Annual Report

2017

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. EFG International's largest shareholders are EFG Bank European Financial Group (43.8% stake) and BTG Pactual (27.8%).

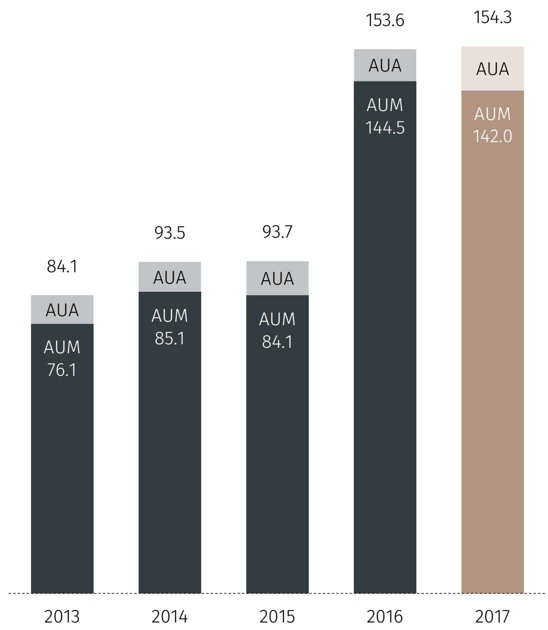
As a leading Swiss private bank, EFG International has a presence in major financial centres and growth markets. It has strong roots in Switzerland, with Zurich, Geneva and Lugano serving as key hubs for the governance and operation of the bank. EFG International operates in around 40 locations worldwide,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

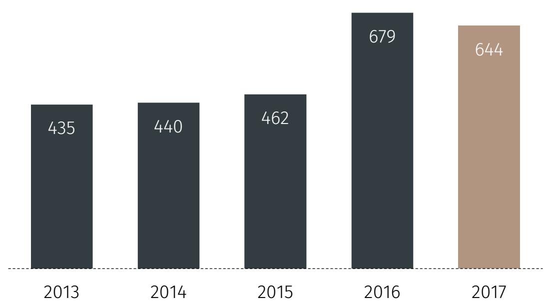
EFG International Performance Evolution

AUM and AUA

in CHF billions

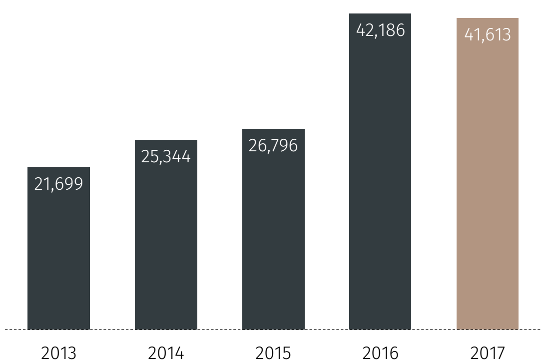


Client Relationship Officers (CROs)



Total Balance Sheet

in CHF millions



EFG International Financial Highlights

in CHF millions	31 December 2017
Income	
IFRS net profit/(loss) attributable to equity holders	(59.8)
IFRS net profit/(loss) attributable to ordinary shareholders	(61.8)
Underlying recurring net profit*	165.0
Operating income	1,142.7
Cost/income ratio	92.2
Balance sheet	
Total assets	41,613
Shareholders' equity	1,727
Market capitalisation	
Share price (in CHF)	10.30
Market capitalisation (ordinary shares)	2,984
Regulatory capital	
Total Regulatory Capital	2,330.3
Total Capital Ratio (Swiss GAAP Basel III, fully applied)	21.5%

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

Personnel	
Total number of CROs	644
Total number of employees (FTE's)	3,366

Listing

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

Ticker Symbols	
Reuters	EFGN.S
Bloomberg	EFGN SW

* Excluding impact of non-recurring items.

Entrepreneurial thinking.
Private banking.

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Editorial Chair and CEO

John A. Williamson, Giorgio Pradelli

Dear shareholders, dear clients,

2017 marked the start of a new era for EFG. Following the closing of the BSI acquisition in November 2016, we reached a number of important milestones during the year and successfully completed the integration of BSI last December. As a result of this transformational step, which has significantly increased the size and scale of our business, EFG is today one of the largest Swiss private banks with approximately CHF 142 billion of Assets under Management. Our priority for the coming years is to realise the full potential of our combined business and to seize new opportunities for the benefit of our clients, shareholders and employees.

Successful completion of integration process

Over the last year, we moved ahead swiftly with the BSI integration and successfully concluded the overall process on 11 December, following the final data migration from the Swiss business to EFG's core IT platform. We not only integrated the former BSI business globally and introduced our bank's renewed brand across all regions but, at the same time, continued to execute on our strategic growth targets.

In April 2017 – only around six months after the closing of the BSI acquisition and in parallel to the accelerated integration process in Asia – we completed the legal integration of the former Swiss BSI business. Two months later, at the beginning of July 2017, we concluded the overall legal integration globally, following the integration of the Luxembourg and Monaco businesses. In addition, on 17 July 2017 we reached an agreement with BTG Pactual on the final purchase price of CHF 972 million, part of which was to be paid in the form of shares, Additional Tier 1 instruments and cash.

The integration process itself was a major undertaking, encompassing a total of six legal integrations and nine IT migrations worldwide, as well as the global rollout of our renewed brand. While focusing intensively on this process, we continued to maintain our underlying profitability and to make significant progress in reducing our underlying cost base, exceeding the targeted pre-tax cost synergies of CHF 50 million for 2017.

As a combined bank operating on a consolidated Group-wide IT system, we are now also even better positioned to provide clients with a comprehensive and high-quality product and service offering.

Strengthening our global presence

In addition to completing the integration process, we continued to strengthen our bank's global presence in key markets. In October 2017, we announced the closing of the acquisition of UBI Banca International (Luxembourg) S.A. from Unione di Banche Italiane S.p.A., with around EUR 2.4 billion of revenue-generating Assets under Management and approximately EUR 1.5 billion of Assets under Custody. In addition to the enlargement of the business due to the

BSI integration, this acquisition significantly strengthened our bank's presence in the Luxembourg market and reinforced our efforts to grow our footprint in Europe. With its enhanced position as one of EFG's important business hubs, EFG Bank (Luxembourg) S.A. offers a range of superior private banking, investment and wealth management services to clients in this important market.

EFG also faced significant challenges during the year. Banca d'Italia notified us in May 2017 that administrative proceedings had been initiated against the former BSI offices in Italy due to alleged regulatory and compliance failings that pre-dated the closing of the acquisition by EFG. This matter could have resulted in the closure of the Italian offices. However, our combined businesses at Group and regional level worked intensively to address this issue. As a result, Banca d'Italia announced on 13 November 2017 that it had removed its restrictive order and dismissed the administrative proceedings against the former BSI offices in recognition of EFG's strong compliance processes and structures. This has ensured we can maintain our onshore presence in Milan and relaunch our business serving clients in the strategically important Italian market.

An effective risk and regulatory framework is and will continue to be an important prerequisite for profitable and sustainable growth. We believe that our strong focus on risk management and compliance will not only further strengthen confidence in our bank and improve our market position but also be an important factor driving our long-term growth.

Leadership changes

In October 2017, Joachim (Joe) Straehle announced his decision to retire as Chief Executive Officer (CEO) of EFG at the end of year, following the completion of the integration process. He had served as CEO of EFG International since April 2015 and was the driving force behind the acquisition and subsequent integration of BSI. It was a privilege to work so closely with Joe and we want to thank him for leading the bank skilfully and with vision and foresight and for ensuring EFG is well positioned for the future. On behalf of the Board of Directors and the Executive Committee, we wish him all the very best for the future and hope he will enjoy his well-earned retirement. As previously announced, Giorgio Pradelli, former Deputy CEO and Chief Financial Officer of EFG International, was appointed as his successor and took over the position as CEO on 01 January 2018.

In line with our bank's strategic focus, we have made further changes to EFG's Executive Committee in order to drive growth and further improve operational efficiency, as well as continuing to strengthen our risk and regulatory compliance framework. Marcelo Coscarelli has therefore been named Head of the Latin America region, effective 01 July 2017, and Vittorio Ferrario was appointed as a member of the Executive Committee in his new role as Chief Compliance Officer, effective 01 August 2017. In addition, Dimitris Politis was appointed CFO, Renato Cohn Deputy CEO and Thomas A. Mueller Chief Risk Officer, effective 01 January 2018. Christian Flemming now holds the role of Chief Operating Officer and Mark Bagnall has assumed the new position of Chief Technology Officer. Reto Kunz and Peter Fischer have decided to step down as members of the Executive Committee but will continue to support our bank in key strategic projects and initiatives.

Economic and political events that shaped the market

From a macroeconomic and political perspective, 2017 was marked by a number of important events that affected the markets. These developments ranged from the inauguration of the US President, Brexit negotiations and elections in Germany and France to key monetary policy decisions by major central banks.

Interest rates remained at low levels in 2017. However, the US Federal Reserve began tightening the monetary reins with three consecutive interest rate hikes during the year. Likewise, in November 2017, the Bank of England increased UK interest rates from 0.25% to 0.5% in its first rate rise since 2007. Despite this slight upward trend in interest rates and the gradual tightening of monetary policy by some central banks, the European Central Bank (ECB) continued its quantitative easing programme amid ongoing concerns over the political and financial stability of the European Union (EU) – particularly against the backdrop of the ongoing Brexit negotiations. While the inflation rate in the EU continues to fall short of the ECB's 2% target, the region as a whole showed signs of steady recovery.

Overall, economic growth improved at a global level and most notably in the US, where equity prices have steadily increased through most of 2017 due to the expected reduction in corporate tax rates and increased infrastructure spending. Overall, financial market volatility decreased in 2017. However investor sentiment remained somewhat fragile as markets experienced high levels of volatility around major political events. On the back of generally positive market trends, the global banking sector also saw a partial recovery with increasing share prices.

Improved underlying profitability in 2017

Despite the ongoing integration process throughout 2017 and the heightened associated resources, EFG improved its underlying profitability. In 2017, we posted underlying operating income of CHF 1,202.3 million, which compares to CHF 762.7 million in 2016. Underlying net commission and net interest income amounted to CHF 615.9 million and CHF 383.3 million, respectively. EFG's underlying revenue margin was above target range at 87 basis points for the full-year 2017, compared to 84 basis points in 2016.

Underlying operating expenses for 2017 amounted to CHF 1,033.2 million. Both underlying personnel and other expenses increased compared to 2016, mainly reflecting the heightened costs associated with the enlarged business. However, we continued successfully to decrease our underlying costs throughout the last year and, as previously mentioned, exceeded our pre-tax cost synergy target. EFG's underlying cost/income ratio increased to 85.9% in 2017 from 83.8% in 2016, mainly reflecting higher IT costs prior to the completion of the data migration to our single IT platform.

Reflecting the increased size and continued cost discipline, EFG reported underlying net profit of CHF 165.0 million[1] in 2017, compared to CHF 82.3 million in the previous year. Factoring in the impacts from the integration process as well as impacts from the life insurance portfolio, mainly relating to restructuring and exposure reduction, EFG reported an IFRS net loss of CHF 59.8 million[2] for 2017, compared to a profit of CHF 225.3 million for 2016, which was positively impacted by the BSI acquisition.

On track to realise synergy potentials
As previously announced, EFG is targeting total pre-tax cost synergies of approximately CHF 240 million, which it aims to realise in full in 2019. By end-2017, we achieved cumulative pre-tax cost synergies of CHF 108 million, far exceeding the targeted amount of CHF 50 million. We expect the majority of the remaining cost synergies to be achieved in early 2018, with the integration process now completed and EFG operating on a single IT core system. By mid-2018, we expect already to realise our cumulative synergy target of CHF 180 million for end-2018, ahead of schedule.

Net new assets and Assets under Management
Excluding AuM attrition relating to the BSI integration, EFG reported solid underlying net new assets of CHF 2.3 billion in 2017, with an improvement to CHF 1.9 billion in underlying net new assets in the second half of the year. Overall, underlying net new assets were consistently positive from the second quarter onwards with an annualised growth rate of 3.6% for the last three quarters.

Overall, EFG recorded net asset outflows of CHF 5.8 billion for the full year 2017. This includes AuM attrition of CHF 8.2 billion, which is well in line with our previously announced guidance of expected attrition of CHF 8-9 billion for the full year. Furthermore, we saw a significant deceleration in attrition levels throughout the course of the year, reflecting the gradual completion of the BSI integration.

At the end of 2017, revenue-generating Assets under Management were CHF 142.0 billion, reflecting the negative impact from CHF 4.6 billion in asset reclassifications following the completion of the integration process and CHF 8.2 billion in AuM attrition more than offsetting the positive market and currency effects as well as positive underlying net new assets and net inflows from acquisitions. This compares to Assets under Management at the end of 2016 of CHF 144.5 billion on a reported and CHF 139.9 million on a like-for-like basis, including the asset reclassifications.

CRO development
As a result of the ongoing integration process throughout the year as well as performance management and cost control measures, the number of client relationship officers (CROs) declined from 697 at the end of 2016 to 644 at end-2017. Average Assets under Management per CRO further increased to CHF 237 million (excluding CROs newly hired during 2017), reflecting an increase in productivity. During 2017, 58 new CROs were hired in selected markets. Going forward, we will continue to focus on further hiring high-quality CROs in key strategic markets through targeted initiatives.

Strong capital and liquidity position
At the end of 2017, EFG's Swiss GAAP Common Equity Ratio (CET1) stood at 17.7% versus 18.2% at end-2016. Overall, the Total Capital Ratio increased to 21.5% compared to 20.0% at end-2016. EFG has a strong and liquid balance sheet, with a Liquidity Coverage Ratio of 209% and a Loan/Deposit Ratio of 52% at the end of 2017.

Early adoption of IFRS 9 standard and update on life insurance portfolio
EFG decided to adopt early the IFRS 9 reporting standard,

1 This figure excludes the following non-recurring items: CHF 134.1 million of costs relating to the integration of BSI, CHF 38.4 million negative impact from the life insurance portfolio as well as CHF 30.1 million from the unwinding of partially hedged life insurance exposure, CHF 6.4 million BSI intangible amortisation charge and CHF 15.8 million of exceptional legal costs.

2 Attributable to equity holders

Editorial Chair and CEO

effective 01 January 2017, without restating the prior periods. As a result of adopting this new reporting standard, the reclassification of certain items impacts EFG's profitability and balance sheet.

In particular, due to valuation reclassifications of certain insurance policies from EFG's life insurance portfolio at fair value, shareholders' equity was impacted by CHF 338 million due to the first time adoption. In addition, the introduction of expected credit losses (ECLs), as an alternative approach to estimating provisions, has an equity impact of CHF 140 million. The majority of ECLs is thereby linked to legacy issues, including lombard loans secured by life insurance policies and the legal proceedings related to a Taiwanese insurance company. As announced on 23 January 2018, an arbitration tribunal in Taiwan recently rendered an award requiring EFG to return a loan collateral of USD 193.8 million under Taiwanese law. Irrespective of any accounting provision, EFG fundamentally disagrees with the arbitration tribunal's reasoning and is vigorously challenging in court the validity of the award and any attempt to enforce it.

Furthermore, EFG materially reduced its insurance portfolio exposure by partially unwinding derivative transactions involving hedged physical policies. In line with this, we also substantially reduced longevity risk of the remaining insurance portfolio. Overall these de-risking actions had an impact on profitability of CHF 30.1 million. With regard to the previously announced claims filed in a US court against AXA, Transamerica and Lincoln to challenge the implementation of premium increases relating to policies in its life insurance portfolio, the carriers' motion to dismiss EFG's claim has been rejected. All legal proceedings are ongoing.

Ordinary dividend

The payment of a dividend of CHF 0.25 per share (exempt from withholding tax) will be proposed to the Annual General Meeting of 27 April 2018. This is unchanged from the dividend distributed in the previous year.

2018: Demonstrating our potential

While 2017 was a transformational period, 2018 is the year of optimisation and proving the potential of our combined business. With the platform migration completed and all our businesses operating on a single, combined IT platform, we can now focus on leveraging our experience and expertise to best serve our clients' needs.

Equally, in 2018 we will continue to focus not only on growing our business in key regions but also on maintaining a lean and efficient cost base. As previously mentioned, we expect the majority of our targeted cost synergies to materialise in the first half of 2018. This will result in a significant reduction in overall costs. Nevertheless, we will exercise cost discipline in all that we do. This is important in view of current challenges in the private banking industry, with continued pressure on revenues and the rising cost of doing business.

The evolving regulatory landscape will also continue to have an impact on the industry and therefore on our bank. As one of Switzerland's largest private banks, we are committed to responding promptly and effectively to new and emerging regulatory requirements. We have already made considerable progress in establishing EFG's robust compliance framework across all businesses and will continue to strengthen it as a key factor in our strategy of achieving sustainable long-term growth.

We will focus on delivering the key pillars of the growth strategy we have defined for our combined group. In particular, we will work intensively to realise the current competitive strengths of our business in the core private banking segment and to strengthen our existing locations as part of our enhanced global network. At the same time, we will further improve our extensive range of wealth management products and services through a flexible and agile open architecture platform and will continue to draw on our entrepreneurial spirit in order to differentiate ourselves from our peers.

We would like to thank our clients, shareholders and employees for their continued trust and commitment.

John A. Williamson,
Chair of the Board

Giorgio Pradelli,
Chief Executive Officer

International Presence

Proximity to clients

EFG combines a global focus with a strong local presence.

Closer to you around the globe
We are there for you wherever you need us – in selected locations around the world and with experienced experts that know and lead local businesses. This proximity to our clients allows us to provide you with comprehensive advice that takes into account local conditions.

- EFG serves clients all over the world, with around 40 different locations spanning every time zone.
- Our global network stretches across Europe to Asia, North and South America and the Middle East.
- We are based in Switzerland, one of the most stable and competitive economies in the world, with a leading international financial centre. We have strong roots here, with important sites from which the bank is managed in Zurich, Geneva and Lugano.

Americas

Argentina	Buenos Aires
Bahamas	Nassau
Bermuda	Hamilton
Cayman Islands	Grand Cayman
Chile	Santiago
Colombia	Bogotá
Panama	Panama
Peru	Lima City
Uruguay	Montevideo Punta del Este
USA	Miami

Europe

Channel Island	Guernsey Jersey
Cyprus	Nicosia
France	Paris
Greece	Athens
Italy	Milan
Liechtenstein	Vaduz
Luxembourg	Luxembourg
Monaco	Monte Carlo
Spain	Madrid

Switzerland	Zurich Geneva Lausanne Martigny Crans-Montana Bellinzona Locarno Lugano Chiasso
Turkey	Istanbul
United Kingdom	London Birmingham

Middle East

Bahrain	Manama

Asia

China	Shanghai Hong Kong
Indonesia	Jakarta
Singapore	Singapore
Taiwan	Taipei

Financial Review

For EFG International, the financial year 2017 was a transformational year, characterised by a number of important events. The key event in 2017 was the integration of the global BSI business, which was completed successfully in December. This process included a total of six legal integrations and nine IT migrations as well as the global roll-out of the renewed EFG brand. Furthermore, EFG made considerable progress in the addressing and de-risking of several legacy issues as well as implementing a unified risk and compliance framework across the combined bank.

EFG has now significantly increased the size and scale of its business, making it one of the largest Swiss private banks. As of end-2017, the combined EFG business recorded revenue-generating Assets under Management of CHF 142.0 billion and a total balance sheet in excess of CHF 41 billion.

EFG also realised a number of synergies throughout 2017. As previously announced, EFG is targeting total pre-tax cost synergies of approximately CHF 240 million, which it aims to realise in full in 2019. By end-2017, EFG achieved cumulative pre-tax cost synergies of CHF 108 million, exceeding the targeted amount for 2017 of CHF 50 million. EFG continued to execute on its headcount reduction programme in line with the combination of the business, targeting between 100-150 reductions per annum until end-2019. At end-2017, the number of employees was at 3,366 (full-time equivalents), down 206 compared to the previous year and exceeding the planned reductions.

Reflecting the increased size of the combined business and continued cost discipline throughout 2017, EFG reported underlying net profit of CHF 165.0 million[1] in 2017. Factoring in the impacts from the integration process and the various exceptional items, EFG reported an IFRS net loss attributable to equity holders of CHF 59.8 million for 2017.

Detailed financials

While the overall integration process required substantial resources across the bank, EFG achieved solid underlying profitability and made significant progress in realising cost synergies. Excluding integration costs and some exceptional non-recurring items in 2017, underlying recurring net profit was CHF 165.0 million, versus CHF 82.3 million for 2016. On a reported basis, EFG registered an IFRS net loss attributable to equity holders of CHF 59.8 million in 2017, versus a profit of CHF 225.3 million in 2016. This decrease thereby reflects the impact of the integration costs and from exceptional items, including the exposure reduction and restructuring of the life insurance portfolio, on the 2017 results as well as a positive bargain gain on the 2016 results.

Operating income

The Group posted underlying operating income of CHF 1,202.3 million for 2017, compared to CHF 762.7 million for 2016, with underlying net commission and net interest income amounting to CHF 615.9 million and CHF 383.3 million, respectively. Underlying net other income was CHF 203.1 million. Underlying operating income increased significantly compared to last year, reflecting the bank's increased size and scale. EFG's underlying revenue margin was resilient at 87 basis points for the full-year 2017, compared to 84 basis points in 2016.

On a reported basis, operating income was CHF 1,142.7 million, compared to CHF 722.0 million in 2016.

Operating expenses

Underlying operating expenses for 2017 amounted to CHF 1,033.2 million, compared to CHF 643.7 million in 2016. Both underlying personnel and other expenses increased compared to 2016 to CHF 704.2 million and CHF 329.0 million, respectively, reflecting the heightened costs associated with the enlarged business. However, throughout 2017, EFG made significant progress on realising synergies and reducing its cost base, posting a decrease in underlying operating expenses of 6% compared to 2016 and 18% compared to 2015 on a combined basis.

On a reported basis, including the integration costs, operating expenses for 2017 were CHF 1,190.0 million, up from CHF 690.4 million in 2016. This again reflects the impact of consolidating the BSI business for twelve months in 2017 compared to two in 2016 and integration related costs of CHF 134.1 million, CHF 15.8 million of exceptional legal costs, mainly relating to the previously disclosed legal proceedings relating to a client relationship with a Taiwanese insurance company, as well as CHF 6.4 million of a BSI intangible amortisation charge.

Net new assets & Assets under Management

Excluding AuM attrition, EFG saw solid underlying net new assets of CHF 2.3 billion for the full-year 2017, with an improvement to CHF 3.6 billion in underlying net asset

1 This figure excludes the following non-recurring items: CHF 134.1 million of costs relating to the integration of BSI, CHF 68.5 million negative impact from the life insurance portfolio, mainly relating to a material reduction and restructuring in its insurance portfolio exposure, CHF 6.4 million BSI intangible amortisation charges net of tax, and CHF 15.8 million of exceptional legal costs.

inflows in the last three quarters of the year.

Overall, including attrition outflows, EFG saw a positive trend in net new asset development throughout the year. For the full year of 2017, EFG recorded net asset outflows of CHF 5.8 billion. This included an AuM attrition of CHF 8.2 billion, in line with the guidance of CHF 8-9 billion in AuM attrition for 2017, as announced at the 1H17 results presentation. AuM attrition has significantly decelerated throughout the year, reflecting the gradual completion of the BSI integration by end-2017, and was mainly attributable to outflows from exit countries and the termination of relationships in line with the de-risking of the business. As of end-2017, total AuM attrition since the closing of the BSI acquisition in November 2016 stood at CHF 11.6 billion.

Revenue-generating Assets under Management were CHF 142.0 billion at the end of 2017. This compares to Assets under Management at end-2016 of CHF 144.5 billion on a reported and CHF 139.9 million on a like-for-like basis, including an asset reclassification of CHF 4.6 billion. This reclassification relates to low single-digit basis point yielding assets, following the review of consolidated client data. Assets under Management were thereby affected by the reclassification, effective 01 January 2017, and CHF 8.2 billion in AuM attrition offsetting the positive market and currency effects as well as positive underlying net new assets and net inflows from acquisitions.

CRO development

The number of Client Relationship Officers (CROs) declined from 697 at end-2016 to 644 at the end of 2017. This decrease reflects the progression and completion of the integration process, ongoing performance management efforts as well as raising the bar on recruitment standards, targeting only the more experienced CROs. As a result of this approach, 58 new CROs were hired in key markets in 2017. As per end-2017, average Assets under Management per CRO stood at CHF 237 million (excluding CROs newly hired in 2017), reflecting a further increase in productivity compared with CHF 212 million in 2016 and CHF 180 million in 2015.

Factors affecting results of operations

The financial results for 2017 were impacted by a number of factors ranging from the overall BSI integration process to a number of exceptional items.

These exceptional items for the 2017 financial year as well as the fact that the full-year 2016 results included only two months of BSI, following the closing of the acquisition in November 2016, limit the comparability between the two reporting periods. As a result, comparisons against the previous year are sometimes made with reference to the combined results for 2016, which include the full 12 months of BSI.

Integration process

Over the last year, EFG moved ahead swiftly with the BSI integration and successfully concluded the overall process on 11 December, following the final data migration from the Swiss business to EFG's core IT platform. EFG not only integrated the former BSI business globally and introduced its enhanced brand across all regions but, at the same time, continued to execute on its strategic growth targets.

In April 2017 – only around six months after the closing of the BSI acquisition and in parallel to the accelerated integration process in Asia – EFG completed the legal integration of the former Swiss BSI business. Two months later, at the beginning of July 2017, EFG concluded the overall legal integration globally, following the integration of the Luxembourg and Monaco businesses. In addition, on 17 July 2017 EFG reached an agreement with BTG Pactual on the final purchase price of CHF 972 million, part of which was to be paid in the form of shares, Additional Tier 1 instruments and cash.

The integration process itself was a major undertaking, encompassing a total of six legal integrations and nine IT migrations worldwide, as well as the global rollout of the renewed EFG brand. While focusing intensively on this process, EFG continued to maintain its underlying profitability and to make significant progress in reducing its underlying cost base, exceeding the targeted pre-tax cost synergies of CHF 50 million for 2017.

As of year-end 2017, EFG incurred lower-than-expected integration costs of CHF 195.9 million since the beginning of the integration process. In 2017, pre-tax integration costs amounted to CHF 140.8 million, with the majority being incurred in the second half of the year due to the IT and data migration.

Introduction of IFRS 9

As previously indicated, EFG decided to adopt early the IFRS 9 accounting standard, effective 01 January 2017, without restating prior periods. As a result of implementing this new standard, the reclassification of certain assets as well as the introduction of expected credit losses (ECLs) impacts EFG's balance sheet. EFG decided to introduce this new accounting standard already in 2017 rather than in 2018 to allow for better comparability of its results in the future.

In particular, the reclassification of certain assets from EFG's life insurance portfolio from held-to-maturity to fair value under the new IFRS 9 standard adversely impacted shareholders' equity by CHF 338 million due to the first time adoption. The valuation of the life insurance portfolio at fair value significantly reduces uncertainty about EFG's balance sheet. In addition, this reclassification has no impact on EFG's regulatory capital as reported according to Swiss GAAP.

In addition, the introduction of ECLs, as an alternative approach to estimating provisions, has an equity impact of CHF 140 million. The IFRS9 standard introduces the concept of lifetime losses for exposures with a significant increase in credit risk, which has the effect of accelerating provisioning. The impact of ECLs on EFG's private banking business is very limited and the bulk of ECLs is linked to legacy issues. This includes lombard loans secured by life insurance policies and the legal proceedings related to a Taiwanese insurance company. For complex cases, such as the latter, the IFRS 9 standard requires a scenario analysis of possible outcomes and a probability-weighted approach to estimating the ECL. As announced on 23 January 2018, an arbitration tribunal in Taiwan recently rendered an award requiring EFG to return a loan collateral of USD 193.8 million under Taiwanese law. Irrespective of any accounting provision, EFG fundamentally disagrees with the arbitration tribunal's reasoning and is vigorously challenging in court the validity of the award and any attempt to enforce it.

Exposure reduction of life insurance portfolio

In 2017, EFG's life insurance portfolio negatively impacted the Group's IFRS profitability by CHF 68.5 million. The largest portion of this loss relates to a material reduction and restructuring in its insurance portfolio exposure, by partially unwinding derivative transactions involving hedged physical policies, with an adverse impact of CHF 30.1 million on 2017 IFRS net profitability.

From 2017 onwards, the introduction of IFRS 9 may increase the volatility of EFG's profitability – primarily in the non-underlying components – as more exposures are recognised at fair value through profit and loss.

Agreement on final purchasing price for BSI

Following the completion of the acquisition of BSI on 31 October 2016 and in order to agree the final price for BSI, EFG International and BTG Pactual have been in discussion in relation to the closing accounts for BSI as at that date. On 17 July 2017, EFG International and BTG Pactual agreed that the final price to be paid for BSI will comprise the 86.2 million EFG International shares and CHF 31 million of EFG International Additional Tier 1 (AT1) instruments already issued at completion (both unchanged) and a cash consideration of CHF 486 million. Based on the EFG International share price of CHF 5.27 as at closing, the final price is equivalent to CHF 972 million (vs. CHF 1,060 million estimated as at 31 October 2016).

This resulted in BTG Pactual paying CHF 89 million to EFG International (a reduction of CHF 189 million of the receivable from BTG Pactual of CHF 278 million included in the financial statements of EFG International as at 31 December 2016 and a reduction of CHF 185 million versus the acquisition price proposed by BTG Pactual in its notice to the market on 15 March 2017).

Balance Sheet

At the end of 2017, the balance sheet total stood at CHF 41.6 billion.

Customer deposits decreased by CHF 0.5 billion to CHF 32.3 billion, while loans increased by CHF 0.1 billion to CHF 19.0 billion. Funding from other financial liabilities increased by CHF 0.6 billion, offsetting the decrease in customer deposits but with longer duration, further increasing the liquidity of the balance sheet, ending the year with over CHF 9.7 billion cash balances with central banks and a liquidity coverage ratio of 209%. The majority of tangible assets remain callable or disposable within 3 months, with the exception of life insurance policies of CHF 0.7 billion and CHF 6.6 billion of mortgages.

Shareholders' equity totalled CHF 1.73 billion, compared to CHF 2.26 billion as reported at end-2016. This decrease mainly related to the following:
- Restatement of 2016 P&L due to finalisation of acquisition accounting for BSI, reducing equity by CHF (114.0) million
- Adoption of IFRS 9 which resulted in held-to-maturity assets being remeasured at fair value resulting in a decrease of CHF 353.6 million and the introduction of CHF 140 million in Expected Credit Losses
- IFRS net loss attributable to equity holders of CHF 59.8 million
- CHF 71.9 million paid as ordinary dividend;
- CHF 172.8 million gain from retirement benefits actuarial gains

At the end of 2017, EFG's Swiss GAAP Common Equity Ratio (CET1) stood at 17.7% and the Total Capital Ratio at 21.5%, including CHF 72 million anticipated ordinary 2017 dividend, to be approved by the Annual General Meeting of shareholders in April 2018, corresponding to a dividend per share of CHF 0.25. EFG has a strong and liquid balance sheet, with a Liquidity Coverage Ratio of 209% and a Loan/Deposit Ratio of 52% at the end of 2017.

Risk-weighted assets decreased to CHF 10.8 billion as of 31 December 2017, down from CHF 12.3 billion at end-2016, as risk-weighted asset optimisation continues.

Ordinary dividend
The payment of a dividend of CHF 0.25 per share will be proposed to the Annual General Meeting scheduled for 27 April 2018.

Ratings
EFG International and EFG Bank are rated by the Fitch and Moody's rating agencies.

The current ratings are:

EFG International
Fitch: Long-Term issuer default rating of A and Short-Term issuer default rating of F1 (outlook negative)

Moody's: Long-Term issuer rating of A3 (outlook stable)

EFG Bank
Fitch: Long-Term issuer default rating of A and Short-Term issuer default rating of F1 (outlook negative)

Moody's: Long-Term Bank Deposit rating of A1 and the Short-Term Bank Deposit rating of P1 (outlook stable)

Beyond Banking

Multi-faceted approach

EFG offers clients comprehensive private banking – and because life is multi-faceted, our commitments also go beyond banking.

Shared interests and values
Music, art, sport and social commitments: We consider many facets of life and society to be both fascinating and important. EFG supports a variety of partners in society. We believe that by also sharing our interests and values with you, our clients, and finding out what is important to you, we can foster mutual understanding.

Classic Cars
Vintage car races attract collectors, drivers and fans. EFG shares this passion and, since 2008, has been one of the main sponsors of the Le Mans Classic – which is among the world's leading classic car events and has an international following. We support a selection of vintage car events in Europe and EFG is an official partner to the Rising Stars Programme run by the British Racing Drivers' Club.

EFG Hong Kong Ladies Open
EFG is a long-term supporter of golf in Asia. We are also the first title sponsor of the Hong Kong Ladies Open, which is now firmly established as one of the key highlights in the Hong Kong golfing calendar. As part of our efforts to support promising young golfers, we are proud to partner with Tiffany Chan, one of Hong Kong's youngest golfing stars.

© RIGHT TO PLAY

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Right To Play

Using corporate and employee donations, EFG provides targeted support for projects run by Right To Play. This international organisation is active in 16 countries and uses play to promote the holistic development of children facing adversity. Right To Play has pioneered a unique play-based approach to learning and development, focusing on quality education, health, gender equality, life skills, child protection and building peaceful communities.

Southbank Sinfonia

EFG has been the principal partner of the Southbank Sinfonia since 2009. This unique orchestra provides young musicians with a springboard into the orchestral profession. Each year, 33 graduate musicians are given the opportunity to spend nine months playing with the orchestra and performing in order to gain valuable professional experience.

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© PEGGY GUGGENHEIM COLLECTION, VENICE. PH. MATTEO DE FINA

EFG London Jazz Festival

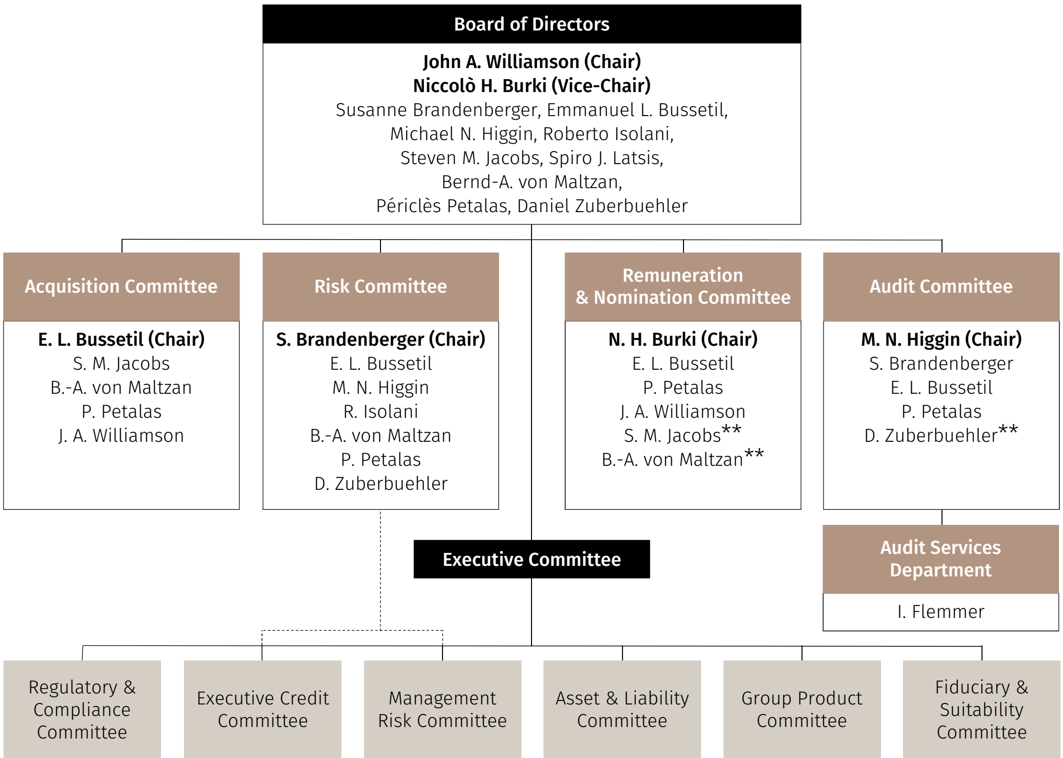
EFG has been the title sponsor of the EFG London Jazz Festival since 2013 and was co-creator of the EFG Excellence Series in 2008. The London Jazz Festival, founded in 1991, emerged from the long-standing Camden Jazz Week that was established in 1970. The aims of the Festival remain the same today: To celebrate the place of jazz in a city that is at ease with its rich cultural diversity, and to include a number of venues across London.

Peggy Guggenheim Collection

Featuring contemporary art from the 20th century, the Peggy Guggenheim Collection – located next to the Grand Canal in Venice – is a unique source of fascination for art enthusiasts. We have supported its development and exhibitions for many years and look forward to continuing our collaboration with the Peggy Guggenheim Collection in the future.

Corporate Governance

Board of Directors & Committees 2017*

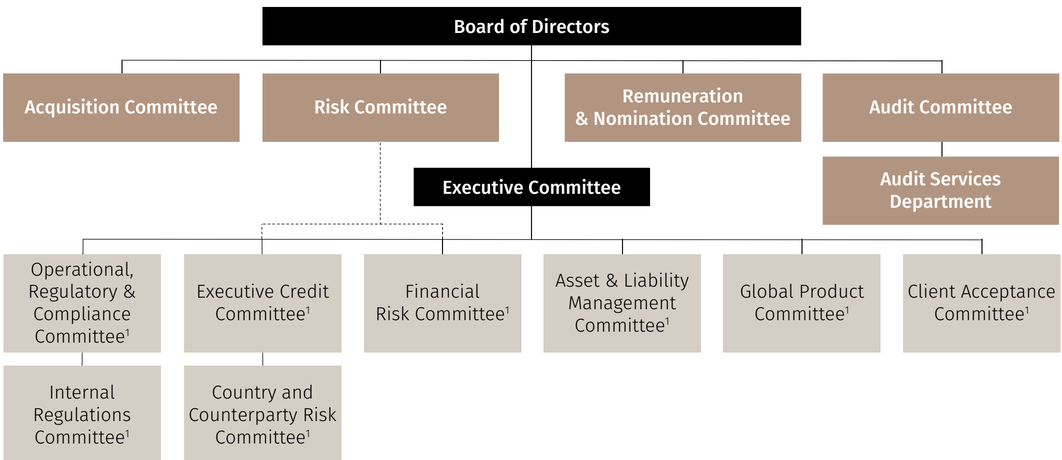


┈┈ Reporting line to the Risk Committee to ensure independence of various risk functions within EFG International Group.

* As of 31 December 2017

** As of 28 April 2017

Board of Directors & Committees 2018*

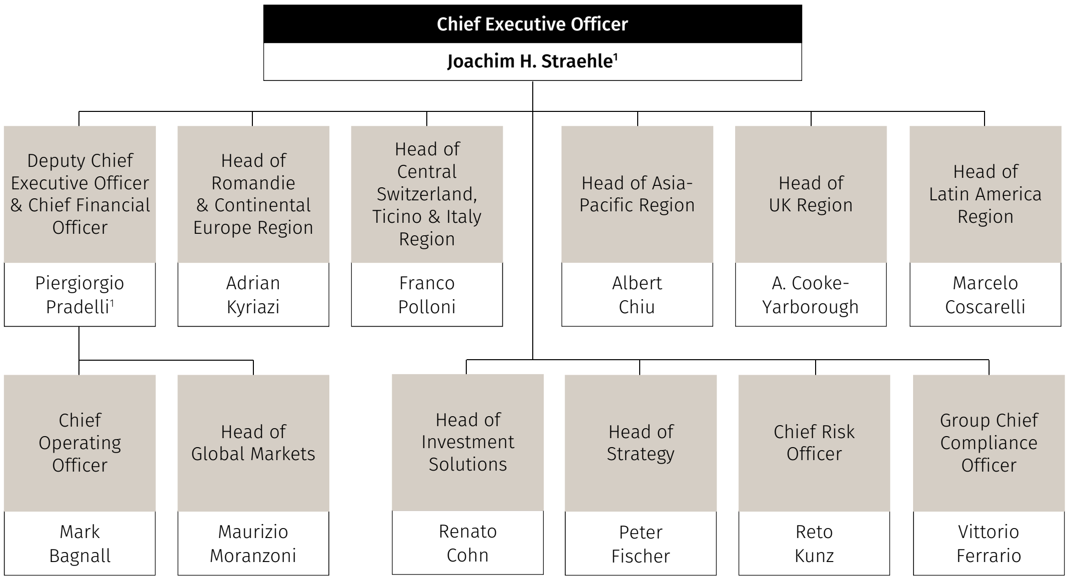


┈┈ Reporting line to the Risk Committee to ensure independence of various risk functions within EFG International Group.

* As of 01 January 2018

1 As part of the implementation of the FINMA Circular 2017/1 Corporate Governance – Banks the Executive-delegated committee's landscape changed effective as of 01 January 2018.

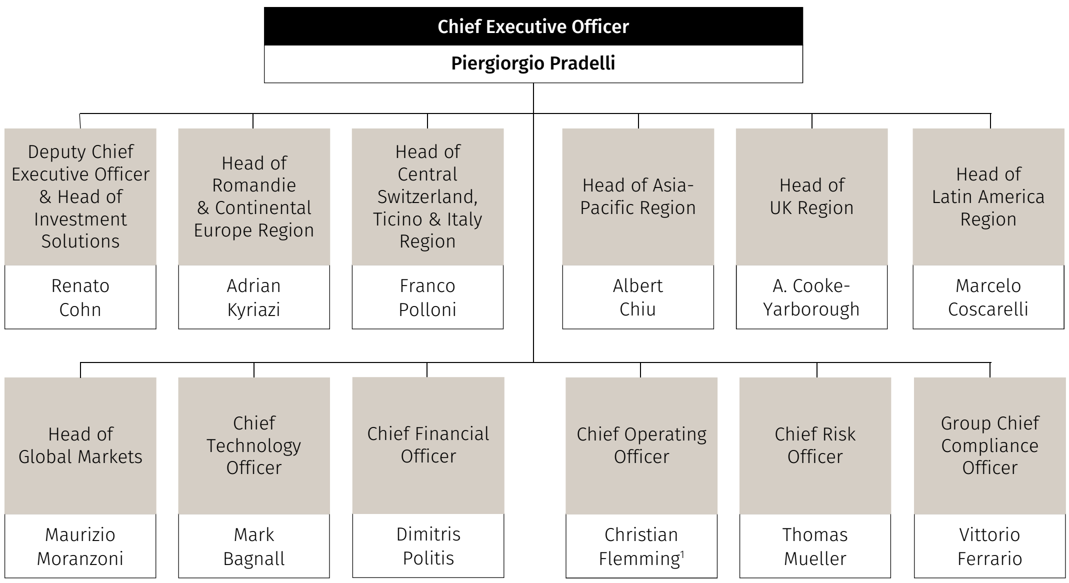
Executive Committee 2017*



* As of 31 December 2017

1 Mr Pradelli was designated Chief Executive Officer from 01 October 2017 until 31 December 2017.

Executive Committee 2018*



* As of 28 February 2018

1 Subject to regulatory approval

Good corporate governance is about ensuring that a company is managed efficiently and effectively in the interests of all stakeholders. It pursues a balanced relationship between leadership, control and transparency. EFG International AG ("EFG International"; "Company") and all its subsidiaries (together "EFG International Group") are always aiming to achieve good corporate governance based on leading national and international standards whilst respecting the rights of shareholders. EFG International ensures transparency by properly disclosing Company information. This part of the annual report provides key information with regard to corporate governance practices within EFG International Group.

EFG International Group operates under clear separation of responsibilities between the Board of Directors and the Executive Committee in full compliance with Swiss banking law. The responsibilities of both bodies are clearly defined in the Articles of Association and the Organisational and Management Regulations of EFG International (these documents are available on EFG International's website: www.efginternational.com/articlesofassociation and www.efginternational.com/internalregulations).

Based on recommendations of the Chief Executive Officer of EFG International, the Board of Directors decides on EFG International's strategy whilst also assuming the responsibility of supervising and monitoring the businesses. The Executive Committee has executive management responsibility.

Members of the Board of Directors shall not be members of the Executive Committee, in order to ensure a full separation of power. Furthermore, this structure includes checks and balances and safeguards the institutional independence of the Board of Directors from the day-to-day management activities, which are handled by the Executive Committee.

As a publicly listed Swiss company, EFG International is subject to and complies with the Corporate Governance Directive and its annex and commentary, issued by SIX Swiss Exchange AG (SIX). The information provided in this section adheres to the Corporate Governance Directive revised on 13 December 2016, the guidelines revised on 10 April 2017 and recommendations of the 'Swiss Code of Best Practice for Corporate Governance' of the Swiss Business Federation, economiesuisse, as amended in 2014 as well as its appendix 1, 'Recommendations on compensation for Board of Directors and Executive Board', which address transparency with respect to the compensation of the members of the Board of Directors and the Executive Committee. Furthermore, EFG International complies with the Swiss Ordinance against Excessive Compensation in Listed Companies ("Ordinance") entered into force on 01 January 2014 and has substantially implemented the FINMA Circular 2017/1 Corporate Governance – Banks (related changes in the governing bodies effective as of 01 January 2018), in anticipation of full implementation by July 2018, as requested by the circular.

The following information corresponds to the situation as at 31 December 2017, unless indicated otherwise.

If information required by the Corporate Governance Directive is published in the notes to the financial statements or in the Compensation Report, a reference indicating the corresponding section of the notes or page number is given.

1. Group structure and shareholders

1.1 Operational structure of EFG International

EFG International is a holding company domiciled in Zurich, organised under the laws of Switzerland in accordance with Art. 620 et seq. of the Swiss Code of Obligations. It manages a global private banking group offering private banking and asset management services. EFG International's group of private banking businesses operates in around 40 locations worldwide. EFG International Group is organised in eight business segments: Americas, Asia-Pacific, United Kingdom, Continental Europe/Romandie, Central Switzerland/Ticino and Italy, Investment Solutions, Wealth Solutions and Corporate. Further information can be found in note 57 'Segmental Reporting' to the consolidated financial statements. The functional organisation of EFG International is outlined on pages 21 f.

1.2 Group entities

The main consolidated entities are listed in note 35. Within EFG International Group only EFG International is a listed company:

EFG International's registered shares are traded on the main standard of SIX in Zurich (security no. 002226822; ISIN CH0022268228, symbol EFGN). The Company's market capitalisation was CHF 2,984,087,860 on 31 December 2017.

1.3 Significant shareholders

1,861 shareholders were recorded in EFG International's share register as at 31 December 2017 (i.e. shareholders with voting rights) representing 81.40% (previous year: 73.68%) of the total share capital issued. The shares of unregistered shareholders ('dispo') amounted to 18.97% (previous year: 26.32%).

