34.8	2.6	37.4
Net loss on hedge of investments in foreign operations, with no tax effect			(7.2)		(7.2)		(7.2)
Currency translation difference, with no tax effect			(40.8)		(40.8)	(1.5)	(42.3)
Net loss on investments in debt instruments measured at fair value through other comprehensive income, with no tax effect			(5.5)		(5.5)		(5.5)
Net loss on investment in equity instrument measured at fair value through other comprehensive income			(1.8)		(1.8)		(1.8)
Tax effect on net loss on investment in equity instrument measured at fair value through other comprehensive income			0.4		0.4		0.4
Retirement benefit losses			(37.7)		(37.7)		(37.7)
Tax effect on retirement benefit losses			7.4		7.4		7.4
Total comprehensive loss for the period	**–**	**–**	**(85.2)**	**34.8**	**(50.4)**	**1.1**	**(49.3)**
Dividend paid on ordinary shares				(43.6)	(43.6)		(43.6)
Dividend paid on Bons de Participation				–			–
Dividend paid on non-controlling interests				–		(1.4)	(1.4)
Acquisition of non-controlling interests				(6.7)	(6.7)	(3.4)	(10.1)
Change in ownership interests with no loss of control				1.5	1.5	1.3	2.8
Ordinary shares repurchased	(0.3)	(3.2)			(3.5)		(3.5)
Employee equity incentive plans vested			19.4		19.4		19.4
Employee equity incentive plans exercised	2.0		(2.0)		–		–
Balance at 30 June 2020	**147.5**	**1,855.6**	**218.2**	**(577.9)**	**1,643.4**	**51.7**	**1,695.1**

The notes on pages 18 to 52 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim cash flow statement for the six months ended 30 June 2020

	Half-year ended 30 June 2020 CHF millions	Half-year ended 30 June 2019 CHF millions
Cash flows from operating activities	(16.9)	(12.2)
Changes in operating assets and liabilities	1,214.5	1,766.5
Net cash flows used in investing activities	(852.3)	1.1
Net cash flows from financing activities	(211.2)	(75.2)
Effect of exchange rate changes on cash and cash equivalents	(21.9)	(71.1)
Net change in cash and cash equivalents	**112.2**	1,609.1
Cash and cash equivalents at beginning of period	11,596.8	11,174.2
Net change in cash and cash equivalents	112.2	1,609.1
Cash and cash equivalents	**11,709.0**	12,783.3

Cash and cash equivalents

Cash and cash equivalents comprise the following balances with less than 90 days maturity:

	30 June 2020 CHF millions	30 June 2019 CHF millions
Cash and balances with central banks	7,616.0	9,307.5
Treasury bills and other eligible bills	707.1	857.0
Due from other banks – at sight	1,951.2	1697.9
Due from other banks – at term	1,434.7	920.9
Cash and cash equivalents	**11,709.0**	12,783.3

The notes on pages 18 to 52 form an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. General information

EFG International AG and its subsidiaries (hereinafter collectively referred to as “EFG International Group” or “The Group”) are a leading global private banking group, offering private banking, wealth management and asset management services. EFG International AG is a limited liability company and is incorporated and domiciled in Switzerland. The Group is listed on the SIX Swiss Exchange.

These unaudited consolidated interim financial statements were approved for issue by the Board of Directors on 21 July 2020.

2. Accounting policies and valuation principles

EFG International’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are stated in Swiss francs (CHF).

These condensed consolidated interim financial statements are unaudited and should be read in conjunction with the audited financial statements included in the Group’s consolidated financial statements for the year ended 31 December 2019. The impact of seasonality on these condensed consolidated interim financial statements is not considered as material.

These condensed consolidated interim financial statements are presented in accordance with IAS 34 Interim Financial Reporting. In preparing the interim financial statements, the same accounting policies, methods of computation and presentation have been applied as in the consolidated financial statements for the year ended 31 December 2019.

The preparation of interim 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 and judgements are presented in note 4 of the consolidated financial statements for the year ended 31 December 2019.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key estimates were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

A summary of any standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group are included in note 2 of the consolidated financial statements for the year ended 31 December 2019.

These condensed consolidated interim financial statements are available in English only.

3. Change in accounting policies

No new accounting standards and interpretations have been published for the reporting period that impact the Group in the current or future reporting periods and on foreseeable future transactions.

4. Financial risk assessment and management

The Group acknowledges that carrying out business in the banking and financial services industry entails risks, i.e. that events may occur which impact the Group’s ability to deliver on its objectives. The Group advocates that the proper management of risks is critical for the continued success of EFG International.

A summary of the Group’s approach to risk management, risk governance, and risk appetite are included in the note 5 of the 2019 Annual Report. There have been no significant changes in the Group’s financial risk management objectives and policies in the six months ended 30 June 2020.

5. Credit risk

The Group's primary credit exposures relate to loans collateralised by securities portfolios and by mortgages, and to highly rated financial institutions, sovereigns and corporates.

There were no purchased credit impaired balances during the reporting period, nor were the terms of contracts modified.

The table below summarises the carrying values and expected credit loss allowance by stage of those financial assets that were measured at amortised cost (or at fair value through other comprehensive income) as of 30 June 2020:

30 June 2020	Total carrying value CHF millions	ECL staging Stage 1 CHF millions	ECL staging Stage 2 CHF millions	ECL staging Stage 3 CHF millions	ECL allowance included in carrying values CHF millions
Cash and balances with central banks	7,616.0				
Treasury bills and other eligible bills	1,092.4				
Due from other banks	4,034.3	0.1			0.1
Mortgage loans	5,895.6	1.2	0.3	5.1	6.6
Lombard and other loans	12,810.8	1.3	2.3	96.2	99.8
Financial assets at fair value through other comprehensive income	6,180.5	0.6			0.6
Total on-balance sheet assets as at 30 June 2020	**37,629.6**	**3.2**	**2.6**	**101.3**	**107.1**
Loan commitments	287.6				
Financial guarantees	964.5		1.5	0.2	1.7
Total	**38,881.7**	**3.2**	**4.1**	**101.5**	**108.8**

The following table summarises the carrying values, credit grades, expected credit loss allowance by stage and fair values of collateral of those financial assets that were measured at amortised cost (or at fair value through other comprehensive income) as of 31 December 2019:

31 December 2019	Total carrying value CHF millions	ECL staging Stage 1 CHF millions	Stage 2 CHF millions	Stage 3 CHF millions	ECL allowance included in carrying values CHF millions
Cash and balances with central banks	8,384.4				
Treasury bills and other eligible bills	1,375.3				
Due from other banks	2,622.0	0.1			0.1
Mortgage loans	6,082.1	0.7	0.1	6.2	7.0
Lombard and other loans	12,947.7	1.7	2.4	95.4	99.5
Financial assets at fair value through other comprehensive income	5,395.9	0.5			0.5
Total on-balance sheet assets as at 31 December 2019	**36,807.4**	**3.0**	**2.5**	**101.6**	**107.1**
Loan commitments	239.7				
Financial guarantees	1,135.1		0.6	0.1	0.7
Total	**38,182.2**	**3.0**	**3.1**	**101.7**	**107.8**

Loans and advances to customers comprise the following:

		30 June 2020 CHF millions	31 December 2019 CHF millions
(i) Mortgage loans	Gross	5,902.2	6,089.1
	Loss allowance	(6.6)	(7.0)
(ii) Lombard loans	Gross	12,198.9	12,201.9
	Loss allowance	(92.8)	(91.4)
(iii) Other loans	Gross	711.7	845.3
	Loss allowance	(7.0)	(8.1)
Total loans and advances to customers		**18,706.4**	19,029.8

5.1 Mortgage loans

The tables below present the aggregate changes in gross carrying values and loss allowances for mortgage loans:

Gross carrying value of mortgage loans	**Stage 1 CHF millions**	**Stage 2 CHF millions**	**Stage 3 CHF millions**	**CHF millions**
Gross carrying value as at 01 January 2020	**5,729.1**	**215.3**	**144.7**	**6,089.1**
Transfers:				
Transfer from Stage 1 to Stage 2	(167.0)	167.0		–
Transfer from Stage 1 to Stage 3	(60.3)		60.3	–
Transfer from Stage 2 to Stage 3		(14.9)	14.9	–
Transfer from Stage 3 to Stage 1	7.7		(7.7)	–
Transfer from Stage 2 to Stage 1	102.0	(102.0)		–
Financial assets derecognised during the period other than write-offs	(632.1)	(35.9)	(31.9)	**(699.9)**
New financial assets originated	565.1			**565.1**
Changes in interest accrual	(5.9)	0.8	1.0	**(4.1)**
FX and other movements	(28.4)	(10.9)	(8.7)	**(48.0)**
Gross carrying value as at 30 June 2020	**5,510.2**	**219.4**	**172.6**	**5,902.2**

Loss allowance on mortgage loans	**Stage 1 12-month ECL CHF millions**	**Stage 2 lifetime ECL CHF millions**	**Stage 3 lifetime ECL CHF millions**	**Total CHF millions**
Loss allowance as at 01 January 2020	**0.7**	**0.1**	**6.2**	**7.0**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2				–
Transfer from Stage 1 to Stage 3				–
Transfer from Stage 3 to Stage 1	0.1		(0.1)	–
Transfer from Stage 2 to Stage 1	0.1	(0.1)		–
New financial assets originated or purchased	0.2			**0.2**
Changes in PD/LGDs/EADs	0.6	0.2	(0.7)	**0.1**
FX and other movements	(0.5)	0.1	(0.3)	**(0.7)**
Total net P&L charge during the period	**0.5**	**0.2**	**(1.1)**	**(0.4)**
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3				–
Loss allowance as at 30 June 2020	**1.2**	**0.3**	**5.1**	**6.6**

There were no purchased credit impaired balances during the reporting period, nor were the terms of contracts modified. In addition, no amounts were written off in the period.