The shareholding structure of EFG International is shown in the table below:

As at 31 December 2017	Number of registered shares	Percentage of voting rights
EFG Bank European Financial Group SA, Geneva[1]	126,874,865	43.79%
BTGP-BSI Limited, London[2, 3]	79,378,609	27.40%
Capital Research & Management Company, Los Angeles[4]	8,921,627	3.08%
Other shareholders	74,542,167	25.73%
Total[5]	**289,717,268**	**100.00%**

1 EFG Bank European Financial Group SA is controlled by the Latsis Family through several intermediate parent companies. Details about the ownership structure of the shareholder have been disclosed in a reporting of significant shareholdings to SIX on 2 November 2016*.
2 BTGP-BSI Limited is a wholly owned subsidiary of Banco BTG Pactual SA, Rio de Janeiro, a bank listed on the B3 São Paulo Stock Exchange in Brazil. Details about the ownership structure of the shareholder have been disclosed in a reporting of significant shareholdings to SIX on 2 November 2016*.
3 Including 17.6% of the EFG International registered shares that were transferred to an Escrow Agent based on an escrow agreement between EFG International, BTGP-BSI Limited and Bratschi Wiederkehr & Buob Ltd (Escrow Agent).
4 The Capital Group Companies Inc., Los Angeles, exercises the voting rights of Capital Research & Management Company, Los Angeles. Details have been disclosed in a reporting of significant shareholdings to SIX on 2 December 2016*.
5 The details of capital movements in 2017 are described in section 2.3 below.

Ownership interests in companies domiciled in Switzerland whose shares are listed at least partly in Switzerland must be notified both to the issuer company and to the SIX when the holder's voting rights reach, increase above or fall below certain thresholds. These notification thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 33.33%, 50% and 66.66% of voting rights. The legal basis for the disclosure of shareholdings is, in particular, set out in the Financial Market Infrastructure Act (Art. 120 ff. FMIA) and in its implementing provisions, the Financial Market Infrastructure Ordinance-FINMA (Art. 10 ff. FMIO-FINMA) and the Financial Market Infrastructure Ordinance (FMIO). The Disclosure Office Rules include organisational and procedural provisions on proceedings before the SIX Disclosure Office.

All notifications received by EFG International in 2017 and published on the Disclosure Office's electronic publication platform of SIX can be found under www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html (Issuer: EFG International).

1.4 Cross-shareholdings

EFG International has not entered into any cross-shareholdings that exceed 5% of the capital shareholdings or voting rights on either side.

* www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html (Issuer: EFG International)

2. Capital Structure

2.1 Capital

2.1.1 Share capital

The outstanding share capital amounts to CHF 144,858,634, consisting of 289,717,268 registered shares with a face value of CHF 0.50 each; the shares are fully paid-in. In context of the equity incentive plan for employees (Employee Equity Incentive Plan) of EFG International Group (see also section 6.2 of the Compensation Report, page 55) has started in 2013 issuing its conditional share capital to provide registered shares for exercised options and restricted stock units (RSUs) to employees.

The authorised capital amounts to CHF 2,390,131 and the remaining conditional share capital amounts to CHF 13,362,316 at 31 December 2017 (more information can be found in section 2.2.2 below).

Further information on the share capital can be found in note 50 to the consolidated financial statements.

2.1.2 Participation capital

The outstanding participation capital of the Company amounts to CHF 200,730 consisting of 13,382 non-voting preference 'Class B Bons de Participation' with a nominal value of CHF 15 each. These 'Bons de Participation' have been issued to Banque de Luxembourg as fiduciary in connection with the initial issue by Banque de Luxembourg of the EUR 400 million EFG Fiduciary Certificates on 14 November 2004 and 17 January 2005 (for details of the reduction in participation capital in 2012 and 2013, see EFG International's Annual Report 2013 (page 49) and Annual Report 2014 (page 50).*

The EFG Fiduciary Certificates are listed at the Luxembourg Stock Exchange (ISIN: XS0204324890). The preference rights attached to the 'Class B Bons de Participation' consist of preferential dividend and liquidation rights, as mainly set out in article 13 of the Articles of Association**. The preferential dividend rights are expressed to remain at all times at the full discretion of the general meeting of shareholders.

2.2 Authorised and conditional capital in particular

2.2.1 Authorised capital

The Board of Directors is authorised, at any time until 28 April 2018, to increase the share capital by no more than CHF 2,390,131 by issuing no more than 4,780,262 fully paid-in registered shares with a face value of CHF 0.50 each. Partial increases shall be permissible. The issue price, the starting date of the dividend entitlement and the type of contribution will be determined by the Board of Directors.

In addition, the Board of Directors is authorised to exclude the preferred subscription rights of the shareholders and the participants in favour of third parties for the financing of the acquisition of or participations in companies, or for the financing or refinancing of the acquisition of or participations in companies. The issue price of the newly issued registered shares, the date for entitlement for dividends and the type of contribution (including contribution in kind) are to be determined by the Board of Directors.

2.2.2 Conditional capital

The share capital may be increased by no more than CHF 2,861,461.50 by issuing no more than 5,722,923 fully paid-in registered shares with a face value of CHF 0.50 each through the exercise of options (including existing or future RSUs) granted to employees at all levels of EFG International Group. The preemptive rights and the advance subscription rights of the shareholders and the participants are excluded in favour of the holders of the RSUs. The conditions for the allocation and the exercise of the options rights and with respect to similar rights are determined by the Board of Directors. The shares may be issued at a price below the market price.

In 2017, EFG International issued a total of 2,360,607 registered shares with a face value CHF 0.50 at a total amount of CHF 1,180,303.50 for RSUs exercised by employees of EFG International Group. Therefore, the remaining approved conditional capital for RSUs to employees amounts to 3,362,316 shares with a face value of CHF 0.50 (CHF 1,681,158).

* See www.efginternational.com/financial-reporting

** See www.efginternational.com/articlesofassociation

The movements (creation of additional conditional capital and exercise of conditional capital in 2017) are summarised in the table below:

	Number of shares	CHF
Conditional capital as at 31 December 2016	3,222,923	1,611,461.50
Additional conditional capital created on 28 April 2017	2,500,000	1,250,000
Shares issued during 2017 via conditional capital (RSUs exercise)	(2,360,607)	(1,180,303.50)
Remaining conditional capital as at 31 December 2017	3,362,316	1,681,158

In addition, the share capital may be increased by no more than CHF 10,000,000 by issuing no more than 20,000,000 fully paid-in registered shares with a face value of CHF 0.50 each through the exercise of conversion and/or option rights granted in connection with the issuance of newly issued convertible debentures, debentures with option rights or other financing instruments by the Company or one of its subsidiaries. The preferential subscription rights of the shareholders and the participants are excluded in favour of the holders of conversion and/or option rights.

The Board of Directors may limit or withdraw the right of the shareholders and the participants to subscribe in priority to convertible debentures, debentures with option rights or similar financing instruments when they are issued, if any of the following applies:
- An issue by firm underwriting by a consortium of banks with subsequent offering to the public without preferential subscription rights seems to be the most appropriate form of issue at the time, particularly in terms of the conditions or the time plan of the issue
- The financing instruments with conversion and/or option rights are issued in connection with the financing or refinancing of the acquisition of an enterprise or parts of an enterprise or with participations or new investments of the Company

If advance subscription rights are denied by the Board of Directors, the following applies:
- Conversion rights may be exercised only for up to seven years and option rights only for up to four years from the date of the respective issuance
- The respective financing instruments must be issued at the relevant market conditions

2.3 Changes in capital structure

Until 2012, there have been no changes in the capital structure of EFG International since the initial public offering which took place in October 2005. For changes in the share capital and participation capital between 2012 and 2014, please see section 2.3 of the corporate governance chapter in the EFG International annual report 2014 (pages 50 to 51) and the EFG International annual report 2013 (pages 49 to 50).*

2.3.1 Share capital increase by use of conditional capital

In 2014, EFG International used its conditional capital and issued a total of 2,818,394 registered shares with a face value of CHF 0.50 at a total nominal amount of CHF 1,409,197 for RSUs exercised by employees of EFG International and its subsidiaries.

In 2015, EFG International issued for the same purpose another 1,222,308 registered shares with a face value of CHF 0.50 at a total nominal amount of CHF 611,154 for RSUs exercised by employees of EFG International and its subsidiaries.

In 2016, EFG International issued a total of 1,094,335 registered shares with a face value CHF 0.50 at a total amount of CHF 547,167.50 for RSUs exercised by employees of EFG International Group.

For 2017, please see section 2.2.2 above.

* See www.efginternational.com/financial-reporting

2.3.2 Ordinary share capital increase and increase by use of authorised capital

EFG International announced on 22 February 2016 the acquisition of BSI SA from Banco BTG Pactual SA. The funding of the transaction was ensured via a variety of measures, among others also an increase of share capital by ordinary capital increase and the use of authorised capital that was approved by the shareholders at two general meetings on 29 April and 26 July 2016.

The details of the movements (share capital and authorised capital) during 2016 can be found in the EFG International Annual Report 2016 (page 41)*.

2.4 Shares and participation certificates

	Number of shares
Shares	
As at 31 December 2017:	
Registered shares of CHF 0.50 par value	289,717,268

All registered shares are fully paid-in and entitled to dividends. Each share carries one vote. There are no preferential rights or similar rights attached to the shares.

	Number of participation certificates
Participation certificates	
As at 31 December 2017:	
Preference Class B Bons de Participation of CHF 15 par value	13,382

All preference Class B Bons de Participation are entitled to preferential dividend and liquidation rights (see section 2.1.2 above). They do not confer voting rights.

2.5 Profit-sharing certificates

There are no profit-sharing certificates outstanding.

2.6 Limitations on transferability and nominee registrations

EFG International's shares are freely transferable, without any limitation, provided that the buyers expressly declare themselves to have acquired the shares concerned in their own name and for their own account and comply with the disclosure requirement stipulated by the FMIA. Transfers of intermediated shares, including the granting of security interests, are subject to the Swiss Intermediated Securities Act. The transfer of uncertificated shares is affected by a corresponding entry in the books of a bank or depositary institution following an assignment by the selling shareholder and notification of such assignment to the Company by the bank or depositary institution. The transferee must file a share registration form in order to be registered in the Company's share register as a shareholder with voting rights. Failing such registration, the transferee may not vote at or participate in any general meeting but may still receive dividends and other rights with financial value.

The uncertificated shares may only be transferred with the assistance of the bank that administers the book entries of such shares for the account of the transferring shareholder. Further, shares may only be pledged to the bank that administers the book entries of such shares for the account of the pledging shareholder; in such case, the Company needs to be notified. According to the Articles of Association**, a person having acquired shares will be recorded in the Company's share register as a shareholder with voting rights upon request.

Persons not expressly declaring themselves to be holding shares for their own account in their application for entry in the share register (nominees) shall be entered in the share register with voting rights without further inquiry up to a maximum of 2% of the outstanding share capital available at the time (see Article 6 of the Articles of Association**). Above this limit, registered shares held by nominees shall be entered in the share register with voting rights only if the nominee in question discloses the names, addresses and shareholdings of the persons for whose account he is

* See www.efginternational.com/financial-reporting
** See www.efginternational.com/articlesofassociation

holding 0.5% or more of the outstanding share capital available at the time and provided that the disclosure requirements stipulated by FMIA are respected.

Legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships (especially syndicates) which act in concert with the intent to evade the entry restriction are considered as one shareholder or nominee. The Board of Directors is authorised to issue regulations to implement the above provisions.

2.7 Convertible bonds and warrants/options

Apart from the amounts disclosed in note 62 to the consolidated financial statements, EFG International has not issued any option rights.

3. Board Of Directors

3.1 Members of the Board of Directors

The Board of Directors currently comprises eleven members all of whom are non-executive directors. The Board of Directors of EFG Bank AG (EFG Bank) is composed of the same members as the Board of Directors of EFG International.

With the exception of Mr John A. Williamson (see his biography below), no member of the Board held a management position in EFG International or any of its subsidiaries over the last three years. Mr Roberto Isolani (see his biography on page 30) was appointed Group Chief Executive Officer of BSI SA in May 2016, a role he relinquished in October 2016 upon the closing of the BSI SA acquisition by EFG International.

No member of the Board of Directors (neither as individual nor as representative of a third party) has any significant business connection with EFG International or any of its subsidiaries.

John Alexander Williamson is a British citizen and was born in 1962. He was appointed Chair of the Board of Directors of EFG International and EFG Bank, effective as of 29 April 2016, after having served as Vice-Chair since 24 April 2015. Formerly, Mr Williamson was the CEO of EFG International, effective as of June 2011 and since April 2013 he was also CEO of EFG Bank. He is also a member of the Board of Directors of EFG International's subsidiaries EFG Capital Holdings Corp, Miami, EFG Bank von Ernst AG, Vaduz, and EFG Investment and Wealth Solutions Holding AG, Zurich. He was formerly the CEO of EFG Private Bank Ltd, London, EFG International's UK and Channel Islands business, from 2002 to 2011. During this time, he transformed the business into one of the most significant contributors to EFG International's performance, and oversaw the merger of EFG Private Bank Ltd with EFG International ahead of the latter going public.

John Williamson has spent the whole of his career in private banking. Before EFG Private Bank Ltd, he spent over 16 years with Coutts in a variety of senior roles, ending up as COO for Coutts Group. From 1997 to 1999, he worked in the US, as director and COO, first in New York then in Miami. In other roles, he was responsible for strategy, performance and planning, and also had experience of marketing and credit. For two years, he was a Client Relationship Officer, serving French and Belgian clients.

Mr Williamson is a member of the Board of Directors of the Association of Swiss Asset and Wealth Management Banks (VAV/ABG) in Zurich and he is a trustee of the Serious Trust, a UK registered charity. Mr Williamson is also the president of the Jazzaar Association.

Mr Williamson holds a MA in modern languages from St. Catharine's College, Cambridge.

Mr Williamson joined EFG International's Board-delegated Acquisition and Remuneration & Nomination Committee as a member, effective as of 24 April 2015.

Niccolò Herbert Burki is a Swiss citizen and was born in 1950. He was appointed as a member of the Board of Directors of EFG International, effective as of 26 April 2013, and Vice-Chair, effective as of 29 April 2016, after having served as Chair since April 2015. He is also Vice-Chair of the Board of Directors of EFG Bank. Before establishing Burki Attorneys-at-Law in 1997, Mr Burki was an attorney at Bar & Karrer in Zurich (1985–1997), where he became a partner as of 1989. Previously, he was a tax lawyer with Arthur Andersen in Zurich (1980–1985). He holds various memberships including the Swiss Bar Association, International Bar Association and International Fiscal Association.

Mr Burki graduated in economics and business administration from the University of St. Gallen (1974) and holds a doctorate in law from the University of Basel (1984).

Mr Burki is a certified Swiss tax expert (1984) and a Trust and Estate Practitioner. He was admitted to the Zurich Bar in 1979.

Mr Burki is currently Chair of EFG International's Board-delegated Remuneration & Nomination Committee.

Susanne Brandenberger is a Swiss citizen and was born in 1967. She was appointed as a member of the Board of Directors of EFG International at the Extraordinary General Meeting held on 07 October 2015. She is also a member of the Board of Directors of EFG Bank since October 2015.

Mrs Brandenberger was with Vontobel Group between 1999 and 2015 acting in various positions: Managing Director, Head Risk Control and a member of the Finance & Risk Management Team (2004–2015), head of Market Risk & Credit Risk (2002–2004) and head of Market Risk Control (1999–2002). She began her career at the Swiss Financial Market Supervisory Authority (FINMA), formerly the Swiss Federal Banking Commission, where from 1994 to 1999 she was responsible for building up and heading the risk management unit as a new unit of the banking supervision department.

Mrs Brandenberger is a member of the Board of Directors and is the Chair of the Risk and Audit Committee of Thurgauer Kantonalbank since June 2016. She also holds a position as a member of the Board of the association 'insieme21'.

Mrs Brandenberger holds a PhD from the Swiss Institute for banking and finance of the University of St. Gallen and a master's degree in banking and finance from the University of St. Gallen.

Mrs Brandenberger is currently Chair of EFG International's Board-delegated Risk Committee and member of the Audit Committee.

Emmanuel Leonard Bussetil is a British citizen and was born in 1951. He was appointed as a member of the Board of Directors of EFG International, effective as of 08 September 2005, and is a member of the Board of Directors of EFG Bank since 2001.

Mr Bussetil is a member of the Board of Directors of EFG International's subsidiary EFG Bank (Monaco) SAM. He is a member of the Board of European Financial Group EFG (Luxembourg) SA. He is also a member of the Board of Directors of SETE Holdings Sarl, Hellinikon Global SA and Gestron Asset Management SA. In addition, he is a non-executive director of Paneuropean Oil and Industrial Holdings SA, Luxembourg, of Consolidated Lamda Holdings SA, Luxembourg, and of other principal commercial holding and operating companies controlled by Latsis Family Interests. He joined the Latsis group of companies in 1982 as Chief Internal Auditor. Prior to that, he was an Audit Manager at Pricewaterhouse, in the UK, where he was employed from 1976 to 1982.

Mr Bussetil received his GCSE A-Levels in mathematics and physics in 1970. He attended the Thames Polytechnic London, England, and obtained his Higher National Diploma in mathematics, statistics and computing in 1972. His professional training was undertaken as an Articled Clerk at Dolby Summerskill, Liverpool (1972–1973) and at Morland and Partners, Liverpool (1974–1976). He is a fellow of the Institute of Chartered Accountants of England and Wales.

Mr Bussetil is currently member of EFG International's Board-delegated Audit, Risk and Remuneration & Nomination Committee and Chair of the Acquisition Committee.

Michael Norland Higgin is a British citizen and was born in 1949. He was appointed as a member of the Board of Directors of EFG International, effective as of 27 April 2012. He is a member of the Board of Directors of EFG Bank since 2012 and a member of the Board of Directors of EFG International's subsidiary EFG Private Bank Ltd, London, effective as of March 2015.

Mr Higgin joined Coopers & Lybrand from university in 1972, qualifying as a Chartered Accountant in 1975. He worked as a partner and head of business unit (banking audit/assurance) with Coopers & Lybrand – subsequently PricewaterhouseCoopers – in Switzerland and London until his retirement in December 2009.

Mr Higgin is trustee of the London Youth Support Trust and he was an independent member of the Audit and Risk Committees of the Department of Culture, Media and Sport (DCMS) of the UK Government until August 2017.

Mr Higgin obtained a Bachelor of Arts from Cambridge University in England in 1972 and attended the senior executive programme at Stanford University in 1996. He is a fellow of the Institute of Chartered Accountants in England and Wales.

Mr Higgin is currently Chair of EFG International's Board-delegated Audit Committee and member of the Risk Committee.

Roberto Isolani is an Italian citizen and was born in 1964. He was appointed as a member of the Board of Directors of EFG International and EFG Bank, effective as of 31 October 2016.

Mr Isolani is a Managing Partner of BTG Pactual as well as member of the Global Management Committee and head of International Client Coverage, based in the London office.

Before joining BTG Pactual in April 2010, Mr Isolani worked for 17 years at UBS where he last held the position of Joint Head of Global Capital Markets and had joint responsibility for the Client Services Group, the Fixed Income and FX global salesforces at UBS. He jointly headed a marketing team of over 1000 staff. Mr Isolani was also a member of UBS Investment Bank's Board.

Mr Isolani joined UBS (formerly SBC) in 1992 and spent ten years in Fixed Income, in Derivatives Marketing and DCM before being promoted to head of European DCM in 2000. He transferred to IBD in 2002, moving to Italy as co-head of Italian investment banking. He moved back to London in 2007 to become global head of DCM before assuming his latest responsibilities at the beginning of 2009.

Mr Isolani held the following executive and Board roles in regulated and unregulated Italian UBS entities: from 2002 to 2009 Board Member and CEO (from 2003) of UBS Securities Italia Finanziaria S.p.A.; from 1998 to 2009 Board Member and CEO (from 2003) of UBS Corporate Finance Italia S.p.A.; from 2005 to 2009 Board Member of UBS Italia SIM S.p.A.

In 2014, Mr Isolani was appointed as a member of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. (BMPS) and subsequently appointed as Deputy Chair of BMPS in 2015, remaining in office until December 2017. Mr Isolani serves as a member of the Board of Directors of ABI (Associazione Bancaria Italiana), the Italian Banking Association.

Mr Isolani was appointed Group CEO of BSI SA in May 2016 and remained in the position until October 2016. Prior to this, he served as a member of the Board of Directors and as a member of the Audit and Risk Committee of BSI SA between September 2015 and May 2016.

Mr Isolani graduated from the University of Rome, La Sapienza, cum laude in 1989 and was a lecturer at the university before going on to work at IMI and Cofiri and then joining UBS.

Mr Isolani is currently a member of EFG International's Board-delegated Risk Committee.

Steven Michael Jacobs is a British citizen and was born in 1969. He was appointed as a member of the Board of Directors of EFG International and EFG Bank, effective as of 31 October 2016. Before that, he was Vice-Chair of BSI SA since September 2015.

Mr Jacobs is a Managing Partner of BTG Pactual and Chief Executive Officer of the Asset Management division of BTG Pactual, based in London. He joined BTG Pactual on 01 January 2010. Prior to that he was a Managing Director at UBS, where over 10 years he held various roles including head of Group Strategy for UBS Group, based in Zurich, head of Private Equity & Infrastructure and Member of UBS Global Asset Management Executive Committee based in London. From 1990 to 1999, Mr Jacobs worked for Ernst & Young in London and Sydney, focusing on providing corporate finance services to financial services clients across the world.

Mr Jacobs is Chair of the Board of Directors of Vesuvium Limited, for BTGP – BSI Limited as well as for BTG Pactual UK Holdco Ltd. Furthermore, Mr Jacobs is a member of the Board of Directors of Tick Tock Club, a UK charity foundation.

Mr Jacobs holds a bachelor's degree (Hons) in finance, accounting and law from Brighton University, UK. He is a qualified Chartered Accountant and fellow of the Institute of Chartered Accountants of England and Wales.

Mr Jacobs is currently a member of EFG International's Board-delegated Remuneration & Nomination Committee and Acquisition Committee.

Spiro J. Latsis is a Greek citizen and was born in 1946. He was appointed as a member of the Board of Directors of EFG International, effective as of 08 September 2005. He is a non-executive member of the Board of Directors of EFG Bank since 1997. Mr Latsis is member of the Board of Directors of EFG International's subsidiary EFG Bank (Monaco) SAM. Mr Latsis has been a non-executive member of the Board of Directors of EFG Bank European Financial Group SA, Geneva, since 1981 and has served as its Chair since 1997. In addition, he is a non-executive director of European Financial Group EFG (Luxembourg) SA (since 2009; as Chair). Mr Latsis is Chair of Paneuropean Oil and Industrial Holdings SA, Luxembourg, a non-executive Director of Consolidated Lamda Holdings SA, Luxembourg, and SGI Group Holdings SA, Luxembourg.

He is a member of the Supervisory Board of John S. Latsis Public Benefit Foundation, Liechtenstein. He is an honorary fellow and an emeritus member of the Court of Governors of the London School of Economics. He is also an emeritus member of the Board of Trustees of the Institute for Advanced Study at Princeton.

Mr Latsis obtained his bachelor's degree in economics in 1968, a master's degree in logic and scientific method in 1970 and a doctorate in philosophy in 1974, all from the London School of Economics.

Freiherr Bernd-Albrecht von Maltzan is a German citizen and was born in 1949. He was appointed as a member of the Board of Directors of EFG International, effective as of 26 April 2013. He is also a member of the Board of Directors of EFG Bank since 2013. Mr von Maltzan is member of the Board of Directors of EFG International's subsidiaries EFG Investment (Luxembourg) SA, and EFG Bank (Luxembourg) SA, effective as of December 2015, and Chair effective as of April 2016.

Throughout his career at Deutsche Bank, he held a variety of senior positions, including Global Head Trading & Sales DB Group in Frankfurt (1993–1995), Divisional Board Member and global head private banking in Frankfurt (1996–2002), followed by Divisional Board Member and Vice-Chair Private Wealth Management in Frankfurt, from where he retired in 2012.

Mr von Maltzan is member of the Advisory Board of MANNGroup in Karlsruhe, Germany, and of the Investment Committee of Niagara Stiftung (Foundation) in Munich, Germany.

Mr von Maltzan studied economics at the universities in Munich and Bonn and holds a doctorate in business administration (1978) from the University of Bonn.

Mr von Maltzan is currently a member of EFG International's Board-delegated Risk, Acquisition and Remuneration & Nomination Committee.

Périclès Petalas is a Swiss citizen and was born in 1943. He was appointed as a member of the Board of Directors of EFG International, effective as of 08 September 2005. He is a member of the Board of Directors of EFG Bank since 1997. Since 1997, Mr Petalas is the Chief Executive Officer of EFG Bank European Financial Group SA, Geneva. He is also a non-executive director of European Financial Group EFG (Luxembourg) SA. Prior to his position at EFG Bank European Financial Group SA, Geneva, Mr Petalas was Senior Vice President and General Secretary of Banque de Dépôts, Geneva. Previously, he worked for Union Bank of Switzerland in Zurich (1978–1980) and Petrola International, Athens (1977–1978).

Mr Petalas obtained a diploma (1968) and a doctorate (1971) in theoretical physics at the Swiss Federal Institute of Technology in Zurich. He also received a post-graduate degree in industrial and management engineering from the same institute in 1977.

Mr Petalas is currently a member of EFG International's Board-delegated Audit, Risk, Acquisition and Remuneration & Nomination Committee.

Daniel Zuberbuehler is a Swiss citizen and was born in 1948. He was appointed as a member of the Board of Directors of EFG International, effective as of 25 April 2014. He is also a member of the Board of Directors of EFG Bank since 2014.

Mr Zuberbuehler joined EFG International's Board-delegated Risk Committee as a member, effective as of 25 April 2014, serving as Chair ad interim from April 2015 to April 2016.

He formerly worked as Senior Financial Consultant, Director, Audit Financial Services, KPMG Zurich (2012–2013). Previously, he was Vice-Chair of the Board of Directors of FINMA, the Swiss Financial Market Supervisory Authority from 2009 to 2011.

Prior to this, he held a variety of senior roles in a long career with the Swiss Federal Banking Commission, including as CEO (1996–2008). He has been a member of numerous international committees, including the Basel Committee on Banking Supervision, the Financial Stability Board, Standing Committee on Supervisory and Regulatory Cooperation, International Organisation of Securities Commissions, Technical Committee, and the Financial Action Task Force on Money Laundering.

Mr Zuberbuehler is a member of the Board of Directors of Banca Popolare di Sondrio (Suisse) SA in Lugano and he is a member of the Advisory Board of Steinmann-Stiftung Schloss Wyl, Switzerland. In addition, he is a member of the Board of Directors of Gmür'sche Familienstiftung, Switzerland, and he sits in the Board of Directors of MLE-Stiftung Universität St. Gallen, Switzerland.

Mr Zuberbuehler studied law at the University of Berne and business at the City of London Polytechnic. He is a qualified Berne attorney.

Mr Zuberbuehler is currently a member of EFG International's Board-delegated Audit and Risk Committee.

Members of the Board of Directors of EFG International who did not put themselves up for re-election at the Annual General Meeting in 2017

Erwin Richard Caduff was a Swiss citizen and born in 1950. Sadly he passed away during 2017. Mr Caduff was educated in Switzerland (commercial school and bank apprenticeship). He was a member of the Board of Directors of EFG International and EFG Bank from 29 April 2009 until 28 April 2017.

After having spent many years in Singapore, Mr Caduff returned to Switzerland in 2013. From 2007 to 2013, he was the owner of E.R.C. Consultants & Partners Pte Ltd in Singapore, a company specialised in executive search for wealth management and management consulting. From 1998 to 2007, he worked for Deutsche Bank AG in Singapore and was a managing director and regional head of Private Wealth Management Asia-Pacific. Prior to that, he worked for Banque Paribas in Singapore as head of private banking for Southeast Asia (1997–1998) and for Banque Paribas (Suisse) S.A. as head of the Zurich branch (1993–1997). Between 1990 and 1993, he was Chief Representative for Coutts & Co in Singapore after having spent five years with Citibank in Zurich and Singapore. The first ten years of his professional career (1976–1986), he worked for Swiss Volksbank in Zurich and in Singapore.

3.2 External mandates and vested interests

Please refer to the information provided in the biographies of each member of the Board of Directors in section 3.1 above, where the significant activities in governing and supervising bodies of important organisations, institutions and foundations are mentioned.

3.3 Provisions on the number of permitted external mandates in the Articles of Association

In accordance with article 12 para. 1 point 1 of the Ordinance, the number of permitted external mandates of the members of the Board of Directors are outlined in article 37 of the Articles of Association*. The members of the Board of Directors may each have up to 20 mandates, of which a maximum of five may be in listed companies. Additionally, a member of the Board of Directors may perform up to ten mandates in associations, charitable institutions as well as welfare and pension institutions.

Each of these mandates is subject to Remuneration & Nomination Committee approval.

3.4 Elections and terms of office

According to article 26 of the Articles of Association*, the Board of Directors consists of at least five members, who are individually elected by the general meeting of shareholders for one-year terms with the possibility of being re-elected. Furthermore, there is no limit to the numbers of terms and the term of office ends at the closure of the next Annual General Meeting. Please refer to the biographies of the members of the Board of Directors in section 3.1 above for each initial date of election. The tenure of all the current members of the Board of Directors will expire at the closure of the Annual General Meeting 2018, at which time the members of the Board of Directors will be subject to re-election by the shareholders.

In application of the Ordinance, the general meeting of shareholders also elects the Chair of the Board of Directors and all members of the Remuneration & Nomination Committee individually and on an annual basis (see article 17 of the Articles of Association*).

3.5 Internal organisational structure

The internal organisational structure is laid down in the Organisational and Management Regulations**. The Board of Directors meets as often as business requires, but at least four times a year, normally once every quarter. Members of the Executive Committee, managerial staff and external advisors may be called upon to attend a Board of Directors' meeting. In order to make a binding decision, at least 50% of the members of the Board of Directors must be present. The Board of Directors takes decisions by a majority of the members present. In the event of a tie, the Chair does not have a casting vote. The composition of the Board of Directors and its committees is disclosed in the organigram on page 21 (Board of Directors and Board-delegated Committees).

* See www.efginternational.com/articlesofassociation

**See www.efginternational.com/internalregulations

The Board of Directors met eleven times in 2017. Ordinary meetings typically last six to seven hours. See the details in the table below:

2017	20.02. 21.02.	14.03.	04.04.	11.04.	27.04. 28.04.	30.05	04.07.	24.07. 25.07.	29.09.	11.10. 12.10.	04.12. 05.12.
J. A. Williamson (Chair)	X	X	X	X	X	X	X	X	X	X	X
N. H. Burki (Vice-Chair)	X	X	X	X	X	X	X	X	X	X	X
S. Brandenberger	X	X	X	X	X	X	X	X	X	X	X
E. L. Bussetil	X	X	X	X	X	X	X	X	X	X	X
E. R. Caduff[1]	X	E	E	E	E						
M. N. Higgin	X	X	X	X	X	X	X	X	X	X	X
R. Isolani	X	X	X	E	X	E	E	X	X	X	X
S. M. Jacobs	X	X	X	E	X	E	E	X	X	X	X
S. J. Latsis	X	X	X	E	E	E	X	E	X	X	X
B.-A. von Maltzan	X	X	E	X	X	X	X	X	X	X	X
P. Petalas	X	X	E	E	X	X	X	X	X	X	X
D. Zuberbuehler	X	E	X	X	X	X	X	X	E	X	X

"X" – in attendance
"E" – excused from attending
1 Mr Caduff was a member of the Board of Directors until the Annual General Meeting on 28 April 2017.

The Board of Directors is comprised of the following independent members:

	Independent
J. A. Williamson (Chair)	X
N. H. Burki (Vice-Chair)	X
S. Brandenberger	X
E. L. Bussetil	
E. R. Caduff[1]	X
M. N. Higgin	X
R. Isolani	
S. M. Jacobs	
S. J. Latsis	
B.-A. von Maltzan	X
P. Petalas	
D. Zuberbuehler	X

1 Mr Caduff was a member of the Board of Directors until the Annual General Meeting on 28 April 2017.

The Board of Directors has established an Audit Committee, a Risk Committee, a Remuneration & Nomination Committee and an Acquisition Committee in line with the Organisational and Management Regulations*:

* See www.efginternational.com/internalregulations

Audit Committee
The Audit Committee is established as a committee of the Board of Directors. Its primary function is to assist the Board of Directors in fulfilling its oversight responsibilities of EFG International Group with regard to:
- The financial and business reporting processes, including the selection and application of appropriate accounting policies
- The integrated internal control systems for financial reporting as well as the internal controls of areas beyond financial reporting
- The Company's and EFG International Group tax risks
- The internal and external audit processes

The Audit Committee shall consist of at least three members of the Board of Directors. In 2017, the Audit Committee consisted of the following members: M. N. Higgin (Chair), S. Brandenberger, E. L. Bussetil, E. R. Caduff, P. Petalas and D. Zuberbuehler.

The Audit Committee meets as often as businesses requires but at least four times a year, as well as for the review of the financial statements and related reports before these are approved by the Board of Directors. Ordinary meetings typically last three to four hours and are also attended by members of the executive management responsible for areas supervised by the Audit Committee.

During 2017, the Audit Committee met twelve times, as shown in the table below:

2017	06.02.	20.02.	02.03.	14.03.	18.04.	27.04.	06.06.	28.06.	14.07.	24.07.	06.09.	08.11.
M. N. Higgin* (Chair)	X	X	X	X	X	X	X	X	X	X	X	X
S. Brandenberger*	X	X	X	X	X	X	X	X	X	X	X	X
E. L. Bussetil	X	X	X	X	X	X	X	X	X	X	X	X
P. Petalas	X	X	E	X	E	X	E	E	E	X	X	X
D. Zuberbuehler*[1]	n/a	n/a	n/a	n/a	n/a	n/a	X	X	X	X	X	X
E. R. Caduff*[2]	E	E	X	E	E	E	n/a	n/a	n/a	n/a	n/a	n/a

"X" – in attendance
"E" – excused from attending
* Independent director
1 Mr Zuberbuehler was appointed as a member of the Audit Committee effective 28 April 2017.
2 Mr Caduff was a member of the Audit Committee until 28 April 2017.

The minutes of the Audit Committee are reviewed by the Board of Directors at its ordinary meetings. In addition, the Chair of the Audit Committee provides a verbal report to the Board of Directors at its meetings.

Risk Committee
The Risk Committee is the primary advisory committee to the Board of Directors on matters relating to risk and compliance. The Risk Committee proposes the risk management framework of the EFG International Group and advises the Board of Directors accordingly. In addition, it monitors the risk profile and reports on the state of risk culture in the EFG International Group, and interact with and oversees the performance of the Chief Risk Officer and the Group Chief Compliance Officer.

The Risk Committee's tasks include oversight of the strategies for capital and liquidity management as well as the management of all relevant risks of EFG International Group, such as credit, market, liquidity, operational and reputational risks, to ensure they are consistent with the stated risk appetite. It examines any situations or circumstances giving rise to a substantial risk for EFG International Group and has the authority to require the reduction of any position or limit or exiting client relationships which it considers excessive.

The Risk Committee should consist of at least three members of the Board of Directors. In 2017, the Risk Committee consisted of the following members: S. Brandenberger (Chair), E. L. Bussetil, M. N. Higgin, R. Isolani, B.-A. von Maltzan, P. Petalas and D. Zuberbuehler.

The Risk Committee meets as often as business requires but at least four times a year. Ordinary meetings typically last six to seven hours and are attended by members of the executive management responsible for risk management.

During 2017, the Risk Committee met for ten times, as shown in the table below:

2017	07.02.	14.03.	28.03.	07.06.	27.6.	24.7.	07.09.	09.11.	23.11.	04.12.
S. Brandenberger* (Chair)	X	X	X	X	X	X	X	X	X	X
E. L. Bussetil	X	X	X	X	E	X	X	X	X	E
M. N. Higgin*	X	X	E	X	E	X	X	X	X	X
R. Isolani	X	X	X	X	X	X	X	X	X	X
B.-A. von Maltzan*	X	X	X	X	E	X	X	X	X	X
P. Petalas	X	X	X	E	X	X	X	X	X	E
D. Zuberbuehler*	X	E	X	X	X	X	X	X	X	X

"X" – in attendance
"E" – excused from attending
* Independent director

The minutes of the Risk Committee are reviewed by the Board of Directors at its ordinary meetings. In addition, a verbal report from the Chair of the Risk Committee is given to the Board of Directors at its meetings.

Remuneration & Nomination Committee
The Remuneration & Nomination Committee is established as a committee of the Board of Directors. Its primary function is to assist the Board of Directors in fulfilling its governance responsibilities, with regards to remuneration related aspects:
- Establishing the compensation strategy and the general remuneration policy of EFG International Group
- Reviewing annually the remuneration of members of the Board of Directors and the Executive Committee of EFG International and making a recommendation to the Board of Directors thereupon
- Approving annually the remuneration of all other staff of EFG International and of its subsidiaries
- Any other tasks conferred to it by the Board of Directors from time to time

In addition, the Remuneration & Nomination Committee reviews and assesses the nomination of the new members of the Board of Directors, with regard to the following aspects:
- The composition, size and capability of the Board of Directors to adequately discharge its responsibilities and duties
- The succession of the Board members
- The selection criteria and processes for the identification and submission of suitable candidates to become members of the Board for election by the general meeting of shareholders
- The external directorships and other positions held by any person being considered for the appointment to the Board or any new appointment for existing members of the Board
- Any other tasks conferred to it by the Board of Directors from time to time

For more details about competences and responsibilities of the Remuneration & Nomination Committee, please see the Compensation Report (pages 52 f.) as well as article 30 of the Articles of Association* and section 2.10 of the Organisational and Management Regulations**.

From the general shareholder meeting in 2014 onwards, the shareholders elect the individual members of the Remuneration & Nomination Committee for a one-year term with the possibility of being re-elected (see article 17 Articles of Association*).

* See www.efginternational.com/articlesofassociation
** See www.efginternational.com/internalregulations

The Remuneration & Nomination Committee shall consist of at least three members of the Board of Directors. In 2017, the Remuneration & Nomination Committee consisted of the following members: N. H. Burki (Chair), E. L. Bussetil, E. R. Caduff, S. M. Jacobs, B.-A. von Maltzan, P. Petalas and J. A. Williamson.

The Remuneration & Nomination Committee meets annually in the first quarter to review fixed and variable compensation proposals. Additional meetings can be held when necessary. Meetings typically last two hours and are attended by the CEO and the Global Head of Human Resources.

During 2017, the Remuneration & Nomination Committee met eleven times, as shown in the table below:

2017	25.01.	07.02.	20.03.	26.04.	27.06.	25.07.	06.09.	29.09.	12.10.	09.11.	04.12.
N. H. Burki (Chair)*	X	X	X	X	X	X	X	X	X	X	X
E. L. Bussetil	X	X	X	X	X	X	X	X	X	X	X
S. M. Jacobs	X	X	X	X	X	X	X	X	X	X	X
B.-A. von Maltzan*[1]	–	–	–	–	X	X	X	X	X	X	X
P. Petalas	X	X	X	X	X	X	X	X	X	X	X
J. A. Williamson*	X	X	X	X	X	X	X	X	X	X	X
E. R. Caduff*[2]	E	E	E	E	–	–	–	–	–	–	–

"X" – in attendance
"E" – excused from attending
* Independent director
1 Mr von Maltzan was elected member of the Remuneration & Nomination Committee on 28 April 2017.
2 Mr Caduff stepped down as member of the Remuneration & Nomination Committee on 28 April 2017.

The minutes of the Remuneration & Nomination Committee are reviewed by the entire Board of Directors. In addition, a verbal report by the Chair of the Remuneration & Nomination Committee is given to the Board of Directors at its meetings.

Acquisition Committee
The Acquisition Committee is established as a committee of the Board of Directors. Its primary function is to examine and approve or recommend to the Board of Directors all acquisitions of companies or businesses proposed by management in accordance with the acquisition policy approved by the Board of Directors. The Acquisition Committee has the authority to approve all investments with a purchase price below or equal to the threshold set in the acquisition policy (based on the Acquisition Committee's estimate at the time of acquisition in the case of transactions where the purchase price is defined in earn-out terms). Above this threshold, only the Board of Directors may approve acquisitions, and the Acquisition Committee will submit a recommendation to the Board of Directors.

The Acquisition Committee shall consist of at least three members of the Board of Directors. In 2017, the Acquisition Committee consisted of the following members: E. L. Bussetil (Chair), S. M. Jacobs, B.-A. von Maltzan, P. Petalas and J. A. Williamson.

The Acquisition Committee meets on an ad hoc basis throughout the year in order to review specific transactions or to receive an update from the CEO and the CFO regarding the status of negotiations with various acquisition targets. It also reviews and approves management proposals for divestments. Meetings vary in length from one to three hours and can be attended by members of the management or external advisors.

The Acquisition Committee met two times during 2017. See the details in the table below.

Additionally the Acquisition Committee has reviewed several transactions during the year.

2017	04.07.	12.10.
E. L. Bussetil (Chair)	X	X
S. M. Jacobs	X	X
B.-A. von Maltzan*	X	X
P. Petalas	X	X
J. A. Williamson*	X	X

"X" – in attendance
* Independent director

The minutes of the Acquisition Committee are reviewed by the entire Board of Directors at its meetings. In addition, a verbal report from the Chair of the Acquisition Committee is given to the Board of Directors at its meetings.

3.6 Definition of areas of responsibility

The Board of Directors of EFG International is ultimately responsible for supervision of the management of EFG International. The Board of Directors sets the strategic direction of EFG International and monitors its implementation.

Details of the powers and responsibilities of the Board of Directors can be found in the Organisational and Management Regulations*.

The Board of Directors has delegated the operational management of EFG International Group to the CEO and the Executive Committee. Members of the Executive Committee are appointed by the Board of Directors upon recommendation by the CEO. Members of the Executive Committee, under the responsibility of the CEO and the control of the Board of Directors, manage the operations of EFG International Group, pursuant to applicable internal regulations and report thereon to the Board of Directors on a regular basis.

EFG International Executive Committee
The Executive Committee is responsible for the Company's and EFG International Group's overall strategy, within the respective parameters established by the Board of Directors, and is accountable for all operational and organisational matters as well as for the operating results. The Executive Committee is responsible for the day-to-day activities of the Company.

* See www.efginternational.com/internalregulations

Consistent with direction given by the Board of Directors, the Executive Committee is responsible to implement business strategies, risk management systems, risk culture, processes and controls for managing the risks – both financial and non-financial – to which the Company and EFG International Group is exposed and concerning which it is responsible for complying with laws, regulations and internal policies.

Details of the powers and responsibilities of the Executive Committee can be found in the Organisational and Management Regulations*.

Organisational details of the Executive Committee can be found in section 4.1 below.

Information and control instruments vis-à-vis the Executive Committee
The Board of Directors supervises the management of EFG International through various meetings with management, including meetings of the Board of Directors and its committees. The CEO and CFO (and other members of the Executive Committee depending on the topics under review) attend the Board of Directors' meetings during the year and are available to answer questions from the Board of Directors. The CEO provides a written report to the Board of Directors at each ordinary meeting summarising developments in the business. The CEO is also readily available to answer questions from the Board of Directors.

In addition, the CFO reports on the financial results to the Board of Directors at each ordinary meeting. Additional reporting to the Board of Directors includes financial reporting, business reporting, business proposals/approvals, staff matters, credit approvals, reports from the various Board-delegated committees, a report on claims and litigations and any other business matters.

Members of the management responsible for the finance and accounting function, including the CFO, attend Audit Committee meetings and are available to answer questions from the committee relating to the financial statements.

The Group Chief Compliance Officer attends Risk Committee meetings and is available to answer questions relating to compliance issues.

The Chief Risk Officer (CRO) provides oversight of all major areas of risk within EFG International Group. The CRO also provides an update on the overall key risk aspects of EFG International at each regular meeting of the Risk Committee and provides an annual written risk assessment to the Audit Committee. The members of management responsible for credit, market and bank and country risk management attend the Management Risk Committee meetings as well. Please also see the information about risk management on pages 98 ff.

Internal audit services are provided to EFG International by the Audit Services Department (ASD) which is governed by an internal audit charter duly approved by the Audit Committee. In accordance with the Organisational and Management Regulations* and the Internal Audit Charter, the mission of internal audit is to support the Board of Directors in their statutory responsibility for ensuring that the operations of EFG International Group are conducted according to the highest standards by providing an independent, objective assurance function and by advising on best practice. ASD provides copies of all internal audit reports to the external auditors, and maintains a dialogue with the external auditors to share risk issues arising from their respective audits. Through a systematic and disciplined approach, internal audit helps EFG International Group accomplish its objectives by evaluating the effectiveness of risk management, control and governance processes and making recommendations for improvement. To ensure independence, internal audit reports directly to the Audit Committee, which reports on its activities to the Board of Directors. The chief internal auditor has, for the purpose of performing his duties, the right of unlimited access to all information, premises, resources and people necessary for the performance of internal audits.

* See www.efginternational.com/internalregulations

4. Executive Committee

4.1 Organisation and functional responsibilities

EFG International Executive Committee is organised as a single structure, reporting to the CEO, respectively to the Deputy CEO & CFO. Please see also the organisation chart of the Executive Committee on page 22.

The Executive Committee comprises at least four members. Various support, service or control units report either directly to the CEO or to a member of the Executive Committee.

The titles and brief functional descriptions for members of the Executive Committee are set forth as follows:

Chief Executive Officer
The Chief Executive Officer (CEO) of EFG International is responsible to the Board of Directors for the overall management and performance of EFG International Group. He manages the implementation and development of strategic and operational plans as approved by the Board of Directors. He represents EFG International Group towards third parties and regulators and is responsible (together with the Board of Directors and other senior executives) towards the FINMA for the prudent management and regulation-compliant operation of the organisation.

Furthermore, from 01 January 2018, the CEO also directly oversees the Legal and Litigation, as well as Human Resources and Marketing & Communications functions.

Deputy Chief Executive Officer
The Deputy CEO has a direct reporting line to the CEO of EFG International. He supports the CEO with the day-to-day management of EFG International Group and can take over his responsibilities in case of absence. Until 31 December 2017, the Deputy CEO was in addition responsible for the Legal and Litigation functions and oversees the Group's IT & Operations function to ensure optimal organisational performance and security practices.

As of 01 January 2018, the Legal and Litigation functions are overseen and managed directly by the CEO. Likewise, the Chief Operating Officer and the Chief Technology Officer report directly to the CEO.

Chief Financial Officer
The Chief Financial Officer (CFO) is responsible for all financial, tax and prudential regulation matters of EFG International Group as well as other business or control areas allocated to the position. He ensures transparent and timely financial reporting – for internal and regulatory purposes as well as public reporting – in line with legal and regulatory requirements and industry best practices.

The CFO has the oversight of liquidity and capital management within the general regulations and guidelines set by FINMA and other regulators in jurisdictions where the EFG International Group operates, the Board of Directors, the Audit Committee and the Risk Committee. The CFO oversees and monitors business performance, strategic acquisitions, and the EFG International Group's relationship with rating agencies. He also has primary responsibility for the Investor Relations function. In addition, he supervises the activities of Global Treasury, Financial Reporting and Financial Planning.

Chief Operating Officer
The Chief Operating Officer (COO) is responsible for the management, coordination, supervision, planning and control of the Operations and Technology activities of EFG International Group.

As of 15 January 2018, EFG International Group's Operations functions are overseen by the COO, whereas the IT matters are under the responsibility of the Chief Technology Officer.

Chief Risk Officer
The Chief Risk Officer (CRO) monitors and assesses risk throughout the whole EFG International organisation, encompassing market, counterparty, country, credit, liquidity, operational and other risks. In this function, he also reports to the EFG International Risk Committee.

Head of Strategy
The Head of Strategy was responsible, until 14 January 2018, for EFG International Group's Corporate Strategy, Human Resources and Marketing & Communications functions. In addition, he was managing important Group-wide projects like the post-merger integration of EFG and BSI and the rebranding initiative after the successful merger.

As of 15 January 2018, this function is split into the responsibility of the CEO and the CFO.

Group Chief Compliance Officer
The Group Chief Compliance Officer is responsible for the management, coordination and supervision of the consolidated compliance risks of EFG International Group. He supervises the Compliance activities deployed in the entities of EFG International Group. In this function, he also reports to the EFG International Risk Committee.

Chief Technology Officer
The Chief Technology Officer is responsible for overseeing all aspects of EFG International Group's IT platform, infrastructure and data security globally, with particular focus on the ongoing investments in digital strategy which is designed to take the existing strategic IT platform to the next level.

Head of Investment Solutions
The Head of Investment Solutions is responsible for EFG International Group's global investment activities covering all discretionary and advisory mandates, research and all funds managed by EFG International Group's Asset Management. He is also responsible for all wealth solution activities covering Private Client Trust services and Institutional Fund Administration services.

Head of Global Markets
The Head of the Global Markets division is responsible for the trading and execution in all the different asset classes on the financial markets for EFG International Group worldwide. The position requires the participation to various executive delegated committees like the Asset & Liability Committee, the Country & Counterparties Risk Subcommittee, the Group Product Committee and the Management Risk Committee.

Head of Romandie & Continental Europe Region
The Head of Romandie & Continental Europe Region assumes regional business responsibility for the private banking business in Switzerland (Romandie) and Continental Europe.

Head of Central Switzerland, Ticino & Italy Region
The Head of Central Switzerland, Ticino & Italy Region is responsible for the development of the Ticino and the Zurich based businesses. In this function, he is focused on the development of the Swiss domestic market, of the Italian market and of the External Asset Management segment.

Head of UK Region
The Head of the United Kingdom Region assumes regional business responsibility for the private banking activities of EFG International Group in the United Kingdom and the Channel Islands.

Head of Asia-Pacific Region
The Head of Asia-Pacific Region assumes regional business responsibility for the private banking activities of EFG International Group in the Asia-Pacific Region.

Head of Latin America Region
The Head of Latin America Region has functional regional business responsibility for the presence and for the wealth management activities of EFG International Group in Latin America, consisting mostly of Latin American clients.

4.2 Members of the Executive Committee

Joachim H. Straehle
Chief Executive Officer
(until 31 December 2017)

Joachim H. Straehle was appointed as CEO of EFG International and EFG Bank, effective as of April 2015. He stepped down as CEO and member of the Executive Committee as of 31 December 2017. He was also a member of the Board of Directors of EFG International's subsidiaries EFG Investment and Wealth Solutions Holding AG (as Chair), Zurich, and EFG Private Bank Ltd, London. Since 01 November 2016 and until the completion of the legal integration of BSI, on 05 April 2017, he additionally chaired the Board of Directors of BSI SA and BSI Holdings AG.

Before joining EFG, Mr Straehle was CEO of Bank Sarasin & Co. from 2006 to 2013. Prior to this, he was head private banking Asia-Pacific, Middle East, and CEE and member of the executive board of the private banking division at Credit Suisse. In his senior roles at Credit Suisse and Bank Julius Baer, he worked in Zurich, Singapore, Hong Kong and New York.

Mr Straehle is a Swiss citizen and was born in 1958. He holds a Bachelor of Science in Business Administration UAS, Zurich, and is a graduate of the executive programme for overseas bankers, Wharton School, University of Pennsylvania, US.

Piergiorgio Pradelli
Deputy Chief Executive Officer & Chief Financial Officer

Piergiorgio Pradelli was Deputy CEO & CFO of EFG International and EFG Bank, until 31 December 2017. His responsibilities encompassed, apart from the CFO function, the Global Treasury function as well as the IT, Operations, Legal and Litigation functions. Mr Pradelli was appointed CEO of EFG International and EFG Bank, effective as of 01 January 2018. He is also a member of the Board of Directors of EFG International's subsidiaries EFG Bank (Monaco) SAM, EFG Private Bank Limited, A&G Banca Privada S.A.U., Asesores y Gestores Financieros S.A., EFG Investment and Wealth Solutions Holding AG and Patrimony 1873 SA. Until January 2018, he was also a member of the Board of Directors of EFG Bank (Luxembourg) SA and EFG Investment (Luxembourg) SA.

Before joining EFG International, Mr Pradelli was Head of International Activities at Eurobank Ergasias SA and member of the Executive Committee from 2006 until 2012. Prior to this, he served as Deputy Finance Director in London for EFG Bank European Financial Group SA, from 2003 to 2006, participating in major EFG Bank European Financial Group SA restructuring and strategic initiatives, notably the initial public offering of EFG International in 2005.

Mr Pradelli started his career at Deutsche Bank, working in a number of senior management positions including head of private & business banking in Italy, and Head of Business Development for the Private Clients and Asset Management Group in Frankfurt and London from 1991 until 2003.

Mr Pradelli is an Italian citizen, was born in 1967, and has a degree in economics and business administration from the University of Turin, Italy.

Renato Cohn
Head of Investment Solutions

Renato Cohn was appointed Head of Investment Solutions and a member of the Executive Committee of EFG International and EFG Bank, effective as of 31 October 2016. Then, he was appointed Deputy CEO of EFG International and EFG Bank, effective as of 01 January 2018. Previous to his current role at EFG, he served as member of the Executive Board and Deputy CEO of BSI SA, since he joined the bank in September 2015.

From 2009 until 2015, he was Co-Head of BTG Pactual Wealth Management in São Paulo. Before that, he served in senior positions as Head of Product and Services and Head of Sales Management at UBS Pactual. He joined Banco Pactual in 1999 and became a partner in 2004. He started his career at Banco Primus, and then worked at Banco Matrix as Head of the Fixed Income Trading Desk.

Mr Cohn is a Brazilian citizen and was born in 1972. He holds a Bachelor of Science in Industrial Engineering from the Escola Politécnica of the University of São Paulo.

Mark Bagnall
Chief Operating Officer

Mark Bagnall was appointed COO and member of the Executive Committee of EFG International and EFG Bank, effective as of January 2011. As of 15 January 2018, he was appointed CTO of EFG International and EFG Bank. He joined EFG International in December 2008 as Global Chief Technology Officer. Prior to this, he worked from 2004 to 2008 at Merrill Lynch in London and Geneva, where he was Head of international Private Client & Wealth Management Technology, having previously held IT management roles in capital markets & investment banking in London & New York from 1998 to 2003. He started his career on the IT graduate programme with British Petroleum in 1989, before moving to J.P. Morgan in 1994.

Mr Bagnall was born in 1967 and is a UK citizen. He holds a Bachelor of Science in Mathematics and Computer Science from Liverpool University.

Albert Chiu
Head of Asia-Pacific Region

Albert Chiu was appointed Head of Asia-Pacific Region and a member of the Executive Committee of EFG International and EFG Bank, effective as of June 2016. Since July 2015, he was attendee of the Executive Committee. Mr Chiu is Chief Executive of EFG Bank's Asia-Pacific Region.

Mr Chiu joined EFG Bank in 2000 and established EFG Bank's private banking activities in Asia (with branches in Hong Kong and Singapore). Prior to joining EFG, Mr Chiu was Treasury Manager at HSBC Bank USA Hong Kong branch (1993–2000) and from 1987 until 1993 he worked for Citibank Hong Kong (Vice President).

Mr Chiu is also the founding Chair of Jazz Association Singapore Limited, a charity organisation in Singapore.

Mr Chiu is a Hong Kong citizen, born in 1965, and holds a bachelor's degree in business administration (Hon.) of the Chinese University of Hong Kong and completed the advanced management programme of Harvard Business School. He completed a diploma course at the Sophia University in Japan.

Sir Anthony Cooke-Yarborough
Head of UK Region

Sir Anthony Cooke-Yarborough was appointed as Head of UK Region and a member of the Executive Committee of EFG International, effective as of June 2016. Since July 2015, he was attendee of the Executive Committee. He is a member of the Board of Directors and CEO of EFG Private Bank Ltd, London, EFG International's wholly owned subsidiary in the United Kingdom. He is also a member of the Board of Directors of EFG International's subsidiaries EFG Private Bank (Channel Islands) Ltd, Guernsey, and EFG Asset Management (UK) Ltd, London.

Sir Anthony joined EFG Private Bank Ltd in 2009 and served as head of private banking until his appointment as CEO in June 2011. From 2005 until 2009, he was Chief Executive of Mourant Private Wealth, Jersey. Prior to that, he was Head of UK private banking and CEO of Barclays Private Bank Ltd (2002–2005), and from 1997 to 2002 served as Executive Director at Merrill Lynch International Bank, London, ultimately as Deputy Head of UK Private Client business.

He started his career at Lloyds Bank International in 1980 and held various senior management positions in the US and Latin America, ultimately as Director, International Investments, Brazil.

Sir Anthony is a British citizen, was born in 1956, and holds a master's degree in economics from Gonville & Caius College, Cambridge University.

Marcelo Coscarelli
Head of Latin America Region

Marcelo Coscarelli was appointed as Head of Latin America Region and a member of the Executive Committee of EFG International and EFG Bank, effective as of 01 January 2017.

Previously, he was at Citibank Latin America, serving as Managing Director and Head of the Wealth Management business covering international high-net-worth and affluent clients starting in 2012. From 2008 to 2012, he was Chief Operating Officer of Itaú Private Bank International, based in Miami. Before that, he has worked for UBS, where we held the position as Head of the Brazil Wealth Management Sales Desk at UBS in Zurich, and for Citigroup, as Head of Citigold Wealth Management for Europe, the Middle East and Africa, based in London. He also held different positions with the Citigroup Private Bank.

Mr Coscarelli was born in 1971 and is a Brazilian and US citizen. He holds a MBA from the University of Chicago, and a bachelor's degree in economics from University of Campinas (UNICAMP) in São Paulo, Brazil.

Peter Fischer
Head of Strategy

Peter Fischer was appointed as Head of Strategy and a member of the Executive Committee of EFG International and EFG Bank, effective as of January 2016. In this capacity, the Human Resources, Marketing & Communications and Special Projects functions reported to him. He stepped down as Head of Strategy and member of the Executive Committee as of 14 January 2018. He serves as a member of the Board of Directors of BSI SA and BSI Holdings AG and EFG Capital Holdings Corp.

Mr Fischer joined EFG International in June 2015 as Manager Special Projects. He has extensive professional experience in project and line management. He worked at Bank Sarasin & Cie and later Bank J. Safra Sarasin from 2000 until 2015, where he held a number of leadership positions including Chief of Staff & Corporate Development. Prior to that, Mr Fischer headed various front office and staff functions at Credit Suisse and UBS in Switzerland, Europe, Asia and the US.

Mr Fischer is a Swiss citizen and was born in 1958. He is a graduate of the Business School of Zurich (Expert of Business Administration KSZH).

Reto Kunz
Chief Risk Officer

Reto Kunz was appointed CRO and a member of the Executive Committee of EFG International and EFG Bank, effective as of 31 October 2016. He stepped down as CRO and member of the Executive Committee effective as of 31 December 2017. Mr Kunz served also as member of the Group Executive Board of BSI SA and, since he joined BSI in August 2015, he was responsible for the Credit, Market and Operational Risks functions.

Mr Kunz has extensive experience in risk management, developed over the last 30 years by working in the finance industry (Credit Suisse and UBS), primarily in corporate banking and wealth management, with business activities in Europe and Asia. He held various senior management positions in risk management and control before establishing his own business as an independent risk consultant prior to joining BSI.

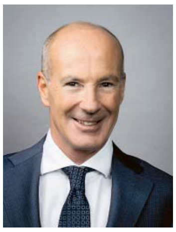
Mr Kunz is a Swiss citizen and was born in 1954. He is a Swiss Certified Banking Expert with Federal Diploma and got a Senior Executive programme degree from London Business School.

Adrian Kyriazi
Head of Romandie & Continental Europe Region

Adrian Kyriazi was appointed as Head of Continental Europe & Switzerland Region and a member of the Executive Committee in the function as Head of Private Banking Switzerland of EFG International and EFG Bank, effective as of July 2014. Since November 2016, he focuses on the activities of the Swiss business in the Romandie. He is also a member of the Board of Directors of EFG International's subsidiaries EFG Investment (Luxembourg) SA, EFG Bank (Luxembourg) SA, Asesores y Gestores Financieros SA, A&G Banca Privada SA and EFG Bank (Monaco) SAM, and EFG Bank von Ernst AG (Liechtenstein).

Mr Kyriazi was previously with Credit Suisse, where from 2010 to 2014 he was Managing Director, Market Group Head for Greece, CEE/Poland. Prior to that he spent 19 years at HSBC in a variety of different roles, including: managing director, private banking and Co-CEO, HSBC Private Bank, Monaco; CEO of West Coast Region, US, HSBC Private Bank; and CEO of Global Practices (encompassing wealth and tax advisory, corporate finance, and family office), HSBC Private Bank.

Mr Adrian Kyriazi is a Greek citizen and was born in 1960. He holds a degree in law from Robinson College, Cambridge University.



Maurizio Moranzoni
Head of Global Markets

Maurizio Moranzoni was appointed Head of Global Markets and a member of the Executive Committee of EFG International and EFG Bank, effective as of 31 October 2016. Mr Moranzoni has spent his entire career at BSI, where he started working in 1982 – first in the Forex department, and then covering various positions in the Capital Markets area. In 1997, he was appointed as Head of Treasury, Fixed Income and Securities Lending, and in 2003 he became Head of Capital Markets. He served also as member of the Group Executive Board of BSI SA, and he was responsible for the Global Markets Division since 2015. He is currently Vice-Chair of EFG Pension Fund.

Mr Moranzoni is a Swiss citizen and was born in 1960. He was educated in Switzerland (A levels).

Vittorio Ferrario
Group Chief Compliance Officer
(appointed as of 01 August 2017)

Vittorio Ferrario is Group Chief Compliance Officer and a member of the Executive Committee of EFG International and EFG Bank, effective as of 01 August 2017. Vittorio Ferrario joined EFG in May 2014 as Group Chief Compliance Officer. As EFG representative, he acted as a member of the Group Executive Board of BSI Bank from November 2016 until April 2017 during the merger process of EFG with BSI.

Before joining EFG, Vittorio Ferrario worked as an independent provider of compliance and operational risk advisory services for wealth and asset management from 2012 to 2014. Previously, from 2004 to 2011, he worked at Unigestion SA in Geneva, where he was Head of Compliance and Operational Risk for the Group. From 2001 to 2004, he held the role of Regional Compliance Manager at Goldman Sachs & Co Bank, located in both Zurich and Geneva. From 1989 to 2001, Vittorio Ferrario worked at PricewaterhouseCoopers, where he held various senior positions in audit and consulting for financial services firms in Europe and Asia.

Mr Ferrario is a Swiss citizen and was born in 1967. He holds a degree in commercial and industrial science with a focus on finance from the University of Geneva and is a certified Chartered Accountant.

Franco Polloni
Head of Central Switzerland, Ticino & Italy Region
(appointed as of 01 May 2017)

Franco Polloni is Head of Central Switzerland, Ticino & Italy Region and a member of the Executive Committee of EFG International and EFG Bank, effective as of 01 May 2017. He is also a member of the Board of EFG International's subsidiary Oudart SA in Paris.

Previously, he was head of private clients & asset management and member of the executive board of Banca del Ceresio in Lugano since December 2014. Between 2008 and 2014, he held various leadership positions at BSI and was head of private banking Switzerland and member of the group executive board from 2008 to 2010. From 2001 to 2008, he worked at Banca del Gottardo, where he was appointed as member of the executive board in 2006 and served as Head Products & Services until the bank's integration into BSI in 2008. From 1997 to 2001 he worked for Coopers & Lybrand (later PricewaterhouseCoopers) as manager in the tax department, advising international corporations and individuals. He began his career in 1993 with Ernst & Young in Zurich.

Mr Polloni is a member of the Board of Directors of Quadro Vehicles SA, Vacallo, as well as Vice-Chair of the Board of Directors of Funicolare San Salvatore SA, Lugano. He also holds a position as a member of the protector committee of the Private Trust and Private Foundation and he is Chair of the Swiss American Chamber of Commerce (Ticino Chapter). Mr Polloni is a member of the the foundation council of the Fondazione Centro Studi Bancari, Vezia, and the Fondazione del Centenario della Banca della Svizzera Italiana.

Franco Polloni is a Swiss citizen and was born in 1965. He holds a degree in business and economics from the University of Zurich and a diploma as a Swiss federal tax expert, a Trust & Estate Practitioner (TEP) and Certified Financial Planner (CFP).

Former members of the Executive Committee – the following members stepped down in 2017

Gerald Robert
Head of Latin America Region

Gerald Robert was Head of Latin America Region of EFG International and EFG Bank until 30 June 2017. He served also as member of the Group Executive Board of BSI, and he was responsible for the Latin America, Middle East & Eastern Mediterranean region since 2012.

After starting his career at the Banker Trust Company of New York in 1983, he joined BSI in 1985 as Private Banker at the New York branch, and then moved to Latin America to manage the bank's local operations. From 1993 to 2001, he was Director of BSI Monaco SAM. He subsequently became branch manager of Geneva and, in 2001, Area Manager for Latin America and Spain.

Mr Robert is a Swiss and US citizen and was born in 1957. He graduated in international politics and economics from George Washington University and holds a MA from the John Hopkins University of Washington D.C., with a specialisation in economics and finance.

Renato Santi
Head of Central Switzerland, Ticino & Italy Region

Renato Santi was Head of Central Switzerland, Ticino & Italy Region of EFG International and EFG Bank until April 2017. He served also as member of the Group Executive Board of BSI and he was responsible for the activities in Switzerland and in Europe.

Renato Santi started working at BSI in 1994 and has spent his entire career with the bank. Over the years, he has successfully headed various strategic development projects, covering several managerial positions in the Private Banking and Marketing division in Switzerland and abroad.

Mr Santi was a member of the Board of Directors of BSI Monaco SAM.

Mr Santi is a Swiss citizen and was born in 1969. He holds a degree in economics from the University of St. Gallen and an Advanced Management Programme degree from INSEAD.

New members of the Executive Committee in 2018

Dimitris Politis
Chief Financial Officer

Dimitris Politis is CFO and a member of the Executive Committee of EFG International and EFG Bank, effective as of 01 January 2018. In his role as CFO, his responsibilities encompass, apart from the Finance and Planning functions, the Global Treasury as well as the Investor Relations functions.

Previous to his current position at EFG, Dimitris Politis held the role of CFO at SETE SA (Geneva) and was also responsible for the oversight of strategic investments in the organisation's corporate entities. Mr Politis joined EFG Eurobank Ergasias SA (formerly part of the EFG Bank European Financial Group SA) in 1999, where he was a member of the senior management team and involved in key strategic decisions and initiatives. Before joining SETE SA in 2013, he last held the role of General Manager, Head of Strategy and Investor Relations. Prior to joining EFG, Mr Politis started his career in 1995 at the Charles River Associates management consulting firm.

Mr Politis is a Greek citizen and was born in 1971. He holds a MBA degree from INSEAD in France, as well as a master's degree in science from the Massachusetts Institute of Technology in Boston (Technology & Policy programme) and a bachelor's degree in aeronautical engineering from the Imperial College in London.

Thomas A. Mueller
Chief Risk Officer

Thomas A. Mueller was appointed CRO of EFG International and EFG Bank and member of the Executive Committee, effective as of 01 January 2018. In his role he is responsible for the Risk functions including credit, market and operational risk, reporting directly to the CEO.

Prior to his appointment as CRO at EFG International, Mr Mueller was Chief Executive Officer of BSI SA since 01 November 2016. Before that he held the role of Group Chief Financial Officer at Bank J. Safra Sarasin & Co., where he was also a member of the Executive Committee, from 2010 to 2016. Between 2006 and 2009, he was Group Chief Financial Officer & Chief Risk Officer at Swiss Life, and from 2002 to 2005 Chief Financial & Risk Officer at Banca del Gottardo in Lugano, Switzerland, which was later acquired by BSI.

Mr Mueller's professional career began in 1991 at Swiss Volksbank where he was responsible for asset and liability management. Up to and after the integration of Swiss Volksbank into Credit Suisse Group, he headed the treasury department from 1994 to 1997. Between 1997 and 2000, he worked at Marc Rich Holding and was responsible for the Group's trading in interest rates instruments.

Mr Mueller is Chair of the Swiss Takeover Board since 01 January 2016 and a member since 01 January 2012.

Mr Mueller is a Swiss citizen and was born in 1965. He holds a MBA degree from the IMD business school in Lausanne, Switzerland, as well as a master's degree in economics from the University of Berne, Switzerland.

Christian Flemming
Chief Operating Officer

Christian Flemming is the COO and a member of the Executive Committee of EFG International and EFG Bank, effective as of 15 January 2018 (subject to regulatory approval). In his role as COO, his responsibilities encompass the bank's overall Operations functions and further improving EFG's efficiency as well as the continuous development of the bank's servicing platform.

Previous to his position as COO, Mr Flemming was Head of Finance at Banco BTG Pactual SA and before that COO at BSI until the acquisition by EFG. He also worked at Banco BTG Pactual SA as COO of the Investment Banking division and, amongst others, was a member of the Board of Directors of Banco BTG Pactual Chile. Before joining BTG Pactual, Christian Flemming worked in Investment Banking for Pátria Banco de Negócios and as a consultant for Stern Stewart & Co in São Paulo.

Mr Flemming is a German citizen and was born in 1975. He holds a Bachelor of Science in business administration from EAESP, Fundação Getúlio Vargas as well as a Bachelor of Science in engineering from the Escola de Engenharia, Universidad Mackenzie in São Paulo, Brazil.

4.3 External mandates and vested interests

Please refer to the information provided in the biographies of each member of the Executive Committee in section 4.2 above, where the significant activities in governing and supervising bodies of important organisations, institutions and foundations are mentioned.

4.4 Provisions on the number of permitted external mandates in the Articles of Association

In accordance with the article 12 para. 1 point 1 of the Ordinance, the number of permitted external mandates of the members of the Executive Committee are outlined in Article 37 of the Articles of Association*. The members of the Executive Committee may upon approval by the Board of Directors or the Remuneration and Nomination Committee each have up to three external mandates of which a maximum of one may be in a listed company. Additionally, a member of the Executive Committee may perform up to ten mandates in associations, charitable institutions as well as welfare and pension institutions.

4.5 Management contracts

EFG International and its subsidiaries have not entered into management contracts with third parties.

5. Compensation, shareholdings and loans of the members of the Board of Directors and the Executive Committee

In application of article 5 and 13 of the Ordinance, the Board of Directors issued a Compensation Report for the year ended 31 December 2017. The Compensation Report includes all compensation directly or indirectly paid to current members of the Board of Directors and of the Executive Committee, as well as any direct or indirect remuneration to former members of the Board of Directors and of the Executive Committee in connection with their prior functions. The Compensation Report also discloses the loans and credits granted directly or indirectly by the Company to the members of the Board of Director and the Executive Committee as well as loans, credits and remuneration to closely related parties thereof, which are not granted at market conditions.

Details can be found in the Compensation Report, presented separately on pages 50–63 of this annual report.

In addition to the aforementioned, further details on the compensation and compensation related elements granted to the members of the Board of Directors and of the Executive Committee can be found in the following provisions of the Articles of Association*:
- Articles 17 and 18 of the Articles of Association defining the mechanism for the approval of the compensation of the Board of Directors and the Executive Committee by the general meeting of shareholders (for further details see pages 56 ff.)
- Article 30 of the Articles of Association describing the authorities and the procedure of determining the form and amount of compensation for members of the Board of Directors and the Executive Committee (for further details see pages 52 ff.)
- Article 32 and 33 of the Articles of Association determining the basic principles and elements of the compensation for members of the Board of Directors and the Executive Committee (for further details see pages 53 ff.)
- Article 34 of the Articles of Association determining the available additional amount for payments to members of the Executive Committee appointed after the vote on-pay at the general meeting of shareholders
- Article 35 of the Articles of Association on the principles applicable to performance related variable compensation and to the allocation of equity securities or RSUs as part of the Company's shareholding programs for members of the Executive Committee (for further details see pages 53 and 55 f.)
- Article 35a of the Articles of Association on the principles applicable to variable compensation for members of the Board of Directors (for further details see page 53)
- Article 36 of the Articles of Association containing the rules on pension benefits not based on occupational pension schemes
- Article 36a of the Articles of Association describes the principles for granting loans and credits to the members of the Board and the Executive Committee (for further details see page 58)

Details of the compensation paid to the members of the Board of Directors and the Executive Committee in 2017 and 2016 can be found on pages 59-61. With regard to shareholdings of the members of the Board of Directors and the Executive Committee, please see the financial statements, note 22, page 247 f.

* See www.efginternational.com/articlesofassociation

6. Shareholders' rights of participation

6.1 Voting-rights restriction and representation

Persons who acquired registered shares will, upon application, be entered in the share register without limitation as shareholders with voting power, provided they expressly declare themselves to have acquired the shares concerned in their own name and for their own account and comply with the disclosure requirement stipulated by FMIA (for details please refer to Article 6 of the Articles of Association* and see also section 2.6 above).

Former employees' vested RSUs are exercised upon the last day of their employment and held in a mandatory depository account administered by the custodian appointed by EFG International. Such shares are blocked until the first day of the exercise period and do not entitle the former employee to voting rights pertaining to the shares or to any dividends, distributions made out of the reserves from capital contributions, reimbursements of capital, etc.

According to Article 23 of the Articles of Association*, shareholders can exercise their voting rights either by themselves or appoint a third party authorised in writing or the independent proxy to vote on their behalf. Such representatives need not to be shareholders. All shareholders receive with the invitation to the general meeting a proxy appointment form for the appointment of the independent proxy and instruct him regarding each agenda item and additional ad-hoc motions.

EFG International offers to their shareholders the possibility to exercise their voting rights prior to the general meeting via the online platform of Smartprimes. Furthermore, the voting at the shareholders' meeting takes place in electronic form via a televoting device. The televoting devices allow a timely and accurate result delivery during the general meeting.

6.2 Statutory quorums

No statutory quorums other than those defined by Swiss Corporate Law and the Swiss Federal Merger Act apply.

6.3 Convocation of the general meetings

The statutory rules on the convocation of the general meeting correspond with legal provisions. Accordingly, the general meeting is summoned at least 20 days before the date of the meeting by notice published in the 'Swiss Official Gazette of Commerce' and by letter sent to the addresses of the shareholders entered in the share register.

* See www.efginternational.com/articlesofassociation

6.4 Agenda

The Board of Directors announces the agenda for the general meeting. Shareholders representing shares with a nominal value of at least CHF 1.0 million may request that an item of business be placed on the agenda until latest 40 days prior to the date of the general meeting. Such request must be in writing and must state the relevant motions.

6.5 Registrations in the share register

There is no statutory rule on the deadline for registering shareholders in connection with the attendance of the general meeting. However, for organisational reasons, no shareholders will be entered into the share register during the period beginning 15 days prior to a general meeting and ending immediately after the closing of the general meeting.

7. Changes of control and defence measures

7.1 Duty to make an offer

EFG International has not taken any defence measures against takeover attempts. Therefore, there are no statutory rules on "opting up" and "opting out". The Articles of Association contain no provision which would rule out the obligation of an acquirer of shares exceeding the threshold of 33.33% of the voting rights to proceed with a public purchase offer (opting-out provision pursuant to Article 125 FMIA) or which would increase such threshold to 49% of the voting rights (opting-up provision pursuant to Article 135 para. 1 FMIA).

7.2 Clauses on changes of control

Options and RSUs granted to employees would become exercisable during the extended offer period granted by the offeror upon a mandatory or a voluntary tender offer that becomes unconditional according to the FMIA. In the event that more than 90% of EFG International registered shares are acquired by a company listed at a recognised stock exchange, options or RSUs become exercisable or the outstanding options can be exchanged prior to the start of the exercise period by replacing the options or RSUs with options to acquire shares of the successor company (Successor Options) on terms and conditions which will result in such Successor Options being in all other material aspects identical to those that apply to options or RSUs.

8. Auditors

8.1 Duration of mandate and term of office of Head Auditor

PricewaterhouseCoopers SA (PwC), Geneva, were appointed as statutory auditors and group auditors of EFG International on 08 September 2005, when EFG International was incorporated. The shareholders must confirm the appointment of the auditors on an annual basis at the general meeting.

Mr Christophe Kratzer took up office as lead audit partner on 24 April 2015. Mr Thomas Romer, the Global Relationship Partner, co-signs the auditors' report for 2017.

8.2 Auditing fees

PwC received fees totalling CHF 6.2 million for the 2017 audits of EFG International and its subsidiaries.

8.3 Additional fees

For additional audit related services covering topics such as accounting, control reporting as well as compliance, EFG International Group paid PwC fees totalling CHF 2.2 million during the 2017 financial year.

For additional consulting related services comprising legal, IT, tax and other project-related counselling, EFG International Group paid PwC fees totalling CHF 0.6 million during the 2017 financial year.

8.4 Supervisory and control instruments vis-à-vis the auditors

The Audit Committee, on behalf of the Board of Directors, monitors the qualification, independence and performance of EFG International Group's auditors and their lead partners. The Audit Committee confers with EFG International Group's auditors about the effectiveness of the internal control systems in view of the risk profile of EFG International Group.

The Audit Committee reviews the annual written statement submitted by the external auditors as to their independence. Mandates to EFG International Group's auditors for additional audit, audit-related and permitted non-audit work are subject to preapproval by the Audit Committee.

The external auditors provide timely reports to the Audit Committee on critical accounting policies and practices used, on alternative treatments of financial information discussed with management, and other material written communication between external auditors and management.

The Audit Committee meets regularly with the lead partners of the external auditors, at least four times per year. It also meets regularly with the Chief of Internal Audit. At least once per year, the Chair of the Audit Committee discusses with the lead partners of PwC the audit work performed, the main findings and critical issues that arose during the audit.

The Chair of the Audit Committee reports back to the Board of Directors about their contacts and discussions with the external auditors.

The external auditors have direct access to the Audit Committee at all times.

9. Information policy

EFG International regularly informs its shareholders and the public by means of annual and half-year reports, Compensation Reports, pillar III disclosures as well as media releases and presentations as needed. The documents are available, in electronic form at:
www.efginternational.com/financial-reporting
www.efginternational.com/investors
www.efginternational.com/press-releases
as well as in printed form upon request.

Interested parties can subscribe to the e-mail distribution service to receive free and timely notifications of potentially price-sensitive facts and media releases:
www.efginternational.com/newsalert

These releases are also published on the EFG International website at the same time as they are sent to the subscribers, and are available online for several years at:
www.efginternational.com/press-releases

Additional corporate information, such as documents related to general meetings, Articles of Association and Organisational and Management Regulations, can be found at:
www.efginternational.com/agm
www.efginternational.com/articlesofassociation
www.efginternational.com/internalregulations

Financial calendar
Important dates:
27 April 2018: Annual General Meeting 2018, Zurich
02 May 2018: Ex-dividend date
03 May 2018: Record date
04 May 2018: Dividend payment date
25 July 2018: Publication of half-year results 2018

The financial calendar of upcoming events relevant to shareholder, analysts, the media and other interested parties can be found on our investor relations website at:
www.efginternational.com/investors

The Company's notices are published in the 'Swiss Official Gazette of Commerce' (SOGC).

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Compensation Report

1. Philosophy

EFG International Group seeks to recruit and retain individuals who have the intellect, energy and entrepreneurial spirit to deal effectively with complex problems in a fast-changing and challenging environment. To accomplish these goals, EFG International Group uses a mixture of the three main components of compensation for the remuneration of its members of the Board of Directors and its entire staff: fixed compensation, also called base salary; variable compensation, whether in the form of cash or non-cash award such as restricted stock units (RSUs); and non-financial rewards. Fixed and variable compensations are critical components of the remuneration, which is why we take into account an individual's knowledge, skills, and abilities as it relates to the requirements of a position.

EFG International Group continuously evaluates and benchmarks its compensation data to ensure they remain both competitive and equitable. Such review is based on the following key principles:

- Competitiveness to external and internal benchmarks
- Business needs and performance, organisational culture and relevant regulatory requirements
- Annual remuneration reviews follow the financial year in order to ensure affordability and to maintain capital requirements
- Alignment with the performance review cycle ensuring that appropriate behaviours and performance contribution are recognised and rewarded while applying discretionary penalties regarding any conduct issues

2. Regulations

According to the Swiss Ordinance against Excessive Compensation in Listed Companies ('Ordinance') and the Articles of Association*, the Board of Directors has the non-transferable and inalienable duty to issue on an annual basis a written Compensation Report (articles 5 and 13 of the Ordinance; article 28 paragraph 2 section 7 of the Articles of Association*). EFG International (or 'the Company') has already issued a Compensation Report in previous years and herewith continues this tradition. In line with the requirements of the Ordinance (article 17), our statutory auditors, PricewaterhouseCoopers Ltd, have reviewed whether the Compensation Report complies with the law and the Ordinance (see the auditors' report on page 63).

3. Methodology

Besides the implementation of the requirements of the Ordinance (information pursuant to the articles 14–16 of the Ordinance), EFG International has already implemented in 2011 the principles of the FINMA Circular 2010/1, which defines minimum standards for remuneration schemes applicable to financial institutions, as well as the Corporate Governance Directive and its annex and commentary, issued by SIX Swiss Exchange AG. These standards have been transposed into a comprehensive internal Group Remuneration Policy and include:

- Categorisation of employees and governing bodies in accordance with their risk profile; defined categories are:
  - i) Members of the Board of Directors of EFG International and its subsidiaries
  - ii) Chief Executive Officer (CEO) and other members of the Executive Committee of EFG International
  - iii) Region Heads/Regional CEOs
  - iv) Senior Executives (Local Business Heads/Heads of Private Banking/Global Function Heads)
  - v) Key Executives (defined according to criteria laid down from time to time by the Remuneration & Nomination Committee) including Material Risk Takers (MRTs) as defined by local regulations
  - vi) Control Functions (Audit, Compliance, Risk and Human Resources)
  - vii) Client Relationship Officers (CROs)
  - viii) Other staff than CROs and Senior or Key Executives and Control Functions
- Remuneration of each category aligned with business strategy and risk profile
- Performance-related remuneration based on a combination of the performance of the individual concerned, the performance of their business and, where applicable, the overall results of the organisation
- Transparent remuneration scheme for CROs designed in a way that any negative contribution directly results in a reduction of the variable compensation elements
- Share-based deferred payment mechanisms for the members of the Executive Committee, Region Heads, Senior Executives and Key Executives as well as some Control Functions identified as 'higher risk' job categories over a minimum period

* See www.efginternational.com/articlesofassociation

The compensation of the members of the Board of Directors and the Executive Committee complies with the Ordinance, the FINMA Circular 2010/1 and the Corporate Governance Directive.

For information on staff costs, please refer to page 148 (note 19 to the consolidated financial statements).

4. Responsibilities

The Remuneration & Nomination Committee currently consists of the following members of the Board of Directors who were individually elected by the Annual General Meeting 2017 for a term of office of one year until the conclusion of the Annual General Meeting 2018:
- Niccolò H. Burki (Chair)
- Emmanuel L. Bussetil
- Périclès Petalas
- John A. Williamson
- Steven M. Jacobs
- Bernd-A. von Maltzan

According to article 30 paragraph 2 of the Articles of Association* and in application of the Ordinance, the Remuneration & Nomination Committee has the following specific tasks and responsibilities in relation to the compensation of the Board of Directors and the Executive Committee:
- To establish the compensation strategy for the Company, to approve the compensation and to make recommendations to the Board of Directors with regard to certain compensation matters, in particular to review, on behalf of the Board of Directors and within the limits set by the general meeting of shareholders, the amount of compensation to be paid to the members of the Board of Directors and the members of the Executive Committee
- To annually review, and make a recommendation to the Board of Directors regarding the form and amount of the compensation of the members of the Board of Directors and any additional compensation to be paid for service as Chair and Vice-Chair of the Board of Directors, for service on Board-delegated committees and for service as a Chair of Board-delegated committees
- To annually (a) review and assess the corporate goals and objectives upon which the compensation of the CEO and the other members of the Executive Committee is based and (b) evaluate the performance of the CEO and the other members of the Executive Committee in light of these goals and objectives
- To make a recommendation to the Board of Directors of appropriate compensation levels for the CEO after the evaluation of the CEO's performance
- To annually review the amount of compensation of the other members of the Executive Committee and make a recommendation to the Board of Directors regarding the appropriate level of their compensation as to (a) the annual base salary, (b) the annual variable compensation, (c) the long-term compensation component and (d) any special or supplemental rewards

In addition, and in accordance with the Organisational and Management Regulations**, the Group Remuneration Policy and the Terms of Reference of the Remuneration & Nomination Committee, the Remuneration & Nomination Committee has, among others, the following additional responsibilities and competencies:
- To ensure that EFG International and its subsidiaries maintain and observe an up-to-date procedure whereby the provisions of the FINMA Circular 2010/1 are implemented and observed
- To ensure that annual salary increases and all discretionary variable compensation amounts are within the overall budget and guidelines approved by the Board of Directors and the general meeting of shareholders, if applicable
- To ensure that the policy on variable compensation and other variable elements of employee remuneration is not in conflict with client interests, shareholder interest or Ordinance, the FINMA Circular 2010/1 and the Corporate Governance Directive
- To decide on the contractual arrangements of the members and the Chair of the Board of Directors, the CEO and other members of the Executive Committee of EFG International which have to be all in line with the Articles of Association as well as the Ordinance, and to further decide on the contractual arrangements of other Key Executives, including those of the Company's subsidiaries, as appropriate
- To approve all salary increases to other staff members, with the exception of those resulting from existing contractual conditions, in cases where the increase places the person into the Key Executive group
- To set the rules for staff loans, in particular for those loans made against shares of EFG International and the thresholds above which any staff loan is to be submitted to the Remuneration & Nomination Committee for approval
- To decide on the granting of loans and credits to members of the Board of Directors and related parties

* See www.efginternational.com/articlesofassociation

** See www.efginternational.com/internalregulations

thereof as well as members of the Executive Committee and Regional CEOs (for loans and credits exceeding CHF 500,000)
- To decide on EFG International's contribution to pension and social institutions for the Swiss entities and their branches
- It reviews the overall annual salary, annual increases and variable compensation as proposed by the management for all other staff of EFG International and its subsidiaries
- It is informed by the CEO each year, in the context of the yearly compensation review, of a recommendation of RSUs receivers. The Remuneration & Nomination Committee shall consider the recommendations and, at its absolute discretion, determine the size of RSUs for each receiver, if any

5. Principles

5.1 Members of the Board of Directors

5.1.1 Fixed compensation

The fixed compensation of the members of the Board of Directors, subject to the approval by the general meeting of shareholders, consists of a fixed base fee paid in cash depending on the function in the Board of Directors, the number of committee activities and the function in the committees. Since the Annual General Meeting 2017, the fixed compensation of the members of the Board of Directors also includes an element awarded in equity or equity linked instruments (e.g. RSUs). For further details see article 32 of the Articles of Association*.

5.1.2 Variable compensation

The variable compensation to members of the Board of Directors, subject to the approval by the general meeting of shareholders, is paid in cash and/or awarded in equities or equity linked instruments (e.g. RSUs). For further details see articles 32 and 35a of the Articles of Association*.

5.1.3 Compensation for advisory services

Subject to the approval by the general meeting of shareholders, members of the Board of Directors may receive additional market standard compensation in cash for advisory services not related to their function as member of the Board of Directors rendered to the Company and/or direct or indirect subsidiaries of the Company. No such compensation for advisory services was paid in 2017.

5.2 Members of the Executive Committee

5.2.1 Fixed compensation

The fixed compensation of the members of the Executive Committee, subject to the approval by the general meeting of shareholders, consists of a fixed compensation paid in cash. For further details see article 33 of the Articles of Association*.

5.2.2 Variable compensation

The award of variable compensation to the members of the Executive Committee is within the discretion of the Remuneration & Nomination Committee and subject to the approval by the general meeting of shareholders. The Remuneration & Nomination Committee considers a number of quantitative and qualitative elements to award variable compensation, such as profitability and share price evolution of the Company, the relation between variable compensation and key performance indicators, the risk profile of the Company and the individual performance of the members of the Executive Committee during the year. The Remuneration & Nomination Committee approves targets and maximum award levels for each member of the Executive Committee taking into account position, responsibilities and tasks. The variable compensation is payable in cash and a certain percentage is awarded in the form of RSUs relating to shares of EFG International under the employee equity incentive plan (see section 6.2 hereafter). The minimum percentage awarded in the form of RSUs cannot be below 50% (as defined in article 35 of the Articles of Association*) and is determined annually by the Remuneration & Nomination Committee, the current applicable minimum is 60%. For further details see articles 33 and 35 of the Articles of Association*.

5.3 Other categories of staff

5.3.1 Fixed compensation

Fixed compensation to other staff than members of the Board of Directors and Executive Committee is determined in line with the level of education, the degree of seniority, the level of expertise and skills required, the scope of the role, job experience and the relevant business sector and region.

* See www.efginternational.com/articlesofassociation

In Switzerland, and in most other countries where reliable data is available, fixed compensation is also linked to a professional annual compensation survey conducted in the banking sector.

EFG International uses the performance reviews and market benchmarks on an individual basis to review whether a salary increase is necessary or strongly advised for talent retention. There are countries in which legislation imposes a general minimum salary increase (e.g. legal indexation of salaries), whereas any extra increases would then still follow Group-wide procedures. Whilst salary surveys are used to help establish the appropriate compensation for most members of staff, they are rarely used at the highest level of management since an insufficient number of organisations with the same level of international complexity render comparison difficult.

All staff salaries are subject to review on an annual basis, first by local management and Human Resources, then by the Region Head, EFG International's CEO together with the Global Head of Human Resources and finally by the Remuneration & Nomination Committee.

Exceptional increases may occur during the year. If increases exceed certain limits defined in the Group Remuneration Policy, they need Remuneration & Nomination Committee approval before commitment.

5.3.2 Variable compensation

Variable compensation to other staff members than members of the Board of Directors and Executive Committee – with the exception of CROs (see section 5.4 hereafter), some asset managers and certain Regional Business Heads – is discretionary and determined by their individual performance (annual assessment), the performance of their business line and that of the Company. The relative importance of each level of the performance criteria is determined beforehand and balanced to take into account the position or responsibilities held by the staff member, defined by job category. The proportion of the variable compensation that may be deferred will depend on the impact the job category can have on the risk profile of the company and the responsibilities and tasks performed. The minimum deferral period for 'higher risk' job categories is three years.

Variable compensation can be awarded in the form of cash, deferred cash or deferred equity.

Determination of the overall annual variable compensation pool for other staff members is a combination of bottom-up (starting at single staff level following the annual individual assessment) and top-down (evaluating performance of local or region business) approach. A framework is in place to ensure critical appraisal of proposals by Region Heads, EFG International's CEO and the Remuneration & Nomination Committee.

The variable compensation review is carried out annually. There is a strong emphasis on the personal contribution when determining the discretionary variable compensation for staff with a modest income. For Key Executives, there is a much stronger emphasis on corporate performance, in particular profitability, with a corresponding diminution of the impact of personal contribution.

For Key Executives, the Remuneration & Nomination Committee considers a number of quantitative and qualitative elements such as the performance, both in profitability and stock price evolution of EFG International through the year, the relation between variable compensation and key performance indicators, and the risk profile of the institution and the individual performance of Key Executives. Poor performance of the EFG International Group can result in a significant reduction or even elimination of the discretionary variable compensation for Key Executives.

Staff who breach internal regulations or regulatory or legal requirements or who significantly raise the Company's risk exposure, are subject to having their variable compensation reduced or eliminated.

Exceptional variable awards may occur during the year. If exceptional variable awards exceed a certain predefined limit, they need Remuneration & Nomination Committee approval before commitment.

5.4 Client Relationship Officers

5.4.1 Fixed compensation

EFG International generally only hires experienced bankers as CROs with previous business development experience in this role. Fixed compensation of CROs is defined individually at hiring in line with their historic compensation and may be reviewed from time to time to ensure correlation with market practices.

5.4.2 *Variable compensation*

Variable compensation is contractual and formulaic (percentage of the business booked by the CRO). Booked business reflects the true net financial contribution of each CRO and does not 'prepay' any future expected revenues. It includes all revenues and related costs attributable to them. Bona fide operating errors leading to losses are debited from the CRO's booked business and impact their variable compensation. Losses arising from repetitive operating errors, serious mistakes, non-respect of internal and external regulations or law directly reduce their variable compensation. CROs with a variable compensation over CHF 50,000 are required to take a mandatory 25% of their variable compensation portion exceeding CHF 50,000 or equivalent in local currency in the form of RSUs.

5.5 Employees in control functions

The compensation level of employees in control functions is deemed to enable the employment of qualified and experienced personnel. The mix of fixed and variable compensation for control function personnel is weighted in favour of fixed compensation; variable part is based on function-specific objectives and is not determined by the individual financial performance of the business area they monitor.

6. Specific mechanisms or instruments for variable compensation

Summary of current applicable rules:

Category	Current deferral rules
CEO and other members of the Executive Committee	Minimum 60% in RSUs
Region Heads/Local Business Heads/Global Function Heads	Minimum 50% in RSUs
CROs and all other employees with a variable compensation over CHF 50,000	Portion of total variable compensation exceeding CHF 50,000 or equivalent: Minimum 25% in RSUs

6.1 Deferral obligations

The Group Remuneration Policy imposes deferral obligations on certain staff including members of the Executive Committee, Region Heads, Local Business Heads and any other Senior Executives defined with a risk profile justifying deferral. The Remuneration & Nomination Committee and local management can also impose a level of deferral on all staff at their discretion.

6.2 Employee Equity Incentive Plan

The EFG International Group has adopted an equity incentive plan for employees and executive officers of EFG International and its subsidiaries on 20 September 2005 (the 'Employee Equity Incentive Plan') in order to strengthen the EFG International Group's ability to furnish incentives for members of the Executive Committee and other key employees and to increase long-term shareholder value by improving operations and profitability. The Employee Equity Incentive Plan has been reviewed and amended in 2015 and will cover any options and RSUs granted during the financial years 2005 to 2017 and which last up to the point in time that such options and RSUs granted under the Employee Equity Incentive Plan have either been exercised or have expired. Some subsidiaries have implemented local variations to the Employee Equity Incentive Plan.