5.2 Lombard loans

The table below presents the aggregate changes in gross carrying values and loss allowances for lombard loans:

Gross carrying value of lombard loans	**Stage 1 CHF millions**	**Stage 2 CHF millions**	**Stage 3 CHF millions**	**CHF millions**
Gross carrying value as at 01 January 2020	**11,848.8**	**149.9**	**203.2**	**12,201.9**
Transfers:				
Transfer from Stage 1 to Stage 2	(239.2)	239.2		**–**
Transfer from Stage 1 to Stage 3	(33.5)		33.5	**–**
Transfer from Stage 2 to Stage 1	60.8	(60.8)		**–**
Financial assets derecognised during the period other than write-offs	(3,218.8)	(161.3)	(1.4)	**(3,381.5)**
New financial assets originated or purchased	3,407.1			**3,407.1**
Changes in interest accrual	(3.0)	(0.9)	(0.1)	**(4.0)**
FX and other movements	(18.4)	(2.7)	(3.5)	**(24.6)**
Gross carrying value as at 30 June 2020	**11,803.8**	**163.4**	**231.7**	**12,198.9**

Loss allowance on lombard loans	**Stage 1 12-month ECL CHF millions**	**Stage 2 lifetime ECL CHF millions**	**Stage 3 lifetime ECL CHF millions**	**Total CHF millions**
Loss allowance as at 01 January 2020	**0.4**	**0.8**	**90.2**	**91.4**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2				**–**
Transfer from Stage 1 to Stage 3				**–**
Transfer from Stage 2 to Stage 1	0.5	(0.5)		**–**
New financial assets originated or purchased	0.1			**0.1**
Changes in PD/LGDs/EADs	0.1	1.1	1.2	**2.4**
FX and other movements	(0.8)	(0.1)	(0.2)	**(1.1)**
Total net P&L charge during the period	**(0.1)**	**0.5**	**1.0**	**1.4**
Other movements with no P&L impact				
Transfers:				**–**
Loss allowance as at 30 June 2020	**0.3**	**1.3**	**91.2**	**92.8**

There were no purchased credit impaired balances during the reporting period, nor were the terms of contracts modified. In addition, no amounts were written off in the period.

Stage 1 lombard loans
Lombard loans are collateralised by portfolios of securities and excluding the five largest individual expected credit losses result in an ECL percentage of the related loans of 0.10%.

Stage 3 lombard loans
Included in Stage 3 lombard loans is a gross exposure including accrued interest of CHF 191.8 million (2019: CHF 194.0 million) that EFG Bank AG disbursed in 2007 and on which an expected credit loss of CHF 87.8 million (2019: CHF 88.3 million) has been calculated. EFG International Group is party to multi-jurisdictional legal proceedings relating to a client relationship with a Taiwanese insurance company, which began with arbitration proceedings in Taiwan which EFG International Group lost. EFG International Group extended a loan of USD 193.8 million (excluding interest) to an affiliate of the insurance company, which was placed into receivership in 2014. The loan is secured by the assets of a separate legal entity domiciled in Jersey pursuant to a pledge agreement governed by Singapore law. The former majority shareholder and chairman of the insurance company (who has been found guilty in Taiwan of various criminal offenses related to the misappropriation of company funds, including the proceeds of the bank loan) also gave EFG International Group a personal indemnity covering the loan. The overall relationship with the insurance company included accounts held at EFG in Hong Kong, Singapore and Switzerland.

In January 2018, an arbitration tribunal in Taiwan concluded that the transaction was invalid under the law of Taiwan as a result of the insurance company's non-compliance with Taiwanese insurance regulations. Based on that reasoning, the tribunal required EFG International Group to return the USD 193.8 million in assets held by the affiliate of the insurance company and used as collateral for the loan, plus interest at a rate of 5% per annum. EFG International Group fundamentally disagrees with the tribunal's reasoning and the result. It is challenging the validity of the award in court in Taiwan and is currently resisting an attempt by the receiver of the insurance company in Hong Kong to enforce the award. The hearing to determine whether the arbitration award will be enforced against EFG International Group in Hong Kong is scheduled to be heard on 17–19 August 2020. If EFG International Group is unsuccessful in opposing enforcement of the arbitration award, it will owe approximately USD 239 million (including interest to 30 June 2020) to the receiver of the insurance company. Regardless, EFG has and will vigorously take actions for alternative recovery of any loss.

The tribunal did not opine on the validity of the loan collateral under the governing laws of Singapore. When the arbitration began, EFG International Group had already commenced legal proceedings to confirm the validity of the loan collateral in Singapore, which are scheduled to be heard in August and September 2020. In the Singapore proceeding, EFG International Group has amended its pleadings to assert that the insurance company is liable in tort for any damages suffered by EFG International Group due to the misconduct of the former beneficial owner and Chairman of the insurance company. In addition, EFG International Group is considering how most appropriately to enforce the personal indemnity of the former chairman, secured through successful legal proceedings in Singapore.

The Group has assessed a multitude of potential outcomes in regard to the recoverability of this loan and has recorded the discounted probability-weighted impairment arising from these scenarios as the ECL. EFG International Group has recorded a provision of equal amount in its Swiss GAAP financial statements, which form the basis of the EFG International Group's regulatory capital adequacy reporting.

5.3 Other loans

The following table presents the aggregate changes in gross carrying values and loss allowances for other loans (which include commercial loans, loans to public entities, unsecured overdrafts):

Gross carrying value of other loans	Stage 1 CHF millions	Stage 2 CHF millions	Stage 3 CHF millions	CHF millions
Gross carrying value as at 01 January 2020	**708.1**	**98.1**	**39.1**	**845.3**
Transfers:				
Transfer from Stage 1 to Stage 2	(6.8)	6.8		–
Transfer from Stage 1 to Stage 3	(22.6)		22.6	–
Transfer from Stage 2 to Stage 3		(0.7)	0.7	–
Transfer from Stage 3 to Stage 2		2.2	(2.2)	–
Transfer from Stage 3 to Stage 1	7.5		(7.5)	–
Financial assets derecognised during the period other than write-offs	(505.8)	(34.6)	(1.9)	**(542.3)**
New financial assets originated or purchased	411.0			**411.0**
Write-offs			(0.7)	**(0.7)**
FX and other movements	(0.5)	(0.2)	(0.9)	**(1.6)**
Gross carrying value as at 30 June 2020	**590.9**	**71.6**	**49.2**	**711.7**

Loss allowance on other loans	Stage 1 12-month ECL CHF millions	Stage 2 lifetime ECL CHF millions	Stage 3 lifetime ECL CHF millions	Total CHF millions
Loss allowance as at 01 January 2020	**1.3**	**1.5**	**5.3**	**8.1**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2				–
Transfer from Stage 1 to Stage 3				–
Transfer from Stage 3 to Stage 1	0.1		(0.1)	–
New financial assets originated or purchased	0.2			**0.2**
Changes in PD/LGDs/EADs	(0.6)	(0.4)	0.8	**(0.2)**
FX and other movements			(0.4)	**(0.4)**
Total net P&L charge during the period	**(0.3)**	**(0.4)**	**0.3**	**(0.4)**
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3		(0.1)	0.1	–
Transfer from Stage 3 to Stage 2				–
Write-offs			(0.7)	**(0.7)**
Loss allowance as at 30 June 2020	**1.0**	**1.0**	**5.0**	**7.0**

There were no purchased credit impaired balances during the reporting period, nor were the terms of any contracts modified. Loans of CHF 0.7 million have been written off in the period.

6. Valuation of financial assets and liabilities

6.1 Financial assets and liabilities measured at fair value

(a) Fair value hierarchy
IFRS 13 requires 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 instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between levels in the current period.