The CEO identifies and recommends to the Remuneration & Nomination Committee annually all employees who are eligible to participate in the Employee Equity Incentive Plan. The Remuneration & Nomination Committee then considers the recommendation and, at its absolute discretion, determines within the limits of the Articles of Association* and the approval by the general meeting of shareholders (only regarding members of the Board of Directors and the Executive Committee; see below sections 7.1 and 7.2) the level of equity incentives to be granted to each eligible person.

* See www.efginternational.com/articlesofassociation

Until vested, the options and/or RSUs are subject to claw-back or forfeiture. Claw-back arises in the event of proven fraudulent behaviour or if decisions or actions taken in the reference year of the variable award subsequently cause the Company to be impacted by losses. This is reflected in the employment contract or other documentation enacted with the employee at the time of the variable compensation award. The options and/or RSUs are also subject to forfeiture on the resignation of the employee or termination for cause.

The Remuneration & Nomination Committee may on an exceptional basis decide to grant accelerated vesting to leavers depending on the circumstances of their departure, subject to applicable law.

6.3 Other compensation

Other compensation for members of the Board of Directors and the Executive Committee are subject to the mandatory rules of the Ordinance. Sign-on payments, guaranteed compensation, severance payments or any other special remuneration packages for staff other than the members of the Board of Directors or the Executive Committee are subject to predefined rules and are made only in exceptional cases. If this special compensation exceeds a certain limit, it must be submitted to the Remuneration & Nomination Committee for approval before commitment.

7. Implementation of compensation principles

7.1 Members of the Board of Directors

The compensation of those members of the Board of Directors who receive compensation is determined by the Remuneration & Nomination Committee and is subject to the approval by the general meeting of shareholders (see articles 17 and 18 of the Articles of Association*). The fixed compensation of the members of the Board of Directors is approved prospectively for the terms of office until the closure of the next Annual General Meeting.

No variable compensation for members of the Board of Directors related to the business year 2017 will be proposed to the Annual General Meeting 2018.

Details of the compensation paid to the members of the Board of Directors in 2016 and 2017 can be found on pages 59-61.

No agreement with members of the Board of Directors foresees a sign-on or a severance payment.

7.2 Members of the Executive Committee

The compensation of the members of the Executive Committee is determined annually by the Remuneration & Nomination Committee and subject to the approval by the general meeting of shareholders (see articles 17 and 18 of the Articles of Association*). The fixed compensation of members of the Executive Committee is approved prospectively for the current business year and the variable compensation retrospectively (awarded in the current business year based on the performance in the business year preceding the Annual General Meeting).

The following elements of compensation are applied at the level of the Executive Committee:
- Fixed compensation in cash
- Variable compensation defined annually (including Employee Equity Incentive Plan)
- Social charges

Subject to the approval by the general meeting of shareholders, variable compensation for members of the Executive Committee is determined entirely within the discretion of the Remuneration & Nomination Committee based upon recommendations by the CEO (except in relation to his own variable compensation). The Remuneration & Nomination Committee has defined a minimum of 60% of the variable compensation of the members of the Executive Committee to be taken in the form of RSUs and deferred over a period of minimum three years with progressive vesting. On an exceptional basis, the Remuneration & Nomination Committee may approve modifications to this rule for specific events, subject to mandatory law.

* See www.efginternational.com/articlesofassociation

Variable compensation should be awarded on the basis of an assessment of individual performance and the performance of EFG International as a whole. Factors discussed by the Remuneration & Nomination Committee include personal performance, subordinates' performance, sound management, budget control, and the realisation of defined objectives, realisation of last-minute projects/objectives and any other contributions to the benefit of EFG International.

The variable component of compensation to members of the Executive Committee constituted from 0% to 230.5% of the annualised fixed component, averaging at 114.8%. The average variable component to annualised total compensation is 43%, of which average deferral for a member of the Executive Committee is 62.9%.

The Remuneration & Nomination Committee may exceptionally decide to grant accelerated vesting to leavers depending on the circumstances of the departure, subject to applicable law.

Details of the compensation paid to the members of the Executive Committee in 2017 and 2016 can be found on pages 59-61.

No employment contract with members of the Executive Committee foresees a sign-on or a severance payment.

7.3 Senior Management Forum

The Senior Management Forum ('the Forum') meets on a regular basis and provides a discussion forum for global business topics and challenges. The Forum includes the members of the Executive Committee and their direct reports, Regional CEOs and Senior Executives. The Forum counted 117 members for 2017.

The compensation of the members of the Forum is determined as for all staff and is reviewed annually by the Remuneration & Nomination Committee. The same elements of compensation as for the Executive Committee apply to the Forum (see section 5.2 above). It should be noted that the members of the Forum do not receive additional compensation for their membership in the Forum.

The deferral requirements imposed on the Forum members vary in view of their business activity and risk profile. Regional CEOs, Local Business Heads and Global Function Heads are subject to a minimum of 50% deferral of their variable compensation.

The variable component of pay to members of the Forum constituted from 0% to 574.2% of the annualised fixed component, averaging at 69.9%. The average variable component to annualised total compensation is 29.5%, of which average deferral for a Forum member is 32%.

Compensation of Senior Management Forum

Compensation year ended 2017

	Fixed compensation (1)	*Variable compensation (2)*		Other compensation	Social charges (4)	Total 2017
	Cash	Cash bonus	RSUs (3)			
	CHF	CHF	CHF	CHF	CHF	CHF
Senior Management Forum						
Total	**40,557,610**	**19,838,034**	**16,425,476**	**347,466**	**7,421,180**	**84,589,766**
Average	337,980	165,317	136,879	2,896	61,843	704,915

Notes
1 Including employees' contributions for social charges.
2 The amounts of the members of the Executive Committee here included are subject to approval by the shareholders at the Annual General Meeting 2018.
3 The amount represents the value of equity incentives granted in 2018 based on the performance in the previous year to members of the Senior Management Forum. For specific valuation of the Employee Equity Incentive Plans, refer to note 62 of the consolidated financial statements.
4 Including employer pension contributions.

8. Loans and credits

The Articles of Association* provide rules for granting loans and credits at market conditions or generally applicable employee conditions to the members of the Board of Directors and the Executive Committee. It is specified that such loans and credits should not exceed a maximum of CHF 3,000,000 for unsecured loans and credits, and CHF 20,000,000 for secured loans and credits per member of the Board of Directors and the Executive Committee (see article 36a paragraph 1 of the Articles of Association*).

The Remuneration & Nomination Committee decides on the granting of loans and credits to members of the Board of Directors and their related parties as well as members of the Executive Committee and Regional CEOs (for loans and credits exceeding CHF 500,000). All other loans and credits to members of the Executive Committee and Regional CEOs, not subject to the approval by the Remuneration & Nomination Committee, are dealt with by the approval body of EFG International ('Approval Body'). The Approval Body comprises three members of the Executive Committee and, as a backup, the Head of the Credit Department. Details on loans and credits granted to members of the Board of Directors and the Executive Committee can be found on page 62.

9. External advice

EFG International uses local market surveys where available and external consultants when necessary.

* See www.efginternational.com/articlesofassociation

10. Compensation of the Board of Directors and the Executive Committee

(i) Compensation year ended 2017 (audited)

	Fixed compensation (1)		*Variable compensation (2)*		**Other compen-sation**	**Social charges (4)**	**Total**
	Cash	**RSUs**	**Cash bonus**	**RSUs (3)**			**2017**
	CHF	**CHF**	**CHF**	**CHF**	**CHF**	**CHF**	**CHF**
Board of Directors							
John A. Williamson, Chair	1,000,000					149,475	1,149,475
Niccolò H. Burki, Vice-Chair	256,667	30,000				14,453	301,120
Susanne Brandenberger, member	231,667	30,000				45,498	307,165
Emmanuel L. Bussetil, member (5)							–
Erwin R. Caduff, member*	50,000					2,676	52,676
Michael N. Higgin, member**	329,347	30,000				24,831	384,178
Roberto Isolani, member	83,334	30,000				18,046	131,380
Steven M. Jacobs, member	100,000	30,000				21,640	151,640
Spiro J. Latsis, member (5)							–
Périclès Petalas, member (5)							–
Bernd-A. von Maltzan, member***	267,133	30,000				9,030	306,163
Daniel Zuberbühler, member	141,667	30,000				7,525	179,192
Total Board of Directors	**2,459,815**	**210,000**	**–**	**–**	**–**	**293,174**	**2,962,989**
Executive Committee							
Total Executive Committee**(6)**	**9,319,377**	**–**	**4,911,332**	**8,066,999**	**16,094**	**1,416,518**	**23,730,320**
of which highest paid:							
Joachim H. Straehle, CEO EFG International	1,600,007		1,100,000	1,650,000		167,751	4,517,758

* Left in April 2017

** Includes UK subsidiary Board of Directors' fees

*** Includes Luxembourg subsidiaries Board of Directors' fees

**** Including members of the Executive Committee who joined and left in 2017. For those members, the compensation disclosed represents the amounts received as Executive Committee members.

Notes

1 Including employees' contributions for social charges.
2 Subject to approval by the shareholders at the Annual General Meeting 2018.
3 The amount represents the value of RSUs to be granted in 2018. For specific valuation of the Employee Equity Incentive Plans, refer to note 62 of the consolidated financial statements.
4 Employer social charges of the Executive Committee of CHF 1,416,518 include an amount of CHF 729,370 of pension contributions.
5 No compensation has been paid to this member of the Board of Directors.
6 The Annual General Meeting 2017 has approved a maximum aggregate fixed compensation for all members of the Executive Committee for the business year 2017 of CHF 13,900,000. The table above shows that the total fixed compensation paid to the members of the Executive Committee in 2017 has not exceeded that amount.

No compensation has been granted to related parties of members of the Board of Directors and the Executive Committee.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for banking transactions executed in-house (EFG Bank AG) that are available to all employees of the EFG International Group.

(ii) Board of Directors' compensation approved at the Annual General Meeting 2017

The table above shows the compensation of the individual members of the Board of Directors for the business year 2017 as they are calculated for the Financial Statements 2017. The shareholders have approved at the Annual General Meeting 2017 a maximum aggregate fixed compensation for all members of the Board of Directors of CHF 3,700,000 for their term of office from Annual General Meeting 2017 to Annual General Meeting 2018. The table below shows that the total fixed compensation paid to the members of the Board of Directors for the term of office has not exceeded the amount approved by the shareholders.

	Fixed compensation (1)		Social charges	From AGM 2017 to AGM 2018
	Cash	RSUs		Total
	CHF	CHF	CHF	CHF
Board of Directors				
John A. Williamson, Chair	1,000,000		149,475	1,149,475
Niccolò H. Burki, Vice-Chair	220,000	30,000	12,388	262,388
Susanne Brandenberger, member	205,000	30,000	40,261	275,261
Emmanuel L. Bussetil, member (2)				–
Michael N. Higgin, member*	300,596	30,000	22,663	353,259
Roberto Isolani, member	125,000	30,000	27,068	182,068
Steven M. Jacobs, member	150,000	30,000	32,460	212,460
Spiro J. Latsis, member (2)				–
Périclès Petalas, member (2)				–
Bernd-A. von Maltzan, member**	275,466	30,000	9,312	314,778
Daniel Zuberbühler, member	150,000	30,000	7,967	187,967
Total Board of Directors	**2,426,062**	**210,000**	**301,594**	**2,937,656**

* Includes UK subsidiary Board of Directors' fees

** Includes Luxembourg subsidiaries Board of Directors' fees

Notes

1 Including employees' contributions for social charges.

2 No compensation has been paid to this member of the Board of Directors.

No compensation has been granted to related parties of members of the Board of Directors and the Executive Committee.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for banking transactions executed in-house (EFG Bank AG) that are available to all employees of the EFG International Group.

(iii) Compensation year ended 2016 (audited)

	Fixed compensation (1)	*Variable compensation (2)*		Other compen-sation	Social charges (4)	Total
	Cash	Cash bonus	RSUs (3)			2016
	CHF	CHF	CHF	CHF	CHF	CHF
Board of Directors						
John A. Williamson, Chair (5)	1,209,335				194,224	1,403,559
Niccolò H. Burki, Vice-Chair	276,668				15,739	292,407
Susanne Brandenberger, member	160,001				34,580	194,581
Emmanuel L. Bussetil, member (6)						–
Erwin R. Caduff, member	150,001				8,068	158,069
Robert Y. Chiu, member*	41,667				2,184	43,851
Michael N. Higgin, member**	300,919				23,099	324,018
Roberto Isolani, member*** (6)						–
Steven M. Jacobs, member*** (6)						–
Spiro J. Latsis, member (6)						–
Périclès Petalas, member (6)						–
Bernd-A. von Maltzan, member	150,001				8,068	158,069
Daniel Zuberbühler, member	130,000				6,855	136,855
Total Board of Directors	**2,418,592**	**–**	**–**	**–**	**292,817**	**2,711,409**
Executive Committee						
Total Executive Committee****	**7,219,723**	**–**	**4,360,504**	**75,098**	**1,124,866**	**12,780,191**
of which highest paid:						
Joachim H. Straehle, CEO	1,600,007		700,000		192,741	2,492,748

* Left in April 2016
** Includes UK subsidiary Board of Directors' fees
*** Joined in October 2016
**** Including members of the Executive Committee who joined and left in 2016. For those members, the compensation disclosed represents the amounts received as Executive Committee members.

Notes
1 Including employees' contributions for social charges.
2 Approved by the shareholders at the Annual General Meeting 2017.
3 The amount represents the value of RSUs granted in 2017. For specific valuation of the Employee Equity Incentive Plans, refer to note 62 of the consolidated financial statements.
4 Employer social charges of the Executive Committee of CHF 1,124,866 include an amount of CHF 465,279 of pension contributions.
5 This member of the Board of Directors received a fixed compensation based on his former compensation package as CEO of EFG International for the first four months of 2016 (until Annual General Meeting 2016).
6 No compensation has been paid to this member of the Board of Directors.

No compensation has been granted to related parties of members of the Board of Directors and the Executive Committee.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for banking transactions executed in-house (EFG Bank AG) that are available to all employees of the EFG International Group.

11. Loans and credits to the Board of Directors and the Executive Committee (audited)

Loans and credits

There were no loans and credits to members of the Board of Directors outstanding at the end of the year 2017 (2016: nil). The following loans and credits granted by subsidiaries to members of the Executive Committee are outstanding at the end of the year.

	2017 CHF	2016 CHF
Executive Committee		
Maurizio Moranzoni, Head of Global Markets (highest amount granted to an individual member of the Executive Committee)	2,763,111	2,633,224
Other members of the Executive Committee	1,918,396	5,147,663
Total Executive Committee	**4,681,507**	7,780,887

In 2017 the loans and credits granted to related parties of members of the Board of Directors and Executive Committee by EFG International and its subsidiaries amounted to a total of CHF 25,611,988 (2016: nil).

Report of the statutory auditor
to the General Meeting of
EFG International AG
Zurich

Report of the statutory auditor to the general meeting on the Compensation Report 2017

We have audited the Compensation Report of EFG International AG for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled "audited" on pages 59 to 62 of the Compensation Report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Compensation Report.

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

Opinion
In our opinion, the Compensation Report of EFG International AG for the year ended 31 December 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers Ltd

Christophe Kratzer Audit expert Auditor in charge	Thomas Romer Audit expert

Geneva, 27 February 2018

EFG International Consolidated Financial Statements

for the year ended 31 December 2017

Consolidated income statement for the year ended 31 December 2017

	Note	Year ended 31 December 2017 CHF millions	Restated Year ended 31 December 2016 CHF millions
Interest and discount income		608.6	437.2
Interest expense		(263.3)	(240.3)
Net interest income	11	**345.3**	196.9
Banking fee and commission income		758.8	479.6
Banking fee and commission expense		(141.5)	(84.2)
Net banking fee and commission income	12	**617.3**	395.4
Dividend income	13	3.6	1.9
Net trading income and foreign exchange gains less losses	14	209.0	128.2
Fair value gains less losses on financial instruments measured at fair value	15	(41.7)	(8.1)
Gains less losses on disposal of financial assets at fair value through other comprehensive income / available-for-sale investment securities	16	0.2	1.7
Other operating income		9.0	6.0
Net other income		**180.1**	129.7
Operating income		**1,142.7**	722.0
Operating expenses	18	(1,190.0)	(690.4)
Bargain gain on business acquisition (restated)	3, 36		416.8
Impairment on goodwill and other intangibles	37.1		(199.5)
Other provisions	45	(3.5)	(20.3)
Loss allowance on financial assets at amortised cost and debt instruments measured at fair value through other comprehensive income	17	(20.3)	(3.8)
(Loss) / Profit before tax		**(71.1)**	224.8
Income tax gain	20	13.6	3.2
Net (loss) / profit for the year		**(57.5)**	228.0
Net (loss) / profit for the year attributable to:			
Net (loss) / profit attributable to equity holders of the Group		(59.8)	225.3
Net profit attributable to non-controlling interests		2.3	2.7
		(57.5)	228.0

	Note	Year ended 31 December 2017 CHF	Year ended 31 December 2016 CHF
Earnings per ordinary share			
Basic	59.1	(0.21)	1.13
Diluted	59.2	(0.21)	1.09

The notes on pages 76 to 225 form an integral part of these consolidated financial statements

Consolidated statement of comprehensive income for the year ended 31 December 2017

	Note	Year ended 31 December 2017 CHF millions	Restated Year ended 31 December 2016 CHF millions
Net (loss) / profit for the year		**(57.5)**	228.0
Other Comprehensive Income/(Loss)			
Items that may be reclassified subsequently to the Income Statement:			
Net gain/(loss) on hedge of investments in foreign operations, with no tax effect		6.1	(29.3)
Currency translation differences, with no tax effect		85.7	(25.2)
Fair value gains on available-for-sale investment securities, before tax	32		12.4
Transfer to the Income Statement of realised available-for-sale investment securities reserve, before tax			(1.7)
Net gains on investments in debt instruments measured at fair value through Other Comprehensive Income (FVTOCI)	31	11.0	
Tax effect on changes in fair value of available-for-sale investment securities	32		(1.3)
Tax effect on changes in fair value of investments in debt instruments measured at fair value through Other Comprehensive Income (FVTOCI)	31	(3.6)	
Items that will not be reclassified to the Income Statement:			
Net gains on investments in equity instruments designated at fair value through Other Comprehensive Income		0.2	
Retirement benefit gains	48	172.8	78.8
Tax effect on retirement benefit gains (restated)	3	(35.7)	(18.4)
Other Comprehensive Income for the year, net of tax		**236.5**	15.3
Total Comprehensive Income for the year		**179.0**	243.3
Total Comprehensive Income for the year attributable to:			
Equity holders of the Group		174.5	240.8
Non-controlling interests		4.5	2.5
		179.0	243.3

The notes on pages 76 to 225 form an integral part of these consolidated financial statements

Consolidated balance sheet at 31 December 2017

	Note	31 December 2017 CHF millions	Restated 31 December 2016 CHF millions
Assets			
Cash and balances with central banks	23	9,699.8	8,887.5
Treasury bills and other eligible bills	25	1,482.3	1,945.6
Due from other banks	26	2,576.0	2,923.8
Derivative financial instruments	29	696.1	831.2
Financial assets at fair value through P&L	30	2,191.7	1,190.3
Financial assets at fair value through other comprehensive income	31	5,210.6	
Financial assets:			
Available-for-sale	32		5,437.3
Held-to-maturity	34		1,198.3
Loans and advances to customers	27	18,951.3	18,878.3
Property, plant and equipment	38	255.0	253.7
Intangible assets	37	202.8	191.7
Deferred income tax assets	21	82.6	89.9
Other assets	39	264.5	358.6
Total assets		**41,612.7**	42,186.2
Liabilities			
Due to other banks	40	533.7	427.6
Due to customers	41	32,298.0	32,746.9
Derivative financial instruments	29	646.9	777.1
Financial liabilities designated at fair value	43	484.0	654.4
Financial liabilities at amortised cost	44	4,477.2	3,828.5
Debt issued	42		334.4
Current income tax liabilities		16.0	19.2
Deferred income tax liabilities	21	5.9	10.8
Provisions	45	198.9	199.3
Other liabilities	46	644.4	798.6
Subordinated loans	42	580.7	265.3
Total liabilities		**39,885.7**	40,062.1
Equity			
Share capital	50.1	145.1	143.9
Share premium	50.2	1,904.8	1,910.8
Other reserves	51	248.4	(115.3)
Retained earnings	52	(598.4)	130.9
Total shareholders' equity		**1,699.9**	2,070.3
Additional equity components	54		31.2
Non-controlling interests	53	27.1	22.6
Total equity		**1,727.0**	2,124.1
Total equity and liabilities		**41,612.7**	42,186.2

The notes on pages 76 to 225 form an integral part of these consolidated financial statements

Consolidated statement of changes in equity for the year ended 31 December 2017

		Attributable to owners of the Group							
CHF millions	Note	Share capital	Share premium	Other reserves	Retained earnings	Total Shareholder's equity	Additional equity components	Non-controlling interests	Total equity
Balance at 1 January 2016		**76.1**	**1,245.9**	**(153.4)**	**(59.1)**	**1,109.5**		**19.5**	**1,129.0**
Net profit for the year (restated)	3				225.3	225.3		2.7	228.0
Currency translation difference and net investment hedge, net of tax				(54.3)		(54.3)		(0.2)	(54.5)
Fair value gains on available-for-sale investment securities, net of tax				9.4		9.4			9.4
Retirement benefit gains	48			78.8		78.8			78.8
Tax effect on retirement benefit gains	3			(18.4)		(18.4)			(18.4)
Total Comprehensive Income for the year (restated)		**–**	**–**	**15.5**	**225.3**	**240.8**	**–**	**2.5**	**243.3**
Issuance of ordinary shares	50.1	67.2	681.8			749.0			749.0
Cost of share issuance			(17.6)			(17.6)			(17.6)
Dividend paid on ordinary shares	60				(38.0)	(38.0)			(38.0)
Dividend paid on Bons de Participation	60				(0.1)	(0.1)			(0.1)
Ordinary shares sold	50.1	0.1	0.6			0.7			0.7
Ordinary shares repurchased	50.1		(0.1)			(0.1)			(0.1)
Transactions with non-controlling interests					2.5	2.5		0.6	3.1
New put options to purchase non-controlling interests granted				(1.5)		(1.5)			(1.5)
Employee equity incentive plans amortisation	62			24.9		24.9			24.9
Employee equity incentive plans exercised		0.5	0.2	(0.5)		0.2			0.2
Transfer to retained earnings on lapse of employee equity incentive plans				(0.3)	0.3				
Additional equity components	54						31.2		31.2
Restated Balance at 31 December 2016		**143.9**	**1,910.8**	**(115.3)**	**130.9**	**2,070.3**	**31.2**	**22.6**	**2,124.1**

The notes on pages 76 to 225 form an integral part of these consolidated financial statements

Consolidated statement of changes in equity for the year ended 31 December 2017 continued

CHF millions	Note	Share capital	Share premium	Other reserves	Retained earnings	Total Shareholder's equity	Additional equity components	Non-controlling interests	Total equity
		Attributable to owners of the Group							
Restated Balance at 31 December 2016	3	**143.9**	**1,910.8**	**(115.3)**	**130.9**	**2,070.3**	**31.2**	**22.6**	**2,124.1**
Changes on initial application of IFRS 9	2			102.1	(596.0)	(493.9)			(493.9)
Restated Balance at 1 January 2017		**143.9**	**1,910.8**	**(13.2)**	**(465.1)**	**1,576.4**	**31.2**	**22.6**	**1,630.2**
Net (loss)/profit for the year					(59.8)	(59.8)		2.3	(57.5)
Net gain/(loss) on hedge of investments in foreign operations, with no tax effect				6.1		6.1			6.1
Currency translation difference and net investment hedge, net of tax				83.5		83.5		2.2	85.7
Net gains on investments in debt instruments measured at fair value through Other Comprehensive Income (FVTOCI)				11.0		11.0			11.0
Tax effect on changes in fair value of investments in debt instruments measured at fair value through Other Comprehensive Income (FVTOCI)				(3.6)		(3.6)			(3.6)
Net gains on investments in equity instruments designated at fair value through Other Comprehensive Income				0.2		0.2			0.2
Retirement benefit gains	48			172.8		172.8			172.8
Tax effect on retirement benefit gains				(35.7)		(35.7)			(35.7)
Total Comprehensive Income for the year		**–**	**–**	**234.3**	**(59.8)**	**174.5**	**–**	**4.5**	**179.0**

The notes on pages 96 to 202 form an integral part of these consolidated financial statements

Consolidated statement of changes in equity for the year ended 31 December 2017 continued

		Attributable to owners of the Group							
CHF millions	Note	**Share capital**	**Share premium**	**Other reserves**	**Retained earnings**	**Total Shareholder's equity**	**Additional equity components**	**Non-controlling interests**	**Total equity**
Issuance of ordinary shares	50.1					–			–
Cost of share issuance of a subsidiary			(5.9)			(5.9)			(5.9)
Dividend paid on ordinary shares	60				(71.9)	(71.9)			(71.9)
Dividend paid on Bons de Participation	60				(0.1)	(0.1)			(0.1)
Dividend paid on additional equity components					(1.9)	(1.9)			(1.9)
Ordinary shares sold	50.1		0.2			0.2			0.2
Ordinary shares repurchased	50.1		(0.3)			(0.3)			(0.3)
Employee equity incentive plans amortisation	62			28.9		28.9			28.9
Employee equity incentive plans exercised		1.2		(1.2)		–			–
Transfer to retained earnings on lapse of employee equity incentive plans				(0.4)	0.4	–			–
Repurchase of additional equity components	54					–	(31.2)		(31.2)
Balance at 31 December 2017		**145.1**	**1,904.8**	**248.4**	**(598.4)**	**1,699.9**	**–**	**27.1**	**1,727.0**

The notes on pages 96 to 202 form an integral part of these consolidated financial statements

Consolidated cash flow statement for the year ended 31 December 2017

	Notes	Year ended 31 December 2017 CHF millions	Year ended 31 December 2016 CHF millions
Cash flows from operating activities			
Interest received		606.3	449.0
Interest paid		(266.1)	(218.3)
Banking fee and commission received		746.5	492.2
Banking fee and commission paid		(111.4)	(86.8)
Dividend received	13	3.6	1.9
Net trading income	14	209.0	120.1
Other operating receipts		12.2	2.3
Staff costs paid		(898.4)	(454.9)
Other operating expenses paid		(481.8)	(213.3)
Income tax paid		(21.4)	(16.2)
Cash flows (used in)/from operating activities before changes in operating assets and liabilities		**(201.5)**	76.0
Changes in operating assets and liabilities			
Net decrease/(increase) in treasury bills		306.2	(939.9)
Net decrease in due from other banks		676.1	630.3
Net decrease/(increase) in derivative financial instruments		0.4	(56.4)
Net decrease in loans and advances to customers		80.2	1,533.5
Net decrease/(increase) in other assets		339.2	(346.5)
Net increase/(decrease) in due to other banks		106.7	(447.9)
Net (decrease)/increase in due to customers		(1,313.3)	465.7
Net increase in other liabilities		36.1	295.9
Net cash flows from operating activities		**30.1**	1,210.7
Cash flows from investing activities			
Acquistion of business net of cash acquired		57.8	3,213.8
Purchase of securities		(2,959.5)	(2,907.9)
Proceeds from sale of securities		2,815.7	2,608.6
Purchase of property, plant and equipment	38	(40.7)	(14.5)
Purchase of intangible assets	37	(18.7)	(18.2)
Net cash flows (used in)/from investing activities		**(145.4)**	2,881.8
Cash flows from financing activities			
Dividend paid on Bons de Participation	60	(0.1)	(0.1)
Dividend paid on ordinary shares	60	(71.9)	(38.0)
Dividend paid on additional equity components		(1.9)	
Repurchase of additional equity components	54	(31.2)	
Cash received on employee share options exercised			0.2
Ordinary shares issuance and cost of share issuance	50		280.6
Ordinary shares repurchased	50	(0.3)	(0.1)
Ordinary shares sold	50	0.2	0.7
Subordinated loan issued	42	400.2	
Subordinated loan redeeemed	42	(73.8)	
Debt reedeemed	42	(337.7)	
Issuance of structured products		6,136.3	7,763.1
Redemption of structured products		(5,491.9)	(7,047.9)
Net cash flows from financing activities		**527.9**	958.5
Effect of exchange rate changes on cash and cash equivalents		**172.2**	160.0
Net change in cash and cash equivalents		**584.8**	5,211.0
Cash and cash equivalents at beginning of period	24	12,487.1	7,276.1
Net change in cash and cash equivalents		584.8	5,211.0
Cash and cash equivalents		**13,071.9**	12,487.1

The notes on pages 76 to 225 form an integral part of these consolidated financial statements

Notes to the consolidated financial statements

Notes to the consolidated financial statements EFG International consolidated entities

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. The Group's principal places of business are in Bahamas, Cayman, Channel Islands, Hong Kong, Italy, Liechtenstein, Luxembourg, Monaco, Singapore, Spain, Switzerland, the United Kingdom and the United States of America. Across the whole Group, the number of employees (FTEs) at 31 December 2017 was 3,366 (31 December 2016: 3,572).

EFG International AG is a limited liability company and is incorporated and domiciled in Switzerland. The Group is listed on the SIX Swiss Exchange with its registered office at Bleicherweg 8, 8022 Zurich. For details of significant shareholders, refer to note 13 of the Parent Company Financial Statements.

These consolidated financial statements were approved for issue by the Board of Directors on 27 February 2018.

2. Early adoption of IFRS 9 financial instruments

The principal accounting policies applied in the preparation of the consolidated financial statements are set out in note 3. These policies have been consistently applied to all the years presented, with the exception that the EFG International Group has early adopted IFRS 9. The impact of which is described below.

Early adoption of IFRS 9 financial instruments
Effective 01 January 2017, the Group elected to early adopt IFRS 9 Financial Instruments (IFRS 9) and the related consequential amendments to other IFRSs in advance of their effective dates without restatement of financial information presented in prior periods as permitted by IFRS 9. Any adjustments to the carrying values of the financial assets and liabilities as of 01 January 2017 were recognised in the opening retained earnings and other reserves of the current period.

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting with principal features as follows:

Classification and measurement
IFRS 9 introduces three classifications for financial assets:
- Amortised cost – Financial assets with terms that give rise to interest and principal cash flows only and which are held in a business model whose objective is to hold financial assets to collect their cash flows are measured at amortised cost.
- Fair value through Other Comprehensive Income (FVTOCI). Financial assets with terms that give rise to interest and principal cash flows only and which are held in a business model with the objective to collect their cash flows and through sale. Also, certain equity investments may be irrevocably designated at fair value through other comprehensive income.
- Fair value through profit and loss (FVTPL) – All other financial assets are measured at fair value through profit and loss.

Total remeasurement losses of CHF 493.9 million were recognised in opening reserves at 01 January 2017 which comprises:
- CHF 353.6 million of remeasurement of financial assets previously classified as held-to-maturity and valued at amortised cost to fair value
- CHF 140.3 million of remeasurement of expected credit loss allowances, comprising
  - CHF 136.2 million related to on balance sheet positions
  - CHF 4.1 million to off-balance sheet positions

In addition the following impacts were reflected:
- An amount of CHF 0.5 million was reclassified from retained earnings to other reserves at 01 January 2017 in respect of expected credit losses on Financial Assets Through Other Comprehensive Income
- CHF 102.1 million of IAS 39 reserves were reclassified to Retained earnings from Other reserves. These arose primarily from:
  - life insurance related assets with a fair value of CHF 32.2 million classified as available-for-sale and had accumulated losses of CHF 51.0 million
  - CHF 36.6 million from assets that prior to 2008 were classified as available-for-sale, but were reclassified to held-to-maturity. The negative available-for-sale reserve at that date of reclassification has been amortised into the P&L annually since that date of reclassification. At 01 January 2017 the unamortised balance was CHF 36.6 million, and was transferred to retained earnings.
  - The remaining CHF 14.5 million reclassified relates to residual available-for-sale positions, including historic currency impacts related to previously recycled profits.

These accumulated losses transferred from Other reserves to retained earnings will not be subsequently recycled to the Income statement.

The following table summarises the category and the carrying value of financial assets in accordance with IAS 39 and IFRS 9 at 01 January 2017 (the transition date to IFRS 9):

	Original Measurement Category Under IAS 39	New Measurement Category Under IFRS 9
Amortised Cost		
Cash and balances with central banks	Amortised cost (loans and receivables)	Amortised cost
Treasury bills and other eligible bills	Amortised cost (loans and receivables)	Amortised cost
Due from other banks	Amortised cost (loans and receivables)	Amortised cost
Loans and advances to customers	Amortised cost (loans and receivables)	Amortised cost
Held-to-maturity		
– Opening balance under IAS 39		
– Remeasurement – life insurance		
– Reclassification – life Insurance	Held-to-maturity	Fair value through profit and loss
– Remeasurement – debt instrument		
– Reclassification – debt instrument	Held-to-maturity	Fair value through profit and loss
– Closing balance under IFRS 9		
Other financial assets (restated)	Amortised cost (loans and receivables)	Amortised cost
Total financial assets measured at amortised cost		
Fair Value Through Profit or Loss (FVTPL)		
Derivative financial instruments	Fair value through profit and loss (held for trading)	Fair value through profit and loss
Derivative financial instruments	Fair value through profit and loss (hedging instrument)	Fair value through profit and loss
Financial assets at fair value	Fair value through profit and loss (held for trading)	Fair value through profit and loss
Financial assets at fair value	Fair value through profit and loss (designated at inception)	Fair value through profit and loss
Financial assets at fair value	Available for sale	Fair value through profit and loss
Total financial assets measured at FVTPL		
Fair Value Through Other Comprehensive Income (FVOCI)		
Investment securities		
– Opening balance under IAS 39		
– Reclassification – life Insurance	Available for sale	Fair value through profit and loss
– Reclassification – equity instruments	Available for sale	Fair value through profit and loss
– Reclassification – asset-backed securities	Available for sale	Fair value through profit and loss
– Reclassification – structured products linked to real estate	Available for sale	Fair value through profit and loss
– Reclassification – investment funds	Available for sale	Fair value through profit and loss
– Closing balance under IFRS 9	Available for sale	Fair value through other comprehensive income
Total Fair Value Through Other Comprehensive Income (FVOCI)		
Total financial assets		

Carrying Value Under IAS 39 31 December 2016 CHF millions		Reclassification CHF millions	Remeasurements Expected Credit Losses CHF millions		Remeasurements Fair Value Adjustments CHF millions	New Carrying Value under IFRS 9 1 January 2017 CHF millions
8,887.5						8,887.5
1,945.6			(0.1)			1,945.5
2,923.8			(0.2)			2,923.6
18,878.3	(h)		(135.9)			18,742.4
1,198.3						
				(a)	(337.8)	
	(a)	(516.9)				
				(b)	(15.8)	
	(b)	(327.8)				
89.0						89.0
33,922.5		**(844.7)**	**(136.2)**		**(353.6)**	**32,588.0**
819.8						819.8
11.4						11.4
734.3						734.3
456.0	(a), (b)	844.7				1,300.7
	(c) to (g)	186.8				186.8
2,021.5		**1,031.5**	**–**		**–**	**3,053.0**
5,437.3						
	(c)	(32.2)				
	(d)	(55.1)				
	(e)	(61.2)				
	(f)	(12.5)				
	(g)	(25.8)				
						5,250.5
5,437.3		**(186.8)**	**–**		**–**	**5,250.5**
41,381.3		**–**	**(136.2)**		**(353.6)**	**40,891.5**

The following explains how applying the new reclassification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Group as shown in the table above.

(a) Life insurance related financial assets previously classified as Held-to-maturity but which fail the SPPI test

The Group holds a portfolio of life insurance policies that failed to meet the solely payments of principal and interest (SPPI) requirements for amortised cost classification under IFRS 9. The SPPI requirements are not met due to the presence of risks other than time value of money and the presence of cash flows contingent on future events. Consequently these instruments, which on an amortised cost basis were valued at CHF 854.7 million, were reclassified as fair value through Profit and Loss from the date of initial application. The value was adjusted down to the fair value of CHF 516.9 million, with CHF 337.8 million (being the difference between IAS 39 carrying value and fair value at 01 January 2017) being the remeasurement impact recognised in opening retained earnings.

(b) Debt instruments previously classified as Held-to-maturity but which fail the SPPI test

The Group holds a portfolio of debt instruments that failed to meet the SPPI requirements for amortised cost classification under IFRS 9. The instruments receive interest linked to constant maturity swap rates. The SPPI requirements are not met purely due to the qualitative requirements. Based on the quantitative analysis, it was concluded that these instruments do not meet the SPPI criteria. Consequently, these instruments, which on an amortised cost basis were valued at CHF 343.6 million, were reclassified as Fair Value through profit and loss from the date of initial application. The value was adjusted down to the fair value of CHF 327.8 million, with CHF 15.8 million (being the difference between IAS 39 carrying value and fair value) being the remeasurement impact taken to opening retained earnings.

(c) Life insurance related financial assets previously classified as Available for Sale but which fail the SPPI test

The Group holds a portfolio of life insurance policies that failed to meet the SPPI requirements due to cash flows contingent on future events (including longevity of the insured individuals and the future cost of insurance). Consequently, these instruments, which were valued at fair value and classified as Available for Sale at CHF 32.2 million, were reclassified as fair value through profit and loss from the date of initial application.

(d) Equity instruments

The Group holds equity instruments which it classifies as fair value through profit and loss. For some equity instruments, the Group makes an irrevocable choice to designate equity instruments at fair value with losses through other comprehensive income (FVTOCI). Equity instruments, which were valued at fair value and previously classified as available-for-sale at CHF 55.1 million, were reclassified as fair value through profit and loss from the date of initial application.

(e) Investment in asset-backed securities

The Group holds investments in a portfolio of securities backed by real estate property loans which were issued by a special purpose entity. After performing detailed analysis, the Group concluded that these investments do not pass the SPPI test. Consequently, these instruments, which were valued at fair value and classified as Available for Sale at CHF 61.2 million, were reclassified as fair value through profit and loss from the date of initial application.

(f) Structured products linked to real estate

The Group holds investments in structured products that are related to real estate. Due to the primary risk of these investments being related to real estate prices, they do not meet the SPPI criteria, and consequently these investments, which were valued at fair value and classified as Available for Sale at CHF 12.5 million, were reclassified as fair value through profit and loss from the date of initial application.

(g) Investment funds

The Group holds investments in funds, which collectively generate income and capital gains, but do not generate interest. As they do not meet the SPPI criteria, these investments, which were valued at fair value and classified as Available for Sale at CHF 25.8 million, were reclassified as fair value through profit and loss from the date of initial application.

Effective 01 January 2017, the Group also adopted the amendments in the IFRS 9: Prepayment Features with Negative Compensation and modification of financial liabilities, issued in October 2017.

No financial liabilities have been reclassified or revalued.

Credit impairment

IFRS 9 introduces new credit impairment requirements which apply to debt instruments measured at amortised cost, assets measured at fair value through other comprehensive income, loan commitments and financial guarantees. This introduces the concept of 'expected credit losses' (ECL), whilst previously impairment was on an incurred loss model.

Upon initial recognition of an asset, ECL resulting from default events that are possible within the next 12 months, defined as Stage 1, are recognised. Where a significant increase in credit risk since initial recognition has been identified, the loss allowance increases to recognise all expected default events over the life of the asset, being Stage 2. Stage 3 reflects instruments which are considered as credit-impaired, and a loss allowance is created on a lifetime basis.

(h) Expected credit losses on loans and advances to customers

The Group has recognised CHF 135.9 million of additional expected credit losses on 01 January 2017. These arise primarily from the following:

- Stage 2 lombard loan ECL of CHF 68.1 million related to a loan exposure to a fund. See note 7 for more details
- Stage 3 lombard loan ECL of CHF 69.3 million related to a loan exposure to a Taiwanese insurance company in receivership. See note 7 for more details

Hedge accounting

The new hedge accounting requirements have been designed to improve the decision usefulness of the financial statements by better aligning hedge accounting with the risk management activities of the Group; permit a greater variety of hedging instruments and simplify certain rule-based requirements from the previous standard. IFRS 9 provides an accounting policy choice: entities can either continue to apply hedge accounting requirements of IAS 39 (until the standard is fully updated), or they can apply IFRS 9, which is required to be applied for all hedges.

The Group adopted the hedge accounting requirements of IFRS 9, and such change allowed the Group to consider a wider range of hedging options, with the ability to continue with the existing hedging relationships. In particular, the new standard removed the prescribed range for hedge effectiveness purposes to allow greater flexibility for an entity to apply hedge accounting.

On 01 December 2017, the Group applied hedge accounting for interest rate swaps previously purchased to offset the fair value risk of certain fixed-rate bond assets. In addition, previous hedging relationships formally designated continued to be applied under IFRS 9 (see Note 3 (d) and 29.1).

Financial liabilities

Upon adoption of IFRS 9, the classification of financial liabilities remained unchanged for the Group. Financial liabilities continue to be measured at either amortised cost or Fair Value through Profit and Loss.

Reconciliation of impairment / loss allowances from IAS 39 to IFRS 9

The following table reconciles the credit loss allowance upon adoption of IFRS 9 on 01 January 2017:

Measurement category	Loan loss allowance under IAS 39/Provision under IAS 37	Reclassification	Remeasurement	ECL under IFRS 9
	31 December 16 CHF million	CHF million	CHF million	1 January 17 CHF million
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)				
Cash and balances with central banks				
Treasury bills and other eligible bills			0.1	0.1
Due from other banks			0.2	0.2
Loans and advances to customers				
– Mortgage loans	7.6		(0.1)	7.5
– Lombard loans	19.6		127.7	147.3
– Other loans	16.0		8.3	24.3
Total	**43.2**	**–**	**136.2**	**179.4**
Available for sale financial instruments (IAS 39)/Financial assets at FV TOCI (IFRS 9)				
Investment securities			0.4	0.4
Loan commitments and financial guaranteed contracts				
Loan commitments			0.5	0.5
Financial guarantees			3.6	3.6
Total	**43.2**	**–**	**140.7**	**183.9**

Of the remeasurement of CHF 140.7 million:
- CHF 0.4 million relates to fair value through other comprehensive income and is a reclassification between reserves
- CHF 140.3 million is an adjustment to retained earnings as at 01 January 2017

3. Principal accounting policies

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

(a) Basis of preparation

The consolidated financial statements are for the year ended 31 December 2017. These financial statements have been prepared in accordance with those International Financial Reporting Standards (IFRS) and International Financial Reporting Standards Interpretations Committee (IFRS Interpretations Committee) interpretations issued and effective, or issued and early adopted which are applicable for the year ended 31 December 2017. These consolidated financial statements are subject to the approval of the shareholders.

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

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

Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further information about critical estimates and judgements are presented in note 3.

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

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, with the exception of the early adoption of IFRS 9 mentioned in note 2 above.

Restatement of 2016 comparative information

The comparative information has been restated as a result of the Groups application of IFRS 3 for acquisition accounting. During the 12 months after the acquisition of BSI Group (see Business combination note 36), the Group reached an agreement with the seller with respect to the final purchase consideration and determined the acquisition date fair value of net assets acquired.

As a result of the finalisation of the purchase consideration and assessment of the value of the net assets acquired, the impact on comparatives is as follows:

- Income statement: the bargain gain reported in 2016 of CHF 530.8 million was restated downwards by CHF 114.0 million to CHF 416.8 million due to the purchase price being CHF 188.5 million higher than estimated, and the net assets recognised being CHF 74.5 million higher due to deferred tax recognition
- Balance sheet: the other assets reported in 2016 of CHF 547.1 million was restated downwards by CHF 188.5 million to CHF 358.6 million due to the purchase price being CHF 188.5 million higher than estimated, and as a result the receivable under the sale and purchase agreement from the seller reduced from CHF 277.5 million to CHF 89.0 million
- Balance sheet: the deferred tax assets increased by CHF 56.1 million from CHF 33.8 million to CHF 89.9 million firstly due to an increase from recognition at the date of acquisition on 31 October 2016 of CHF 74.5 million additional deferred tax assets related to the pension liabilities, and secondly due toa decrease of CHF 18.4 million as described below
- Other comprehensive income: the retirement benefits gains after tax effect reported in 2016 of CHF 78.8 million was restated downwards by CHF 18.4 million to CHF 60.4 million due to the recognition of a deferred tax effect

New and amended standards effective 01 January 2017:

In the current year, the Group considered all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee effective for accounting periods beginning on 01 January 2017.

There are several amendments that apply for the first time in 2017 further presented below. These did not have a significant impact on the consolidated financial statements of the Group:

- 'Disclosure Initiative': Amendments to IAS 7 issued on 29 January 2016 and effective for annual periods beginning on or after 01 January 2017. The amended IAS 7 requires

disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group has presented this disclosure in note 43.
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 01 January 2017).
- Amendments to IFRS 12 included in annual improvements to IFRSs 2014-2016 Cycle (issued on 08 December 2016 and effective for annual periods beginning on or after 01 January 2017).

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group:
- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 01 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. Adoption of the new standard will not have any impact on the financial statements of the Group.
- IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its financial statements.
- IFRS 17 'Insurance Contracts' (issued on 18 May 2017 and effective for annual periods beginning on or after 01 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group does not expect this standard to have any impact on the Groups Financial Statements.
- IFRIC 22 'Foreign currency transactions and advance consideration' (issued on 08 December 2016 and effective for annual periods beginning on or after 01 January 2018). This interpretation considers how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The interpretation applies where an entity either pays or received consideration in advance for foreign currency-denominated contracts. The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. The Group is currently assessing the impact of the interpretation on its financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued on 07 June 2017 and effective for annual periods beginning on or after 01 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment

separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group is currently assessing the impact of the interpretation on its financial statements.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 01 January 2018).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 01 January 2018)
- Amendments to IFRS 4, Insurance Contracts (issued on 12 September 2016 and effective for annual periods beginning on or after 01 January 2018)
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 01 January 2018)
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 08 December 2016 and effective for annual periods beginning on or after 01 January 2018)

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

(b) Consolidation

(i) Subsidiaries

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

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

A listing of the Company's main subsidiaries is set out in note 35.

(ii) Non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

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

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

(c) Foreign currencies
(i) Functional and presentation currency
Items included in the financial statements of each of the Groups entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in CHF which is the Groups presentation currency, as the functional currency of the parent company and of its major operating subsidiary, EFG Bank AG.

Assets and liabilities of foreign subsidiaries are translated using the closing exchange rate and Income Statement items at the average exchange rate for the period reported. All resulting exchange differences are recognised as a separate component of equity (currency translation adjustment) which is reflected in other reserves. Exchange differences arising from the retranslation of the net investment in foreign subsidiaries are taken to shareholders equity until disposal of the net investment and then released to the Income Statement. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Year-end exchange rates and average exchange rates for translation of foreign denominated subsidiaries for the main currencies are as follows:

	2017 Closing rate	2017 Average rate	2016 Closing rate	2016 Average rate
USD	0.976	0.985	1.019	0.985
GBP	1.319	1.268	1.254	1.334
EUR	1.170	1.111	1.074	1.090

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

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

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

Certain derivatives embedded in other financial instruments, such as the option in a structured product, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Income Statement, unless the Group chooses to designate the hybrid contracts at fair value through profit and loss. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument; and if so, the nature of the item being hedged. The Group designates certain derivatives as either:
- Hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge)
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge)
- Hedges of a net investment in a foreign operation (net investment hedge)

Hedge accounting is used for derivatives designated as such, provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, as well as upon a significant change in the circumstances affecting the hedge effectiveness requirements, of whether a hedging relationship meets the hedge effectiveness requirements.