	30 June 2020			
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions
Derivative financial instruments (assets):				
Currency derivatives		189.5		189.5
Interest rate derivatives		36.3		36.3
Equity derivatives		998.3		998.3
Other derivatives		66.0		66.0
Life-insurance-related			54.5	54.5
Total derivatives assets	**–**	**1,290.1**	**54.5**	**1,344.6**
Financial assets at fair value through profit and loss:				
Debt	555.9	488.6		1,044.5
Equity	28.6	0.7	95.6	124.9
Commodities		139.3		139.3
Life-insurance-related			1,014.2	1,014.2
Real estate		17.1	2.9	20.0
Total financial assets at fair value through profit and loss	**584.5**	**645.7**	**1,112.7**	**2,342.9**
Total assets measured at fair value through profit and loss	**584.5**	**1,935.8**	**1,167.2**	**3,687.5**
Financial assets at fair value through other comprehensive income:				
Debt	6,174.9			6,174.9
Equity		5.6		5.6
Total financial assets measured at fair value through other comprehensive income	**6,174.9**	**5.6**	**–**	**6,180.5**
Total assets measured at fair value	**6,759.4**	**1,941.4**	**1,167.2**	**9,868.0**

	30 June 2020			
	Level 1 **CHF millions**	**Level 2** **CHF millions**	**Level 3** **CHF millions**	**Total** **CHF millions**
Derivative financial instruments (liabilities):				
Currency derivatives		(250.3)		(250.3)
Interest rate derivatives		(126.3)		(126.3)
Equity derivatives		(1,072.4)		(1,072.4)
Other derivatives		(85.5)		(85.5)
Total derivatives liabilities	**–**	**(1,534.5)**	**–**	**(1,534.5)**
Financial liabilities designated at fair value:				
Equity	(36.6)	(1.3)		(37.9)
Debt	(81.2)	(10.4)		(91.6)
Structured products		(256.7)		(256.7)
Life-insurance-related			(192.7)	(192.7)
Total financial liabilities designated at fair value	**(117.8)**	**(268.4)**	**(192.7)**	**(578.9)**
Total liabilities measured at fair value	**(117.8)**	**(1,802.9)**	**(192.7)**	**(2,113.4)**
Assets less liabilities measured at fair value	**6,641.6**	**138.5**	**974.5**	**7,754.6**

Movement in Level 3 assets

	Derivative financial instruments CHF millions	Financial assets measured at fair value through profit and loss CHF millions	Total assets in Level 3 CHF millions
At 01 January 2020	53.7	1,053.8	1,107.5
Total gains or losses in the income statement – Net gain from changes in fair value	3.5	43.0	46.5
Purchases/premiums paid	1.3	84.1	85.4
Disposals/premiums received	(3.2)	(52.1)	(55.3)
Exchange differences	(0.8)	(16.1)	(16.9)
At 30 June 2020	**54.5**	**1,112.7**	**1,167.2**
Change in unrealised gains or losses for the period included in the income statement for assets held at the end of the reporting period	3.5	43.0	46.5

	Liabilities in Level 3	
	Financial liabilities designated at fair value CHF millions	Total liabilities in Level 3 CHF millions
At 01 January 2020	(181.9)	(181.9)
Total gains or losses in the income statement – Net loss from change in fair value	(12.0)	(12.0)
Purchases/premiums paid	4.5	4.5
Disposals/premiums received	(6.2)	(6.2)
Exchange differences	2.9	2.9
At 30 June 2020	**(192.7)**	**(192.7)**
Change in unrealised gains or losses for the period included in the income statement for liabilities held at the end of the reporting period	12.0	12.0

(b) 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 the 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, the benchmarking of 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 instrument 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' 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:

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

Valuation techniques **Discounted cash flow analysis**		**30 June 2020** **CHF millions**	31 December 2019 CHF millions
Balance sheet line item	**Products**		
Financial assets at fair value through profit and loss	Equities	95.6	98.0
Balance sheet line item	**Products**		
Derivatives	Synthetic life insurance policies	54.5	53.7
Financial assets at fair value through profit and loss	Physical life insurance policies	1,014.2	952.8
Financial assets at fair value through profit and loss	Real estate	2.9	3.0
Financial liabilities designated at fair value	Synthetic life insurance policies	(192.7)	(181.9)
Total		**974.5**	925.6

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 insurance 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. See note 31 of the 2019 Annual Report for further details.

(ii) Equities

Equities comprise primarily the holding in SIX Group for CHF 69.7 million (2019: CHF 71.6 million) and Aduno Group for CHF 14.7 million (2019: CHF 14.9 million).

The participation in SIX Group is based on a valuation, using the expected net asset value of SIX Group at the end of June 2020, which the Group understands would be the basis for any sale or purchase between SIX Group shareholders. As SIX Group has not yet published its financial statements for June 2020 at the time of preparing these financial statements, the Group has made an estimate of the net asset value. To estimate the net asset value as of 30 June 2020, the Group uses the published SIX Group year-end net asset value and adds a projected profit for the period to June 2020, net of dividends paid. The estimated net asset value of SIX Group at 30 June 2020 has decreased relative to the estimated net asset value at 31 December 2019, primarily due to the dividend distributed in June 2020. As a result, the Group has recorded a loss of CHF 1.8 million as the asset is recorded at fair value through the profit and loss (and recorded dividend income of CHF 1.1 million related to the June 2020 dividend). In 2019, the Group has recorded a gain of CHF 12.1 million and a loss of CHF 1.7 million for the first and second half-year ended respectively.

The sensitivity to the valuation of this asset is primarily linked to the changes in the net asset value of SIX Group, and the gain/loss taken through profit and loss for a 10% higher and 10% lower net profits would be CHF 0.1 million gain or CHF (0.1) million loss on this position classified as fair value through profit and loss.

The participation in Aduno Group is based on a valuation using the expected future profits of Aduno Group. EFG International Group did not recognize any change in fair value for the period to June 2020 (2019: CHF 1.4 million) in the profit and loss as the asset is recorded at fair value through the profit and loss.

(c) Life-insurance-related assets fair value

The Group holds the following life-insurance-related financial assets and liabilities:

IFRS 9 Classification	31 December 2019 Number of insureds	30 June 2020 Number of insureds	30 June 2020 Average age Years	30 June 2020 Average life expectancy Years	30 June 2020 Net death benefits CHF millions	30 June 2020 Fair value CHF millions
Financial assets at fair value through profit and loss	309	289	90.9	4.6	1,923.8	1,014.2
Derivative financial instruments	87	83	90.1	4.9	88.8	54.5
Financial liabilities designated at fair value	(68)	(66)	(88.6)	(5.4)	(288.5)	(192.7)
Total	**328**	**306**			**1,724.1**	**876.0**

These life insurance policies are issued by US life insurance companies. Upon the insured individual (US-based) having deceased, the life insurance company pays a lump sum death benefit to the Group. The Group pays a periodic premium to the life insurance company to keep the policy valid. If the Group did not pay this premium, the insurance policy would lapse, and then the Group would not receive the death benefit.

The key risks that the Group is exposed to (and which impact the fair value) include the following:
– Longevity
– Premium streams and cost of insurance
– Counterparty credit risk
– Interest rate risk

The Group values these financial assets and liabilities at fair value using internal probabilistic models. As the market for life settlement policies is private and fragmented, the models rely on inputs to the models that are not based on observable market data (unobservable inputs), and assumptions are made in determining relevant risk adjustments. These financial instruments are classified as Level 3.

The fair value is calculated using cash flows market participants would expect, based on information provided by independent parties specialised in calculating future cost of insurance charges for life insurance policies and adjusted to account for uncertainties.

The determination of the fair value for this portfolio is a critical process, and therefore the Group reviews these estimates on a periodic basis and relies on expert actuaries and legal advisors in order to minimise risks surrounding the assumptions related to the life expectancy and cost of insurance estimates.

The determination of the fair value of these financial assets and liabilities requires management judgement on the below valuation inputs:

(i) Longevity assumptions

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 underwriters 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.

(ii) Premium streams and cost of insurance
The determination of the estimated cash flows included in the valuation of the life insurance for the fair value estimate of these assets under IFRS 13 is considered to be a critical accounting judgement for the Group, due to the lack of observable readily available information and the complexity of the determination of these assumptions.

The Group uses management's best estimate considering historic information and relying on specialised opinions and information from external service providers about trends and market developments. Management also considers that the outcome of disputes involving significant increases in premiums observed in the US market will affect the expected premiums payable.

The determination of the appropriate level of increase of cost of insurance in the underlying policies is one of the most important assumptions applied by management in the valuation model. Increases in cost of insurance consider the aging of the insured persons and increases in pricing levels of premiums imposed by certain carriers that issued these policies. The majority of life insurance policies have increasing annual premiums payable. In certain instances, additional increases have been announced by insurance companies. The Group considers these increases in cost of insurance to be unjustified and has challenged their implementation in US courts.

The outcome of disputes involving significant increases in premiums observed in the US market affecting the life insurance policies in the portfolio are taken into account. In these cases, management has, in line with market participants, set their own best estimates taking into account the factors outlined above and the relevant contracts. As the ultimate resolution of these legal actions is significant for the Group, it relies on actuaries to set the cost of insurance assumptions.

The Group will also take legal actions against other carriers that have indicated that they will increase premiums. The Group believes that it will prevail in these claims, however legal proceedings are inherently unpredictable, and the actual future outcome might materially differ from the Group's expectations.

(iii) Counterparty credit risk
This is the risk of default of the insurance carrier. Credit risk is taken into account through applying a notching-based probability of default approach that takes the credit rating assigned by a recognised agency into consideration as starting point. The Group is of the view that US life insurance carriers are operating in a highly regulated environment, which would ensure that the rights of the beneficiary under a life insurance policy remain protected and claims under such policies rank among the most senior liabilities.

(iv) Interest rate risk
The risk-adjusted cash flows have been discounted at the term “matching linearly interpolated market swap curve”.

Sensitivities

The sensitivity to the fair value of the Group's life-insurance-related assets and liabilities held at fair value are included below:

Life settlement sensitivities		Discount factor		Longevity		Premium estimates	
		–1% CHF millions	+1% CHF millions	–3 months CHF millions	+3 months CHF millions	–5% CHF millions	+5% CHF millions
Balance sheet line item							
Financial assets at fair value through profit and loss	Physical policies	69.5	(62.6)	40.2	(39.4)	39.8	(39.8)
Derivative financial instruments	Synthetic policies	2.3	(2.1)	(0.1)	(0.1)		
Financial liabilities designated at fair value	Synthetic policies	(12.5)	11.3	(4.1)	3.6		
Profit and loss sensitivity		**59.3**	**(53.4)**	**36.0**	**(35.9)**	**39.8**	**(39.8)**

The assumptions related to premiums and cost of insurance take the market participants' view on the merits of the ongoing legal cases of the Group and other plaintiffs into account. Assuming the full premium increases were used by a market participant, the valuation would decrease by CHF 105.8 million (31 December 2019: CHF 107.5 million).

The impact of counterparty credit risk for a two-notch downgrade would be a CHF 6.1 million (31 December 2019: CHF 6.1 million) decrease in fair value.

(d) Offsetting

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

As at 30 June 2020	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 the balance sheet* Financial assets subject to netting agreements	Cash collateral	Net exposure
Due from other banks	277.5		277.5		(277.5)	
Derivative financial instruments	1,344.6		1,344.6	(322.9)	(980.5)	41.2
FVTPL – Life insurance policies	161.4		161.4	(161.4)		
Total financial assets	**1,783.5**	**–**	**1,783.5**	**(484.3)**	**(1,258.0)**	**41.2**

As at 30 June 2020	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 the balance sheet* Financial liabilities subject to netting agreements	Cash collateral	Net exposure
Derivative financial instruments	1,534.5		1,534.5	(268.3)	(1,275.5)	
FVTPL – Synthetic life insurance	192.7		192.7	(161.4)	(142.1)	
Total financial liabilities	**1,727.2**	**–**	**1,727.2**	**(429.7)**	**(1,417.6)**	**–**

6.2 Financial assets and liabilities measured at amortised cost

The following table summarises the carrying values and fair values of those financial assets and liabilities that were measured at amortised cost as of 30 June 2020:

	Note	Carrying value CHF millions	Fair value CHF millions	Difference CHF millions
30 June 2020				
Financial assets				
Due from other banks	(i)	4,034.3	4,029.5	(4.8)
Loans and advances to customers	(ii)	18,706.4	19,054.0	347.6
		22,740.7	**23,083.5**	**342.8**
Financial liabilities				
Due to other banks	(iii)	633.0	633.0	–
Due to customers	(iii)	31,965.2	31,961.9	(3.3)
Subordinated loans	(iv)	384.1	384.5	0.4
Financial liabilities at amortised cost	(v)	4,709.4	4,730.3	20.9
		37,691.7	**37,709.7**	**18.0**
Net assets and liabilities not measured at fair value		**(14,951.0)**	**(14,626.2)**	**324.8**

(i) Due from other banks
Due from other banks includes interbank 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) 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.

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

(v) Financial liabilities at amortised cost
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 2 of the fair value hierarchy.

7. Assets under Management and Assets under Administration

	30 June 2020 CHF millions	31 December 2019 CHF millions	30 June 2019 CHF millions
Character of client assets			
Equities	41,816	45,807	41,770
Deposits	34,232	33,372	33,396
Bonds	34,504	35,271	34,349
Loans	19,247	19,778	18,883
Structured notes	3,868	4,701	4,371
Hedge funds/Fund of hedge funds	2,591	2,920	2,953
Fiduciary deposits	1,086	1,401	1,229
Other	10,484	10,567	10,613
Total revenue-generating Assets under Management	**147,828**	153,817	147,564
Total Assets under Administration	**19,272**	18,876	18,042
Total Assets under Management and Administration	**167,100**	172,693	165,606

Assets under Administration are trust assets administered by the Group. The Group has CHF 7,982 million (2019: CHF 7,004 million) of Assets under Custody not included in the above.

The Group calculates Total revenue-generating Assets under Management (AUM) as the total market value of the assets and liabilities that the Group manages on behalf of clients. AUM include all assets and liabilities managed by or deposited with the Group on which the Group earns revenue. Assets under Custody excluded from AUM, are assets deposited with the Group held solely for safekeeping/custody purposes, and for which the Group does not offer advice on how the assets should be invested. AUM include lombard loans and mortgages, though does not include the real estate that is security for the mortgage.

When AUM are subject to more than one level of asset management services, double counting arises within the total AUM. Each such separate discretionary or advisory service provides additional benefits to the respective client and generates additional revenue to the Group. 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 AUM.

On an annual basis, the Group discloses in its Annual Report Assets under Management according to the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting.

8. Net interest income

	Half-year ended 30 June 2020 CHF millions	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Banks and customers	209.5	257.0	279.9
Financial assets at fair value through other comprehensive income	44.0	58.3	66.8
Treasury bills and other eligible bills	7.3	9.3	9.0
Total interest and discount income	**260.8**	324.6	355.7
Banks and customers	(62.9)	(123.1)	(140.0)
Financial liabilities at amortised cost	(24.4)	(34.3)	(35.4)
Lease liabilities	(0.4)	(0.7)	(0.5)
Subordinated loans	(9.5)	(9.9)	(10.5)
Total interest expense	**(97.2)**	(168.0)	(186.4)
Net interest income	**163.6**	156.6	169.3

Total interest expense on banks and customers including negative interest on Swiss francs and Euro deposits placed by the Group at the Swiss National Bank and the European Central Bank amounts to CHF 12.1 million in the half-year ended 30 June 2020 (CHF 17.3 million and CHF 18.2 million for the half-year ended December 2019 and June 2019, respectively).

9. Net banking fee and commission income

	Half-year ended 30 June 2020 CHF millions	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Advisory and management fees	168.0	183.1	163.4
Brokerage fees	131.7	123.2	77.6
Commission and fee income on other services	103.8	115.5	85.7
Banking fee and commission income	**403.5**	421.8	326.7
Commission and fee expenses on other services	(83.3)	(103.5)	(52.0)
Banking fee and commission expense	**(83.3)**	(103.5)	(52.0)
Net banking fee and commission income	**320.2**	318.3	274.7

10. Dividend income

	Half-year ended 30 June 2020 CHF millions	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Financial assets at fair value through profit and loss	2.1	0.1	7.1
Dividend income	**2.1**	0.1	7.1

11. Net trading income and foreign exchange gains less losses

	Half-year ended 30 June 2020 CHF millions	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Result of currency and precious metal operations	22.2	62.5	71.9
Client option premiums	25.1	23.6	2.1
Other trading operations		0.2	(0.2)
Net trading income and foreign exchange gains less losses	**47.3**	86.3	73.8

Result of currency and precious metal operations are primarily earned on a transaction basis. Derivative premiums are earned on a transaction basis and amortised over the life of the contract.

12. Fair value gains less losses on financial instruments measured at fair value

	Half-year ended 30 June 2020 CHF millions	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Financial instruments measured at fair value			
Equity securities	17.8	(9.0)	11.2
Life insurance securities	11.8	25.7	13.0
Other	(2.6)	26.5	(10.3)
Fair value gains less losses on financial instruments measured at fair value	**27.0**	43.2	13.9

13. Gains less losses on disposal of financial assets at fair value through other comprehensive income

	Half-year ended 30 June 2020 CHF millions	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Debt securities	2.9	2.5	10.9
Gains less losses on disposal of financial assets at fair value through other comprehensive income	**2.9**	2.5	10.9

14. Other operating income

	Half-year ended 30 June 2020 CHF millions	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Other profits	29.8	12.0	7.9
Other losses	(29.2)	(3.9)	(1.8)
Other operating income	**0.6**	8.1	6.1

Other losses include CHF 26.4 million of amounts payable to the Italian tax authorities under an agreement related to activities of the ex-BSI Group prior to the acquisition by EFG International Group. This amount is fully recoverable from the sellers of the BSI Group (see Other profits below).

Other profits include CHF 26.4 million related to indemnification amounts that are recoverable by the Group from the sellers of the BSI Group.