The Group will discontinue hedge accounting in the following scenarios:
- When the Group determines that a hedging relationship no longer meets the risk management objective
- When the hedging instrument expires or sold or terminated
- When there is no longer an economic relationship between the hedge item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship

Hedge ineffectiveness represents the amount by which:
- The changes in the fair value of the hedging instrument differ from changes in the fair value of the hedged item attributable to the hedged risk
- The changes in the present value of future cash flows of the hedging instrument exceed changes (or expected changes) in the present value of future cash flows of the hedged item

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

The below summarises the different treatment of derivatives (whether or not hedge accounting applied):

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is

used, is amortised to the Income Statement over the period to maturity.

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

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

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

(iv) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement. The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 29.

(e) Offsetting financial instruments

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

- In the normal course of business
- The event of default
- The event of insolvency or bankruptcy

(f) Income Statement

(i) Interest income and expenses
Interest income and expenses are recognised in the Income Statement for all interest-bearing instruments on an accrual basis, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and any other premiums or discounts. Negative interest on assets is recorded as an interest expense, and negative interest on liabilities is recorded as interest income.

For financial assets at amortised cost or debt instruments at fair value through other comprehensive income in stage 3, the original effective interest rate is applied to the amortised cost of the asset rather than to the gross carrying amount.

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

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

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

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

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:
- Buildings own use: 50 years
- Buildings and Leasehold improvements: 5–20 years
- Computer hardware: 3–15 years
- Furniture, equipment and motor vehicles: 3–10 years

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

(h) Intangible assets
This includes the following categories:

(i) Goodwill
Goodwill represents the excess, of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is reported under 'Intangible assets', while goodwill on acquisition of associates is included in 'Investments in associates'. The carrying amount of goodwill is reviewed at least annually. Where evidence of impairment exists, the carrying amount of goodwill is re-assessed and written down to recoverable amount (where recoverable amount is defined as the higher of the assets fair value less costs to sell and value in use). Goodwill is allocated to cash-generating units for the purpose of impairment testing (note 37.2). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets – Client relationships
They are stated at costs less accumulated amortisation calculated on the basis of a 14 year useful life. The remaining life is reviewed periodically for reasonableness.

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

(i) Financial assets and liabilities
All financial assets are recorded on the day the transaction is undertaken, with the exception of loans and advances to customers, which are entered in the balance sheet on their respective value dates. Purchases and sales of other financial assets at fair value or amortised cost are recognised on trade date, which is the date on which the Group commits to purchase or sell the asset. Loans and advances to customers are recognised when cash is advanced to the borrowers.

Measurement methods:
Amortised cost and effective interest rate
The amortised cost is the value at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial value and the maturity value and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying value of a financial asset or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired at initial recognition), the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying value and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying value of the respective financial asset or financial liability is adjusted to reflect the new estimated discount using the original effective interest rate. Any changes are recognised in profit or loss.

Initial recognition and measurement
At initial recognition, the Group measures a financial asset or financial liability at its fair value. In case of a financial asset or financial liability subsequently not measured at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions are included to the fair value at initial recognition. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed as incurred.

Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVTOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Business models: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how management are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instrument's cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, based on qualitative or quantitative criteria, the related financial asset is classified and measured at fair value through profit or loss.

Fair value through Other Comprehensive Income
Debt instruments that are held for collection of contractual cash flows and for selling the assets, where the assets cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss, are measured at fair value through Other Comprehensive Income. Movements in the carrying amount are taken through other comprehensive income, except for loss allowances, interest revenue and foreign exchange gains and losses on the instruments amortised cost, which are recognized in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in 'Net gains/losses on derecognition of financial assets and liabilities'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Equity instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit and loss, except where the Group's management has elected at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments in FVTOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit and loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit and loss as other income when the Group's right to receive payment is established.

Fair value through profit or loss
Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. Other movements in the fair value (for example from interest rate or credit risk changes) and are not part of a hedging relationship, are presented in the income statement within 'Fair value gains less losses on financial instruments measured at fair value' in the period in which they arise.

Gains and losses on equity investments at fair value through profit and loss are included in "Fair value gains less losses on financial instruments measured as fair value).

Impairment
The Group assesses on a forward-looking basis the ECL associated with this debt instrument assets carried at amortised cost and FVTOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:
- An unbiased and probability-weighted value that is determined by evaluating a range of possible outcomes
- The time value of money
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

See note 7.

Classification and subsequent measurement of financial liabilities, financial guarantees contracts and loan commitments
In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:
- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking). Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the value of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the value that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining value of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss
- Financial guarantee contracts and loan commitments: Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of the expected credit loss value; and the premium received on initial recognition less income recognised in accordance with the principles of IAS 18. Loan commitments provided by the Group are measured as the value of the expected loss allowance. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. If the contract includes both a loan and an undrawn commitment and the expected credit loss on the undrawn commitment cannot be separated from the loan component, the expected credit loss on the undrawn commitment is recognised together with the loss allowance for the loan. If the combined expected credit loss exceeds the carrying amount of the loan, the excess is recognised as a provision

Derecognition of financial assets and liabilities
A financial asset, or a portion thereof, is derecognised when the contractual rights to receive cash flows from the asset have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control. In case of modification of loans when the Group renegotiates or otherwise modifies the contractual cash flows of a loan, it assesses whether or not the new terms are substantially different from the original terms, considering a range of factors that include reduction in cash flows when the borrower is expected to be able to pay, new substantial terms are introduced, extension of the loan term, changes in interest rate and currency or insertion of collaterals or credit enhancement facilities. If terms are substantially different after the modification, the Group derecognises the original financial asset and recognises a new asset at fair value, recalculating a new effective interest rate for the asset. If the terms of the modified asset are not substantially different, the asset is not derecognised, but the Group revises the new cash flows, resulting in a modification gain or loss.

A financial liability is derecognised when extinguished (i.e. the obligation specified in the contract is discharged, cancelled or expires). In case of modification of terms of financial liabilities, the Group extinguishes the current liability and recognises a new liability only if the modification is considered a substantial modification of the terms (i.e. if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounting using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability). Any costs or fees incurred are recognised as part of the gain or loss on the extinguishment if the modification is accounted for as an extinguishment. Otherwise, costs and fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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

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

(l) Deferred income tax
Deferred income tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The expected effective tax rates are used to determine deferred income tax. The principal temporary differences arise from goodwill impairment, property, plant and equipment depreciation, pension and other retirement benefits obligations, and revaluation of certain financial assets and liabilities, including derivative instruments.

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

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carryforward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

(m) Employee benefits
(i) Retirement benefit obligations
The Group operates various pension schemes which are either defined contribution or defined benefit plans, depending on prevailing practice in each country.

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

This applies to most of the locations where the Group operates except for Switzerland.

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

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

Other Comprehensive Income in the period in which they arise. Past-service costs are recognised immediately in Income Statement.

(ii) Short-term employee benefits
The Group recognises short-term compensated absences and approved bonuses as a liability and an expense.

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

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

The proceeds received net of any directly attributable transaction costs are credited to the share capital (nominal value) and share premium when the options are exercised.

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

(o) Provisions
Provisions are recognised when:
– The Group has a present legal or constructive obligation as a result of past events
– It is probable that an outflow of economic benefits will be required to settle the obligation
– Reliable estimates of the amount of the obligation can be made

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

(p) Share capital and share premium
Ordinary shares and non-voting Bons de Participation issued are classified as equity.

(i) Share issue costs
Incremental costs directly attributable to the issue of new shares or Bons de Participation are shown in equity as a deduction from the proceeds attributable to share premium.

(ii) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders.

(iii) Treasury shares
Where the Group purchases its own equity share capital, the consideration paid is deducted from total shareholders' equity, and classified as treasury shares until they are cancelled. If such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(q) Fiduciary activities
Where the Group acts in a fiduciary capacity, such as nominee, trustee or agent, assets and income arising on fiduciary activities, together with related undertakings to return such assets to customers, are excluded from the financial statements. See note 56.

(r) Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, short-term deposits and other short-term highly liquid investments with original maturities of three months or less.

(s) Comparatives
Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year, except for the early adoption of IFRS 9. For details of restatement please refer to note 3(a).

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

4. Accounting policies prior to adoption of IFRS 9

The principal accounting policies applied in the preparation of the 2016 comparative information for the consolidated financial statements are set out below. These are the policies applied prior to the adoption of IFRS 9, where different to those presented in note 3.

(a) Financial assets and liabilities
All financial assets are recorded on the day the transaction is undertaken, with the exception of deposits and loans, which are entered in the balance sheet on their respective value dates. Purchases and sales of financial assets at fair value, Held to Maturity and Available for Sale are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through the Income Statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership.

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

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

The Group has life insurance policies which are classified as financial assets at fair value Available for Sale and held-to maturity.

For life insurance policies held at fair value, the Group uses a discounted cash flow valuation technique using non market observable inputs, which incorporates actuarially based assumptions on life expectancy to value life insurance policies.

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

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

The Group classifies its financial assets in the following categories: at fair value; loans and receivables; Available for Sale; financial assets Held to Maturity investments and financial liabilities at fair value. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value
This category has two sub-categories of financial assets: financial assets Held for Trading, and those designated at fair value at inception.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management. Derivatives are also categorised as Held for Trading unless they are designated as hedging instruments.

Holdings of precious metals and commodities are also classified into this category if they are held for trading purposes. They are initially recognised at cost and subsequently measured at fair value with changes in fair value being recognised in the Income Statement.

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

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

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

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

(b) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or portfolio of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:
- Significant financial difficulty of the issuer or obligor,
- A breach of contract, such as a default or delinquency in interest or principal payments
- The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- The disappearance of an active market for that financial asset because of financial difficulties
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified within the individual financial assets in the portfolio, including:

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

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

(i) Available for Sale assets
The Group determines that Available for Sale investments are potentially impaired for:
- Equity investments when there has been a significant or prolonged decline in the fair value of the investments below their cost. In determining what is significant or prolonged, the Group's management exercises judgment. The Group evaluates among other factors, the normal volatility in valuation. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.
- Debt investments when indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal

payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

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

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

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

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

5. Critical accounting estimates and judgements in applying accounting policies

In the process of applying the EFG International Group's accounting policies, the Group's management makes various judgements, estimates and assumptions that may affect the reported amounts of assets and liabilities recognised in the financial statements in future periods. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques (note 63). Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are validated before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(b) Expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and Fair Value through Other Comprehensive Income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring the expected credit losses are further detailed in note 7, which also sets out the key sensitivities of the expected credit losses to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring the expected credit losses, such as:

- Determining the criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of expected credit losses
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated expected credit losses
- Establishing groups of similar financial assets for the purposes of measuring the expected credit losses

As described in the note 7.11.2.5, the USD 193.8 million Lombard loan extended to an affiliate of a Taiwanese insurance company was determined to be credit impaired. Due to uncertainty relating to the outcome of the litigations, the Group had to exercise judgment in determining the loss allowances for this loan. In application of IAS 39 requirements as at 31 December 2016, the Group decided that the best estimate of the recoverability of the loan was the most likely scenario, which indicated a loss of zero. In application of the IFRS 9 requirements upon adoption of the new standard, the Group estimated the expected credit loss based on probability-weighted expected value of multiple outcomes. As a result, CHF 69.3 million expected credit loss was booked as an adjustment upon application of IFRS 9. In determining this loss, the Group applied judgment to decide that the amount of CHF 69.3 million related to conditions that existed before 01 January 2017 and previously did not require impairment under IAS 39.

As described in note 7.11.2.5, Lombard loans of CHF 234.3 million had been extended to third party funds in Sweden collateralised by the assets of these funds which mainly comprised of life insurance policies, issued by U.S. life insurance companies. The funds pay a periodic premium to the life insurance companies to keep the policy valid and had relied on the funding provided by the Group to make the premium payments.The Group assessed whether the funds' reliance on the future death benefits in order to repay the loans to the Group prevented the loans passing the SPPI test. It was judged that the SPPI test was passed as (i) the repayment of the loans was not contractually dependent on the collection of the death benefits by the fund, and (ii) the equity investors had contributed significant assets by the time the loans were issued. Under IAS 39, the Group had concluded that the loans were not impaired and required no allowance for impairment. Upon adoption of IFRS 9 the Group classified the loans to the funds as stage 2 (due to the reduction in fair value of collateral since origination) and estimated expected credit losses over the expected lifetime of the loans. As the Group estimated that the policies would experience increase in cost of insurance and the funds would have to borrow to cover these increases and also pay interest on the borrowings over extensive period of time, the Group recorded expected credit losses of CHF 81.1 million on these loans at 31 December 2017.

(c) Financial instruments at fair value – Life insurance policies

EFG International Group follows the guidance of IFRS 13 on the valuation of unquoted designated at fair value life insurance policies. Given the illiquidity of the market for life insurance policies and the absence of market observable valuations for portfolios of similar characteristics, EFG International Group had to exercise judgment in determining the fair value and the carrying amount of life insurance policies. For determining the fair value, the Group has adopted an Income Approach (Method 1). The Income Approach risk adjusts future cash flows and then discounts these using a risk-free rate. The key risk adjustments made in the fair value measurement include longevity risk (including the risk of statistical volatility), credit risk, risk of change in cost of insurance and liquidity risk. The valuation is most sensitive to longevity risk and risk of change in cost of insurance (premium increase risk), and as a result the Group discloses sensitivities to these in note 63. As these instruments were classified as Held to Maturity under IAS 39, their carrying amounts as at 31 December 2016 were determined based on amortised cost less impairment. The Group exercised judgment to determine that such amount (CHF 854.7 million) would be significantly different to the fair value as at that date of CHF 516.9 million, which is based on the view of a market participant. When estimating the future cash flows for the purposes of measuring amortised cost less impairment under IAS 39, management has applied different assumptions (e.g. in respct of future increases in cost of insurance) than a market participant (not having equally detailed knowledge of the merits of the Groups position in the ongoing challenge of the the increased cost of insurance) migt have applied.

(d) Business combinations
EFG International Group follows the guidance of IFRS 3 on acquisition of businesses. The fair value of assets and liabilities acquired are determined in accordance with IFRS 3 and other relevant IFRS standards. EFG International Group uses independent experts to assist in the valuation of certain assets (pension, real estate, intangible assets related to client relationships). Consideration of the fair value of contingent liabilities and provisions are made by Group management in conjunction with the Group's legal and other advisors and additional information is disclosed in note 36.

(e) Impairment of intangible assets
EFG International Group tests at least annually whether goodwill has suffered impairment in accordance with the accounting policy stated in note 3 (h). The recoverable amounts of cash-generating units are the higher of the assets' value in use and fair value less costs of disposal which is determined on the basis of the best information available on the amount that could be obtained from the disposal of the assets in an arms length transaction, after deduction of the costs of disposal. The value in use is determined by using a discounted cash flow calculation based on the estimated future operating cash flows of the asset. An impairment is recorded when the carrying amount exceeds the recoverable amount. For key assumptions used in value in use calculations and further information please refer to note 37.2.

(f) Income taxes and deferred tax
EFG International Group is subject to income taxes in various jurisdictions. Estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Significant estimates are required to determine the current and deferred tax assets and liabilities. A deferred tax asset is recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. To the extent that it is not probable that taxable profit will be available against which unused tax losses can be utilised, the deferred tax asset is not recognised.

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

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

EFG International Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the EFG International Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 48.

6. Financial risk assessment and management

EFG International AG (EFG International; the Company) and all its subsidiaries (together EFG International Group) acknowledges that carrying out business in the banking and financial services industry entails risks, i.e. that events may appear which impact EFG International Group's ability to deliver on its objectives. EFG International Group believes that the proper management of risks is critical for the continued success of EFG International.

Risk management comprises the people, processes, and systems designed to ensure that risks are appropriately identified, measured, monitored and reported, as well as mitigated on an ongoing basis.

Importance of risk management
For EFG International Group, risk management is of crucial importance in order to:
- Ensure it understands and controls its exposure to risk
- Ensure that risk exposures are in line with risk capacity and defined risk appetite and strategy
- Help the bank successfully implement its corporate strategy
- Protect clients from potential risks, such as unsuitable products or excess concentrations
- Contribute to the orderly functioning and sound reputation on the markets in which EFG International Group operates

Approach to risk management
EFG International Group has developed a multi-dimensional approach to risk management:
- There are independent Risk Control and Compliance functions with clearly defined objectives
- There is a unique, comprehensive and prioritised list of risk categories
- There is a defined risk strategy and risk appetite
- There is a coherent and comprehensive set of policies and directives to govern risk management
- There is continous, independent measurement and assessmet of risk exposures
- The effectiveness and efficiency of risk management is supervised by the Board of Directors with the support and advice of a dedicated Risk Committee

Purpose and objectives of the risk management
The objectives of risk management are to:
- Provide transparency on the risks EFG International Group incurs
- Provide independent oversight and challenge that risks are adequately managed
- Enable better management of the risk-return trade-off
- Support the Board of Directors in defining an adequate risk appetite and strategy and ensure the actual risk profile remains in line with these

The role of risk culture in supporting effective risk management
EFG International Group believes the behavioural element is key to ensure sound risk management, and that this is guided by the risk culture of the organisation. Accordingly, risk culture is viewed as a core component of effective risk management.

To frame this topic, EFG International Group approaches risk culture along four dimensions in line with Financial Stability Board principles:
- Tone from the top: The Board of Directors, the Executive Committee and senior management are the starting point for setting EFG International Group's core values and risk culture; their behaviour reflects the risk culture that is expected throughout the organisation and is communicated through formal and informal channels
- Accountability: The risk management framework and the risk policies clearly assign accountability for risk management and decision-making to functions and specific unit heads; staff acceptance of risk-related goals and related values is essential
- Effective communication and challenge: An environment must allow for open communication and promote effective challenge in the decision-making process; this is supported by independent Risk Control and Compliance functions

Incentives: Financial and non-financial incentives are reviewed to ensure they do not encourage excessive risk-taking

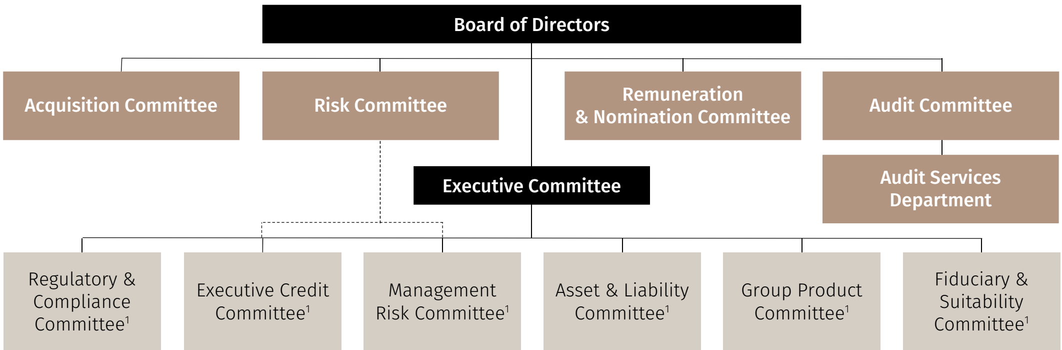
The Risk awareness & culture program is embedded in the Risk Management Framework which started at the beginning of 2017 and is planned to be completed within 2018. In EFG International Group:
- The risk culture approach is mainly based on training.
- Philosophy behind the risk culture: focus on the current relevant regulation topics that strongly affect origination (first line of the defense) and the Private Banking directly at Group level
- Since risk culture is not a static concept but evolves over time in relation to events in the organization and in the environment, it is necessary to assess the risk culture on a recurring basis (annually basis)

Notes to the consolidated financial statements
EFG International consolidated entities

Risk governance and organisation

Risk management in EFG International Group involves committees, functions and business units. The figure below shows EFG International Group committees landscape while the roles of the different committees for risk management are described below:

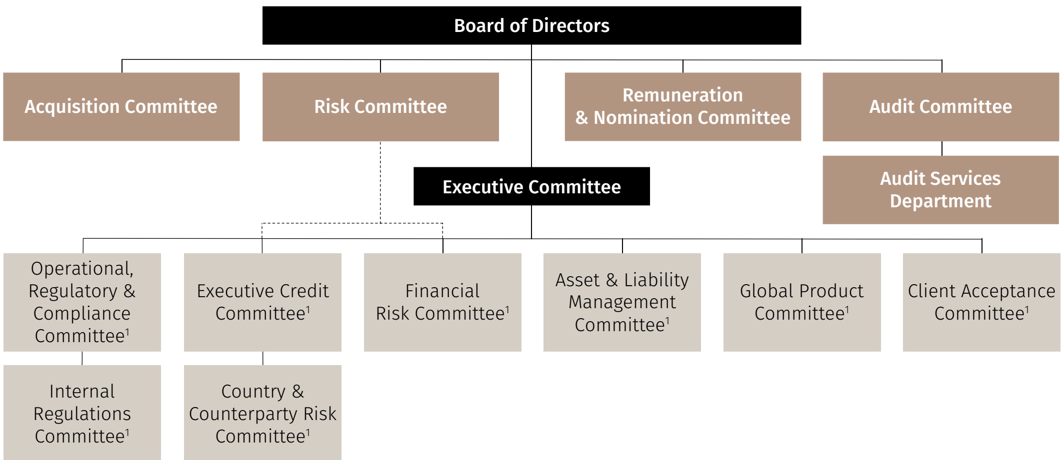
Board of Directors & Committees 2017*



* As of 31 December 2017

Reporting line to the Risk Committee to ensure independence of various risk functions within EFG International Group.

Board of Directors & Committees 2018*



* As of 01 January 2018

1 As part of the implementation of the FINMA Circular 2017/1 Corporate Governance – Banks the Executive-delegated committee's landscape changed effective as of 01 January 2018.

EFG International Board of Directors sets and approves the risk strategy, the risk appetite and the risk management framework of EFG International Group, and monitors its risk profile, as well as the effectiveness of risk management.

The Risk Committee is the primary advisory committee to the Board of Directors on matters relating to risk and compliance. The Risk Committee proposes the risk management framework of EFG International Group and advises the Board of Directors accordingly. In addition, it monitors the risk profile, ensures that the risk management is effective, reports on the state of risk culture, and interacts with and oversees the Chief Risk Officer and the Chief Compliance Officer. The Risk Committee's work includes oversight of the strategies for capital and liquidity management as well as the management of all relevant risks of EFG International Group, such as credit, market, liquidity, operational and reputational risks, to ensure they are consistent with the stated EFG International Group risk appetite.

The Audit Committee oversees the internal audit function, which represents the third line of defence, and is responsible for the oversight of:
- The financial and business reporting processes, including the selection and application of appropriate accounting policies
- The integrated internal control systems for financial reporting as well as the internal controls of areas beyond financial reporting
- EFG International Group's tax risks
- The internal and external audit processes

EFG International Executive Committee is tasked by the Board of Directors with the following responsibilities with regards to risk management:
- Managing the day-to-day business, operational revenue and risk management, including the balance sheet structure and liquidity
- Representing EFG International Group vis-à-vis third parties in operational matters
- Approving the risk limits for each risk category, as proposed by EFG International risk management committees
- Monitoring and managing the risk profile of EFG International Group through regular reports from the Chief Risk Officer and the Chief Compliance Officer as well as breaches in risk limits
- Issuing general directives for regulating business operations
- Developing and maintaining effective internal processes, an appropriate management information system (MIS), an internal control system and the necessary technological infrastructure
- Submitting applications regarding transactions for which the Board of Directors is responsible

EFG International risk management committees, reporting to EFG International Executive Committee, play key roles in the oversight of risk management. These committees are established as forums for discussion on important risk management issues, for the identification of relevant changes in the risk profile and new risks arising, for decision-making, and as a point of escalation where resolution is required. The roles of these committees are clearly defined in accordance with EFG International Group standards. Each EFG International risk management committee has dedicated 'Terms of Reference', which provide more detail on membership, scope and responsibilities. EFG International Group risk management committees play an important role in the approval and review of risk limits and jointly they ensure there is coverage of the key risk categories for discussion, decision and escalation. Information exchange across committees is maintained through cross-membership.

The Regulatory & Compliance Committee is responsible for the oversight of EFG International Group with regards to matters relating to regulatory, compliance activities and operational risks.

The Asset & Liability Committee is responsible for the management of EFG International Group's consolidated balance sheet and for the implementation of capital allocation across risk categories. In particular, it is responsible for the management of EFG International Group's market risk exposure and liquidity risk, with control delegated to the Management Risk Committee.

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

The Executive Credit Committee has responsibility for the management of client credit risk, including insurance companies and corporate names. The Country and

Counterparty Risk Committee of the Executive Credit Committee is responsible for correspondent banking, broker and custodian relationships and for counterparty credit risk for banks and financial institutions as well as country limits within approved guidelines and parameters.

EFG International Group Product Committee is responsible for the oversight of EFG International Group with regards to the governance of the product approval, review and monitoring process across EFG International Group.

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

The Group Chief Financial Officer is also responsible for the consolidated financial regulatory reporting, balance sheet and capital management, i.e. the maintenance of a sound capital adequacy and liquidity ratio and the relationship with regulators across EFG International Group with respect to fiduciary matters. The Chief Financial Officer also monitors the business and strategic risk elements.

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

The Chief Technology Officer is responsible for overseeing all aspects of EFG International Group's IT platform, infrastructure and data security globally, with particular focus on the ongoing investments in digital strategy which is designed to take the existing strategic IT platform to the next level.

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

The General Counsel is responsible for the management and oversight of legal risk, together with the Litigation unit.

The Chief Executive Officer consolidates and is responsible for the relationship with regulators across EFG International Group.

Roles and responsibilities of the Board of Directors and of the senior management committees are also described in the corporate governance chapter.

The three-lines-of-defence model

EFG International Group manages its risks in accordance with a three-lines-of-defence (3LoD) model. The 3LoD model delineates the key responsibilities for the business, control functions and audit to ensure that the organisation has a coherent and comprehensive approach to risk management.

EFG International Group's interpretation of the 3LoD model is in line with industry practice, and is operated centrally and in the business units. The model is a guide, rather than a prescriptive set of rules. It is implemented in a practical manner, and on a risk-based basis. This ensures that the most material activities and processes are subject to the most robust risk management, oversight and challenge. An overview of the 3LoD model is presented in the figure below:

Board of Directors

Governing body of EFG International
Ensures that obligations to shareholders and external stakeholders are understood and met

Board committees

Executive committee

Senior EFG International committees
Empowered to operate effectively under the explicit delegated authority of the Board of Directors

The three-lines-of-defense

1st line: Risk ownership	**2nd line: Risk oversight**	**3rd line: Assurance**
– Perform business activities to satisfy EFGI strategic objectives, in line with risk appetite – Accountable for risk incurred in discharging these activities – Design and operate effective controls and procedures in line with EFGI frameworks, policies and directives	– Support the establishment of an effective risk management framework and definition of risk appetite – Monitor risk profile and escalate as appropriate – Provide advisory support and challenge to first line of defense	– Independent review of adherence to frameworks, policies and general directives – Ensure integrity of decisions and information flows – Periodic review of activities across the 1st and 2nd lines of defence to identify areas for improvement as required
Front office/ the business	**Risk Control and Compliance**	**Internal Audit**

Sound system of internal control

- Safeguard the shareholders' investment and the company's assets
- Provides a clear framework for accountability, oversight and assurance to govern risk management associated with discharging business activities

Risk appetite framework
The Board of Directors in 2017 has approved a new risk appetite framework. The risk appetite framework describes EFG International Group approach, governance and processes in relation to setting risk appetite and is structured by qualitative considerations (risk strategy) as well as quantitative considerations (risk appetite metrics).
The risk appetite framework sets the overall approach to risk appetite, documenting the level of risk that EFG International Group is prepared to incur; it includes:
- The risk strategy
- The risk appetite metrics
- The responsibilities of the bodies overseeing the implementation and monitoring of the risk appetite framework
- The risk appetite process, including the escalation of a risk metric exceeding its threshold

The setting and calibration of risk appetite metrics has started at the beginning of 2017 and is planned to be completed within 2018.

Risk categories
The strategic, market, liquidity, credit, operational and compliance risks of EFG International Group are defined in the risk management framework, in the risk taxonomy and are described in the related risk policies. The risk taxonomy identifies the risk categories that the organisation wants to consider in its discussion of risk and provides a definition of the identified risks. The risk categories establish a common language on risks across EFG International and thereby enable alignment across business units, geographies and functions.

Business and strategic risk
Business and strategic risk is the risk of loss arising from changes in the business environment and from adverse business decisions or improper implementation of decisions. The business and strategic risk includes the following risk categories:
- Client portfolio risk: The risk inherent in client portfolios in general as well as the risk of a reduction in assets under management and/or loss of client relationships as a result of other risk types, e.g. performance, reputation, operational risks, compliance, etc.
- Strategic risk and governance: The risk of the enterprise or particular business areas making inappropriate strategic choices, or being unable to successfully implement selected strategies or related plans and decisions, which may result in a variance to business plans and strategies
- Competitive risk: The risk of an inability to build or maintain sustainable competitive advantage in a given market or markets
- Project risk: The risk of harm or loss resulting from an acquisition and/or subsequent post-merger integration or any other large-scale project the institution is undertaking
- Human resources risk: The risk arising from inadequate or insufficient human resource performance and/or staffing or key people (including client relationship officers) leaving the EFG International Group

Credit risk
Credit risk is defined as the risk of loss resulting from the failure of EFG International Group's borrowers and other counterparties to fulfil their contractual obligations and that collateral provided (if any) does not cover EFG International Group's claims. The credit risk arises not only from EFG International Group's clients lending operations but also from its Treasury and Global Market activities. EFG International Group incurs credit risk from counterparty default, on traditional on-balance sheet products (such as loan or issued debt), where the credit exposure is the full value but also on off-balance sheet products (such as derivatives) where the 'credit equivalent' exposure covers both actual exposure (as a function of prevailing market prices) and potential exposures (i.e. an add-on for volatility of market price) or other guarantees issued (contingent liabilities). Despite a reasonably well diversified portfolio, EFG International Group is subject also to concentration and country risk due to its regional focus.

Credit risks related to clients
The credit risk strategy for private banking clients is explicitly defined in EFG International Group's risk appetite framework, and is based on four dimensions, as described below:
- Client type: EFG International Group's client business is focused on its private banking clients and includes loans to individuals and to standard wealth planning structures held by private individuals. Loans to operating and/or commercial companies, to regulated financial institutions, funds as well as loans relating to complex structures are acceptable within the respective business lines where the overall client relationship justifies such an exposure.
  In all cases, the borrower or beneficial owner must be able to bear the financial risk of the loan. In addition, where the loan is secured by real estate or any other non-financial asset or where the extension of credit relies on elements other than the value of the collateral, the borrower or guarantor must be sufficiently credit worthy to repay the loan should the collateral (if any) be insufficient to cover the loan balance

- Credit purpose: Credits are extended in order to leverage portfolios of financial assets, to permit clients to purchase illiquid assets without the need to sell existing portfolios of financial assets and to support margin requirements for foreign exchange or other derivative positions. In addition, EFG International Group extends credits to finance or re-finance the purchase of real estate. EFG International Group may extend credits to clients in order to provide liquidity to individuals or corporate entities
- Collateral type: Credits are secured by diversified portfolios of financial assets including cash, bonds, equities, precious metals and funds or by real estate primarily residential but also commercial in selected markets, as well as EFG International Group guarantees and life insurance policies. EFG International Group may consider exposures with a risk concentration against shares at conservative loanable values provided that the quality and the liquidity of the collateral justifies it; or, depending on the business line, may provide loans on an unsecured basis, subject to the credit worthiness of the client
- Profitability: EFG International Group seeks to optimise the profitability of its lending business and has established requirements for the minimum pricing of loans and the minimum amount of banking business required to justify the extension of credit. EFG International Group focuses on the profitability of the overall banking relationship

Counterparty credit risk

EFG International Group incurs counterparty credit risk in its Treasury activities, where credit risk derives from the financial assets and derivative instruments that EFG International Group uses for investing its liquidity and managing foreign exchange and interest rate risks in its funding and lending transactions. To ensure the efficient management of its banking activities, EFG International Group engages and maintains business relationships with said counterparties only if certain criteria with regard to solvency, reputation and the quality of the services received are met.

Global limits are proposed and approved centrally and delegated to the respective business units. The responsibility for management of delegated counterparty credit risk lies fully with the business units assuming the risk. Credit department monitors the adherence to delegated limits.

The counterparty credit risk strategy approved by the Board of Directors is the following:

- We actively monitor and manage the credit portfolio and consciously take concentrations in certain sectors, countries and clients/counterparties
- We engage and maintain relationships with counterparties that either have an explicit investment grade rating or are non-rated but fulfil comparable criteria
- We accept a speculative rating of counterparties within our trading portfolio activities
- We target collateralised transactions when interacting with counterparties or we negociate ISDA/CSAs limiting our risk appetite with them

Moreover, at inception of a transaction, the portfolio managers and traders have to ensure that:

- Any product has been authorised (list of authorised products)
- The underlyer of the transaction (e.g. currency pair) is an authorised one
- The maturity of the transaction is authorised
- Depending of the type of the transaction, the risk mitigation of the collateral have been adequately assessed
- The counterparty is located in a country where EFG International Group wishes to conduct business and in case accept the exposure.

Country risk

Country risk is defined as the transfer and conversion risk that arises from cross-border transactions. Country risk also encompasses direct and indirect sovereign risk, the default risk of sovereigns or state entities acting as borrowers, guarantors or issuers.

EFG International Group determines the country risk that it wishes to accept, including the countries in which it wishes to operate and the exposure allowed to these countries. The strategy is directed towards an increasing limitation of country risks via a country classification in 'primary countries', 'secondary countries' and 'risk countries'. Strategy is geared to containing country risk by selecting countries for own securities investments and credit activities toward private banking clients and banking counterparties. The investment grade country categories include countries with which business relationships exist and for which the risk is intended to be accepted, albeit to a differing extent. In the area of Lombard loans, country risk strategy is limited, allowing for the acceptance of risk in offshore countries and selected 'risk countries'. Within the trading book are included exposures related to 'risk countries', which are subject to market and concentration risk control metrics and are liquid and negotiable. The 'risk countries' category includes selected countries with a speculative grade for which risk is nonetheless maintained between tight global limits.

Market risk
EFG International Group is exposed to market risk, which mainly arises from foreign exchange, interest rate, credit spread and life insurance settlement positions maintained within defined parameters.

EFG International Group's balance sheet and off-balance sheet positions generate low foreign exchange risk and medium interest rate exposures. EFG International Group has a limited risk appetite for equity and commodity risks. The management of EFG International Group's interest rate risk exposure is performed in accordance with risk appetite on the impact of various interest rates scenarios on economic value and interest income sensitivity. EFG International Group uses value at risk (VaR), sensitivity analysis and stress tests as methodologies to monitor and manage foreign exchange risks inherent to its structure.

The market risk strategy at balance sheet level approved by the Board of Directors is defined as follows:
- To manage interest rate risk in line with predefined interest rate limits and risk appetite to generate profits for the benefit of EFG International Group
- To manage foreign exchange risk in order to control its impact on annual results

EFG International Group holds investment portfolios, which allow to diversify balance sheet assets and to optimise any excess liquidity. The investment portfolio is divided into a range of portfolios on the basis of the type of product and strategy.

To mitigate the credit spread and interest rate exposure, minimum country and issuer rating standards and concentration limits have been determined. In addition, VaR, interest rate, credit spread sensitivities and stress metrics as well as P&L limit are computed and monitored at stand alone portfolio level and on a combined basis.

The investment portfolio risk strategy approved by the Board of Directors is the following:
- To seek to turn liquidity into profit while maintaining liquidity buffers with high-quality liquid securities in accordance with external rules
- To generate income primarily through taking liquidity, interest rate and credit spread risk, and only incur non-material FX risk in the banking book
- To not take on any equity, commodity, longevity and mortality risk (with the exception of the legacy life insurance portfolio)
- To limit the extent of concentrations in our investment portfolios also in accordance with EFG International Group's other assets

EFG International Group is also exposed to market risk in relation to its holding of life insurance policies and to lombard exposures collateralised by life insurance policies. The major market risk factors of these portfolios are longevity risk, increase in cost of insurance and increase in interest rate risk.

EFG International Group manages those risks using internal models to calculate the fair value of each life insurance policy and through independent estimations done by external service providers as far as the estimation of life expectancies and forecasted premium payments are concerned. Moreover, scenario analyses are done to calculate the sensitivity of the life insurance portfolio to increases in life expectancies, in premium payments and in interest rates.

EFG International Group engages in trading of securities, derivatives, foreign exchange, money market paper and precious metals primarily on behalf of its clients. This business is conducted out of dealing rooms in Lugano, Geneva, Hong Kong, London, Miami and Zurich. Moreover, it manages a fixed income, a foreign exchange delta, forward and options trading book on its own account, all the trading books being managed by dedicated Lugano trading desks.

The market risk strategy approved by the Board of Directors for the trading portfolios is the following:
- EFG International Group trading activities are designed to ensure that EFG International Group can effectively serve EFG International Group clients' needs
- In addition to execution-only services on behalf of EFG International Group clients, we take market risk in form of foreign exchange principal trading where beneficial for EFG International Group clients, principal trading on EFG International Group own accounts to deliver a return to EFG International Group as well as EFG International Group structured products business
- EFG International Group has appetite for a small amount of higher-risk activity in the trading portfolio fixed income sector where risk-return justifies this risk and EFG International Group has sufficient expertise in the front office and risk organisation to exploit opportunities without exposing EFG International Group to undue risk

Liquidity risk

Liquidity reflects the ability of EFG International Group to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk has a twofold dimension: funding risk and asset liquidity risk. The two liquidity risk types are connected, as asset liquidity risk could directly increase funding risk, if EFG International Group is not any more able to raise sufficient liquidity in case of need. If EFG International Group is wishing to face unexpected cash outflows, it may need to sell a large amount of securities, with exposure to market prices and liquidity.

EFG International Group manages liquidity risk in such a way as to ensure that ample liquidity is available to meet commitments to customers, both in demand for loans and repayments of deposits and to satisfy EFG International Group's own cash flow needs within all of its business entities. EFG International Group customer deposit base, EFG International Group capital and liquidity reserves position and EFG International Group conservative gapping policy when funding customer loans ensure that EFG International Group runs only limited liquidity risks.

Liquidity is handled by treasury, which ensures the ongoing process of sourcing new funds, in the case of a lack of liquidity or the investing of funds, if there is an excess of liquidity. Main subsidiaries/regions have their own local Treasury departments, regulated by the Treasury/ALM EFG International Group internal guidelines and responsible for ensuring compliance with legal restrictions concerning liquidity risk, observing global strategic constraints, local regulation and risk management limits.

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

Operational risk

Operational risk is defined as the risk of losses resulting from the inadequacy or failure of internal processes, people and/or systems or from external events. It includes compliance and legal risks, regulatory sanctions and agreements. Operational risk differs from other banking risks in that it is not normally assumed directly against an expected gain; rather, it is an inherent part of the day-to-day activities and is therefore a risk common to all EFG International Group's activities.

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

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

While the primary responsibility for managing operational risk lies with EFG International Group's business entities and business lines (first line of defence), the development, implementation and oversight of the operational risk policy of EFG International Group forms part of the objectives of the Operational Risk Management function of EFG International Group.

The operational risk management function works in collaboration with the operational risk officers of the local business entities, the regional risk officers within EFG International Group as well as certain centralised EFG International Group functions that also undertake operational risk oversight for their respective area of responsibility, such as the Chief Financial Officer, the Chief Operating Officer, the Chief Technology Officer, the Group Chief Compliance Officer and the General Counsel. The principal aim of the operational risk management function is to ensure that EFG International Group has an appropriate operational risk management framework and program in place for identifying, assessing, mitigating, monitoring and reporting operational risk. The operational risk management function reports to the Chief Risk Officer.

Main tools applied by the Operational Risk Management function for the identification, assessment, monitoring and reporting of operational risk are:
- Assessment and monitoring of key operational risks
- Monitoring of key risk indicators
- Collection, analysis and reporting of operational risk events and losses
- Consolidated operational risk reporting to the Chief Risk Officer and Board Risk Committee
- Follow-up of actions taken to remedy key operational risk-related control issues
- Establishment of an operational risk awareness programme

EFG International Group and its local business entities design and implement internal controls and monitoring mechanisms in order to mitigate key operational risks that EFG International Group inherently runs in conducting its business.

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

Considering the rapidly evolving risks relating to IT security and data confidentiality in the financial industry, EFG International Group continuously assesses its cyber defences and internal processes (including benchmarking with comparable banks) in order to ensure adequate mitigation of risks and adherence to the increasing regulatory requirements in this area.

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

Compliance risk

Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation which the Group may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, generally accepted practices, and codes of conduct applicable to its banking activities.

The compliance risk is identified, measured, monitored, reported and mitigated by clearly distinguished and dedicated units of the Compliance department, in alignment with the roles and responsibilities defined in EFG International Group's risk management framework.

Changes in the regulatory environment are monitored, and directives and procedures are adapted as required. In line with these evolving regulations, EFG International Group continuously invests in personnel and technical resources to maintain an adequate compliance coverage.

EFG International Group's Compliance function is centrally managed from Switzerland with local compliance officers situated in all of the organisation's booking centre subsidiaries around the world. A compliance risk policy is in place, complemented by a comprehensive set of directives and procedures and regular specialised training sessions delivered to all staff to raise their awareness and understanding of the compliance risks. Group Compliance, implemented an integrated organisation on a common platform of tools and processes following BSI integration to ensure the consistent application of compliance guidelines.

Compliance risk in EFG International Group is managed in accordance with the 3LoD, outlined in details in the risk management framework of EFG International Group. The 3LoD model delineates the key responsibilities for the business, control functions and audit to ensure that the organisation has a coherent and comprehensive approach to risk management.

EFG International Group aims at mitigating any compliance risks that it inherently runs taking into account the size, structure, nature and complexity of its business and services/product offering. EFG International Group is committed to sound and effective compliance risk management as the core foundation for a sustainable financial institution. Effective compliance risk management means meeting the compliance obligations and protecting EFG International Group from loss or damage. It improves the way the Group conduct business for our shareholders and stakeholders and it is vital for long-term-oriented and sustainable business.

A major focus of regulators around the world is the fight against money laundering and terrorism financing. EFG International Group has in place comprehensive directives on anti-money laundering and know your customer, as well as on anti-bribery and corruption, to detect, prevent and report such risks. Through dedicated monitoring and quality assessment programmes, EFG International Group Compliance ensures compliance with such directives in every EFG International Group's subsidiaries and branches.

EFG International Group has defined a set of standards governing the cross-border services it offers, and has developed country-specific manuals for the major markets it serves. A mandatory staff training and education concept is in place to ensure adherence to the standards and compliance with the country manuals. They are complemented by a tax compliance framework, the purpose of which is to prevent the unlawful acceptance of untaxed assets. Those frameworks are continuously enhanced to comply with new regulations such as MiFID II or CRS.

Conduct risk is managed by Regulatory and Advisory Compliance department at EFG International Group level, which maintains the relevant directives and has oversight over the monitoring of the regulated asset management businesses and the associated discretionary management of assets. The same team also ensures through EFG International Group Product Committee that all products or securities sold to clients or bought for them have been through the appropriate approval process.

Legal risk

Legal risk is the risk to the firm's profitability arising from changes in legislation and/or as results from legal actions against the institution.

The General Counsel function and Litigation unit ensure that EFG International Group adequately manages and controls its legal risks. This includes supervising and giving strategic direction to all outside counsel advising the Group on civil, regulatory and enforcement matters.

Any change in the legal environment can constitute a challenge for EFG International Group in its relations with competent authorities, clients and counterparties in Switzerland and globally. The General Counsel function is responsible for providing legal advice to EFG International Group's management and front and back officers as well as handling client complaints and assisting federal and local authorities in their criminal and administrative investigations. The Litigation unit has principal responsibility for overseeing and advising the Group's management on significant civil litigation and all government enforcement matters involving EFG International Group globally.

Reputational risk

Reputational risk is defined as the risk of an activity performed by the institution or its representatives impairing its image in the community or public confidence, and that this will result in the loss of business and/or legal action or additional regulatory oversight. Typically a result of other risk categories.

EFG International Group considers its reputation to be among its most important assets and is committed to protecting it. Reputational risk for EFG International Group inherently arises from:

- Potential non compliance with increasingly complex regulatory requirements
- Potential non-compliance with anti-money laundering regulatory requirements
- Its dealings with politically exposed persons or other clients with prominent public profiles
- Its involvement in transactions executed on behalf of clients other than standard investment products
- Potential major incidents in the area of IT security and data confidentiality
- Potential malfeasance by its employees
- Any other potential negative internal or external event arising from other risk categories (e.g. in case of significant downturn on bonds or equities markets or of a blow up of a particular housing market speculative bubble, etc.)

EFG International Group manages these potential reputational risks through the establishment and monitoring of the risk appetite by the Board of Directors, and through established policies and control procedures.

7. Credit risk

Credit risk refers to the possibility that a financial loss will occur as a result of a borrower's or counterparty's deteriorating creditworthiness and/or inability to meet its financial obligations. EFG International AG (EFG International; the Company) and all its subsidiaries (together EFG International Group) primary credit exposures relate to loans collateralised by securities portfolios and by mortgages, or to rated financial institutions, sovereigns and corporates.

7.1 Credit risk management

(a) Loans and advances

A basic feature of the credit approval process is a separation between the firm's business origination and credit risk management activities. Credit requests are initiated by client relationship officers and must be supported by regional business heads and are thereafter analysed and submitted to the competent credit approval bodies and processed by the credit departments.

The approval of loans and other exposures has been delegated, depending on certain defined risk and size parameters, to the credit departments of EFG International's business units, to local credit committees, to specific bank executives and management functions within the organisation and to the Executive Credit Committee of EFG International. The approval competencies for large exposures and exposures with increased risk profiles are centralized in Switzerland, in compliance with local regulatory and legal requirements of the individual international business units. Regional business heads and Client Relationship Officers have credit approval competencies only within established limits and client collateral diversification parameters.

To qualify as collateral for a lombard loan, a client's securities portfolio must be well diversified with differing margins applied depending on the type of risk profile and liquidity of the security. Mortgages are mainly booked at EFG Bank AG and at EFG Private Bank Ltd, London. They are related predominantly to properties in Switzerland and in prime London locations.

Management is required to understand the background and purpose of each loan (which is typically for investment in securities, funds, investment related insurance policies or real estate) as well as the risks of the underlying collateral of each loan.