15. Loss allowances expense

Loss allowance expense includes all expected credit losses movements with an income statement impact:

	Half-year ended 30 June 2020 CHF millions	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Change in loss allowance on lombard and other loans	(2.5)	(23.8)	(0.9)
Change in loss allowance on mortgages	0.2	(0.5)	(1.8)
Change in loss allowance on investment securities	(0.1)	(0.1)	
Change in loss allowance on off-balance sheet items	(1.1)	0.4	2.1
Total loss allowance expense	**(3.5)**	(24.0)	(0.6)

16. Operating expenses

	Note	**Half-year ended 30 June 2020 CHF millions**	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Staff costs	17	(362.3)	(339.1)	(357.8)
Professional services		(16.7)	(19.6)	(24.1)
Advertising and marketing		(4.5)	(5.6)	(6.4)
Administrative expenses		(40.9)	(49.0)	(41.2)
Operating lease rentals		(0.1)	(1.1)	(0.9)
Depreciation of property, plant and equipment		(7.4)	(8.7)	(9.3)
Depreciation of right-of-use assets		(22.7)	(18.4)	(20.3)
Amortisation of intangible assets:				
Computer software and licences		(5.8)	(6.0)	(5.6)
Other intangible assets		(5.8)	(5.9)	(5.5)
Legal and litigation expenses		(12.4)	(16.2)	(12.0)
Other		(18.6)	(25.1)	(20.5)
Operating expenses		**(497.2)**	(494.7)	(503.6)

17. Staff costs

	Half-year ended 30 June 2020 CHF millions	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Wages, salaries and staff bonuses	(281.6)	(285.1)	(280.7)
Social security costs	(25.6)	(22.1)	(23.6)
Pension costs			
Retirement benefits	(12.2)	16.4	(12.2)
Other net pension costs	(6.8)	(4.1)	(6.1)
Employee equity incentive plans	(19.4)	(17.1)	(14.8)
Other	(16.7)	(27.1)	(20.4)
Staff costs	**(362.3)**	(339.1)	(357.8)

As at 30 June 2020, the number of full-time equivalent employees (FTE's) of the Group was 3,227 (3,312 and 3,357 for the half-year ended December 2019 and June 2019, respectively). The average for the period was 3,270 (3,335 and 3,316 for the half-year ended December 2019 and June 2019, respectively).

The FTE's not in their notice period at 30 June 2020 was 3,127 (3,151 and 3,195 for the half-year ended December 2019 and June 2019, respectively).

18. Income tax

	Half-year ended 30 June 2020 CHF millions	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Current tax expense	(7.7)	(12.1)	(7.1)
Deferred income tax expenses	(2.2)	(1.7)	(2.2)
Income tax expense	**(9.9)**	(13.8)	(9.3)

19. Loans and advances to customers

	30 June 2020 CHF millions	31 December 2019 CHF millions
Mortgages	5,902.2	6,089.1
Lombard loans	12,198.9	12,201.9
Other loans	711.7	845.3
Gross loans and advances	**18,812.8**	19,136.3
Less: Loss allowance	(106.4)	(106.5)
Loans and advances to customers	**18,706.4**	19,029.8

The other loans include CHF 108.2 million (2019: CHF 167.5 million) of loans made with no collateral and CHF 73.8 million (2019: CHF 85.3 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, they are within the approved unsecured lending limits for the customers.

20. Loss allowances on loans and advances to customers

	Half-year end 30 June 2020 CHF millions	Half-year end 31 December 2019 CHF millions	Half-year end 30 June 2019 CHF millions
At beginning of period	**(106.5)**	(205.3)	(212.5)
Loss allowance increased through profit and loss	(3.5)	(24.0)	(0.6)
Utilisation of provision	0.7	124.4	8.6
Foreign exchange and other movements	2.9	(1.6)	(0.8)
At end of period	**(106.4)**	(106.5)	(205.3)

21. Subordinated loans

	Weighted average interest rate %	Due dates	30 June 2020 CHF millions	31 December 2019 CHF millions
Subordinated loans – issuers				
EFG International (Guernsey) Ltd – USD 400,000,000	5.00% p.a.	March 2027	384.1	389.7
Total subordinated loans			**384.1**	389.7

Subordinated loans are presented net of unamortised discount on issuance of CHF 1.1 million (31 December 2019: CHF 1.6 million).

The movement in the account is as follows:

	CHF millions
At 01 January 2020	**389.7**
Accrued interest	0.3
Exchange differences	(5.9)
At 30 June 2020	**384.1**

22. Provisions

	Provision for litigation risks CHF millions	Other provisions CHF millions	Total CHF millions
At 01 January 2020	**12.6**	**131.5**	**144.1**
Reclassification from other liabilities		2.9	2.9
Increase in provisions recognised in the income statement	3.5	12.2	15.7
Increase in loss allowance on off-balance sheet items recognised in the income statement		1.1	1.1
Increase in provisions charged to other assets	2.6	1.9	4.5
Provisions used during the period	(2.0)	(17.6)	(19.6)
Exchange differences	0.1	(0.4)	(0.3)
At 30 June 2020	**16.8**	**131.6**	**148.4**
Expected payment within 12 months	0.5	107.0	107.5
Expected payment thereafter	16.3	24.6	40.9
At 30 June 2020	**16.8**	**131.6**	**148.4**

The increase in provisions recognised in the income statement of CHF 15.7 million primarily relates to a CHF 9.9 million provision created for potential payments to the Italian tax authority, whilst a further CHF 1.9 million increase in provisions charged to other assets was recorded related to an amount recoverable under the indemnification receivable from the seller of the BSI Group. Of this total provision created of CHF 11.8 million, CHF 9.8 million was paid prior to 30 June 2020 related to civil matters, leaving a balance of CHF 2.0 million outstanding related to criminal matters and legal costs. The Group has recorded an indemnification asset for CHF 1.9 million as described above, as well as CHF 26.4 million recorded as other liabilities (see note 14).

Provision for litigation risks

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

A provision of CHF 7.0 million (2019: CHF 6.5 million) relates to two client claims, following the discovery of irregularities in the management of clients' accounts by a former employee. The overall position is unlikely to be resolved within a year.

A provision of CHF 2.6 million relates to a default judgement entered against BSI by a Brazilian court in the amount of approximately CHF 2.6 million arising out of a 1998 transaction involving a former BSI client. The Group received notification of the 2013 default judgement via Hague Convention procedures. Any loss on this case will be reimbursed by the seller of the BSI Group and the Group has recorded a related indemnification asset of the same amount as the provision.

Other provisions of CHF 7.2 million remain for various small litigation cases.

Other provisions

The BSI Group took a provision of CHF 95.0 million for disgorgement of profits levied by FINMA on the BSI Group with regard to the investigations into 1MDB, arising from activities that occurred between 2011 and April 2015. The former BSI Group appealed FINMA's decision prior to the acquisition and suspended the payment of the disgorgement of profits. With the acquisition of the BSI Group, the provision was maintained for the existing amount of CHF 95.0 million. On 3 December 2019, the Federal Administrative Court issued an opinion regarding the appeal from FINMA's 23 May 2016 decision. The court confirmed FINMA's determination of the occurrence of violations of supervisory provisions by BSI but vacated FINMA's ruling which set the disgorgement at CHF 95.0 million, and remanded that aspect of the decision to FINMA for further proceedings. The Group's financial results will not be impacted by this court proceeding as any reduction in the amount of disgorgement would be reimbursed to the seller of the BSI Group. The overall position is likely to be resolved within a year.

The Group has a provision of CHF 13.1 million (2019: CHF 13.3 million) which represents the amount that would have to be paid to its counsel as a success fee if the Group succeeds in recovering excess life insurance premiums from insurers who increased premiums. The overall position is unlikely to be resolved within a year.

A provision of CHF 10.0 million (2019: CHF 8.2 million) has been made for claims arising from fraudulent activity by an ex-CRO. In addition, the Group has been made aware that additional claims of approximately CHF 10.5 million may arise, against which the Group is not able to assess the potential loss (see "Contingent liabilities"). The Group is assessing the legal and factual merits of all these claims. The overall position is likely to be resolved within a year.

The Group has a provision of CHF 2.0 million for a matter with Italian authorities. The Italian tax authority, Agenzia Entrate, has sent questionnaires to the Group. The questionnaires requested information for the period from 01 January 2012 to 31 December 2017 regarding (1) income from loans to Italian clients, and (2) the financial dealings the Group had with clients residing in Italy and the activities of the Group in the Italian market, geared towards assessing whether the Group has a "permanent establishment" in Italy. This would subject the Group to taxation on revenues from their Italian-related activities. In December 2019, the Italian tax authorities served a subsidiary of the Group with deeds of assessment which assessed corporate income taxes owed, interest and penalties totalling for a de minimis amount, which has been paid. In June 2020, a settlement with respect to potential civil claims against the Group was reached with the Agenzia Entrate, and those claims are now resolved. In addition to payments to Italian tax authorities, this matter also involves payments to resolve any criminal charges brought against entities in the Group. To the extent this settlement relates to BSI, which did more business with Italian resident clients than the other Group entities, the seller of BSI has accepted responsibility to reimburse amounts related to BSI's former Italian business. The overall position is likely to be resolved within a year.

The Group has a provision of CHF 1.9 million (2019: CHF 0.7 million) for credit default risks. This relates to the expected credit losses under IFRS 9. The Group calculates expected credit losses on off-balance sheet positions primarily related to guarantees. These losses are not expected to arise in the next 12 months. The profit and loss impact is reflected in the loss allowance expense, while for all other provision movements, the profit and loss impact is reflected in the provision expense line of the profit and loss.

The Group has a provision of CHF 5.7 million (2019: CHF 10.6 million) for restructuring costs.

Other provisions of CHF 3.9 million remain for various other potential cash outflows which are not expected to be settled within a year.

23. Contingent liabilities

EFG International Group is involved in various legal and arbitration proceedings in the normal course of its business operations. The Group establishes provisions (see note 22) 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 Group has differentiated the contingent liabilities into four categories as follows:

a) Group does not expect a material cash outflow
b) Group cannot reliably measure the obligation
c) Group cannot reliably measure the obligation, however any obligation arising would be offset by indemnification received
d) Group does not expect a material cash outflow, and any obligation arising would be offset by indemnification received.

(a) Group does not expect a material cash outflow

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

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

i) Claims have been made against the Group in the Bahamas for approximately USD 9 million, which the Group is vigorously defending. 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. The Group strongly believes that there has been no wrongdoing on its part and that it has strong defences to the claims.
ii) The Group has been named as a co-defendant in litigation brought against certain individuals who have allegedly diverted approximately CAD 127 million from their employer for their own benefit. The plaintiffs allege that an employee of the Group acted on behalf of the alleged fraudsters and executed numerous potentially fraudulent transactions while being fully aware of the wrongdoings, and by doing so participated in causing damage to the plaintiffs. The plaintiffs also claim approximately CAD 13 million as compensation for reputational damage. In 2019, the Superior Court of Quebec dismissed the plaintiffs claims on jurisdictional grounds. The plaintiffs appealed in June 2020, and a decision on the appeal is expected within the next few months. The Group is vigorously defending the case and believes it has strong defences to the claims.
iii) An Irish family (not a client of the Group) sued several unrelated defendants claiming they refused to return monies in the amount of EUR 6.9 million. The Group and several other parties were joined to these primary proceedings as a third party by one of the defendants. The allegation seems to be misrepresentation, negligent misstatement, breach of duty, negligence and unjust enrichment. The Group is vigorously defending against these claims and believes it has strong defences to the claims.

(b) Group cannot reliably measure the obligation

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

i) The Group had two accounts in the name of an institutional client. This institutional client was designated by the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury as Specially Designated Nationals on account of assisting drug-trafficking groups in money laundering. When an issue was raised as to whether the Group violated OFAC sanctions after the client’s OFAC designation because of subsequent transactions and interactions between US persons at the Group and the institutional client, the Group promptly initiated an internal investigation of this and other potential OFAC violations, which covered all the Group’s booking centres. The investigation has concluded and the Group is cooperating with OFAC on the matter.
ii) Claims have arisen from possible fraudulent activities by a former employee. Certain claims have been provided for (see note 22), whilst investigations are ongoing related to additional potential claims of approximately CHF 10.5 million. The Group is assessing the legal and factual merits of these claims, however currently there is no reliable estimate of the potential loss on these potential 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 unauthorised transactions were performed. The amount claimed is approximately EUR 49 million plus interest. Although the Group is vigorously defending the case and believes it has strong defences to the claims, it is difficult to determine at this stage whether the matter will ultimately result in liability, and there is no reliable estimate of what losses might be sustained on the claims.
iv) In 2019, the Group was named as a defendant in a claim

brought against over 30 defendants in the Commercial Court in London by the Public Institution for Social Security (PIFSS) of Kuwait. The allegations centre on the former Director General of PIFSS, who is alleged to have been paid secret commissions, and to have been an account holder at EFG beginning in 2008. The claim against the Group centres on allegations that, between 1995 and 2012, the former Director General of PIFSS procured the payment to another defendant of approximately USD 332.1 million of secret commissions, as well as USD 44.6 million in other payments representing proceeds of other schemes alleged in the claim. EFG is investigating the factual and legal merits of the claim. At present, the Group cannot reliably estimate its potential liability in the matter.

v) The Trustee of Bernard L. Madoff Investment Securities LLC (BLMIS) has filed a complaint asserting that redemption payments totaling USD 411 million allegedly received by the Group on behalf of clients should be returned to BLMIS. This action includes the redemptions claimed by the Fairfield liquidators (see next paragraph). The claims against the Group were dismissed in 2018 by the District Court in New York based on jurisdictional and international comity grounds, but that decision was reversed by the Court of Appeals for the Second Circuit. A further appeal was sought with the United States Supreme Court, but that application was denied in June 2020. The case will now proceed at the bankruptcy court. Notwithstanding the reinstatement of the case, the Group believes it has strong defences to the claims and maintains its vigorous defence of the lawsuits.

vi) The Group has been named as a defendant in lawsuits filed by the liquidators of Fairfield Sentry Ltd. and Fairfield Sigma Ltd. asserting that redemption payments received by the Group on behalf of clients should be returned. The amount claimed is uncertain, but the Group believes the amount claimed is approximately USD 217 million. The Group believes it has strong defences to the claims and maintains its vigorous defence of the lawsuits.

(c) Group cannot reliably measure the obligation, however any obligation arising would be offset by indemnification received

The following contingent liabilities (that arose through the acquisition of BSI) that management is aware of, could have a material effect on the Group. However, based on presently available information and assessments, the Group is not able to reliably measure the possible obligation. The Group is entitled to indemnification against losses that may arise from these matters listed below from the seller of the former BSI Group.

i) The US Department of Justice (DoJ) and the Office of the Attorney General in Switzerland are currently conducting criminal investigations into money laundering allegations involving 1Malaysia Development Berhad (1MDB), a sovereign wealth fund owned by the government of Malaysia. Certain 1MDB-related accounts were opened and maintained by the BSI Group pre-acquisition by the EFG International Group, and are currently under review. DoJ has issued requests for assistance to the Swiss authorities in obtaining information on some of the 1MDB-related accounts. The US and Swiss authorities are also investigating whether the Group complied with their anti-money laundering obligations in connection with the 1MDB-related accounts. The Group is cooperating fully with the Swiss and US authorities in these ongoing investigations.

ii) The US Attorney's Office for the Eastern District of New York and the Office of the Attorney General in Switzerland initiated criminal investigations into bribery and money laundering allegations involving officials of Fédération Internationale de Football Association (FIFA) and its member associations and related parties. Certain FIFA-related accounts were opened and maintained by the Group and they are currently under review. The US Department of Justice has issued requests for assistance to the Swiss authorities in obtaining information for some of the FIFA-related accounts. The US and Swiss authorities are also investigating whether the Group complied with their anti-money laundering obligations in connection with the FIFA-related accounts. The Group is cooperating fully with the US authorities in the ongoing investigations.

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

iv) A client has brought legal claims against the Group for

CHF 54 million in purported actual and consequential damages, alleging that the Group did not manage the account in accordance with the mandate. The Group is vigorously defending against these claims and believes it has strong defences to the claims.

(d) Group does not expect a material cash outflow, however any obligation arising would be offset by indemnification received

The following contingent liability is not expected to have a significant adverse effect on the Group's financial position and the Group is entitled to indemnification against losses that may arise from this matter from the seller of the former BSI Group.

i) ln August 2019, the Chilean tax authority made a tax liability determination arising out of BSI's September 2015 sale of shares in a Chilean subsidiary to a third party. ln its tax return filed in 2016, BSI requested a tax refund on the grounds that the sale of the shares had generated a tax loss. The Chilean tax authority, however, disputed the appropriate fair market value of the disposed shares, as well as the appropriate tax rate applicable to the transaction. The total outstanding tax liability as determined by the Chilean tax authority amounts to CHF 24.0 million. The Group appealed the tax authorities decision and is vigorously defending and believes it has strong defences to the claims. In April 2020, the Group commenced legal proceedings challenging the tax authorites assessment, and believes it has strong defences to the tax assessment.

24. Share capital

In the period, share capital increased by a net 3,566,639 shares arising from:

- 929,132 shares issued following the exercise of equity incentive plans from conditional share capital
- 3,242,447 treasury shares allocated to employees following the exercise of equity incentive plans
- With a reduction due to the acquisition of 604,940 treasury shares

The issued nominal share capital of EFG International AG amounts to CHF 147,295,187 divided into 294,590,374 registered shares with a nominal value of CHF 0.50 each.

25. Employee equity incentive plans

In the period, the Group has granted 6,453,264 restricted stock units, which have a vesting period of one, two and three years. The different classes have earliest exercise dates varying from three to five years from the grant date and ending seven years from the grant date.

26. Dividends

	Half-year ended 30 June 2020 CHF millions	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Dividends on ordinary shares			
CHF 0.30 per share related to 2018 paid in 2019			86.7
CHF 0.15 per share related to 2019 paid in 2020*	43.6		
Total dividends on ordinary shares	**43.6**	–	86.7
Dividends on Bons de Participation			
For the period 01 November 2018 to 30 April 2019 at 1.267%			0.1
For the period 01 May 2019 to 30 October 2019 at 0.791%		0.1	
For the period 01 November 2019 to 30 April 2020 at 0.290%			
Total dividends on Bons de Participation	**–**	0.1	0.1

* The Group intends to propose a second cash distribution of CHF 0.15 per ordinary share to an Extraordinary General Meeting in the fourth quarter of 2020, subject to market and economic conditions.