EFG International Group's internal grading system assigns each client credit exposure to one of ten rating categories. The rating assesses the borrower's repayment ability and the value, quality, liquidity and diversification of the collateral securing the credit exposure. The credit policy and the nature of the loans ensure that EFG International Group's loan book is of high quality. Consequently, an overwhelming majority of EFG International Group's credit exposures are rated within the top three categories.

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

Grading		**Description of grade**	**S&P's rating**
1	Top	Secured by "cash collateral or equivalent" – good diversification	AAA
2	High	Secured by "cash collateral or equivalent" – imperfect diversification	AA
3	Very good	Secured by "other collateral"	A
4	Good	Partly secured by "cash collateral or equivalent"	BBB
5	Acceptable	Unsecured but prime borrower	BB
6	Weak	Borrower situation/collateral value is deteriorating	B
7	Poor	Conditions of initial credit are no longer being met	CCC
8	Unacceptable	Interest is no longer being paid – collateral is being held	CC to C
9	Potential loss	Bank holds illiquid – uncollectible or no collateral	D
10	Loss	No collateral or uncollectible collateral	D

(b) Debt securities and other bills

For debt securities and other bills, external rating such as S&P's rating or their equivalents are used by EFG International Group for managing the credit risk exposures.

7.2 Risk limit control and mitigation policies

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

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

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

Management of exposure to financial institutions is based on a system of counterparty limits coordinated at the EFG International Group level, subject to country limits. Limits for exposure to counterparties are granted based upon internal analysis. The limits are set and supervised by the Country & Counterparty Subcommittee depending on each counterparty's S&P or Moody's ratings (with reference to individual and support ratings) and on the counterparties total equity. These limits are annually reported to the Board Risk Committee.

Other specific control and mitigation measures are outlined below.

(a) Collateral

EFG International Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for credit exposures. The EFG International Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:

- Cash and cash equivalent
- Financial instruments such as debt securities, equities and funds
- Bank guarantees
- Mortgages over residential and to a limited extent commercial properties
- Assignment of guaranteed cash surrender value of life insurance policies

(b) Derivatives

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

(c) Credit related commitments

Credit related commitments include the following:

- Guarantees, forward of risk and standby letters of credit; these carry the same credit risk as loans
- Commitments to extend credit; these represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. The EFG International Group is potentially exposed to loss in an amount equal to the total unused commitments. However, commitments to extend credit are contingent upon customers maintaining specific credit standards

For all of the above, the same standards apply regarding approval competences, collateral requirements and monitoring procedures as outlined in note 6.

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

7.3 Credit loss measurement

The entity applies the 'three-stage' approach introduced by IFRS 9 for impairment measurement based on changes in credit quality since initial recognition:

- Stage 1: financial assets that have not experienced a SICR since initial recognition
- Stage 2: significant increase in credit risks (SICR) since initial recognition but not yet deemed to be credit-impaired
- Stage 3: credit-impaired on payment default

Financial instruments in Stage 1 have their expected credit losses (ECL) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

Specific ECL measurements have been developed for each type of credit exposure. Generally the three components of ECL are exposure at default, probability of default and loss given default, defined as follows:

- Exposure at default (EAD) is based on the amounts EFG International Group expects to be owed at the time of default over the next 12 months (12-month EAD) or over

the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, EFG International Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur
- Probability of default (PD) represents the likelihood of a borrower defaulting on its financial obligation (as per 'definition of default and credit-impaired' below), either over the next 12 months (12-month PD), or over the remaining lifetime (Lifetime PD) of the obligation
- Loss given default (LGD) represents EFG International Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of EAD expected to be non-recoverable if the default occurs in the next 12 months and lifetime LGD is the percentage of EAD expected to be non-recoverable, the default occurs over the remaining expected lifetime of the loan

7.4 Due from banks and investment securities

This includes all assets that are classified as follows:
- Cash and balances with central banks
- Treasury bills and other eligible bills
- Due from other banks
- Investment securities – Fair value through other comprehensive income (FVTOCI)

Inputs and assumptions
The ECL for all products above are estimated via three components:
- EAD: Depending on the product and on the IFRS9 asset classification; book value for amortised cost assets and purchase value adjusted for amortisation and discount unwind for assets designated as FVTOCI
- PD: Estimated for a 12-month and lifetime period based on external counterparty credit risk rating information (Standard & Poor's annual global corporate default study and rating transition)
- LGD: For Stage 1 and Stage 2 assets. LGD for sovereign, bank and corporate exposure is approximated by an expert judgement aligned to the credit default swap ISDA market standard that estimates a recovery rate for sovereign exposure of 40%, resulting in 60% LGD. In case of Stage 3 assets, LGD value is determined on an individual basis for sovereign, bank and corporate exposure

Estimation techniques
Macroeconomic expectations for sovereign securities and central banks debt are incorporated via their respective rating obtained from Standard & Poor's as part of their assessment of counterparty credit risk. For banks and corporate counterparties the PD and related transition matrices are impacted on the basis of EFG International Group's macroeconomic expectations.

Significant increase in credit risk
An internal expert panel performs a quarterly assessment to determine if an asset is subject to a significant increase in credit risk. A rapid deterioration in credit quality triggers an ad-hoc review of the individual asset. In addition to the quantitative SICR test based on changes in the rating agency's rating for the respective financial instrument, the assessment of the expert panel considers a range of external market information (e.g. credit default spreads, rating outlook).

Definition of default
The default is triggered through a payment default on the instrument or any cross-default indication from rating agencies.

7.5 Lombard lending

This includes assets that are classified within loans and advances to customers, including Lombard loans and other exposures covered by financial collaterals.

Lombard loans are loans secured by diversified portfolios of investment securities, and the risk of default of the loan is driven by the valuation of the collateral. The lending decision is not based on 'traditional lending' criteria such as affordability, and is typically undertaken by clients with an existing investment portfolio who wish to leverage their portfolio in pursuit of higher investment returns or for diversification reasons or who have short-term liquidity needs.

Inputs and assumptions
The ECL for lombard loans are estimated with two components:
- ECL due to adverse market price movements in the collateral that captures the risk that a shortfall arises when collateral values decrease to a level insufficient to cover the respective lombard loan exposure and
- ECL due to a default of a large single collateral position (Top 1 to Top 5) yielding a shortfall for the lombard loan exposure

Due to the importance of collateral characteristics for lombard lending an asset segmentation has been defined balancing the need for a high granularity and the tractability of overall model. Asset classes have been distinguished by asset price volatility, credit and liquidity risk. Asset classes differentiate cash and cash equivalent, bonds, equities, funds, commodities, guarantees, derivatives, real-estates, insurance policies and other assets. Further asset sub-classes consider other relevant characteristic such as investment grade or non-investment grade issuance, or country of issuance.

ECL due to adverse market price movements are based on assumptions regarding:
- Loan-to-value (LTV) close-out trigger levels
- Market price volatility of underlying collateral sub-asset class
- Currency mismatch between loan and collateral
- Close-out periods
- Exposure at close-out considering a credit conversion factor for undrawn lombard credit lines
- LGD considering sales cost incurred during collateral liquidation

ECL due to default of a large single collateral position are based on assumptions regarding:
- Risk concentrations in top 5 collateral per asset sub-class
- PD for each sub-asset class based on counterparty risk ratings
- LGD to assess the collateral value after default
- LTV close-out trigger levels
- Market price volatility of underlying collateral sub-asset class
- Currency mismatch between loan and collateral
- Close-out periods
- Exposure at close-out considering a credit conversion factor for undrawn lombard credit lines
- LDG considering sales cost incurred during collateral liquidation

Estimation techniques
Differently from the general measurement approach, ECL measurement for lombard loans do not consider the PD of the borrower. The measurement approach calculates the probability that a given loan hits its close-out trigger level, conditional on this, its expected positive exposure (EPE) is calculated. This corresponds to an uncovered shortfall which in combination with the LGD parameter determines the ECL. For lombard lending, no additional macro-conditioning of variables is necessary as macroeconomic effects are captured through parameters like volatility and LTV levels.

Significant increase in credit risk
Credit risk for lombard loans is based on the underlying collateral. Hence, a SICR is driven by LTV metric for each individual lombard loan that is at or above the closeout trigger. Stage 2 lombard loans are loans with LTV above the close-out trigger which according to policy could have been closed out, but have been decided to be maintained, taking a higher credit risk.

Definition of default
Lombard loans that were closed-out or have their collateral liquidated, resulting in an actual shortfall, or where liquidation is still in progress resulting in a potential shortfall are considered credit-impaired and classified as Stage 3.

7.6 Residential and commercial mortgages

This includes assets that are classified within loans and advances to customers that are predominantly secured by real-estate collateral.

Inputs and assumptions
The ECL for mortgages is estimated by four components:
- EAD: the exposure considers contractual repayments, as well as potential drawdown over the lifetime of the loan
- Rank ordering of loans: each loan is assigned to a risk grade on the basis of its credit quality (i.e. rank order estimation)
- PD are derived from historical transition matrices. To derive forward-looking default estimates, these matrices are conditioned to the macroeconomic expectation of EFG International Group
- LGD: the loss estimate is calculated based on the possibility to cure (derived from the transition matrix), as well as loss given loss (LGL) component. The LGL takes into account the current LTV and the future recovery value of the underlying collateral. The recovery value depends on parameters such valuation haircuts and their volatility, time to sell the collateral, as well as associated selling costs. The house price development until sale, as well as the effective interest rate are also taken into account

Estimation techniques
Forward-looking macroeconomic effects are incorporated with forecasts on gross domestic product (GDP) growth and house price development.

The GDP forecasts impact the migration matrices used to determine the PD and the probability to cure considered in the LGD:

- GDP growth for Switzerland is estimated with an explicit forecast for Switzerland
- GDP growth for all countries but Switzerland is estimated with a weighted forecast for the major global economies

House price developments for Switzerland, France and Singapore are estimated with explicit forecasts for Switzerland, France and Singapore, respectively. House price developments for the UK are estimated with an explicit forecast for the London area. House prices for countries other than the before markets are estimated with a weighted forecast that includes the major global economies. The house prices impact the LTV ratios used to calculate the LGD.

Significant increase in credit risk
SICR for these assets has occurred if any credit is greater than 30 days past due. Other criteria used to identify assets with SICR are the relative deterioration in credit quality since origination, also taking into account the internal scorecard rating and credit watch list status, or if a loan has previously been defaulted.

Definition of default
Mortgages are considered to be in default if the credits are greater than 90 days past due. Other criteria used to identify non-performing assets are the internal scorecard rating, watch list status and individual assessment of the respective counterparty.

7.7 Other loans

This includes assets that are classified within loans and advances to customers that are not lombard loans nor mortgage loans and includes commercial loans and overdrafts.

Inputs and assumptions
The ECL for other loans is estimated by four components:
- EAD: the exposure considers contractual repayments, as well as potential drawdown over the lifetime of the loan
- Rank ordering of loans: each loan is assigned to a risk grade on the basis of its credit quality (i.e. rank order estimation)
- PDs are derived from historical transition matrices for commercial loans. To derive forward-looking default estimates, these matrices are conditioned to the macro-economic expectation of the bank. Other, non-commercial loans, used an adjusted transition matrix that replicated their historical default rates due to the insufficient number of historical observations
- LGD: the loss estimate is calculated based on the possibility to cure (derived from the transition matrix), as well as a LGL component. The LGL takes into account the current LTV level and the future recovery value of the underlying collateral, for collateralised or partially collateralised exposures. Expert-based LGL rates are used for exposures without collateral

Estimation techniques
Forward-looking macroeconomic effects are incorporated with forecasts on GDP growth and house price developments. See residential and commercial mortgages for details.

Significant increase in credit risk
SICR for these assets has occurred if any credit is greater than 30 days past due. Other criteria used to identify assets with SICR are the relative deterioration in credit quality since origination, also taking into account the internal scorecard rating and credit watch list status, or if a loan has previously been defaulted.

Definition of default
Other loans are considered to be in default if the they are more than 90 days past due. Other criteria used to identify non-performing assets are the internal scorecard rating, watch list status and individual assessment of the respective counterparty.

7.8 Contractual modifications

EFG International Group modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view of maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms of initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. EFG International Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 in accordance with the new terms for the six consecutive months or more.

7.9 Write off policy

EFG International Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:
- Ceasing enforcement activity
- Where the EFG International Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full

EFG International Group may write off financial assets that are still subject to enforcement activity. EFG International Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectations of full recovery.

7.10 Macro-economic scenario and sensitivity analysis

The ECL results are based on forward-looking projections. These projections consider different macroeconomic scenarios, in particular a base, upside and downside scenario is considered.

The most significant assumptions affecting the ECL are as follows:
- For investment securities, treasury and other eligible bills as well as for dues from other banks: GDP, given the correlation with counterparties' business environment, hence in turn their ability to repay the loans
- For residential and commercial mortgages: House price index, given the impact it has on mortgage collateral valuations; GDP, given the correlation with the customers' wealth, as well as the commercial clients' business environment, hence in turn their ability to repay the loans
- For due from customers – Lombard lending (other than lombard loans secured by life insurance policies): Asset volatility, given the impact it has on financial collateral valuations
- For due from customers – Lombard lending (secured by life insurance policies): Cost of insurance, given the significant impact on performance of funds assets and collateral valuations, and longevity, given the significant impact on performance of funds assets and collateral valuations
- For due from customers – other loans: GDP, given the correlation with the customers' wealth, as well as the commercial clients' business environment, hence in turn their ability to repay the loans

		2018	2019	2020	2021	2022
World GDP Growth	Base	3.7%	3.7%	3.7%	3.8%	3.8%
	Upside	4.7%	4.5%	4.4%	4.3%	4.2%
	Downside	2.7%	2.9%	3.1%	3.3%	3.4%
Switzerland GDP Growth	Base	1.3%	1.6%	1.7%	1.7%	1.7%
	Upside	2.3%	2.4%	2.3%	2.2%	2.1%
	Downside	0.3%	0.8%	1.1%	1.2%	1.3%
Weighted GDP Growth	Base	1.9%	1.7%	1.5%	1.5%	1.5%
	Upside	2.9%	2.5%	2.2%	2.1%	1.9%
	Downside	0.9%	0.9%	0.9%	1.0%	1.1%
House Price Index Switzerland	Base	0.3%	0.8%	1.3%	1.6%	1.9%
	Upside	1.3%	1.6%	1.9%	2.1%	2.4%
	Downside	(0.7%)	0.0%	0.6%	1.1%	1.5%
House Price Index France	Base	5.7%	5.7%	4.4%	2.4%	1.1%
	Upside	13.7%	12.1%	9.5%	6.5%	4.4%
	Downside	(2.3%)	(0.7%)	(0.7%)	(1.7%)	(2.1%)
House Price Index Singapore	Base	1.8%	3.8%	4.2%	4.4%	4.4%
	Upside	8.8%	9.4%	8.7%	8.0%	7.3%
	Downside	(5.2%)	(1.8%)	(0.3%)	0.9%	1.6%
House Price Index UK (London)	Base	(1.0%)	1.5%	4.2%	4.0%	3.8%
	Upside	5.0%	6.3%	8.0%	7.1%	6.2%
	Downside	(7.0%)	(3.3%)	0.3%	0.9%	1.3%
Weighted House Price Index	Base	0.0%	1.6%	3.2%	3.0%	2.9%
	Upside	4.4%	5.2%	6.0%	5.3%	4.7%
	Downside	(4.4%)	(1.9%)	0.3%	0.8%	1.1%

In addition, the list of changes to the ECL as of 31 December 2017 that would result from reasonably possible changes in the following parameters from the actual assumptions used:

- For due from other banks a change in the relevant GDP by 100 bps (+/–) results in a 8.8% decrease / 9.6 % increase in the respective ECL
- For treasury and other eligible bills a change in the relevant GDP by 100 bps (+/–) results in a 1.4% decrease/1.4 % increase in the respective ECL
- For financial assets classified as FVOCI, a change in the relevant GDP by 100 bps (+/–) results in a 6.2% decrease/6.4% increase in the respective ECL
- For residential and commercial mortgages a change in the relevant GDP by 100 bps (+/–) results in a 0.6% decrease/0.6% increase in the respective ECL, while a change in the relevant house price index by 100 bps (+/–) results in a 1.7% decrease / 1.9% increase in the respective ECL
- For due from customers – Lombard lending (other than lombard loans secured by life insurance policies) a change in the relevant asset volatility by 100% (+) results in a 6.5 % increase in the respective ECL
- For due from customers – lombard lending (secured by life insurance policies) an increase in cost of insurance by 5% results in a 11.9% increase in the respective ECL (CHF 9.7 million increase in ECL)
- For due from customers – lombard lending (secured by life insurance policies) an increase in longevity by 3 months results in a 10.3% increase in the respective ECL (CHF 8.4 million increase in ECL)
- For due from customers – other loans a change in the relevant GDP by 100 bps (+/–) results in a 1.2% decrease/1.2% increase in the respective ECL

7.11 Exposure to credit risk

7.11.1 Quality of assets and liabilities measuered at amortised cost

The table below 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 2017:

31 December 2017	AAA–AA CHF millions	A CHF millions	BBB–BB CHF millions	B–C CHF millions	Unrated CHF millions	Total carrying value CHF millions
Cash and balances with central banks	9,602.9		96.9			9,699.8
Treasury bills and other eligible bills	1,482.3					1,482.3
Due from other banks	897.3	1,394.5	277.5	4.0	2.7	2,576.0
Mortgages	1,639.4	3,630.5	856.4	463.5		6,589.8
Lombard and other loans	6,787.3	3,682.5	1,215.6	676.1		12,361.5
Investment securities – FVTOCI	3,966.3	1,189.3	15.3		39.7	5,210.6
Total on-balance sheet assets as at 31 December 2017	**24,375.5**	**9,896.8**	**2,461.7**	**1,143.6**	**42.4**	**37,920.0**
Loan Commitments	171.7	4.9	24.4	5.6	20.3	226.9
Financial Guarantees	203.8	7.1	244.9	34.1	111.3	601.2
Total	**24,751.0**	**9,908.8**	**2,731.0**	**1,183.3**	**174.0**	**38,748.1**

31 December 2017	Total carrying value CHF millions	ECL Staging			ECL allowance included in carrying values CHF millions	Fair value of the collateral held CHF millions
		Stage 1	Stage 2	Stage 3		
Cash and balances with central banks	9,699.8					
Treasury bills and other eligible bills	1,482.3					
Due from other banks	2,576.0	0.1			0.1	
Mortgages	6,589.8	0.8	0.4	10.1	11.3	13,559.2
Lombard and other loans	12,361.5	2.7	88.3	90.3	181.3	42,066.2
Investment securities - FVTOCI	5,210.6					
Total on-balance sheet assets as at 31 December 2017	**37,920.0**	**3.6**	**88.7**	**100.4**	**192.7**	**55,625.4**
Loan Commitments	226.9	0.1			0.1	
Financial Guarantees	601.2	0.1	0.7	3.6	4.4	
Total	**38,748.1**	**3.8**	**89.4**	**104.0**	**197.2**	**55,625.4**

The table below 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 2016:

31 December 2016	AAA–AA CHF millions	A CHF millions	BBB–BB CHF millions	B–C CHF millions	Unrated CHF millions	Total carrying value CHF millions
Cash and balances with central banks	8,821.6		65.9			8,887.5
Treasury bills and other eligible bills	1,945.6					1,945.6
Due from other banks	982.5	1,307.4	375.6	256.8	1.5	2,923.8
Mortgages	1,769.4	3,855.1	901.8	255.8		6,782.1
Lombard and other loans	6,767.9	3,638.2	997.8	692.3		12,096.2
Investment securities – Amortised Cost	4,565.0	753.4			37.0	5,355.4
Total on-balance sheet assets as at 31 December 2016	**24,852.0**	**9,554.1**	**2,341.1**	**1,204.9**	**38.5**	**37,990.6**
Loan Commitments	177.2	1.9	12.6	4.7	16.5	212.9
Financial Guarantees	399.0	9.8	181.5	62.9	126.1	779.3
Total	**25,428.2**	**9,565.8**	**2,535.2**	**1,272.5**	**181.1**	**38,982.8**

31 December 2016	Total carrying value CHF millions	ECL Staging Stage 1	ECL Staging Stage 2	ECL Staging Stage 3	ECL allowance included in carrying values CHF millions	Fair value of the collateral held CHF millions
Cash and balances with central banks	8,887.5					
Treasury bills and other eligible bills	1,945.6	0.1			0.1	
Due from other banks	2,923.8	0.2			0.2	
Mortgages	6,782.1	0.5	0.4	6.6	7.5	15,520.7
Lombard and other loans	12,096.2	1.8	74.0	95.8	171.6	38,961.3
Investment securities – Amortised Cost	5,355.4					
Total on-balance sheet assets as at 31 December 2016	**37,990.6**	**2.6**	**74.4**	**102.4**	**179.4**	**54,482.0**
Loan Commitments	212.9	0.4			0.5	
Financial Guarantees	779.3	0.7	2.7	0.2	3.6	
Total	**38,982.8**	**3.7**	**77.1**	**102.6**	**183.5**	**54,482.0**

Note that staging as at 1 January 2017 is presented above for the 2016 comparative purposes, as the 2016 balance sheet has not been restated for IFRS 9.

7.11.2 Loss allowances

7.11.2.1 Balances with central banks
The table below presents the aggregate changes in gross carrying values and loss allowances for Balances with central banks:

Gross carrying value	**Stage 1 CHF millions**	**Stage 2 CHF millions**	**Stage 3 CHF millions**	**CHF millions**
Balance as of 31 December 2016 – IAS 39	**8,887.5**	**–**	**–**	**8,887.5**
Adjustment upon application of IFRS 9				**–**
Gross carrying value as at 1 January 2017	**8,887.5**	**–**	**–**	**8,887.5**
Transfers:				
Transfer from Stage 1 to Stage 2				**–**
Transfer from Stage 1 to Stage 3				**–**
Transfer from Stage 2 to Stage 3				**–**
Transfer from Stage 3 to Stage 2				**–**
Transfer from Stage 2 to Stage 1				**–**
Financial assets derecognised during the period other than write-offs	(140.8)			**(140.8)**
New financial assets originated or purchased	810.5			**810.5**
Modification of contractual cash flows of financial assets				**–**
Changes in interest accrual				**–**
Write-offs				**–**
FX and other movements	142.6			**142.6**
Gross carrying value as at 31 December 2017	**9,699.8**	**–**	**–**	**9,699.8**

Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 Lifetime ECL CHF millions	Stage 3 Lifetime ECL CHF millions	Total CHF millions
Balance as of 31 December 2016 – IAS 39	–	–	–	–
Adjustment upon application of IFRS 9				–
Loss allowance as at 1 January 2017	–	–	–	–
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				–
New financial assets originated or purchased				–
Changes in PD/LGDs/EADs				–
Changes to model assumptions				–
Unwind of discount				–
Modification of contractual cash flows of financial assets				–
FX and other movements				–
Total net P&L charge during the period	–	–	–	–
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3				–
Transfer from Stage 3 to Stage 2				–
Financial assets derecognised during the period				–
Write-offs				–
Loss allowance as at 31 December 2017	–	–	–	–

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

7.11.2.2 Treasury bills and other eligible bills
The table below presents the aggregate changes in gross carrying values and loss allowances for treasury and other eligible bills held at amortised cost:

Gross carrying value	Stage 1 CHF millions	Stage 2 CHF millions	Stage 3 CHF millions	CHF millions
Balance as of 31 December 2016 – IAS 39	**1,945.6**	**–**	**–**	**1,945.6**
Adjustment upon application of IFRS 9				**–**
Gross carrying value as at 1 January 2017	**1,945.6**	**–**	**–**	**1,945.6**
Transfers:				
Transfer from Stage 1 to Stage 2				**–**
Transfer from Stage 1 to Stage 3				**–**
Transfer from Stage 2 to Stage 3				**–**
Transfer from Stage 3 to Stage 2				**–**
Transfer from Stage 2 to Stage 1				**–**
Financial assets derecognised during the period other than write-offs	(1,945.6)			**(1,945.6)**
New financial assets originated or purchased	1,481.6			**1,481.6**
Modification of contractual cash flows of financial assets				**–**
Changes in interest accrual				**–**
Write-offs				**–**
FX and other movements	0.7			**0.7**
Gross carrying value as at 31 December 2017	**1,482.3**	**–**	**–**	**1,482.3**

Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 Lifetime ECL CHF millions	Stage 3 Lifetime ECL CHF millions	Total CHF millions
Balance as of 31 December 2016 – IAS 39	–	–	–	–
Adjustment upon application of IFRS 9	0.1			**0.1**
Loss allowance as at 1 January 2017	**0.1**	–	–	**0.1**
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				–
New financial assets originated or purchased				–
Changes in PD/LGDs/EADs	(0.1)			**(0.1)**
Changes to model assumptions				–
Unwind of discount				–
Modification of contractual cash flows of financial assets				–
FX and other movements				–
Total net P&L charge during the period	**(0.1)**	–	–	**(0.1)**
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3				–
Transfer from Stage 3 to Stage 2				–
Financial assets derecognised during the period				–
Write-offs				–
Loss allowance as at 31 December 2017	–	–	–	–

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

7.11.2.3 Due from other banks
The table below presents the aggregate changes in gross carrying values and loss allowances for Due from other banks:

Gross carrying value	Stage 1 CHF millions	Stage 2 CHF millions	Stage 3 CHF millions	CHF millions
Balance as of 31 December 2016 – IAS 39	**2,923.8**	**–**	**–**	**2,923.8**
Adjustment upon application of IFRS 9				**–**
Gross carrying value as at 1 January 2017	**2,923.8**	**–**	**–**	**2,923.8**
Transfers:				
Transfer from Stage 1 to Stage 2				**–**
Transfer from Stage 1 to Stage 3				**–**
Transfer from Stage 2 to Stage 3				**–**
Transfer from Stage 3 to Stage 2				**–**
Transfer from Stage 2 to Stage 1				**–**
Financial assets derecognised during the period other than write-off	(2,209.0)			**(2,209.0)**
New financial assets originated or purchased	1,852.9			**1,852.9**
Modification of contractual cash flows of financial assets				**–**
Changes in interest accrual				**–**
Write-offs				**–**
FX and other movements	8.4			**8.4**
Gross carrying value as at 31 December 2017	**2,576.1**	**–**	**–**	**2,576.1**

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

Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 Lifetime ECL CHF millions	Stage 3 Lifetime ECL CHF millions	Total CHF millions
Balance as of 31 December 2016 – IAS 39	**–**	**–**	**–**	**–**
Adjustment upon application of IFRS 9	0.2			**0.2**
Loss allowance as at 1 January 2017	**0.2**	**–**	**–**	**0.2**
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				**–**
New financial assets originated or purchased	0.1			**0.1**
Changes in PD/LGDs/EADs	(0.2)			**(0.2)**
Changes to model assumptions				**–**
Unwind of discount				**–**
Modification of contractual cash flows of financial assets				**–**
FX and other movements				**–**
Total net P&L charge during the period	**(0.1)**	**–**	**–**	**(0.1)**
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3				**–**
Transfer from Stage 3 to Stage 2				**–**
Financial assets derecognised during the period				**–**
Write-offs				**–**
Loss allowance as at 31 December 2017	**0.1**	**–**	**–**	**0.1**

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

7.11.2.4 Investment Securities (FVTOCI)
The table below presents the aggregate changes in gross carrying values and loss allowances for Investment securities held at fair value through other comprehensive income:

Gross carrying value	**Stage 1 CHF millions**	**Stage 2 CHF millions**	**Stage 3 CHF millions**	**CHF millions**
Balance as of 31 December 2016 – IAS 39	**5,437.3**	**–**	**–**	**5,437.3**
Adjustment upon application of IFRS 9	(186.8)			**(186.8)**
Gross carrying value as at 1 January 2017	**5,250.5**	**–**	**–**	**5,250.5**
Transfers:				
Transfer from Stage 1 to Stage 2				**–**
Transfer from Stage 1 to Stage 3				**–**
Transfer from Stage 2 to Stage 3				**–**
Transfer from Stage 3 to Stage 2				**–**
Transfer from Stage 2 to Stage 1				**–**
Financial assets derecognised during the period other than write-offs	(2,741.6)			**(2,741.6)**
New financial assets originated or purchased	2,726.0			**2,726.0**
Changes in fair value	11.0			**11.0**
Changes in interest accrual	(8.9)			**(8.9)**
Write-offs				**–**
FX and other movements	(26.4)			**(26.4)**
Gross carrying value as at 31 December 2017	**5,210.6**	**–**	**–**	**5,210.6**

Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 Lifetime ECL CHF millions	Stage 3 Lifetime ECL CHF millions	Total CHF millions
Balance as of 31 December 2016 – IAS 39	**–**	**–**	**–**	**–**
Adjustment upon application of IFRS 9	0.4			**0.4**
Loss allowance as at 1 January 2017	**0.4**	**–**	**–**	**0.4**
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				**–**
New financial assets originated or purchased	0.3			**0.3**
Changes in PD/LGDs/EADs				**–**
Changes to model assumptions				**–**
Unwind of discount				**–**
Modification of contractual cash flows of financial assets				**–**
FX and other movements				**–**
Total net P&L charge during the period	**0.3**	**–**	**–**	**0.3**
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3				**–**
Transfer from Stage 3 to Stage 2				**–**
Financial assets derecognised during the period	(0.2)			**(0.2)**
Write-offs				**–**
Loss allowance as at 31 December 2017	**0.5**	**–**	**–**	**0.5**

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

7.11.2.5 Loans and advances to customers
Loans and advances to customers comprise the following:

		31 December 2017 CHF millions IFRS 9	1 January 2017 CHF millions IFRS 9	31 December 2016 CHF millions IAS 39
(i) Mortgage loans	Gross	6,601.1	6,789.7	6,789.7
	ECL	(11.3)	(7.5)	(7.6)
(ii) Lombard loans	Gross	11,665.8	10,996.5	10,996.5
	ECL	(161.3)	(147.3)	(19.6)
(iii) Other loans	Gross	877.0	1,135.3	1,135.3
	ECL	(20.0)	(24.3)	(16.0)
Total loans and advances to customers		**18,951.3**	**18,742.4**	**18,878.3**

(i) Mortgage Loans

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

Gross carrying value	Stage 1 CHF millions	Stage 2 CHF millions	Stage 3 CHF millions	CHF millions
Balance as of 31 December 2016 – IAS 39	**6,256.9**	**286.4**	**246.4**	**6,789.7**
Adjustment upon application of IFRS 9	–	–	–	**–**
Gross carrying value as at 1 January 2017	**6,256.9**	**286.4**	**246.4**	**6,789.7**
Transfers:				
Transfer from Stage 1 to Stage 2	(210.7)	210.7		**–**
Transfer from Stage 1 to Stage 3	(64.2)		64.2	**–**
Transfer from Stage 2 to Stage 3		(13.9)	13.9	**–**
Transfer from Stage 3 to Stage 2		60.6	(60.6)	**–**
Transfer from Stage 2 to Stage 1	80.7	(80.7)		**–**
Financial assets derecognised during the period other than write-offs	(1,262.1)	(103.9)	(81.5)	**(1,447.5)**
New financial assets originated or purchased	1,113.9			**1,113.9**
Modification of contractual cash flows of financial assets				**–**
Changes in interest accrual	(0.3)	0.2	1.7	**1.6**
Write-offs				**–**
FX and other movements	127.2	12.9	3.3	**143.4**
Gross carrying value as at 31 December 2017	**6,041.4**	**372.3**	**187.4**	**6,601.1**

Loss allowance	**Stage 1 12-month ECL CHF millions**	**Stage 2 Lifetime ECL CHF millions**	**Stage 3 Lifetime ECL CHF millions**	**Total CHF millions**
Balance as of 31 December 2016 – IAS 39	**–**	**–**	**7.6**	**7.6**
Adjustment upon application of IFRS 9	0.5	0.4	(1.0)	**(0.1)**
Loss allowance as at 1 January 2017	**0.5**	**0.4**	**6.6**	**7.5**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2				**–**
Transfer from Stage 1 to Stage 3	(1.7)		1.7	**–**
Transfer from Stage 2 to Stage 1	0.1	(0.1)		**–**
New financial assets originated or purchased	0.1			**0.1**
Changes in PD/LGDs/EADs	1.8	(0.5)	2.2	**3.5**
Changes to model assumptions				**–**
Unwind of discount				**–**
Modification of contractual cash flows of financial assets				**–**
FX and other movements			0.2	**0.2**
Total net P&L charge during the period	**0.3**	**(0.6)**	**4.1**	**3.8**
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3				**–**
Transfer from Stage 3 to Stage 2		0.6	(0.6)	**–**
Financial assets derecognised during the period				**–**
Write-offs				**–**
Loss allowance as at 31 December 2017	**0.8**	**0.4**	**10.1**	**11.3**

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

(ii) Lombard loans

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

Gross carrying value	**Stage 1 CHF millions**	**Stage 2 CHF millions**	**Stage 3 CHF millions**	**CHF millions**
Balance as of 31 December 2016 – IAS 39	**10,199.5**	**589.4**	**207.6**	**10,996.5**
Adjustment upon application of IFRS 9				**–**
Gross carrying value as at 1 January 2017	**10,199.5**	**589.4**	**207.6**	**10,996.5**
Transfers:				
Transfer from Stage 1 to Stage 2	(428.6)	428.6		**–**
Transfer from Stage 1 to Stage 3	(4.3)		4.3	**–**
Transfer from Stage 2 to Stage 3		(0.2)	0.2	**–**
Transfer from Stage 3 to Stage 2				**–**
Transfer from Stage 2 to Stage 1	134.6	(134.6)		**–**
Financial assets derecognised during the period other than write-offs	(4,125.6)	(228.8)	(1.1)	**(4,355.5)**
New financial assets originated or purchased	5,014.3			**5,014.3**
Modification of contractual cash flows of financial assets				**–**
Changes in interest accrual	2.6			**2.6**
Write-offs				**–**
FX and other movements	12.6	3.9	(8.6)	**7.9**
Gross carrying value as at 31 December 2017	**10,805.1**	**658.3**	**202.4**	**11,665.8**

Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 Lifetime ECL CHF millions	Stage 3 Lifetime ECL CHF millions	Total CHF millions
Balance as of 31 December 2016 – IAS 39	**–**	**–**	**19.6**	**19.6**
Adjustment upon application of IFRS 9	1.1	71.2	55.4	**127.7**
Loss allowance as at 1 January 2017	**1.1**	**71.2**	**75.0**	**147.3**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(0.3)	0.3		**–**
Transfer from Stage 1 to Stage 3	(0.1)		0.1	**–**
Transfer from Stage 2 to Stage 1	0.7	(0.7)		**–**
New financial assets originated or purchased	1.0			**1.0**
Changes in PD/LGDs/EADs	(0.8)	16.6	2.4	**18.2**
Changes to model assumptions				**–**
Unwind of discount		1.5		**1.5**
Modification of contractual cash flows of financial assets				**–**
FX and other movements		(3.6)	(3.1)	**(6.7)**
Total net P&L charge during the period	**0.5**	**14.1**	**(0.6)**	**14.0**
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3	–	–	–	**–**
Transfer from Stage 3 to Stage 2				**–**
Financial assets derecognised during the period				**–**
Write-offs				**–**
Loss allowance as at 31 December 2017	**1.6**	**85.3**	**74.4**	**161.3**

There were no purchased credit impaired balances during the reporting period, nor were the terms of any 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 5 largest individual expected credit losses result in an ECL percentage of the related loans of 0.10%.

Stage 2 lombard loans

Included in the Stage 2 lombard loans gross exposure is an exposure of CHF 234.3 million and an expected credit loss of CHF 81.1 million for loans made by EFG International Group to third party funds in Sweden, collateralised by the assets of these funds. The equity investors in these funds contributed circa SEK 1.3 billion to acquire assets which mainly comprise of life insurance policies, issued by U.S. life insurance companies. The third party funds pay a periodic premium to the life insurance companies to keep the policy valid and in turn rely on the leverage provided by the EFG International Group to make these premium payments. The average age of the underlying policy holders is currently 91 years old, the average life expectancy is under 3 years and the combined net death benefit is USD 458 million.

Whilst the loans are still performing, due to the extensions in life expectancies and the increases in cost of insurance that the U.S. life insurance industry has encountered over the last few years, the EFG International Group considers that these loans have experienced a SICR (relative to the date when the loans were originally drawn down, as required by IFRS 9). As a result these loans are classified as Stage 2 loans and EFG International Group is required to provide for 'lifetime expected credit losses' on them. The Group concluded that these loans met the SPPI requirements as the initial loan to value was approximately 60% when origininated and due to the level of equity that the investors of the funds had initially invested.

Determination of this ECL, required EFG International Group to use actuarial models to determine the potential cash flows that the funds will experience, and thus the valuation of the collateral. The sensitivities to the funds collateral values is determined using a discounted cash flow valuation technique for the determination of the ECL, which makes use of market observable and non-market observable inputs. The inputs incorporate:
– Actuarially based assumptions on life expectancy
– Premium estimates
– Risk adjustments
– Interest rate curves or discount factors

The methodology applied for the determination of the ECL of these exposures is the same as the one applied for the calculation of any impairment in EFG International Group's proprietary investments in life insurance policies.

The LGD of these loans will be dependent on certain financial risks that the funds are exposed to, which primarily include:
– Potential increases in the cost of insurance charges
– Longevity risk

Stage 3 lombard loans
Included in the Stage 3 lombard loan gross exposures is a loan exposure of USD 193.8 million that EFG Bank AG disbursed in 2007 and on which an expected credit loss of CHF 70.2 million has been calculated, and which in the 2016 Annual Report was disclosed as an ongoing dispute. EFG International Group is party to multi-jurisdictional legal proceedings relating to a client relationship with a Taiwanese insurance company, including arbitration proceedings in Taiwan. EFG International Group has extended a loan of USD 193.8 million to an affiliate of the insurance company, which was placed into receivership in 2014. The loan is secured by the assets of another affiliate of the insurance company, domiciled in Singapore that was placed into receivership. The former ultimate beneficial owner 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.

EFG International Group fundamentally disagrees with the tribunal's reasoning and the result. It will vigorously challenge in court the validity of the award and any attempt to enforce it. Moreover, the tribunal did not opine on the validity of the loan collateral under the governing laws of Singapore. EFG International Group had already commenced legal proceedings to confirm the validity of the loan collateral in Singapore, which remain ongoing. In addition, EFG International Group is enforcing the personal indemnity through legal proceedings in Singapore and taking steps to recover assets from the former chairman.

As required under IFRS 9, EFG International Group has assessed a multitude of potential outcomes in regards 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.

(iii) Other loans
The table below 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	**Stage 1 CHF millions**	**Stage 2 CHF millions**	**Stage 3 CHF millions**	**CHF millions**
Balance as of 31 December 2016 – IAS 39	**1,038.3**	**43.7**	**53.3**	**1,135.3**
Adjustment upon application of IFRS 9				–
Gross carrying value as at 1 January 2017	**1,038.3**	**43.7**	**53.3**	**1,135.3**
Transfers:				
Transfer from Stage 1 to Stage 2	(107.2)	107.2		–
Transfer from Stage 1 to Stage 3	(21.1)		21.1	–
Transfer from Stage 2 to Stage 3		(6.0)	6.0	–
Transfer from Stage 3 to Stage 2		0.5	(0.5)	–
Transfer from Stage 3 to Stage 1	0.8		(0.8)	–
Transfer from Stage 2 to Stage 1	3.5	(3.5)		–
Financial assets derecognised during the period other than write-offs	(624.5)	(41.8)	(29.2)	**(695.5)**
New financial assets originated or purchased	248.8			**248.8**
Modification of contractual cash flows of financial assets				–
Changes in interest accrual				–
Write-offs				–
FX and other movements	168.6	15.7	4.1	**188.4**
Gross carrying value as at 31 December 2017	**707.2**	**115.8**	**54.0**	**877.0**

Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 Lifetime ECL CHF millions	Stage 3 Lifetime ECL CHF millions	Total CHF millions
Balance as of 31 December 2016 – IAS 39	**–**	**–**	**16.0**	**16.0**
Adjustment upon application of IFRS 9	0.7	2.8	4.8	**8.3**
Loss allowance as at 1 January 2017	**0.7**	**2.8**	**20.8**	**24.3**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(1.5)	1.5		**–**
Transfer from Stage 1 to Stage 3	(0.3)		0.3	**–**
Transfer from Stage 3 to Stage 1	0.3		(0.3)	**–**
New financial assets originated or purchased	2.3			**2.3**
Changes in PD/LGDs/EADs	(0.4)	(1.6)	(5.0)	**(7.0)**
Changes to model assumptions				**–**
Unwind of discount				**–**
Modification of contractual cash flows of financial assets				**–**
FX and other movements			0.4	**0.4**
Total net P&L charge during the period	**0.4**	**(0.1)**	**(4.6)**	**(4.3)**
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3				**–**
Transfer from Stage 3 to Stage 2		0.3	(0.3)	**–**
Financial assets derecognised during the period				**–**
Write-offs				**–**
Loss allowance as at 31 December 2017	**1.1**	**3.0**	**15.9**	**20.0**

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

7.12 Collateral and other credit enhancements

EFG International Group employs a range of policies and practices to mitigate the credit risk. The most traditional of these is the taking of security for credit exposures. EFG International Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:

- Charges over financial instruments such as debt securities and equities
- Mortgages over residential and to a limited extent commercial properties

7.13 Concentration of risks of financial assets with credit risk exposure

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

As of 31 December 2017 the carrying value of the exposure of the ten largest borrowers was CHF 1,880.2 million (2016: CHF 1,840.1 million).

8. Market risk

Market risk is the risk of losses arising from unexpected changes in interest rates, exchange rates, share prices or the prices of precious metals and commodities, as well as the corresponding expected volatility. Market risk can have an impact on EFG International AG's (EFG International; the Company) and all its subsidiaries' (together EFG International Group) income statement and the value of its assets. EFG International Group uses derivative financial instruments for hedging and for trading purposes.

Banking book
Risks related to the balance sheet structure (interest rate and foreign exchange rate) are managed by the Asset & Liability Committee and monitored by the Management Risk Committee, in accordance with the principles and maximum limits stipulated by the market risk policy, which defines the organisational structure, responsibilities, limit systems and maximum acceptable risk set by the Board of Directors.

EFG International Group holds investment portfolios, which allow to diversify balance sheet assets and to optimise any excess liquidity.

EFG International Group investment portfolio market risk exposure carry material credit spread exposure on governments, government-related entities, multilateral development banks, banking institutions and, to a lesser extent, to corporate names. The investment activities are organised within Treasury department, monitored centrally by Group Market Risk department and under the supervision of the Asset & Liability Committee and of the Management Risk Committee. Market risk exposure, encompassing interest rate and credit spread risks, carried by the financial investment portfolios belonging to the banking book is monitored, on a daily and month-end basis. It is monitored through various metrics: sensitivity to risk factors, value at risk (VaR) and historical and hypothetical stress tests, all previous metrics being computed with a full revalution of all the positions. On top of minimum issuer and issuer country of domicile rating standards, counterparty and country concentration risk is monitored through a dedicated set of limits. Month-to-date and year-to-date P&L limits complement the financial investment portfolio risk monitoring framework.

Trading book
The market risk from proprietary trading primarily relates to position risk which derives from the fact that any interest rate, foreign exchange rate fluctuation, can cause a change in the EFG International Group's profits.

EFG International Group carries out trading operations both for its clients and on its own account with a daily basis monitoring. The trading activities are based in Lugano and organised in different trading desks: Forex Delta, Forex Forwards, Forex Options, Precious Metals and Banknotes; Fixed Income and Structured Finance managed by expert traders.

All trading positions are valued at market value using market prices, data and parameters published by recognised stock exchanges or financial data providers. For the trading portfolios, on an intra-day or daily basis, the risk measurement systems support the computation and analysis of: (i) the mark-to-market of the positions exposed to risk; (ii) the daily and cumulative monthly and year-to-date P&L; (iii) the various risk metrics (incl. sensitivities – 'greeks', stress test, VaR, concentration risk) and (iv) the regulatory and economic capital requirements.

Adherence to all limits is independently monitored by the Group Market Risk department. Daily risk reports are produced which review compliance with nominal and sensitivity limits and stop loss limits.

8.1 Market risk measurement methodology

(a) Value at Risk
The VaR computation is a risk analysis tool statistically designed to estimate the maximum potential periodic loss from adverse movements in interest rates (excluding credit spreads), foreign currencies and equity prices, under normal market conditions. VaR is calculated using statistically expected changes in market parameters for a given holding-period-specified confidence level.

The EFG International Group's VaR methodology is based on a full revaluation historical VaR approach and considering a 10-day holding period with a 501-day observation period and a 99% confidence level.

VaR is used for internal control purpose and not for regulatory reporting of risks.

(b) Sensitivity analysis
The interest rate risk assessment considers all major interest rate risks deriving from assets, liabilities and off-balance sheet transactions. The following risk exposures are assessed:

– Impact on net interest income (NII): The NII assessment determines the impact of a change in the interest rate structure on the forecast interest income (and thus on

current earnings). This view is based on nominal values and considers the impact on the basis of a 12-month time horizon. This short-term approach enables the EFG International Group to quantify the impact of changes in interest rates on the interest margin
- Impact on economic value of equity (EVE): The EVE assessment measures the impact of changes in interest rates on current values of future cash flows and thus on the current economic value of EFG International Group's equity. When interest rates are used for discounting change, this causes a change in the current value of future cash flows. In contrast to the first approach, which focuses solely on a one-year time frame, the impact on the market value expresses the long-term impact deriving from all future cash flows, if there is a shift in market interest rates

(c) Stress tests

VaR calculation and sensitivity analysis are complemented by stress tests, which identify the potential impact of extreme market scenarios on the EFG International Group's equity and income statements. These stress tests simulate both exceptional movements in prices or rates, and drastic deteriorations in market correlations.

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.
The stress tests include:
- Risk factor stress testing, where stress movements are applied to each risk category
- Ad hoc stress testing, which includes applying possible stress events to specific positions or regions

8.2 Market risk hedging strategies

EFG International Group is exposed to financial risks arising from many aspects of its business. The International Group implements different risk management strategies to eliminate or reduce market risk exposures. Risks being hedged through derivative financial instruments are typically changes in interest rates, foreign currency rates or effects of other risks (e.g. mortality risk on insurance policies portfolio). EFG International Group implements fair value and cash flow hedging strategies.

(a) Fair value hedging strategies

The risk being hedged in a fair value hedging strategy is a change in the fair value of an asset or liability that is attributable to a particular risk and could affect P&L or the economic value of equity. Changes in fair value might arise through changes in interest rates, foreign exchange rates or other attributes. EFG International Group implements fair value hedges of individual hedged items (micro fair value hedging) as well as of a portfolio of hedged items (macro fair value hedging).

(b) Cash flow hedging strategies

The risk being hedged in a cash flow hedging strategy is the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, and could affect P&L or the economic value of equity. Future cash flows might relate to existing assets and liabilities, such as future interest payments or receipts on floating rate debt. Future cash flows can also relate to forecast revenues or costs deriving from a foreign currency exposure. Volatility in future cash flows might result from changes in interest rates or exchange rates.