27. Basic earnings per ordinary share

	Half-year ended 30 June 2020 CHF millions	Half-year ended 31 December 2019 CHF millions	Half-year ended 30 June 2019 CHF millions
Net profit for the period attributable to owners of the Group	34.8	62.7	31.5
Estimated dividend on Bons de Participation		(0.1)	(0.1)
Net profit for the period attributable to ordinary shareholders	**34.8**	62.6	31.4
Weighted average number of ordinary shares (000s of shares)	291,690	291,933	287,827
Basic earnings per ordinary share (CHF)	**0.12**	0.21	0.11
Diluted-weighted average number of ordinary shares (000s of shares)	307,990	310,816	301,723
Diluted earnings per ordinary share (CHF)	**0.11**	**0.20**	**0.10**

Basic earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares owned by the Group amounting to 5,692,893 (31 December 2019: 4,842,780).

For the purpose of the calculation of earnings per ordinary share, net profit for the period has been adjusted by an estimated accrued dividend on the Bons de Participation. The latter has been computed by using a dividend rate from 01 January 2020 until 30 April 2020 of 0.290% and from 01 May 2020 until 30 June 2020 at a rate of 0.204%.

In the period pursuant to its employee equity incentive plans, the Group issued in 2020 restricted stock units related to 6,453,264 (2019: 9,674,713) shares.

Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding for the dilutive impact of potential unissued shares. These restricted stock units have the effect to increase the diluted-weighted average number of ordinary shares of EFG International in periods when the Group has profits attributable to ordinary shareholders.

28. Segmental reporting

The Group's segmental reporting is based on how the internal Executive Committee reviews the performance of the Group's operations.

The primary split is between the Private Banking and Wealth Management business, the Investment Solutions business, Global Markets & Treasury, and an aggregation of other activity. The Private Banking and Wealth Management business is managed on a regional basis and is split into:
- Switzerland & Italy
- Continental Europe
- Americas
- United Kingdom
- Asia Pacific

The expense allocation between segments follows a basis using a combination of directly attributable costs, and allocated costs using appropriate allocation keys (Assets under Management, FTE's, Client Relationship Officers, revenues or other drivers as applicable).

CHF millions	Private Banking and Wealth Management Switzerland & Italy	Continental Europe	Americas	United Kingdom
Half-year ended 30 June 2020				
Segment revenue	147.6	92.5	43.8	71.9
Segment expenses	(125.8)	(86.8)	(42.5)	(61.9)
Tangible assets and software depreciation	(3.4)	(3.0)	(1.0)	(1.7)
Total operating margin	**18.4**	**2.7**	**0.3**	**8.3**
Cost to acquire intangible assets and impairment of intangible assets	(0.1)	(0.6)		
Provisions	(0.1)	(1.7)		(0.2)
Loss allowance expense	(0.2)			(1.1)
Segment profit/(loss) before tax	**18.0**	**0.4**	**0.3**	**7.0**
Income tax (expense)/gain	(1.9)			(0.8)
Profit for the period	**16.1**	**0.4**	**0.3**	**6.2**
Assets under Management	42,221	33,581	15,361	20,267
Employees (FTE's)	359	410	146	212

CHF millions	Private Banking and Wealth Management Switzerland & Italy	Continental Europe	Americas	United Kingdom
Half-year ended 31 December 2019				
Segment revenue	150.4	108.5	51.4	71.3
Segment expenses	(133.0)	(89.7)	(51.9)	(56.6)
Tangible assets and software depreciation	(0.1)	(1.0)	0.2	(1.6)
Total operating margin	**17.3**	**17.8**	**(0.3)**	**13.1**
Cost to acquire intangible assets and impairment of intangible assets		(0.3)	0.6	
Provisions	3.4	(4.1)		0.7
Loss allowance expense	1.5	0.4	0.7	(1.0)
Segment profit/(loss) before tax	**22.2**	**13.8**	**1.0**	**12.8**
Income tax (expense)/gain	1.2	(1.1)	(1.0)	(5.0)
Profit for the period	**23.4**	**12.7**	**–**	**7.8**
Assets under Management	44,497	33,519	15,728	21,052
Employees (FTE's)	371	403	149	206

		Investment Solutions	**Global Markets & Treasury**	**Corporate Overheads**	**Eliminations**	**Total**
Asia Pacific	Total					
78.8	434.6	58.4	78.2	(7.5)		563.7
(65.4)	(382.4)	(44.4)	(31.5)	(20.0)		(478.3)
(2.0)	(11.1)	(0.5)	(1.6)	0.1		(13.1)
11.4	**41.1**	**13.5**	**45.1**	**(27.4)**	**–**	**72.3**
(0.1)	(0.8)			(5.0)		(5.8)
	(2.0)			(13.7)		(15.7)
	(1.3)		(0.1)	(2.1)		(3.5)
11.3	**37.0**	**13.5**	**45.0**	**(48.2)**	**–**	**47.3**
(1.1)	(3.8)	(1.4)	(4.7)			(9.9)
10.2	**33.2**	**12.1**	**40.3**	**(48.2)**	**–**	**37.4**
28,208	139,638	40,968		362	(33,140)	147,828
292	1,419	276	89	1,343		3,127

		Investment Solutions	Global Markets & Treasury	Corporate Overheads	Eliminations	Total
Asia Pacific	Total					
81.9	463.5	56.6	44.3	50.7		615.1
(74.4)	(405.6)	(47.4)	(14.2)	(27.2)		(494.4)
0.7	(1.8)	1.2	6.9	(0.7)		5.6
8.2	**56.1**	**10.4**	**37.0**	**22.8**	**–**	**126.3**
0.2	0.5	0.1	0.4	(6.9)		(5.9)
4.3	4.3		0.3	(19.6)		(15.0)
0.6	2.2	0.1	(9.9)	(16.4)		(24.0)
13.3	**63.1**	**10.6**	**27.8**	**(20.1)**	**–**	**81.4**
	(5.9)	0.4	7.3	(15.6)		(13.8)
13.3	**57.2**	**11.0**	**35.1**	**(35.7)**	**–**	**67.6**
31,520	146,316	39,697		225	(32,421)	153,817
308	1,437	265	90	1,359		3,151

	Private Banking and Wealth Management			
CHF millions	Switzerland & Italy	Continental Europe	Americas	United Kingdom
Half-year ended 30 June 2019				
Segment revenue	148.8	88.1	57.0	75.0
Segment expenses	(131.0)	(78.4)	(51.7)	(65.8)
Tangible assets and software depreciation	(7.5)	(5.7)	(2.8)	(2.3)
Total operating margin	**10.3**	**4.0**	**2.5**	**6.9**
Cost to acquire intangible assets and impairment of intangible assets		(0.9)		
Provisions	(3.5)	1.1		
Loss allowance expense				
Segment profit/(loss) before tax	**6.8**	**4.2**	**2.5**	**6.9**
Income tax (expense)/gain	(0.8)	(0.5)	(0.3)	(0.9)
Profit for the period	**6.0**	**3.7**	**2.2**	**6.0**
Assets under Management	42,646	31,753	15,376	20,012
Employees (FTE's)	396	363	158	189

Asia Pacific	Total	Investment Solutions	Global Markets & Treasury	Corporate Overheads	Eliminations	Total
64.4	433.3	53.3	89.3	(20.1)		555.8
(59.4)	(386.3)	(44.9)	(24.3)	(7.4)		(462.9)
(4.7)	(23.0)	(2.2)	(10.0)			(35.2)
0.3	**24.0**	**6.2**	**55.0**	**(27.5)**	**–**	**57.7**
(0.7)	(1.6)		(0.4)	(3.5)		(5.5)
(4.3)	(6.7)		(0.3)	(2.6)		(9.6)
	–		9.9	(10.5)		(0.6)
(4.7)	**15.7**	**6.2**	**64.2**	**(44.1)**	**–**	**42.0**
0.5	(2.0)	(0.7)	(7.4)	0.8		(9.3)
(4.2)	**13.7**	**5.5**	**56.8**	**(43.3)**	**–**	**32.7**
29,994	139,781	37,518		850	(30,585)	147,564
298	1,404	275	97	1,419		3,195

29. Off-balance sheet items

	30 June 2020 CHF millions	31 December 2019 CHF millions
Guarantees issued in favour of third parties	964.5	1,158.1
Irrevocable commitments	287.6	282.4
Total	**1,252.1**	1,440.5

30. Related party transactions

The Group enters into banking and other transactions with related parties. These include loans, deposits, derivatives and provision of services. The total assets positions with related parties amounted to CHF 42.8 million at the end of June 2020 (December 2019: CHF 10.7 million).

The total revenue received from related parties amounted to CHF 28.5 million in the period (year ended 31 December 2019: CHF 9.6 million) and expenses of CHF 0.1 million in the period (2019: CHF 1.1 million).

No provisions have been recognised in respect of loans given to related parties (2019: nil).

31. Significant events

In March 2020, the COVID-19 pandemic expanded to a fully-fledged global crisis impacting the broader health and safety of our staff and clients. This has triggered operational contingency, business continuity and resilience actions to ensure provision of critical client services, fulfilment of our regulatory responsibilities and protection of our employees and clients. The Group has been taking appropriate measures from the initial outbreak.

The crisis has created high levels of volatility in the global financial and credit markets, which affects our client relationships, financial profile and resilience, and the impacts of this are included in these interim financial statements. The Group has recognised lower operating income in the half-year due to the economic environment, and an increase in expected credit losses (see note 15), as well as unrealised losses on investments in debt instruments measured at fair value through other comprehensive income. However, the Group has not needed to record any other impacts related to impairment of fixed or intangible assets or deferred tax assets. In addition, the Group has not taken advantage of any rent concessions in the period.

32. Post balance sheet events

None.

Alternative performance measures

Alternative performance measures

Assets under Management
Total revenue-generating Assets under Management is the total market value of the assets and liabilities that EFG manages on behalf of clients. Assets under Management include all assets and liabilities managed by or deposited with EFG on which it earns revenues. Assets under Custody, excluded from Assets under Management, are assets deposited with EFG held solely for safekeeping/custody purposes, and for which EFG does not offer advice on how the assets should be invested. Assets under Management include lombard loans and mortgages but does not include the real estate that is security for the mortgage.

When Assets under Management are subject to more than one level of asset management service, double counting arises within total Assets under Management. Each such separate discretionary or advisory service provides additional benefits to the respective client and generates additional revenue for EFG. Double counts primarily include self-managed collective investment schemes and structured products issued by EFG, which are also included in customer portfolios and already included in Assets under Management.

EFG discloses Assets under Management on an annual basis in its Annual Report in accordance with the Guidelines of the Swiss Financial Market Supervisory Authority (FINMA) governing financial statement reporting. See note 65 of the 2019 Annual Report.

Average Assets under Management
Average Assets under Management is the monthly average of total Assets under Management.

Net new assets
Net new assets consists of new client acquisitions, client departures and inflows or outflows attributable to existing clients, including new or additional drawdowns of loans and mortgages. Net new assets can be in cash or securities transferred to the bank. 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 EFG's companies are not included in net new assets.

Net new asset growth rate
Net new asset growth rate is calculated by dividing the net new assets of the period by the total Assets under Management at the beginning of the period.

Non-underlying impacts
Non-underlying impacts include the following:
- Revenues, expenses, loss allowance expenses and provisions arising from the legacy life insurance portfolio.
- Acquisition-related intangible amortisation from the BSI and Shaw and Partners acquisitions.
- Interest income, exceptional legal costs and expected credit loss allowance expense from the loan exposure to a Taiwanese insurance company.

Underlying operating income
Underlying operating income is operating income (as presented in IFRS financial statements) excluding non-underlying impacts.

Revenue margin
Revenue margin comprises underlying operating income divided by the average Assets under Management.

Underlying operating expenses
Underlying operating expenses are operating expenses (as presented in IFRS financial statements) excluding non-underlying impacts.

Operating profit
Pre-tax operating profit is operating income less operating expenses as disclosed for IFRS purposes.

Cost/income ratio
Cost/income ratio is underlying operating expenses less acquisition-related intangible asset amortisation divided by underlying operating income. Acquisition-related intangible asset amortisation comprises the total acquisition-related intangible asset amortisation less what is classified as a non-underlying impact (i.e. related to BSI and Shaw and Partners).

Underlying net profit
Underlying net profit is the net profit attributable to equity holders of EFG adjusted for the non-underlying impacts.

Return on tangible equity
Return on tangible equity is underlying net profit divided by average tangible equity. Average tangible equity is the monthly average of total equity, less the monthly average of non-controlling interests, less the monthly average of Intangible assets. All these are as defined under IFRS and on the basis as presented in the IFRS balance sheet.

Return on shareholders' equity
Return on shareholders' equity is underlying net profit divided by average shareholders' equity. Average shareholders' equity is the monthly average of total equity, less the monthly average of non-controlling interests. All these are as defined under IFRS and on the basis as presented in the IFRS balance sheet.

Liquidity Coverage Ratio
The Liquidity Coverage Ratio is defined by the FINMA as part of the Basel III framework. EFG is required to hold enough high-quality liquid assets – such as short-term government debt – that can be sold to fund EFG during a 30-day stress scenario designed by regulators. Banks are required to hold high-quality liquid assets equivalent to at least 100% of projected cash outflows during the stress scenario.

Loan/deposit ratio
The loan/deposit ratio is the ratio of loans and advances to customers divided by the total of the sum of due to customers and financial liabilities at amortised cost on the basis as presented in the IFRS balance sheet.

Alternative performance measures

The reconciliation of underlying results to IFRS results as at 30 June 2020, 31 December 2019 and 30 June 2019 are as follows:

	Underlying half-year ended 30 June 2020 CHF millions	Life insurance CHF millions	Acquisition-related intangible amortisation CHF millions	Exceptional legal costs and provisions CHF millions	IFRS half-year ended 30 June 2020 CHF millions
Net interest income	166.5	(3.8)		0.9	163.6
Net banking fee and commission income	320.2				320.2
Net other income	68.1	11.8			79.9
Operating income	**554.8**	**8.0**	**–**	**0.9**	**563.7**
Operating expenses	(485.2)	(2.7)	(4.9)	(4.4)	(497.2)
Provisions	(15.7)				(15.7)
Loss allowance expense	(2.6)			(0.9)	(3.5)
Profit before tax	**51.3**	**5.3**	**(4.9)**	**(4.4)**	**47.3**
Income tax expense	(11.0)		1.1		(9.9)
Net profit for the period	**40.3**	**5.3**	**(3.8)**	**(4.4)**	**37.4**
Net profit attributable to non-controlling interests	(2.6)				(2.6)
Net profit attributable to equity holders of the Group	**37.7**	**5.3**	**(3.8)**	**(4.4)**	**34.8**

	Underlying half-year ended 31 December 2019 CHF millions	Life insurance CHF millions	Acquisition-related intangible amortisation CHF millions	Exceptional legal costs and provisions CHF millions	IFRS half-year ended 31 December 2019 CHF millions
Net interest income	161.7	(7.0)		1.9	156.6
Net banking fee and commission income	318.3				318.3
Net other income	86.9	53.3			140.2
Operating income	**566.9**	**46.3**	**–**	**1.9**	**615.1**
Operating expenses	(483.9)	(1.2)	(5.1)	(4.5)	(494.7)
Provisions	(11.4)	(3.6)			(15.0)
Loss allowance expense	(18.6)	(2.1)		(3.3)	(24.0)
Profit before tax	**53.0**	**39.4**	**(5.1)**	**(5.9)**	**81.4**
Income tax expense	(15.0)		1.2		(13.8)
Net profit for the period	**38.0**	**39.4**	**(3.9)**	**(5.9)**	**67.6**
Net profit attributable to non-controlling interests	(4.9)				(4.9)
Net profit attributable to equity holders of the Group	**33.1**	**39.4**	**(3.9)**	**(5.9)**	**62.7**

	Underlying half-year ended 30 June 2019 CHF millions	Life insurance CHF millions	Acquisition-related intangible amortisation CHF millions	Exceptional legal costs and provisions CHF millions	IFRS half-year ended 30 June 2019 CHF millions
Net interest income	174.7	(7.1)		1.7	169.3
Net banking fee and commission income	274.7				274.7
Net other income	126.5	(14.7)			111.8
Operating income	**575.9**	**(21.8)**	**–**	**1.7**	**555.8**
Operating expenses	(492.0)	(3.3)	(4.2)	(4.1)	(503.6)
Provisions	(7.0)	(2.6)			(9.6)
Loss allowance expense	9.9			(10.5)	(0.6)
Profit before tax	**86.8**	**(27.7)**	**(4.2)**	**(12.9)**	**42.0**
Income tax expense	(10.0)		0.7		(9.3)
Net profit for the period	**76.8**	**(27.7)**	**(3.5)**	**(12.9)**	**32.7**
Net profit attributable to non-controlling interests	(1.2)				(1.2)
Net profit attributable to equity holders of the Group	**75.6**	**(27.7)**	**(3.5)**	**(12.9)**	**31.5**

Forward-looking statements

This document has been prepared by EFG International AG (EFG) solely for use by you for general information only and does not contain and is not to be taken as containing any securities advice, recommendation, offer or invitation to subscribe for or purchase or redemption of any securities regarding EFG.

This presentation contains specific forward-looking statements, e.g. statements which include terms like “believe”, “assume”, “expect”, “target” or similar expressions. Such forward-looking statements represent EFG’s judgements and expectations and are subject to known and unknown risks, uncertainties and other factors which may result in a substantial divergence between the actual results, the financial situation, and/or the development or performance of the company and those explicitly or implicitly presumed in these statements. These factors include, but are not limited to: (1) the ability to successfully integrate BSI and realise expected synergies, (2) general market, macroeconomic, governmental and regulatory trends, (3) movements in securities markets, exchange rates and interest rates, (4) competitive pressures, and (5) other risks and uncertainties inherent in the business of EFG and its subsidiaries, including BSI group. EFG is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law or regulation.

Nothing contained herein is, or shall be relied on as, a promise or representation as to the future performance of EFG and its subsidiaries, including BSI. EFG and BSI as a combined group may not realise the full benefits of the contemplated transaction, including the expected synergies, cost savings or growth opportunities within the anticipated time frame or at all.

EFG International AG
Bleicherweg 8
8001 Zurich
Switzerland
Phone +41 44 226 18 50
Fax +41 44 226 18 55
www.efginternational.com

Investor Relations
Phone +41 44 212 73 77
investorrelations@efginternational.com

Media Relations
Phone +41 44 226 12 72
mediarelations@efginternational.com