8.3 Market risk measurement

Banking and trading book
The following table presents the VaR (10-d / 99%) for interest rate risk and for currency risk (without considering interdependencies between interest rate and currency risks) considering all positions at balance sheet level:

VaR by risk type	At 31 December	12 months to 31 December		
		Average	High	Low
	CHF millions	CHF millions	CHF millions	CHF millions
2017				
Interest rate risk	6.4	6.4	8.6	3.2
Currency risk	0.8	1.2	1.9	0.2
VaR	**7.2**	**7.6**	**10.5**	**3.4**
2016				
Interest rate risk	7.2	3.7	8.0	2.2
Currency risk	2.2	0.7	2.9	0.2
VaR	**9.4**	**4.4**	**10.9**	**2.4**

EFG International Group carries out foreign currency operations both for its clients, and for its own account. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments, and trading activities in foreign operations. Apart from the exposure to foreign currencies which relates to banking and trading activities in subsidiary companies, EFG International Group is also exposed to foreign currency fluctuations because most of the subsidiaries and branches of EFG International Group use local currencies as their reporting currencies. From time to time, EFG International Group may enter into currency hedging arrangements to reduce the effects of exchange rate fluctuations on its income.

The interest rate risk net sensitivities are based on banking book on- and off-balance sheet positions and consider behavioural assumptions. The interest rate risk impact on equity economic value and on net interest income for the three major currencies are shown below:

Banking Book	Interest rate risk	
Market interest rates flat shock 1%	Equity economic value	Net interest income
	CHF millions	CHF millions
31 December 2017		
CHF	29	30
EUR	57	69
USD	32	73
31 December 2016		
CHF	26	34
EUR	49	61
USD	38	91

The table below summarises the repricing gap of the EFG International Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates:

	Up to 3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Non-interest bearing CHF millions	Total CHF millions
As at 31 December 2017						
Assets						
Cash and balances with central banks	9,699.8					9,699.8
Treasury bills	1,482.3					1,482.3
Due from other banks	682.9	193.9			1,699.2	2,576.0
Loans and advances to customers	11,242.3	2,574.0	4,416.7	718.3		18,951.3
Derivative financial instruments	493.0	0.2	0.2		202.7	696.1
Financial assets at fair value through P&L	558.2	385.7	9.7	99.1	1,139.0	2,191.7
Financial assets at fair value through other comprehensive income	433.4	669.9	3,471.1	161.2	475.0	5,210.6
Other financial assets					264.5	264.5
Total financial assets	**24,591.9**	**3,823.7**	**7,897.7**	**978.6**	**3,780.4**	**41,072.3**
Liabilities						
Due to other banks	264.5				269.2	533.7
Due to customers	13,023.9	18.5			19,255.6	32,298.0
Derivative financial instruments	428.6	1.7	0.3	4.3	212.0	646.9
Financial liabilities designated at fair value	7.6	6.6	101.4	97.3	271.1	484.0
Financial liabilities at amortised cost	1,315.7	867.7	1,765.0	528.8		4,477.2
Subordinated loans	187.9			392.8		580.7
Provisions					198.9	198.9
Other liabilities					644.4	644.4
Total financial liabilities	**15,228.2**	**894.5**	**1,866.7**	**1,023.2**	**20,851.2**	**39,863.8**
On-balance-sheet interest repricing gap	9,363.7	2,929.2	6,031.0	(44.6)	(17,070.8)	1,208.5
Off-balance-sheet interest repricing gap	2,515.0	(236.5)	(2,017.7)	(260.8)		

	Up to 3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Non-interest bearing CHF millions	Total CHF millions
As at 31 December 2016						
Assets						
Cash and balances with central banks	8,887.5					8,887.5
Treasury bills	1,899.9	45.7				1,945.6
Due from other banks	575.4	11.4			2,337.0	2,923.8
Loans and advances to customers	11,951.1	1,951.3	4,391.7	584.2		18,878.3
Derivative financial instruments	376.5	84.9	44.3	12.7	312.8	831.2
Financial assets at fair value:						
Trading Assets	733.1	0.1	0.7		0.4	734.3
Designated at inception				456.0		456.0
Investment securities:						
Available-for-sale	2,251.3	1,103.4	1,589.5	246.6	246.5	5,437.3
Held-to-maturity		1,198.3				1,198.3
Other financial assets					89.0	89.0
Total financial assets	**26,674.8**	**4,395.1**	**6,026.2**	**1,299.5**	**2,985.7**	**41,381.3**
Liabilities						
Due to other banks	134.4				293.2	427.6
Due to customers	10,799.3	1,087.6	99.9	63.4	20,696.7	32,746.9
Derivative financial instruments	320.7	128.3	179.3	58.3	90.5	777.1
Financial liabilities designated at fair value	22.5	61.8	50.5	397.6	122.0	654.4
Other financial liabilities	1,200.6	761.9	1,523.1	342.9		3,828.5
Subordinated loans	76.8		188.5			265.3
Debt issued		334.4				334.4
Provisions					199.3	199.3
Other liabilities					798.6	798.6
Total financial liabilities	**12,554.3**	**2,374.0**	**2,041.3**	**862.2**	**22,200.3**	**40,032.1**
On-balance-sheet interest repricing gap	14,120.5	2,021.1	3,984.9	437.3	(19,214.6)	1,349.2
Off-balance-sheet interest repricing gap	3,029.1	(471.3)	(2,355.7)	(202.1)		

Investment book

The following table shows the VaR (10-d / 99%) on the investment book:

Investment book	**VaR**	
	2016 CHF millions	**2017 CHF millions**
31 December		
VaR (10-d / 99%)	9.36	3.98

In 2017, the investment portfolios VaR (10-d / 99%) material decrease was primarily driven by a decrease of the credit exposure resulting from favourable market conditions combined with an increase of the diversification benefits between interest and credit spread risk exposures.

Trading book

The following table shows the fixed income trading portfolio VaR (10-d / 99%):

Fixed income portfolio	Total CHF millions	IR CHF millions	Credit spread CHF millions
31 December 2017	(4.1)	(1.3)	(3.5)
31 December 2016	(4.0)	(0.3)	(4.1)

Fixed income portfolio VaR remained almost unchanged with respect to fiscal year end 2016 despite of an increase of the portfolio size, meaning a reduction in the overall risk from a relative perspective. The major change is in the credit and interest rate risk contribution. The increase of interest rate risk exposure resulting from an increase of the market volatility especially in US offs was offset by a decrease of the credit risk exposure combined with an increase of the diversification benefit between interest rate and credit risk.

9. Liquidity risk

Liquidity risks arise when financing activities are difficult or expensive as a result of liquidity crisis on the markets or reputational issues. They also arise when it is difficult to meet own commitments in a timely manner due to a lack of very liquid assets.

As defined in the risk appetite framework, the liquidity risk strategies are defined as follows:

- EFG International AG (EFG International; the Company) and all its subsidiaries (together EFG International Group) holds sufficient liquid assets that it could survive a sustained and severe run on its deposit base without any recourse to mitigating actions beyond liquidating those assets, and without breaching regulatory liquidity limits
- EFG International Group funds the balance sheet primarily from customer deposits, using capital markets opportunistically, without being subject to funding concentration due to a small number of funding sources or clients

EFG International Group manages liquidity risk in such a way as to ensure that ample liquidity is available to meet commitments to customers, both in demand for loans and repayments of deposits and to satisfy the EFG International Group's own cash flow needs within all of its business entities.

EFG International Group has a liquidity risk management process in place that includes liquidity contingency plans, and stress tests that are undertaken to highlight EFG International Group's liquidity profile in adverse conditions, analysing also intraday liquidity positions.

EFG International Group runs only limited liquidity risks thanks to our customer deposit base, our capital and liquidity reserves position and our conservative gapping policy when funding customer loans.

Thanks to its business focused on private banking, the EFG International Group has a high excess of liquidity. Financial assets are constantly monitored and a significant portion of safe and highly liquid assets is maintained. Cash and balances with central banks represent, in fact, 23% of total assets, to which additional 7% derive from high-quality liquid securities.

At the end of 2017, the EFG International Group is well positioned with a liquidity coverage ratio of 209%.

9.1 Liquidity risk management process

EFG International Group's liquidity risk management process is carried out by the Asset & Liability Committee, with the operative management undertaken by Treasury. The process includes:

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

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management The cashflow projections are computed based on the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

EFG International Group attempts to avoid concentrations of its funding facilities. It observes its current liquidity situation and determines the pricing of its assets and credit business through the liquidity transfer pricing model. The liquidity risk management process also includes EFG International Group liquidity contingency plans. These contingency measures include the activation of repo transactions with prime counterparties, the liquidation of marketable securities and/or draw downs on lines of credit (liquidity shortage financing) with the Swiss National Bank.

EFG International Group complies with all regulatory requirements, including overnight liquidity limits in the various countries in which it operates. It reports its daily liquidity situation to management on an individual entity basis for its banking subsidiaries.

9.2 Funding approach

Overall, EFG International Group, through its business units, enjoys a favourable funding base with stable and diversified customer deposits, which provide the vast majority of the EFG International Group's total funding. The surplus of stable customer deposits over loans and other funding resources are placed by Treasury units in compliance with the local regulatory requirements and internal guidelines.

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

EFG International Group manages the liquidity and funding risks on an integrated basis. The liquidity positions of the business units are monitored and managed daily and internal limits are more conservative than the regulatory minimum levels, as required by the EFG International Group's risk appetite framework and liquidity risk policy.

9.3 Concentration risk

The overall level of liquidity exposure and corresponding limits are tightly monitored by means of specific risk metrics approved by the Board of Directors and in line with EFG International Group's overall committed level of risk appetite.

EFG International Group's concentration risks are managed through the following mechanisms:
– Monitoring of compliance with ALM, funding concentration and risk appetite limits assigned
– Informing approval bodies when ALM, concentration and risk appetite limits are exceeded
– Proposing risk mitigation measures for ALM, concentration and risk appetite thresholds

9.4 Liquidity transfer pricing model

EFG International Group's liquidity transfer pricing model enables the management of the balance sheet structure and the measurement of risk-adjusted profitability, taking into account liquidity risk, maturity transformation and interest rate risk. The liquidity allocation mechanism allows to credit providers of funds for the benefit of liquidity and to charge users of funds.

Customers' loans are charged for the usage of liquidity, based on the liquidity risk embedded in business activities. Short- and long-term loans receive differentiated charges for the cost of liquidity.

Liquidity adjustments are introduced for loans that have the same duration, but due to differing liquidity attributes are not of the same value or cost.

Customers' deposits are credited for the benefit of liquidity based on their likelihood of withdrawal. As a general rule, sticky money, such as term deposits, are less likely to be withdrawn and, therefore, receive larger credits than volatile money, such as demand deposits, savings and transaction accounts, which are more likely to be withdrawn at any time.

9.5 Financial liabilities cash flows

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

	Up to 1 month CHF millions	1–3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2017						
Liabilities						
Due to other banks	338.4	195.4				533.8
Due to customers	29,700.8	1,695.6	876.6	38.3		32,311.3
Subordinated loans	187.8		4.7		388.2	580.7
Derivative financial instruments	17,729.7	9,680.4	5,666.4	474.2	82.6	33,633.3
Financial liabilities designated at fair value	42.7				441.3	484.0
Other financial liabilities	2,637.6	617.2	237.5	290.0	692.5	4,474.8
Provisions			53.7	145.2		198.9
Other liabilities	597.4	10.4	36.2	0.4		644.4
Total financial liabilities	**51,234.4**	**12,199.0**	**6,875.1**	**948.1**	**1,604.6**	**72,861.2**
Total off balance-sheet	**828.1**	**–**	**–**	**–**	**–**	**828.1**

	Up to 1 month CHF millions	1–3 months CHF millions	3–12 months CHF millions	1–5 years CHF millions	Over 5 years CHF millions	Total CHF millions
31 December 2016						
Liabilities						
Due to other banks	325.6	102.0				427.6
Due to customers	29,487.9	2,008.0	1,099.2	101.7	63.4	32,760.2
Subordinated loans			14.3		251.0	265.3
Debt issued				334.4		334.4
Derivative financial instruments	724.5	18,898.6	2,505.9	477.7	97.3	22,704.0
Financial liabilities designated at fair value	36.0				618.4	654.4
Other financial liabilities	892.0	416.6	829.5	950.8	441.2	3,530.1
Provisions			17.1	182.2		199.3
Other liabilities	748.2	15.6	33.1	1.3	0.4	798.6
Total financial liabilities	**32,214.2**	**21,440.8**	**4,499.1**	**2,048.1**	**1,471.7**	**61,673.9**
Total off balance-sheet	**992.2**	**–**	**–**	**–**	**–**	**992.2**

For more detailed information on off-balance sheet exposures by maturity, refer to note 55.

Although due to customers are mainly at sight from a contractual point of view, in practice and from an economical perspective, it has been observed that they provide a quite stable funding source, reducing so the exposure to liquidity risk.

10. Capital management

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

Capital adequacy

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

The Group reports regulatory capital using Swiss GAAP as a basis. This is also the basis the Group uses to report to the FINMA. The Group will publish the Basel III Pillar 3 Disclosures for the year ended 31 December 2017 on the

Group website by 30 April 2018, which will include a comparison of regulatory capital under Swiss GAAP based on a set of Swiss GAAP financial statements that will be audited by 30 April 2018 and using IFRS as a basis.

The Group's eligible capital comprises two tiers:
- Tier 1 capital: share capital (net of any book values of the treasury shares), non-controlling interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of acquisition-related intangible assets net of acquisition-related liabilities is deducted in arriving at Tier 1 capital.
- Tier 2 capital: subordinated loans, collective impairment allowances and unrealised gains arising on the fair valuation of security instruments held as available-for-sale.

Risk-weighted assets are determined according to specified requirements which reflect the varying levels of risk attached to assets and off-balance sheet exposures, and include amounts in respect of credit risk, market risk, non-counterparty-related risk, settlement risk and operational risk.

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2017 and 2016.

	Note	Basel III – Fully applied Swiss GAAP 31 December 2017 Unaudited CHF millions	Basel III – Fully applied Swiss GAAP 31 December 2016 Unaudited CHF millions
Tier 1 capital			
Share capital		145.1	143.9
Share premium		1,928.3	1,928.4
Other reserves		355.0	237.7
Retained earnings		(328.5)	111.4
Non-controlling interests		27.1	22.6
Swiss GAAP: Total shareholders' equity		**2,127.0**	2,444.0
Less: Proposed dividend on Ordinary Shares		(72.4)	(71.5)
Less: Goodwill (net of acquisition related liabilities) and intangibles		(58.8)	(81.9)
Less: Bons de Participation (included in Additional Tier 1)		(15.7)	(14.4)
Less: Other Basel III deductions		(55.8)	(31.7)
Common Equity Tier 1 (CET1)		**1,924.3**	2,244.5
Additional Tier		15.7	45.6
Total qualifying Tier 1 capital		**1,940.0**	2,290.1
Tier 2 capital			
Subordinated loan		390.3	179.6
Total regulatory capital		**2,330.3**	2,469.7
Risk-weighted assets			
Credit risk including settlement risk and credit value adjustment		7,221.8	8,677.1
Non-counterparty related risk		260.7	292.8
Market risk*		1,199.4	1,018.7
Operational risk*		2,161.1	2,359.1
Total risk-weighted assets		**10,843.0**	12,347.7

	31 December 2017 Unaudited CHF millions %	31 December 2016 Unaudited CHF millions %
Basel III – FINMA CET1 Ratio (after deducting proposed dividend on Ordinary Shares)	**17.7**	18.2
Basel III – FINMA Total Capital Ratio (after deducting proposed dividend on Ordinary Shares)	**21.5**	20.0

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

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

The Basel Committee on Banking Supervision defined the requirements that have entered into force on the leverage ratio from 2018. The leverage ratio requirement is 3%.

The Basel Committee has agreed to make various refinements to the definition of the leverage ratio exposure measure. These refinements include modifying the way in which derivatives are reflected in the exposure measure and updating the treatment of off-balance sheet exposures to ensure consistency with their measurement in the standardised approach to credit risk. The revised exposure definition for the Leverage ratio is expected to be implemented in 2022.

	Basel III – Fully applied Swiss GAAP	
	31 December 2017 Unaudited CHF millions	31 December 2016 Unaudited CHF millions
On balance sheet exposure (excluding derivatives and other adjustments)	40,839.3	41,383.2
Derivative exposures (including add-ons)	511.4	1,024.1
Securities financing transactions	1,020.2	1,339.9
Other off-balance sheet exposure	282.1	877.6
Total exposure	**42,653.0**	44,624.8
Total qualifying Tier 1 capital	**1,940.0**	2,290.1
Basel III – FINMA Leverage Ratio	**4.5%**	5.1%

11. Net interest income

	31 December 2017 CHF millions	Restated 31 December 2016 CHF millions
Banks and customers	443.8	337.6
Financial assets at Fair Value through Other Comprehensive Income	101.6	
Available-for-sale investment securities		44.8
Held-to-maturity investment securities	4.2	10.4
Amortisation of Available-for-sale equity reserve		(10.9)
Treasury bills and other eligible bills	13.1	5.9
Total interest and discount income	**562.7**	387.8
Financial assets designated at fair value		49.4
Income from other assets classified as Fair value through profit and loss	**–**	49.4
Banks and customers*	(152.3)	(120.8)
Other financial liabilities	(39.5)	(26.9)
Subordinated loans**	(25.6)	(40.8)
Debt issued		
Total interest expense	**(217.4)**	(188.5)
Financial liabilities at fair value		(51.8)
Expense from other liabilities classified as Fair value through profit and loss	**–**	(51.8)
Net interest income	**345.3**	196.9

* Negative interest on Swiss francs deposits placed by the Bank at the Swiss National Bank amounts to CHF 38.5 million in the year ended 31 December 2017 (2016: CHF 25.3 million) and are disclosed as Interest expense due to Banks and customers.

** Interest expense on subordinated loans in 2017 includes amortisation of CHF 20.2 million of discount related to a bond that the Group repaid in January 2017 (prior to the original maturity date in January 2022).

Interest income accrued on impaired financial assets is CHF nil (2016: CHF nil).

12. Net banking fee and commission income

	31 December 2017 CHF millions	31 December 2016 CHF millions
Advisory and management fees	375.4	229.3
Brokerage fees	213.3	152.1
Commission and fee income on other services	170.1	98.2
Banking fee and commission income	**758.8**	479.6
Commission and fee expenses on other services	(141.5)	(84.2)
Banking fee and commission expense	**(141.5)**	(84.2)
Net banking fee and commission income	**617.3**	395.4

13. Dividend income

	31 December 2017 CHF millions	31 December 2016 CHF millions
Available-for-sale investment securities		1.9
Financial assets at fair value through profit and loss	3.6	
Dividend income	**3.6**	1.9

14. Net trading income and foreign exchange gains less losses

Net trading income of CHF 209.0 million (2016: CHF 128.2 million) comprises of results from foreign exchange transactions and results on revaluation of assets and liabilities denominated in other currencies, including the mark-to-market of interest rate swaps and currency forwards and swaps.

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

	31 December 2017 CHF millions	31 December 2016 CHF millions
Financial instruments measured at fair value		
Equity securities	17.9	(3.5)
Debt securities	14.9	3.2
Derivative financial instruments	(22.7)	5.9
Life insurance securities *	(51.8)	(13.7)
Inefficiency on fair value hedges		
Fair value gains less losses on financial instruments measured at fair value	**(41.7)**	(8.1)
Inefficiency on fair value hedges		
Net gain on hedging instruments	11.0	14.9
Net loss on hedged items attributable to the hedged risk	(11.0)	(14.9)
Net gain representing ineffective portions of fair value hedges	**–**	–

* During the year the Group entered into a transaction in order to limit the volatility of the Group's earnings to the changes in the fair value of some of the life insurance securities and related derivatives. As part of the agreement, the Group derecognised its investment in 212 life insurance policies and the related derivative contracts, and made a settlement payment to the counterparty.

16. Gains less losses on disposal of financial assets at fair value through other comprehensive income / available-for-sale investment securities

	Fair value through other comprehensive income 31 December 2017 CHF millions	Available-for-sale 31 December 2016 CHF millions
Debt securities	0.2	3.1
Life insurance securities		(1.4)
Gains less losses on disposal financial assets at fair value through other comprehensive income / available-for-sale investment securities	**0.2**	1.7

17. Loss allowance on financial assets at amortised cost and debt instruments measured at fair value through other comprehensive income

The below table summarises the impact on the income statement for the year ended 31 December 2017:

	31 December 2017 CHF millions	31 December 2016 CHF millions
Impairment on loans and advances to customers		(3.9)
Reversal of impairment on loans and advances to customers		0.1
Change in loss allowance	(20.3)	
Loss allowance on financial assets at amortised cost and debt instruments measured at fair value through other comprehensive income	**(20.3)**	(3.8)

18. Operating expenses

	Note	31 December 2017 CHF millions	31 December 2016 CHF millions
Staff costs	19	(726.0)	(466.5)
Professional services		(84.0)	(43.1)
Advertising and marketing		(15.2)	(8.7)
Administrative expenses		(188.4)	(72.7)
Operating lease rentals		(53.2)	(32.9)
Depreciation of property, plant and equipment	38	(22.9)	(6.8)
Amortisation of intangible assets			
Computer software and licences	37	(7.0)	(4.5)
Other intangible assets	37	(9.9)	(4.6)
Legal and litigation expenses		(28.5)	(22.6)
Other		(54.9)	(28.0)
Operating expenses		**(1,190.0)**	(690.4)

In 2017, the Group incurred CHF 130.8 million (2016: CHF 55.1 million) related to costs for the integration of the business acquired from BSI Group in 2016.

19. Staff costs

	Note	31 December 2017 CHF millions	31 December 2016 CHF millions
Wages, salaries and staff bonuses		(599.8)	(370.1)
Social security costs		(45.6)	(28.7)
Pension costs			
Retirement benefits	48	(9.5)	(11.2)
Other net pension costs		(8.8)	(10.0)
Employee equity incentive plans	62	(28.9)	(24.9)
Other		(33.4)	(21.6)
Staff costs		**(726.0)**	(466.5)

As at 31 December 2017 the number of full time equivalent employees (FTE's) of the Group was 3,366 (2016: 3,572) and the average for the year was 3,469 (2016: 2,451).

20. Income tax gain

	Note	31 December 2017 CHF millions	31 December 2016 CHF millions
Current tax expense		(19.2)	(20.7)
Deferred income tax gain	21	32.8	23.9
Total income tax gain		**13.6**	3.2

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate of the Group, as follows:

Operating (loss) / profit before tax	(71.1)	224.8
Tax at the weighted average applicable rate of 17% (2016: 17%)	12.1	(38.2)
Tax effect of:		
Utilisation of unrecognised tax losses carried forward		70.8
Utilisation of tax losses carried forward		(4.8)
Recognition of previously unrecognised tax loss carryforwards		4.0
Unrecognised tax loss carry forwards for the year	(0.2)	(15.8)
Profit/(loss) not subject to tax	6.0	(9.7)
Different tax rates in different countries	(1.4)	0.4
Impairment of deferred tax assets		(0.1)
Other differences	(2.9)	(3.4)
Total income tax gain	**13.6**	3.2

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

21. Deferred income taxes

Deferred income taxes are calculated under the liability method on all temporary differences, using the expected effective local applicable rate. Deferred income tax assets and liabilities comprise the following:

	31 December 2017 CHF millions	Restated 31 December 2016 CHF millions
Deferred income tax assets*	82.6	89.9
Deferred income tax liabilities	(5.9)	(10.8)
Net deferred income tax assets	**76.7**	79.1

The movement on the net deferred income tax account is as follows:

At 1 January	**79.1**	**(0.1)**
Restatement related to BSI Group acquisition (note 36)		74.5
Tax effect of retirement benefits adjustment through other comprehensive income (2016 restated - see note 3)	(35.7)	(18.4)
Deferred tax gain for the period in the income statement	32.8	23.9
IFRS 9 impact	3.3	
Available-for-sale adjustment through other comprehensive income		(1.3)
Financial assets at fair value through other comprehensive income	(3.7)	
Exchange differences	0.9	0.5
At 31 December	**76.7**	**79.1**

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

Tax losses carried forward	55.5	28.2
IAS 19 retirement benefits not applicable for local tax	20.4	56.1
Other differences between local tax rules and accounting standards	3.4	3.3
Employee equity incentive plans amortisation	3.3	2.3
Deferred income tax assets	**82.6**	89.9
Arising from acquisition of intangible assets	(1.0)	(1.0)
Valuation of financial assets not reflected in local tax accounts	(7.7)	(7.5)
Sundry differences between local tax rules and accounting standards	2.8	(2.3)
Deferred income tax liabilities	**(5.9)**	(10.8)
Net deferred income tax assets	**76.7**	79.1

* In the 2016 consolidated financial statements, deferred tax assets of CHF 33.8 million were presented. This has been restated to CHF 89.9 million – see note 3. The restatement arises from the finalisation of the business combination related to BSI Group. In 2017, the Group has restated the 2016 statement of other comprehensive income (see note 36 for further details). At 31 October 2016 an additional deferred tax asset of CHF 74.5 million was recognised related to the IAS 19 retirement obligations of the Group acquired with the BSI Group. Between 31 October 2016 and 31 December 2016 these retirement obligations reduced and as a result the Group released the related deferred tax asset of CHF 18.4 million through other comprehensive income. The net increase in the deferred tax balance at 31 December 2016 was therefore CHF 56.1 million.

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

	31 December 2017 CHF millions	31 December 2016 CHF millions
Utilisation of tax losses carried forward	(1.1)	(4.2)
Creation of deferred tax assets on tax losses carried forwards	27.4	6.0
Impairment of deferred tax assets		(0.1)
Deferred tax liabilities related to intangible assets	1.5	21.5
Other temporary differences	5.0	0.7
Deferred income tax gain (note 20)	**32.8**	23.9

The majority of the charges to the Groups equity on adoption of IFRS 9 arose in zero-tax jurisdictions, and as a result no deferred tax has been recognised on these impacts.

The Group has deferred tax assets related to tax losses carried forward of CHF 55.5 million as a result of Group companies with tax losses of CHF 389.7 million (2016: CHF 181.8 million) to carry forward against future taxable income. These tax losses will expire as summarised below:

	31 December 2017 CHF millions	Tax rate %	Carried forward losses CHF millions	Expiry in 1–3 years CHF millions	Expiry in 4–7 years CHF millions	Expiry after 7 years CHF millions
EFG International AG, Switzerland	19.0	7.83%	243.2	243.2		
EFG Bank AG, Switzerland	17.1	25.00%	68.5	68.5		
EFG Bank (Luxembourg) S.A., Luxembourg*	13.7	26.08%	52.5			52.5
EFG Private Bank Ltd	4.4	20.25%	21.7			21.7
EFG Corredores de Bolsa SpA	1.0	35.00%	2.8			2.8
EFG Chile SpA	0.3	35.00%	0.9			0.9
Asesores Y Gestores Financieros S.A.		30.00%	0.1			0.1
Total	**55.5**		**389.7**	**311.7**	**–**	**78.0**

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

	31 December 2017 CHF millions	Expiry in 1–3 years CHF millions	Expiry in 4–7 years CHF millions	Expiry after 7 years CHF millions
EFG International AG, Switzerland	736.5	514.4	222.1	
EFG Bank AG, Switzerland	428.0	48.5	379.5	
BSI SA	340.4	29.7	310.7	
EFG Bank (Luxembourg) S.A., Luxembourg*	152.8			152.8
Total	**1,657.7**	**592.6**	**912.3**	**152.8**

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

	31 December 2016 CHF millions	Expiry in 1–3 years CHF millions	Expiry in 4–7 years CHF millions	Expiry after 7 years CHF millions
EFG International AG, Switzerland	1,117.6	896.5	221.1	
BSI SA	338.1		338.1	
EFG Bank AG, Switzerland	255.6	97.6	158.0	
EFG Bank (Luxembourg) S.A., Luxembourg*	141.5			141.5
Total	**1,852.8**	**994.1**	**717.2**	**141.5**

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

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

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2017			
Interest and discount income	252.5	310.2	562.7
Income from other assets classified as fair value through profit or loss	1.3	44.6	45.9
Interest and discount income	(77.2)	(137.4)	(214.6)
Expense from other liabilities classified as fair value through profit or loss		(48.7)	(48.7)
Net interest income	**176.6**	**168.7**	**345.3**
Banking fee and commission income	319.3	439.5	758.8
Banking fee and commission expense	(65.3)	(76.2)	(141.5)
Net banking fee and commission income	**254.0**	**363.3**	**617.3**
Dividend income	3.6		3.6
Net trading income and foreign exchange gains less losses	117.1	91.9	209.0
Fair value gains less losses on financial instruments measured at fair value	(14.8)	(26.9)	(41.7)
Gains less losses on disposal of available-for-sale investment securities	1.6	(1.4)	0.2
Other operating income/(loss)	96.8	(87.8)	9.0
Net other income	**204.3**	**(24.2)**	**180.1**
Operating income	**634.9**	**507.8**	**1,142.7**
Operating expenses	(685.0)	(505.0)	(1,190.0)
Other provisions	10.8	(14.3)	(3.5)
Reversal of impairment / (Impairment) on loans and advances to customers	0.9	(21.2)	(20.3)
Loss before tax	**(38.4)**	**(32.7)**	**(71.1)**
Income tax gain / (expense)	18.0	(4.4)	13.6
Net loss for the year	**(20.4)**	**(37.1)**	**(57.5)**
Net loss for the period attributable to:			
Net loss attributable to equity holders of the Group	(20.4)	(39.4)	(59.8)
Net (loss) / profit attributable to non-controlling interests		2.3	2.3
	(20.4)	**(37.1)**	**(57.5)**

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2016			
Interest and discount income	149.8	287.4	437.2
Interest expense	(70.2)	(170.1)	(240.3)
Net interest income	**79.6**	**117.3**	**196.9**
Banking fee and commission income	130.7	348.9	479.6
Banking fee and commission expense	(24.9)	(59.3)	(84.2)
Net banking fee and commission income	**105.8**	**289.6**	**395.4**
Dividend income	1.9	0.0	1.9
Net trading income and foreign exchange gains less losses	53.6	74.6	128.2
Net (loss)/gain from financial instruments measured at fair value	(1.7)	(6.4)	(8.1)
Gains less losses on disposal of available-for-sale investment securities	(7.7)	9.4	1.7
Other operating income/(loss)	152.4	(146.4)	6.0
Net other income	**198.5**	**(68.8)**	**129.7**
Operating income	**383.9**	**338.1**	**722.0**
Operating expenses	(320.3)	(370.1)	(690.4)
Bargain gain on business acquisitions	416.8	0.0	416.8
Impairment on goodwill and other intangibles	(92.6)	(106.9)	(199.5)
Other provisions	(10.8)	(9.5)	(20.3)
Impairment on loans and advances to customers	(0.5)	(3.3)	(3.8)
Profit before tax	**376.5**	**(151.7)**	**224.8**
Income tax expense	12.9	(9.7)	3.2
Net profit for the year	**389.4**	**(161.4)**	**228.0**
Net profit for the period attributable to:			
Net profit attributable to equity holders of the Group	389.4	(164.1)	225.3
Net profit attributable to non-controlling interests	0.0	2.7	2.7
	389.4	**(161.4)**	**228.0**

23. Cash and balances with central banks

	31 December 2017 CHF millions	31 December 2016 CHF millions
Cash in hand	89.0	94.6
Balances with central banks	9,610.9	8,792.9
Less: Loss Allowance	(0.1)	
Cash and balances with central banks	**9,699.8**	8,887.5

24. Cash and cash equivalents

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

	31 December 2017 CHF millions	31 December 2016 CHF millions
Cash and balances with central banks	9,699.8	8,887.5
Treasury bills and other eligible bills	1,247.6	1,090.6
Due from other banks – At sight	1,555.7	1,736.2
Due from other banks – At term	568.8	772.8
Cash and cash equivalents with less than 90 days maturity	**13,071.9**	12,487.1

25. Treasury bills and other eligible bills

	31 December 2017 CHF millions	31 December 2016 CHF millions
Treasury bills	1,482.4	1,945.6
Less: Loss Allowance	(0.1)	
Treasury bills and other eligible bills	**1,482.3**	1,945.6
Pledged treasury bills with central banks and clearing system companies	*–*	*–*

26. Due from other banks

	31 December 2017 CHF millions	31 December 2016 CHF millions
At sight	1,555.7	1,736.2
At term – with maturity of less than 90 days	568.8	772.8
At term – with maturity of more than 90 days	451.7	414.8
Less: Loss Allowance	(0.2)	
Due from other banks	**2,576.0**	2,923.8
Pledged due from other banks	*694.7*	*716.2*

27. Loans and advances to customers

	Note	31 December 2017 CHF millions	31 December 2016 CHF millions
Mortgages		6,601.1	6,789.7
Lombard Loans		11,665.8	10,996.5
Other Loans		877.0	1,135.3
Gross loans and advances		**19,143.9**	18,921.5
Less: Loss Allowance	28	(192.6)	(43.2)
Loans and advances to customers		**18,951.3**	18,878.3

The other loans include CHF 195.4 million (2016: CHF 339.1 million) of loans made with no collateral and CHF 103.4 million (2016: CHF 46.9 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.

28. Loss allowance / provision for impairment losses on loans and advances to customers

	Note	2017 CHF millions	2016 CHF millions
At 1 January		**43.2**	6.7
Adjustment on adoption of IFRS 9	2	135.9	
Loss allowance increased through profit and loss	17	20.3	
Impairment on loans and advances to customers			3.9
Reversal of impairment on loans and advances to customers			(0.1)
Utilisation of provision		(0.9)	(5.6)
Addition in scope of consolidation due to BSI acquisition			38.0
Exchange differences		(5.9)	0.3
At 31 December		**192.6**	43.2

29. Derivative financial instruments

29.1 Derivatives

The Group's credit risk represents the potential cost to replace the forward or swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities. Credit risk on index, interest rate and bond futures is negligible because futures contracts are collateralised by cash or marketable securities, and changes in their value are settled daily. The notional amounts of financial instruments provide a basis for comparison, but do not indicate the amount of future cash flows, or the current fair value of the underlying instruments. Accordingly, they do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, credit spreads or foreign exchange rates, relative to their terms. The fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

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

	31 December 2017			31 December 2016		
	Contract/ notional amount CHF millions	**Fair values Assets CHF millions**	**Fair values Liabilities CHF millions**	Contract/ notional amount CHF millions	Fair values Assets CHF millions	Fair values Liabilities CHF millions
Derivatives held for trading						
Currency and precious metal derivatives						
Forward contracts	11,951.3	80.1	57.6	8,321.5	52.6	52.6
Currency swaps	19,169.2	153.1	150.9	22,315.9	216.8	169.0
OTC currency options	5,402.0	36.2	29.9	12,488.3	128.3	93.8
	36,522.5	**269.4**	**238.4**	43,125.7	397.7	315.4
Interest rate derivatives						
Interest rate swaps	2,411.3	15.6	39.8	2,074.0	10.1	42.6
OTC interest rate options	17.1		0.2	32.4	2.9	6.0
Interest rate futures	113.1	1.4	0.3	182.2	0.4	0.1
	2,541.5	**17.0**	**40.3**	2,288.6	13.4	48.7
Other derivatives						
Equity options and index futures	3,586.5	303.8	315.5	2,800.1	322.4	334.5
Credit default swaps	2,223.1	32.3	32.3	1,258.3	22.7	21.5
Total return swaps	1,317.2	59.7		137.5	63.3	
Commodity options and futures	8.9	0.1		3.2	0.3	0.3
	7,135.7	**395.9**	**347.8**	4,199.1	408.7	356.3
Total derivative assets/liabilities held for trading	**46,199.7**	**682.3**	**626.5**	49,613.4	819.8	720.4
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	3,023.8	13.8	20.4	3,294.5	11.4	56.7
Total derivative assets/liabilities held for hedging	**3,023.8**	**13.8**	**20.4**	3,294.5	11.4	56.7
Total derivative assets/liabilities	**49,223.5**	**696.1**	**646.9**	52,907.9	831.2	777.1

29.2 Hedge accounting

The hedging practices and accounting treatment are disclosed in note 3(d).

	31 December 2017				
	Notional amount of hedging item CHF millions	**Fair value of assets CHF millions**	**Fair value liabilities CHF millions**	**Balance sheet line item**	**Change in fair value used for calculating hedge ineffectiveness CHF millions**
Fair value hedge					
Interest rate swaps	2,371.9	12.4	(6.4)	Derivative financial instruments	11.0
	2,371.9	**12.4**	**(6.4)**		**11.0**

	31 December 2017				
	Carrying amount of hedged item Assets CHF millions	**Carrying amount of hedged item Liabilities CHF millions**	**Accumulated amount of Fair value adjustments on the hedged item CHF millions**	**Balance sheet line item**	**Change in fair value of hedged item for ineffectiveness assessment CHF millions**
Fair value hedge					
Fixed rate bonds	2,347.9		(10.5)	Financial assets FVTOCI	(11.0)
	2,347.9	**–**	**(10.5)**		**(11.0)**

	31 December 2016				
	Notional amount of hedging item CHF millions	Fair value of assets CHF millions	Fair value liabilities CHF millions	Balance sheet line item	Change in fair value used for calculating hedge ineffectiveness CHF millions
Fair value hedge					
Interest rate swaps	1,558.8	5.5	(19.1)	Derivatives	14.9
	1,558.8	**5.5**	**(19.1)**	**–**	**14.9**

	31 December 2016				
	Carrying amount of hedged item Assets CHF millions	Carrying amount of hedged item Liabilities CHF millions	Accumulated amount of Fair value adjustments on the hedged item CHF millions	Balance sheet line item	Change in fair value of hedged item for ineffectiveness assessment CHF millions
Fair value hedge					
Fixed rate bonds	1,545.6		(9.4)	FVTOCI	(14.9)
	1,545.6	**–**	**(9.4)**	**–**	**(14.9)**

Hedge effectiveness

The Group applies hedge accounting to interest rate risk on fixed rate bonds (fair value hedge). The Group holds a portfolio of long dated fixed rate bonds and therefore is exposed to changes in fair value due to movements in market interest rates. The Group manages the risk exposure by entering into interest rate swaps that pay fixed rates matching the coupons of the bonds and receive floating interest rates.

Only the interest rate element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component is determined as the change in fair value of the long-term fixed rate bond arising solely from changes of the interest rate environment. Such changes are usually the largest component of the overall changes in fair value.

This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the bonds attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The Group enters into these transactions on a 'package basis', i.e. enters into the swap at the same time as purchasing the bond, and structures the swap so that the principal terms of the swap exactly match those of the bond. As a result the hedging ratio is 100% and there is no ineffectiveness.

30. Financial assets at fair value through profit and loss

	31 December 2017 CHF millions	31 December 2016 CHF millions
Trading assets	950.3	734.3
Designated at inception		456.0
Other mandatorily measured at fair value through P&L	1,241.4	N/A
Total	**2,191.7**	1,190.3

		31 December 2017 CHF millions	31 December 2016 CHF millions
Issued by non public issuers:	Banks	228.7	280.3
Issued by non public issuers:	Other	1,237.4	454.0
Issued by other issuers:	US life insurance companies	725.5	319.8
Commodities	Precious metals	0.1	136.2
Total		**2,191.7**	1,190.3

The movement in the account is as follows:

At 1 January	**1,190.3**	363.6
Reclassified on Adoption of IFRS 9 – life insurance related	516.9	
Reclassified on Adoption of IFRS 9 – debt securities	327.8	
Reclassified on Adoption of IFRS 9 – previously available-for-sale	186.8	
Addition in scope of consolidation due to BSI acquisition		932.3
Additions	233.5	48.0
Disposals (sale and redemption)	(82.5)	(145.6)
Accrued interest	19.9	47.2
Net losses from changes in fair value	(202.0)	(63.6)
Exchange differences	1.0	8.4
At 31 December	**2,191.7**	1,190.3

* See note 38 Financial liabilities designated at fair value.

The Group continued to pledge the financial investment securities as collateral for CHF 8.5 million (2016: CHF 35.8 million) related to the Group's role as collateral provider in relation to structured products issued by a subsidiary.

IFRS 9 adoption impacts – life insurance related

The Group holds financial investment in life insurance policies as of 31 December 2017. In 2016 the Group had 211 policies referencing 139 insureds, which were classified in the Held-to-maturity category under IAS 39 and measured at amortised cost for the year ended 31 December 2016 of CHF 854.7 million. With the adoption of IFRS 9, effective 01 January 2017, these life insurance policies have been classified as FVTPL as they fail the SPPI test. The difference of CHF 337.8 million at 01 January 2017 between carrying value and the fair value of CHF 516.9 million has been adjusted through retained earnings.

In addition, the Group had policies which were classified in the Available-for-sale category under IAS 39 and measured at fair value for the year ended 31 December 2016 of CHF 32.2 million. With the adoption of IFRS 9 effective 01 January 2017, these life insurance policies fail the SPPI test and have been classified as FVTPL.

IFRS 9 adoption impacts – debt instruments

The Group holds bonds that do not meet the quantitative analysis within the SPPI test, and as a result these bonds have been reclassified to FVTPL. Under IAS 39 they were classified in the Held-to-maturity category and measured at amortised cost for the year ended 31 December 2016 at

CHF 343.6 million. With the adoption of IFRS 9, effective 01 January 2017, these debt instrument have been classified as FVTPL. The difference of CHF 15.8 million between carrying value and fair value at 01 January 2017 of CHF 327.8 million has been adjusted through retained earnings.

Life insurance related assets

The Group holds the following life insurance related financial assets and liabilities as at 31 December 2017:

IFRS 9 Classification	Previous classification under IAS 39	31 December 2016 Number of insureds	31 December 2017 Number of insureds	31 December 2017 Average Age Years	31 December 2017 Average Life Expectancy Years	31 December 2017 Net death benefits CHF millions	31 December 2017 Fair value CHF millions
FVTPL	Held-to maturity	139.0	135.0	88.5	6.0	1,365.9	522.2
FVTPL	Available-for-sale	24	22	90.9	4.8	79.7	30.2
FVTPL	FVTPL	269	77	86.7	6.1	386.3	173.1
Derivatives	Derivatives	118	108	88.5	7.4	108.6	59.7
Financial Liabilities	Financial liabilities at fair value	(264)	(72)	(86.4)	(6.0)	(336.2)	(190.3)
Total		**286.0**	**270.0**			**1,604.3**	**594.9**

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 when the insured individual died.

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

The Group is exposed indirectly to similar risks to these mentioned above through loans that the Group has advanced to funds which have invested in life insurance. See note 7 on lombard loans for a summary of the loans and the related expected credit loss allowance that has been recognised.

The Group values these financial assets and liabilities at fair value using 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 judgment on the below valuation inputs:

(a) 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.

(b) Premium streams and cost of insurance
The determination of the best estimate 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 policy 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 considers the aging of the insured persons and increases in pricing levels of premiums imposed by certain carriers that issued these policies. The majority of life insurance policies have increasing annual premiums payable. In certain instances additional increases have been announced by the insurance companies. The Group considers these increases in cost of insurance to be unjustified and have challenged their implementation in US courts. The Group filed two legal claims on 31 October 2016 against AXA Equitable Life Insurance Company and Transamerica with respect to 18 and 48 policies issued by these carriers, respectively.
On 02 February 2017, the Group also filed a third legal claim against Lincoln National Life Insurance Company with respect to 28 policies. The legal cases against AXA and Transamerica are in discovery. Also the court in the Lincoln action has denied the carrier's motion to dismiss the Group's claims almost in its entirety. This case is also proceeding to discovery.

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 acount. 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.

(c) 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.

(d) 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:

		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
Life settlement sensitivities							
Derivatives	Synthetic policies	2.9	(2.6)	0.1	(0.2)		
Financial assets at fair value	Physical policies	62.2	(55.3)	41.0	(40.2)	38.9	(38.9)
Financial liabilities designated at fair value	Synthetic policies	(11.9)	13.2	(6.2)	6.3		
At 31 December		**53.2**	**(44.7)**	**34.9**	**(34.1)**	**38.9**	**(38.9)**

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. The development and ultimate resolution of these proceedings have an impact on the Group's fair value assumptions by CHF 124.5 million.

The impact of counterparty credit risk for a 2 notch downgrade would be CHF 4.7 million decrease in fair value.

31. Financial assets at fair value through Other Comprehensive Income

The following table presents the carrying amount of financial assets measured at Fair Value through Other Comprehensive Income and respective allowances for ECL as of 31 December 2017:

	31 December 2017	
	Gross Carrying amount CHF millions	ECL (IFRS 9) CHF millions
Government	2,543.5	0.2
Banks	2,355.3	0.3
Other issuers	303.7	
Equity instruments*	8.1	
Total	**5,210.6**	**0.5**

* The Group has received no dividend income on this position.

The movement in the account is as follow:

	31 December 2017 CHF millions
At 1 January	**–**
Reclassified on adoption of IFRS 9 – from Available for sale	5,250.5
Additions	2,726.0
Disposals (sale and redemption)	(2,733.2)
Accrued interests	(8.9)
Increase in loss allowance through profit and loss	(0.3)
Transfer to the income statement of realised gains and losses (note 16)	(0.9)
Gains less losses from changes in fair value through other comprehensive income	11.0
Exchange differences	(33.6)
At 31 December	**5,210.6**

32. Investment securities – available-for-sale

		31 December 2017 CHF millions	31 December 2016 CHF millions
Issued by public bodies:	Government		1,389.1
Issued by public bodies:	Other public sector		803.7
Issued by other issuers:	Banks		2,522.8
Issued by other issuers:	US life insurance companies		32.2
Issued by other issuers:	Other		689.5
Total		**–**	5,437.3
Debt securities:	Listed / Quoted		4,385.3
Debt securities:	Unquoted – Discounted cash flow analysis		935.8
Debt securities:	Unlisted		41.7
Equity securities:	Listed / Quoted		0.4
Equity securities:	Unquoted – Other valuation models		41.9
Life insurance related:	Unquoted – Discounted cash flow analysis		32.2
Total		**–**	5,437.3
Pledged securities with central banks, clearing system companies or third party banks		*–*	*719.9*

The movement in the account is as follows:

	31 December 2017	31 December 2016
At 1 January	**5,437.3**	4,243.8
Reclassification on adoption of IFRS 9 – to Fair Value through Other Comprehensive Income	(5,250.5)	
Reclassification on adoption of IFRS 9 – to Fair Value through P&L	(186.8)	
Addition in scope of consolidation due to BSI acquisition		806.2
Additions		2,785.3
Disposals (sale and redemption)		(2,395.4)
Fair value gains on available-for-sale investment securities		14.9
Transfer to the income statement of realised available-for-sale investment securities reserve		1.7
Change in accrued interest		6.1
Exchange differences		(25.3)
At 31 December	**–**	5,437.3

The Group had pledged Financial Investment Securities as collateral of CHF 35.8 million in 2016. This is related to the Group's role as collateral provider in relation to structured products issued by a subsidiary, where the holders of the structured products assume a default risk that varies according to the creditworthiness of the issuer. The insolvency of the issuer may result in a total loss for the investor. In order to minimise this risk, SIX Swiss Exchange offers a service for the collateralisation of structured products, and the Group has pledged assets to SIX Swiss Exchange.

33. Investment securities – available-for-sale equity reserve

Other Comprehensive Income – revaluation of available-for-sale investment securities:
Gains and losses arising from the changes in the fair value of available-for-sale investment securities are recognised in a revaluation reserve for available-for-sale financial assets in Other Comprehensive Income (note 51).

The movement of the reserve is as follows:

	31 December 2017 CHF millions	31 December 2016 CHF millions
At 1 January	**(102.1)**	(111.5)
Transfer to retained earnings on adoption of IFRS 9	102.1	
Fair value gains on available-for-sale investment securities, before tax		12.4
Transfer to the Income Statement of realised available-for-sale investment securities reserve, before tax		(1.7)
Tax effect on available-for-sale investment securities		(1.3)
At 31 December	**–**	(102.1)

34. Investment securities – Held-to-maturity

Financial assets classified as held-to-maturity under IAS 39 at 31 December 2016 were remeasured to fair value and reclassified on 01 January 2017 (under IFRS 9) to financial assets at fair value through profit and loss.

		31 December 2017 CHF millions	31 December 2016 CHF millions
Issued by public bodies:	Government		43.0
Issued by public bodies:	Other public sector		300.6
Issued by other issuers:	US Life insurance companies		854.7
Gross investment securities – Held-to-maturity		**–**	1,198.3
Impairment on financial assets held-to-maturity		–	–
Total		**–**	1,198.3

The movement in the account is as follows:

	2017 CHF millions	2016 CHF millions
At 1 January	**1,198.3**	1,162.2
Change in valuation on adoption of IFRS 9 – Retained earnings	(353.6)	
Reclassified to financial assets at fair value through profit and loss	(844.7)	
Additions/premiums paid		74.6
Redemptions		(67.6)
Accrued interest		9.9
Exchange differences		19.2
At 31 December	**–**	1,198.3
Pledged securities with central banks and clearing system companies.	–	–

35. Shares in subsidiary undertakings

The following is a listing of the Group's main subsidiaries at 31 December 2017:

Name	Line of business	Country of incorporation	% Ownership	% Non controlling interest		Share Capital (000s)
Main Subsidiaries						
EFG Bank AG, Zurich	Bank	Switzerland	100%	0%	CHF	162,410
EFG Bank (Monaco), Monaco	Bank	Monaco	100%	0%	EUR	47,152
EFG Bank & Trust (Bahamas) Ltd, Nassau	Bank	Bahamas	100%	0%	USD	52,000
EFG Bank von Ernst AG, Vaduz	Bank	Liechtenstein	100%	0%	CHF	25,000
EFG Bank (Luxembourg) S.A., Luxembourg	Bank	Luxembourg	100%	0%	EUR	78,000
EFG Private Bank Ltd, London	Bank	England & Wales	100%	0%	GBP	1,596
EFG Private Bank (Channel Island) Ltd	Bank	Guernsey	100%	0%	GBP	5,000
Oudart SA, Paris	Asset Management Company	France	100%	0%	EUR	5,500
EOS Servizi Fiduciari SpA, Milan	Fiduciary Company	Italy	100%	0%	EUR	3,000
Patrimony 1873 SA, Lugano	Asset Management Company	Switzerland	100%	0%	CHF	5,000
A&G Banca Privada S.A.	Bank	Spain	54%	46%	EUR	20,204
EFG Capital International Corp, Miami	Broker dealer	USA	100%	0%	USD	12,200
Chestnut II Mortgage Financing PLC	Finance Company	England & Wales	100%	0%	GBP	
EFG International (Guernsey) Ltd	Finance Company	Guernsey	100%	0%	EUR	2
EFG International Finance (Luxembourg) Sarl	Finance Company	Luxembourg	100%	0%	CHF	8,700
EFG International Finance (Guernsey)	Structured product issuance	Guernsey	100%	0%	CHF	5,000
EFG Investment (Luxembourg) SA, Luxembourg	Holding	Luxembourg	100%	0%	EUR	371,899

The percentage shareholding of the main subsidiaries was unchanged from 2016 except for Chestnut Financing PLC, which has been replaced by Chestnut II Mortgage Financing PLC.

The Group uses other entities to manage assets on behalf of its customers. These entities are subject to an investment management agreement in which the Group acts as administrator only and is remunerated via a fixed fee. In some of these entities the Group is participating in the funding by providing loan facilities granted which are secured by way of fund assets. The management has assessed that the Group has no effective power over these entities nor over the operations of the entity, as it is not the asset manager, and also it is not exposed materially to a variability of returns from these entities. Transactions made with these entities are done at arm's length and returns on facilities granted are subject to normal credit risk exposure.

36. Business combinations

BSI Group

On 31 October 2016, EFG International Group acquired 100% of the share capital of BSI Holdings AG (BSI Group) for an expected final purchase consideration of CHF 783.9 million. The BSI Group was a leading global private banking group, offering private banking, wealth management and asset management services. The BSI Group's principal places of business were in Bahamas, France, Hong Kong, Italy, Luxembourg, Monaco, Panama, Singapore and Switzerland. The BSI Group had 1,728 full time equivalent employees at 31 October 2016. The primary reason for the acquisition was to create one of the largest private banks in Switzerland by revenue-generating Assets under Management.

On 17 July 2017 EFG International Group announced that following the completion of the acquisition of BSI Group on 31 October 2016, EFG International Group and the seller agreed that the final price to be paid for BSI Group would be 86.2 million EFG International shares and CHF 31 million of EFG International Additional Tier 1 instruments already issued at completion and a cash consideration of CHF 487 million. Based on the EFG International share price of CHF 5.27 as at closing, the final price is equivalent to CHF 972.4 million. This resulted in an adjustment to the final purchase consideration (CHF 188.5 million).

The final purchase consideration (which reflects the total fair value of consideration transferred) comprises the following:

	Note	Estimate used in 2016 consolidated financial statements CHF millions	Final agreed price CHF millions	Adjustment CHF millions
Issuance of 86,178,609 Ordinary shares		454.2	454.2	
Additional Tier 1	54	31.2	31.2	
Cash consideration		576.0	488.7	(87.3)
Share transfer taxes paid by Seller			(1.7)	(1.7)
		1,061.4	**972.4**	**(89.0)**
Expected price adjustment		(277.5)		277.5
Purchase consideration		**783.9**	**972.4**	**188.5**

The adjustment of CHF 188.5 million above has been reflected as a restatement of the 2016 Income Statement.

The Ordinary shares issued are reflected at the fair value of the shares issued, applying EFG's closing price of CHF 5.27 on 28 October 2016 to the 86,178,609 shares issued. The Additional Tier 1 notes were issued at arms-length rates and as a result the fair value is equal to the notional value.

As at 31 December 2016 and 31 December 2017 there are no indemnification assets, however EFG International Group has agreed indemnities with the seller up to the expected final purchase consideration for breaches of warranties and indemnity matters regarding certain legal and regulatory matters. As a security for potential indemnification claims by the Group, the seller has transferred 51 million Ordinary EFG International shares into a Swiss escrow account which have been locked up until 31 October 2018, subject to claims pending at that time.

EFG International Group has filed indemnification claims for all relevant BSI legal proceedings and circumstances known and identified to date. These proceedings are ongoing and any potential financial liability subject to indemnification by BTG remains uncertain.

The acquisition of the BSI Group gives rise to a gain of CHF 416.8 million (which at 31 December 2016 was estimated at CHF 530.8 million). IFRS 3 provides a twelve month period after acquisition to finalise the acquisition accounting (and reflect the final assessment of the fair value of assets acquired).

The bargain gain reflected in the income statement was follows:

	Estimate used in 2016 consolidated financial statements CHF millions	Final assessment CHF millions	Restatement impact on 2016 Retained Earnings CHF millions
Fair value of net assets acquired	1,314.7	1,389.2	74.5
Purchase consideration	(783.9)	(972.4)	(188.5)
Bargain gain on business acquisition	**530.8**	**416.8**	**(114.0)**

The bargain gain arose as a result of numerous factors, which included the following:
- Intangible assets recognition
- Consideration in shares and change in price between negotiation of transaction and closing of acquisition
- Decrease in Assets under Management

The bargain gain on acquisition did not trigger any tax liability, as the acquiring company has unutilised tax losses carried forward. In addition, the proposed winding up of the main subsidiary based in Switzerland will not trigger any tax liability.

All assets and liabilities at 31 October 2016 have been fair valued. The fair value of receivables are reflected in the fair value balance sheet below. The acquisition balance sheet reflecting assets and liabilities at fair value at 31 October 2016 is as follows:

	31 October 2016		
	Carrying Value CHF millions	Fair Value CHF millions	Difference CHF millions
Summarised acquired balance sheet			
Assets			
Cash and balances with central banks	3,008.6	3,008.6	–
Treasury bills and other eligible bills	765.2	765.2	–
Due from other banks	1,530.8	1,530.8	–
Loans and advances to customers	8,334.8	8,334.8	–
Derivative financial instruments	160.9	160.9	–
Financial assets at fair value	907.5	907.5	–
Investment securities: Available-for-sale	806.2	806.2	–
Intangible assets	1.0	117.5	116.5
Property, plant and equipment	226.3	226.3	–
Deferred income tax assets	0.2	74.7	74.5
Other assets	86.6	86.6	–
Total Assets	**15,828.1**	**16,019.1**	**191.0**
Liabilities			
Due to other banks	371.6	371.6	–
Due to customers	12,883.2	12,883.2	–
Subordinated loans	98.8	98.8	–
Debt issued	4.4	4.4	–
Derivative financial instruments	185.8	185.8	–
Financial liabilities designated at fair value	125.6	125.6	–
Other financial liabilities	159.8	159.8	–
Current income tax liabilities	8.9	8.9	–
Deferred income tax liabilities	0.1	0.1	–
Provisions	191.1	191.1	–
Other liabilities	600.6	600.6	–
Total Liabilities	**14,629.9**	**14,629.9**	**–**
Net assets	**1,198.2**	**1,389.2**	**191.0**

The carrying value of loans and advances to customers above is shown after impairment provisions under IAS 39 of CHF 38.0 million, which represented the best estimates of the amounts not expected to be collected by the BSI Group as of acquisition date.

With the acquisition of the BSI Group, EFG International Group became a party in certain legal matters, details of which are summarised in the Contingent Liabilities note 47.

Note that the above summarised balance sheet reflects a deferred tax asset for CHF 74.5 million related to the retirement benefit obligations that were not reflected in the fair value of assets acquired as presented in the financial statements for the year ended 31 December 2016, and as a result creates a difference in the bargain gain finally recognised in 2017. In accordance with IFRS 3, this adjustments is reflected as a restatement in the Income Statement of 2016 by restating the bargain gain.

As a result of the finalisation in 2017 of the acquisition accounting impacts, the bargain gain was restated as below:

	CHF millions
As at 31 December 2016	530.8
Adjustment on finalisation of purchase price	(188.5)
Adjustment on deferred tax asset on retirement benefit obligations at date of acquisition	74.5
Restated bargain gain on business acquisition	**416.8**

UBI Banca International (Luxembourg) S.A.
On 02 November 2017 the Group completed the acquisition 100% of the Luxembourg-based private banking activities of UBI Banca International (Luxembourg) S.A. from Unione di Banche Italiane S.p.A., with revenue-generating Assets under Management of approximately EUR 2.4 billion and approximately EUR 1.5 billion of Assets under Custody.

The acquisition significantly strengthens EFG International Group's presence in Luxembourg and reinforces its focus on growing its wealth management presence in Europe. The transaction was structured as a cash acquisition.

The expected purchase consideration is CHF 53.7 million. The final purchase consideration may reduce due to an adjustment mechanism related to changes in Assets under Management over the 12 months after acquisition.

The assets and liabilities acquired are detailed below. The fair value of the assets acquired was equal to the carrying value, with the exception of an intangible asset of CHF 1.3 million recognised as part of the acquisition. This resulted in the fair value of net assets acquired of CHF 50.8 million.

Goodwill of CHF 2.9 million arises on the acquistion when comparing the CHF 53.7 million expected purchase price with the fair value of the net assets acquired of CHF 50.8 million.

	31 October 2017		
	Carrying Value CHF millions	Fair Value CHF millions	Difference CHF millions
Summarised acquired balance sheet			
Assets			
Cash and balances with central banks	1,002.3	1,002.3	–
Loans and advances to customers	80.5	80.5	–
Intangible assets		1.3	1.3
Other assets	3.8	3.8	–
Total Assets	**1,086.6**	**1,087.9**	**1.3**
Liabilities			
Due to customers	1,031.3	1,031.3	–
Provisions	2.5	2.5	–
Other liabilities	3.3	3.3	–
Total Liabilities	**1,037.1**	**1,037.1**	**–**
Net assets acquired	**49.5**	**50.8**	**1.3**
Goodwill arising on acquisition		2.9	
Purchase consideration		**53.7**	

37. Intangible assets

	Note	Computer software and licences CHF millions	Other Intangible Assets CHF millions	Goodwill CHF millions	Total Intangible Assets CHF millions
At 1 January 2016					
Cost		56.7	187.4	599.5	843.6
Accumulated amortisation and impairment		(39.9)	(160.7)	(371.3)	(571.9)
Net book value		**16.8**	**26.7**	**228.2**	**271.7**
Year ended 31 December 2016					
Opening net book amount		16.8	26.7	228.2	271.7
Addition in scope of consolidation due to BSI acquisition		1.1	116.4		117.5
Acquisition of computer software and licences		13.5			13.5
Acquisition of other intangible assets			4.7		4.7
Impairment charge for the year			(14.7)	(184.8)	(199.5)
Amortisation charge for the year – Computer software and licences	18	(4.5)			(4.5)
Amortisation charge for the year – Other intangible assets	18		(4.6)		(4.6)
Exchange differences			(4.2)	(2.9)	(7.1)
Closing net book value		**26.9**	**124.3**	**40.5**	**191.7**
At 31 December 2016					
Cost		71.3	168.3	59.5	299.1
Accumulated amortisation and impairment		(44.4)	(44.0)	(19.0)	(107.4)
Net book value		**26.9**	**124.3**	**40.5**	**191.7**
Year ended 31 December 2017					
Opening net book amount		26.9	124.3	40.5	191.7
Addition in scope of consolidation due to acquisition of business			1.2	2.9	4.1
Acquisition of computer software and licences		17.8			17.8
Acquisition of other intangible assets			0.9		0.9
Amortisation charge for the year – Computer software and licences		(7.0)			(7.0)
Amortisation charge for the year – Other intangible assets			(9.9)		(9.9)
Exchange differences		0.3	1.3	3.6	5.2
Closing net book value		**38.0**	**117.8**	**47.0**	**202.8**
At 31 December 2017					
Cost		89.4	175.3	67.8	332.5
Accumulated amortisation and impairment		(51.4)	(57.5)	(20.8)	(129.7)
Net book value		**38.0**	**117.8**	**47.0**	**202.8**

37.1 Impairment charge for the year

There has been no impairment charge recorded for the year ended 31 December 2017 (31 December 2016: CHF (199.5) million). The summary of the impairment charges is as follows:

	31 December 2017 CHF millions	31 December 2016 CHF millions
Banque Edouard Constant		(76.3)
Harris Allday		(43.3)
PRS Group		(37.8)
Other cash generating units		(42.1)
Total impairment charge for the year	**–**	**(199.5)**

37.2 Impairment tests

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

Where the carrying values have been compared to recoverable amounts using the 'value in use' approach, the risk adjusted discount rates used are based on observable market long-term government bond yields (10 years) for the relevant currencies plus a risk premium of 6.8% (2016: 6.8%). The risk premiums were determined using capital asset pricing models and are based on capital market data as of the date of impairment test. A period of 5 years is used for all cash flow projections.

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

The carrying amounts of goodwill and intangible assets at 31 December 2017 allocated to each cash generating unit are as follows:

Segment	Cash generating unit	Discount rate/ Growth rate	Period	Intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
Value in use						
Continental Europe	Asesores y Gestores Financieros SA	8.4%/2.0%	5 years	6.3	21.5	27.8
Fair value less costs to sell		**P/E**				
Continental Europe	Banque Monégasque de Gestion	10.9x		1.5	22.6	24.1
Other						
BSI Group	BSI Group			100.8		100.8
Various	Other Cash Generating Units			9.2	2.9	12.1
Total carrying values				**117.8**	**47.0**	**164.8**

The BSI Group intangible assets have a remaining amortisation period of 12.8 years. The assessment for impairment of goodwill and intangibles of the Group considers the performance outlook of each cash generating unit and the underlying business operations, to determine whether the recoverable amount for these cash generating units covers its carrying amount. Based on the tests performed, the Group concluded that intangible assets and goodwill remained recoverable at 31 December 2017. Earnings are estimated based on current and future business initiatives and forecast results derived therefrom.

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

Cash generating unit	Impairment impact of 20% decline in forecast profit CHF millions	Impairment impact of 50% decline in forecast profit CHF millions	Impairment impact of 100 bp increase in discount rate CHF millions	Required decline in forecast profit to equal carrying value CHF millions
Banque Monégasque de Gestion		2.0		46%
Asesores y Gestores Financieros SA		27.5		28%

38. Property, plant and equipment

	Note	Land and Buildings CHF millions	Leasehold improvements CHF millions	Furniture, equipment, motor vehicles CHF millions	Computer hardware CHF millions	Total CHF millions
At 1 January 2016						
Cost		3.8	41.9	21.8	43.4	110.9
Accumulated depreciation		(1.0)	(32.8)	(17.5)	(38.0)	(89.3)
Net book value		**2.8**	**9.1**	**4.3**	**5.4**	**21.6**
Year ended 31 December 2016						
Opening net book amount		2.8	9.1	4.3	5.4	21.6
Addition in scope of consolidation due to BSI acquisition		199.8	2.7	22.1	1.7	226.3
Additions		1.8	1.6	4.9	6.2	14.5
Depreciation charge for the year	18	(0.1)	(2.4)	(1.6)	(2.7)	(6.8)
Disposal and write-offs			(0.3)	(0.5)		(0.8)
Exchange differences		(0.4)	(0.4)	(0.2)	(0.1)	(1.1)
Closing net book value		**203.9**	**10.3**	**29.0**	**10.5**	**253.7**
At 31 December 2016						
Cost		204.8	45.2	47.1	49.8	346.9
Accumulated depreciation		(0.9)	(34.9)	(18.1)	(39.3)	(93.2)
Net book value		**203.9**	**10.3**	**29.0**	**10.5**	**253.7**
Year ended 31 December 2017						
Opening net book amount		203.9	10.3	29.0	10.5	253.7
Additions		0.2	22.8	5.2	12.5	40.7
Depreciation charge for the year	18	(7.4)	(4.1)	(4.4)	(7.0)	(22.9)
Disposal and write-offs		(0.4)	(0.4)	(16.7)		(17.5)
Exchange differences		0.1	0.5	0.3	0.1	1.0
Closing net book value		**196.4**	**29.1**	**13.4**	**16.1**	**255.0**
At 31 December 2017						
Cost		204.7	68.1	35.9	62.4	371.1
Accumulated depreciation		(8.3)	(39.0)	(22.5)	(46.3)	(116.1)
Net book value		**196.4**	**29.1**	**13.4**	**16.1**	**255.0**

39. Other assets

	31 December 2017 CHF millions	31 December 2016 CHF millions Restated
Prepaid expenses and accrued income	100.8	57.9
Settlement balances	60.9	85.8
Current income tax assets	1.7	2.7
Other financial assets		89.0
Other receivables	101.1	123.2
Other assets	**264.5**	358.6

Settlement balances of CHF 60.9 million (2016: CHF 85.8 million) reflect trade date versus settlement date accounting principle, which is applied on the issuance of structured products and is dependent on transactions executed over the year-end period.

Included in other financial assets is a receivable of CHF 89.0 million from Banco BTG Pactual SA (BTG) related to the acquisition of the BSI Group, for the refund of purchase consideration overpaid at acquisition. This receivable arose as a result of difference between the consideration paid on 31 October 2016 upon acquisition of the BSI Group and the final agreed purchase price. This amount has been restated from CHF 277.5 million as reported in the 2016 financial statements to CHF 89.0 million as a result of the agreement reached with BTG in 2017. The amount was settled in full in 2017.

40. Due to other banks

	31 December 2017 CHF millions	31 December 2016 CHF millions
Due to other banks at sight	298.0	315.5
Due to other banks at term	235.7	112.1
Due to other banks	**533.7**	427.6

41. Due to customers

	31 December 2017 CHF millions	31 December 2016 CHF millions
Non interest bearing	19,281.3	20,696.7
Interest bearing	13,016.7	12,050.2
Due to customers	**32,298.0**	32,746.9

42. Subordinated loans and debt issued

	Weighted average interest rate %	Due dates	31 December 2017 CHF millions	31 December 2016 CHF millions
Subordinated loans – issuers				
EFG International (Guernsey) Ltd – EUR 66'425'000	8.00% p.a.	January 2017		76.8
EFG International (Guernsey) Ltd – USD 400'000'000	5.00% p.a.	March 2027	392.8	
EFG Funding (Guernsey) Ltd – CHF 180'000'000	4.75% p.a.	January 2023	187.9	188.5
Total subordinated loans			**580.7**	265.3

Subordinated loans are presented net of unamortised discount on issuance of CHF 2.2 million (2016: 0.3 million).

	Weighted average interest rate %	Due date	31 December 2017 CHF millions	31 December 2016 CHF millions
Debt issued – issuers				
Chestnut Financing PLC – GBP 266,300,000	1.28% p.a.	August 2017		334.4
Total debt issued			**–**	334.4

The movement in the account is as follows:

	31 December 2017 CHF millions	31 December 2016 CHF millions
At 1 January	**599.7**	634.8
Subordinated loan issued	400.2	
Subordinated loan redeemed	(73.8)	
Debt redeemed	(337.7)	
Accrued interests	(2.1)	23.1
Exchange differences	(5.6)	(58.2)
At 31 December	**580.7**	599.7

43. Financial liabilities designated at fair value

		31 December 2017 CHF millions	31 December 2016 CHF millions
Synthetic life insurance	Unquoted – Discounted cash flow analysis	190.3	342.3
Equity securities	Quoted	204.1	161.7
Equities securities (liabilities to purchase non-controlling interests)	Discounted cash flow analysis	42.7	36.0
Structured products	Unquoted	46.9	
Fixed income securities	Quoted		114.4
Total Financial Liabilities designated at fair value		**484.0**	654.4

The movement in the account is as follows:

	31 December 2017 CHF millions	31 December 2016 CHF millions
At 1 January	**654.4**	353.1
Increase is scope of consolidation due to BSI acquisition		285.4
Accrued interest	50.6	51.3
Additions	257.9	111.4
Disposals (sale and redemption)	(280.2)	(102.6)
Net gains from changes in fair value	(197.1)	(54.3)
Increase through shareholders equity	3.2	1.5
Exchange differences	(4.8)	8.6
At 31 December	**484.0**	654.4

Synthetic life insurance
The synthetic life insurance liability relates to a structured transaction. See note 30 for further details.

Liability to purchase non-controlling shareholders interests
The non-controlling shareholders of Asesores y Gestores Financieros SA have the right to sell their shares to a wholly owned subsidiary of EFG International AG. This right applied from 01 January 2010 and that right expires on the occurrence of potential future events. According to IAS 32, these put options give rise to a financial liability that corresponds to the discounted repurchase amount. As of 31 December 2017, the financial liability was valued at CHF 42.7 million (2016: CHF 36 million).

44. Financial liabilities at amortised cost

	31 December 2017 CHF millions	31 December 2016 CHF millions
Structured products issued	4,477.2	3,828.5
Total financial liabilities at amortised cost	**4,477.2**	3,828.5

45. Provisions

	Provision for credit default risks	Provision for litigation risks CHF millions	Provision for restructuring CHF millions	Other provisions CHF millions	Total CHF millions
At 1 January 2016		**1.8**	**0.3**	**5.6**	**7.7**
Addition in scope of consolidation due to BSI acquisition		42.3		148.8	191.1
Increase in provisions recognised in the Income Statement			9.6	10.8	20.4
Release of provisions recognised in the Income Statement				(0.1)	(0.1)
Provisions used during the year			(8.5)	(10.9)	(19.4)
Exchange differences		0.1		(0.5)	(0.4)
At 31 December 2016		**44.2**	**1.4**	**153.7**	**199.3**
At 1 January 2017		**44.2**	**1.4**	**153.7**	**199.3**
Increase in provisions recognised in Retained earnings on adoption of IFRS 9	4.1				4.1
Increase in provisions recognised in the Income Statement – Impairment on loans	0.4				0.4
Increase in provisions recognised in the Income Statement		11.7	5.1	4.4	21.2
Release of provisions recognised in the Income Statement				(17.7)	(17.7)
Provisions used during the year		(6.9)	(4.8)	(1.5)	(13.2)
Exchange differences		0.1	0.1	4.6	4.8
At 31 December 2017	**4.5**	**49.1**	**1.8**	**143.5**	**198.9**
Expected payment within 12 months		15.9	1.8	36.0	53.7
Expected payment thereafter	4.5	33.2		107.5	145.2
	4.5	**49.1**	**1.8**	**143.5**	**198.9**

Provision 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.

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 15.6 million relates to two substantially similar lawsuits brought by the liquidators of the Fairfield Funds against the former BSI Group and other defendants. The liquidators are seeking to 'claw back' redemption payments allegedly received by the defendants for shares of the Fairfield Funds during the period from 2004 to 2008. This lawsuit is unlikely to settle within a year.

Other provisions of CHF 17.6 million relate to various lawsuits primarily brought by ex-clients of the BSI Group. These are long standing claims and are considered as unlikely to be settled within a year.

Other provisions of CHF 15.9 million remain for various small litigation cases which are expected to be settled within a year.

Provision for restructuring

During the year EFG International Group continued the integration of the BSI Group businesses acquired. In certain locations where EFG International Group and the former BSI Group have a booking centre, the operations are being integrated. As a result, certain announced restructurings are taking place to integrate two businesses in one location and EFG International Group has provisions of CHF 1.8 million related to these announced restructurings. These are expected to be settled within a year.

Other provisions

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

A provision of CHF 36.0 million relates to proceedings in Germany against EFG International Group for alleged aiding and abetting of tax evasion by German residents between 2004 and 2015. This claim has the potential to settle within a year.

Other provisions of CHF 12.5 million remain for various other potential cash outflows which are expected to be settled within a year.

46. Other liabilities

	31 December 2017 CHF millions	31 December 2016 CHF millions
Deferred income and accrued expenses	321.2	320.5
Settlement balances	28.9	16.4
Short term compensated absences	15.6	17.8
Retirement benefit obligations	167.2	361.7
Other liabilities	111.5	82.2
Total other liabilities	**644.4**	798.6

47. 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 45) for current and threatened pending legal proceedings if management is of the opinion that the Group is more likely than not to face payments or losses and if the amount of such payments or losses can be reliably estimated.

The following contingent liabilities that management is aware of are related to legal proceedings which could have a material effect on the Group. However, based on presently available information and 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) Several entities in EFG International Group have been named as defendants in lawsuits by the liquidators of Fairfield Sentry Ltd. and Fairfield Sigma Ltd. in the US Bankruptcy Court for the Southern District of New York and in the High Court of Justice of the British Virgin Islands, asserting that redemption payments received by the Group entities on behalf of clients should be returned to Fairfield Sentry Ltd. and Fairfield Sigma Ltd. The amount claimed is uncertain, but the Group believes the amount claimed is approximately USD 217 million. The Group entities have obtained a complete and final dismissal of the lawsuits in the British Virgin Islands. They keep vigorously defending the lawsuits in New York and believe they have strong defences to the claims.

ii) The Trustee of Bernard L, Madoff Investment Securities LLC (BLMIS) has filed a complaint in the US Bankruptcy Court for the Southern District of New York (SDNY) asserting that redemption payments totalling USD 411 million allegedly received by certain Group entities on behalf of clients through Fairfield and Kingate feeder funds should be returned to BLMIS. This action includes the redemptions claimed by the Fairfield liquidators (see previous paragraph). The Group entities are vigorously defending the cases and believe they have strong defences to the claims. The Group entities have obtained a complete dismissal of the Madoff action in the SDNY, which is now subject to appeal by BLMIS.
iii) The Group is engaged in litigation proceedings initiated by a client claiming that he has been misled insofar as he thought that his investments were capital protected, that the agreed investment strategy has not been followed and that unauthorised transactions were performed. The amount claimed is approximately EUR 49 million plus interest. The Group entities are vigorously defending the cases and believe they have strong defences to the claims.
iv) Various claims have been made against the Group in several jurisdictions for approximately USD 28 million, which the Group is vigorously defending. These proceedings relate to alleged mismanagement practices by a party unrelated to the Group, who was a former investment manager of a fund for which the Group acted as the administrator and custodian. In addition the Group is being sued by the investors in the fund and the fund itself for approximately USD 9 million on the grounds of various alleged breaches. In return the Group has filed a claim against the investment manager. The Group strongly believes that there has been no wrongdoing on its part and that it has strong defences to the claims.
v) The Group has been named as a co-defendant in litigation brought against certain individuals who have allegedly diverted approximately CAD 127 million from their employer for their own benefit. The plaintiffs allege that an employee of the Group acted on behalf of the alleged fraudsters and executed numerous potentially fraudulent transactions while being fully aware of the wrong doings, and by doing so participated in causing damage to the plaintiffs. The plaintiffs also claim approximately CAD 13 million as compensation for incurred for reputational damage. The Group is vigorously defending the case and believes it has strong defences to the claims.
vi) The Group is defending against a civil claim by a client who alleges that due to a breach of duties in providing investment management services by the Group, he suffered losses on one of his accounts ranging from USD 2 million to USD 11 million. The Group is vigorously defending the case and believes it has strong defences to the claims.
vii) The liquidator of an investment company has brought a claim against the Group in the Commercial Court of Paris. The liquidator alleges that the Group is liable for processing a specific transfer of USD 50 million. The Group is vigorously defending against the claim and believes it has strong defences to the claim.
viii) Clients have brought legal claims against the Group for CHF 13.6 million, alleging that the Group performed investments without a formal authorisation. The Group is vigorously defending against these claims and believes it has strong defences to the claims.
ix) 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 against the claim and believes it has strong defences to the claims. The Group is entitled to indemnification against any loss that may arise from these matters from the seller of the former BSI Group.
(x) The Group (through the acquisition of BSI) is the counter-party in a share transaction brought a claim against the Group for CHF 90 million related to a shareholders agreement, where the Group sold their minority holding in a company that was also a supplier of services to the Group. The buyer of the minority holding has brought a claim for losses allegedly suffered from the Group terminating its contract with that supplier. The Group is vigorously defending against the claim and believes it has strong defences to the claim.The Group is entitled to indemnification against any loss that may arise from this claim from the seller of the former BSI Group.
(xi) The Group has extended a loan of USD 193.8 million to an affiliate of a Taiwanese insurance company which was placed in receivership in 2014. With the adoption of IFRS 9, the Group has assessed this loan as a Stage 3

loan and calculated an expected credit loss on this exposure which is explained in detail in note 5.

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 (see note 36).

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

ii) In 2015, the US Attorney's Office for the Eastern District of New York and the Office of the Attorney General in Switzerland initiated criminal investigations into bribery and money-laundering allegations involving officials of Fédération Internationale de Football Association (FIFA) and its member associations and related parties. Certain FIFA-related accounts were opened and maintained by the Group and they are currently under review. The U.S. Department of Justice (DoJ) has issued requests for assistance to the Swiss authorities in obtaining information for some of the FIFA-related accounts. The US and Swiss authorities are also investigating whether the Group and other financial institutions complied with their anti-money laundering obligations in connection with the FIFA-related accounts. The Group is cooperating fully with the Swiss and US authorities in these ongoing investigations.

48. Retirement benefit obligations

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

The Group operates a defined benefit plan in the Channel Islands ('the Channel Islands plan') which is not aggregated with the plans in Switzerland, due to its relative size.
The Channel Islands plan has funded obligations of CHF 4.1 million; the fair value of plan assets is CHF 4.9 million.

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

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

The disclosures below relates to the Swiss plans.

	Note	31 December 2017 CHF millions	31 December 2016 CHF millions
Net amount recognised in the Balance Sheet			
Present value of funded obligation		1,602.2	1,764.2
Fair value of plan assets		1,435.0	1,402.5
Liability recognised in the Balance Sheet		**167.2**	361.7
Net amount recognised in the Balance Sheet at the beginning of year		**361.7**	57.2
Increase in scope of consolidation – BSI acquisition			386.8
Net amount recognised in the Income Statement	19	9.5	11.2
Net amount recognised in Other Comprehensive Income		(172.8)	(78.8)
Company contribution paid in year		(31.2)	(14.7)
Net amount recognised in the Balance Sheet at the end of year		**167.2**	361.7

	Present value of obligation CHF millions	Fair value of plan assets CHF millions	Total CHF millions
At 1 January 2017	**1,764.3**	**(1,402.6)**	**361.7**
Current service cost	31.5		31.5
Past service cost-plan amendments	(25.4)		(25.4)
Interest expense/(income)	10.5	(8.4)	2.1
Administrative costs and insurance premiums	1.3		1.3
Net amount recognised in the Income Statement	**17.9**	**(8.4)**	**9.5**
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense/(income)		(90.8)	(90.8)
Actuarial gain on defined benefit obligation	(82.0)		(82.0)
Net amount recognised in Other Comprehensive Income	**(82.0)**	**(90.8)**	**(172.8)**
Plan participants contributions	15.8	(15.8)	–
Company contributions		(31.0)	(31.0)
Administrative costs and insurance premiums		1.4	1.4
Benefit payments	(113.8)	112.2	(1.6)
Total transactions with fund	**(98.0)**	**66.8**	**(31.2)**
31 December 2017	**1,602.2**	**(1,435.0)**	**167.2**

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

	31 December 2017	31 December 2016	31 December 2015
Significant actuarial assumptions			
Discount rate	0.61%	0.61%	0.90%
Salary growth rate	1.50%	1.25%	1.00%
Pension growth rate	0.00%	0.00%	0.00%

	Years	Years	Years
Assumptions regarding future mortality			
Longevity at age 65 for current pensioners:			
male	21.7	22.4	21.5
female	23.6	24.4	24.0
Longevity at age 65 for future pensioners (aged 50):			
male	22.7	23.9	22.8
female	24.6	25.9	25.3

	Change in assumption	**Impact of an increase in assumption on present value of obligation CHF millions**	**Impact of a decrease in assumption on present value of obligation CHF millions**
2017 Sensitivity analysis			
Discount rate	0.10%	(18.1)	20.3
Salary growth rate	0.10%	2.6	(2.4)
Pension growth rate	0.10%	16.9	
Life expectancy	1 year	53.3	(53.1)

Actuarial assumptions of both financial and demographic nature are established as unbiased best estimates of future expectations. Assumptions are changed from time to time to reflect changes in the information available to use in formulating best estimates.

As from 2017 expected mortality is based on the UK's Continuous Mortality Investigation (CMI) unit's model calibrated with historical Swiss mortality data (LPP2015 generational tables) and using a 1.25% long-term trend rate.

By applying the risk sharing provisions of IAS 19 the plan liabilities are calculated assuming that the pension conversion rate currently in effect will decrease in the next decade to a level based on 1.5% local funding discount rate and the mortality tables assumed for the current plan liabilities.

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

The actuarial gain for the year of CHF 82.0 million mainly includes

- CHF 50.9 million gain due to changes in demographic assumptions
- CHF 36.6 million gain due to applying risk sharing provisions
- CHF (5.7) million loss due to an assumed increase in inflation

Mid 2017 the regulations of the Swiss plans have been amended. The key changes relate to the reduction of the conversion rates down to 5.2% used to convert account balances to life-long annuities at normal retirement age for active plan participants. These plan changes resulted in negative past service cost of CHF 25.4 million. The plan design has been closed to new entrants while new plans with the conversion rate mentioned above were established in 2017 for such new entrants.

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

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

The operation of the pension plans involves exposure to a range of risks most significant being presented further below. The impact of these risks is shared between the Group and the plan participants in case of negative effects. In situations where the pension funds will accumulate surplus assets after providing the target benefits, the boards of the foundation may consider a distribution of the surplus to participants. No part of the surplus may be attributed to the Group.

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

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

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

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

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

(iv) Death and disability risk
The number of cases of death and disability of active employees may fluctuate considerably from year to year. To mitigate the effect of this risk the Swiss plans have contracted insurance contracts covering the cost of death and disability benefits arising each year.

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

Plan assets are invested under mandates to a number of investment portfolio managers. Investment portfolio managers' performance is regularly evaluated against its established strategy. The actual return on plan assets was a gain of CHF 99.2 million in 2017 (2016: gain of CHF 48.0 million). The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

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

The asset allocation is as follows:

	Quoted CHF millions	Unquoted CHF millions	2017 Total CHF millions	2017 in %	2016 Total CHF millions	2016 in %
Cash and cash equivalents	135.8	31.7	167.5	11.7%	135.8	9.7%
Equity Instruments	485.2		485.2	33.8%	485.2	34.6%
Debt instruments	451.2		451.2	31.4%	451.2	32.2%
Real estate	107.4	126.0	233.4	16.3%	233.4	16.6%
Other	82.8	14.9	97.7	6.8%	96.9	6.9%
Total plan assets at the end of the year	**1,262.4**	**172.6**	**1,435.0**	**100.0%**	1,402.5	100.0%

The expected employer contributions to the post-employment benefit plan for the year ending 31 December 2018 are CHF 27.9 million. The weighted average duration of the defined benefit obligation is 13.4 years. The expected maturity analysis of undiscounted pension benefits is as follows:

	31 December 2017 CHF millions	31 December 2016 CHF millions
Expected maturity analysis of undiscounted pension benefits		
Less than a year	87.2	87.2
Between 1–2 years	74.8	74.8
Between 2–5 years	214.6	144.5
Over 5 years	1,565.5	1635.5
Total	**1,942.1**	1942.0

49. Securities repurchase and reverse purchase agreements

	31 December 2017 CHF millions	31 December 2016 CHF millions
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions*	146.3	53.7
Book value of obligations from cash collateral delivered in connection with securities lending and repurchase transactions*		
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	496.4	776.3
with unrestricted right to resell or pledge	*496.4*	*776.3*
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing, as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	811.1	870.3
of which repledged securities	*730.7*	*767.9*

* Before netting agreements

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

50. Share capital, share premium and treasury shares

The following is an analysis of the movement of share capital and share premium. The par value of EFG International AG registered shares issued is CHF 0.50 (ordinary shares) and the par value of the Group's Bons de Participation (Preference shares) is CHF 15.00. All EFG International AG shares and Bons de Participation are fully paid.

50.1 Share capital

	Ordinary shares with voting rights CHF millions	Bons de Participation without voting rights CHF millions	Treasury shares Ordinary shares CHF millions	Treasury Shares Bons de Participation CHF millions	Net CHF millions
At 1 January 2016	**75.9**	**0.2**	**–**	**–**	**76.1**
Issuance of ordinary shares	67.2				67.2
Ordinary shares sold	0.1				0.1
Ordinary shares repurchased					–
Employee equity incentive plans exercised	0.5				0.5
At 31 December 2016	**143.7**	**0.2**	**–**	**–**	**143.9**
Ordinary shares sold					–
Ordinary shares repurchased					–
Employee equity incentive plans exercised	1.2				1.2
At 31 December 2017	**144.9**	**0.2**	**–**	**–**	**145.1**

50.2 Share premium

	Ordinary shares with voting rights CHF millions	Bons de Participation without voting rights CHF millions	Treasury shares Ordinary shares CHF millions	Treasury Shares Bons de Participation CHF millions	Net CHF millions
At 1 January 2016	**1,336.9**	**0.1**	**(91.1)**	**–**	**1,245.9**
Issuance of ordinary shares	681.8				681.8
Share issuance costs	(17.6)				(17.6)
Ordinary shares sold			0.6		0.6
Ordinary shares repurchased			(0.1)		(0.1)
Employee equity incentive plans exercised	0.2				0.2
At 31 December 2016	**2,001.3**	**0.1**	**(90.6)**	**–**	**1,910.8**
Share issuance costs	(5.9)				(5.9)
Ordinary shares sold			0.2		0.2
Ordinary shares repurchased			(0.3)		(0.3)
Employee equity incentive plans exercised					–
At 31 December 2017	**1,995.4**	**0.1**	**(90.7)**	**–**	**1,904.8**

50.3 Number of shares

The following is an analysis of the movement in the number of shares issued by the Group:

	Ordinary shares with voting right	Bons de Participation without voting right	Treasury Shares Ordinary Shares	Treasury Shares Bons de Participation	Net
Nominal	CHF 0.50	CHF 15.00	CHF 0.50	CHF 15.00	
At 1 January 2016	**151,917,742**	**13,382**	**(86,384)**	**(750)**	
Issuance of ordinary shares	134,344,584				
Ordinary shares sold			76,968		
Ordinary shares repurchased			(21,595)		
Employee equity incentive plans exercised	1,094,335				
At 31 December 2016	**287,356,661**	**13,382**	**(31,011)**	**(750)**	
Ordinary shares sold			29,683		
Ordinary shares repurchased			(38,895)		
Employee equity incentive plans exercised	2,360,607				
At 31 December 2017	**289,717,268**	**13,382**	**(40,223)**	**(750)**	
Net share capital (CHF millions)	**144.9**	**0.2**	**–**	**–**	**145.1**

All transactions in EFG International AG shares were traded at market prices. The total number of treasury shares sold during 2017 is 29,683 (2016: 76,968) at an average price per share of CHF 5.56 (2016: CHF 7.69). The total number of treasury shares acquired during 2017 is 38,895 (2016: 21,595) and the average purchase price of these shares in the period was CHF 7.13 per share (2016: CHF 6.13).

At 31 December 2017 a total of 40,223 registered shares (2016: 31,011) and 750 (2016: 750) Bons de Participation were held by subsidiaries.

The Group issued 2,360,607 (2016: 1,094,335) shares during the year related to the exercise of option rights granted to employees.

Conditional share capital
The share capital may be increased by a maximum of CHF 1,681,158 (2016: CHF 1,611,461) by issuing up to 3,362,316 (2016: 3,222,923) fully paid up registered shares with a face value of CHF 0.50 each through the exercise of option rights granted to officers and employees at all levels. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the option rights.

The share capital may be increased by a maximum of CHF 10,000,000 by issuing 20,000,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of conversion and/or option rights granted in connection with the issuance of newly issued convertible debentures with option rights or other financing instruments. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the conversion and/or option rights.

Authorised share capital
The Board of Directors is authorised, at any time until 28 April 2018, to increase the share capital by a maximum of CHF 2,390,131 by issuing 4,780,262 fully paid up registered shares with a face value of CHF 0.50 each. Increases by firm underwriting, partial increases as well as increases by way of conversion of own free funds are permitted.

51. Other reserves

	IAS 39 / IFRS 9 CHF millions	Employee share option plan CHF millions	Other CHF millions	Total CHF millions
Balance at 1 January 2016	(111.5)	82.3	(124.2)	(153.4)
Employee equity incentive plans amortisation		24.9		24.9
Employee equity incentive plans exercised		(0.5)		(0.5)
Transfer to retained earnings on lapse of employee equity incentive plans		(0.3)		(0.3)
Fair value losses on available-for-sale investment securities, before tax	12.4			12.4
Transfer to the Income Statement of realised available-for-sale investment securities reserve, before tax	(1.7)			(1.7)
Tax effect on changes in fair value of available-for-sale investment securities	(1.3)			(1.3)
Retirement benefit gains			78.8	78.8
Tax effect on retirement benefit gains			(18.4)	(18.4)
Net loss on hedge of net investments in foreign operations, with no tax effect			(29.3)	(29.3)
Currency translation differences net of non-controlling interests			(25.0)	(25.0)
Put option increase			(1.5)	(1.5)
At 31 December 2016	**(102.1)**	**106.4**	**(119.6)**	**(115.3)**
Balance at 1 January 2017	(102.1)	106.4	(119.6)	(115.3)
Transfer to retained earnings on adoption of IFRS 9 (note 2)	102.1			102.1
Employee equity incentive plans amortisation		28.9		28.9
Employee equity incentive plans exercised		(1.2)		(1.2)
Transfer to retained earnings on lapse of employee equity incentive plans		(0.4)		(0.4)
Net gains on investments in debt instruments measured at fair value through Other Comprehensive Income (FVTOCI)	11.0			11.0
Tax effect on changes in fair value of investments in debt instruments measured at fair value through Other Comprehensive Income (FVTOCI)	(3.6)			(3.6)
Net gains on investments in equity instruments designated at fair value through Other Comprehensive Income	0.2			0.2
Retirement benefit gains			172.8	172.8
Tax effect on retirement benefit gains			(35.7)	(35.7)
Net loss on hedge of net investments in foreign operations, with no tax effect			6.1	6.1
Currency translation differences net of non-controlling interests			83.5	83.5
At 31 December 2017	**7.6**	**133.7**	**107.1**	**248.4**

52. Retained earnings

	Note	CHF millions	**CHF millions**
At 1 January 2016			**(59.1)**
Net profit for 2016 as presented in 2016 financial statements		339.3	–
Restatement of Bargain Gain	a	(114.0)	–
Net profit for 2016 as presented in 2017 financial statements			225.3
Dividend paid on ordinary shares		(38.0)	–
Dividend paid on Bons de Participation		(0.1)	–
Transactions with non-controlling interests		2.5	–
Transfer to retained earnings on lapse of employee incentive plans		0.3	–
Total other movements in 2016			(35.3)
Restated at 1 Janaury 2017 on basis of IAS 39			**130.9**
Changes on initial application of IFRS 9 – remeasurements	b	(493.9)	–
Changes on initial application of IFRS 9 – reclassification from Other reserves		(102.1)	–
Total impact on retained earnings on adoption of IFRS 9			(596.0)
Restated at 1 Janaury 2017 on basis of IFRS 9			**(465.1)**
Net loss for the year		(59.8)	–
Dividend paid on ordinary shares		(71.9)	–
Dividend paid on Bons de Participation		(0.1)	–
Dividend paid on additional equity components		(1.9)	–
Transfer to retained earnings on lapse of employee incentive plans		0.4	–
Total impact on retained earnings for 2017			(133.3)
At 31 December 2017			**(598.4)**

a) For details of the changes in the bargain gain see note 36 Business Combinations for details of the change in the amount recorded as a bargain gain by CHF 188.5 million after the finalisation of the purchase price and the fair value of the assets acquired, which increased by CHF 74.5 million related to deferred tax assets recognised on the retirement benefit obligations.

b) For changes in opening retained earnings see note 2 for details of the impacts on early adoption of IFRS 9 effective as at 1 January 2017.

53. Non-controlling interests

The total non-controlling interest for the period is CHF 27.1 million of which CHF 26.4 million is in respect of 46.0% interest in Asesores Y Gestores Financieros S.A. and CHF 0.7 million in respect of 9.99% interest in EFG Investment 2 (UK) Ltd. Asesores Y Gestores Financieros S.A. is the holding company for A&G Banca Privada S.A. in Spain.

There are no significant restrictions on the parent company or its subsidiaries ability to access or use the assets and settle the liabilities of the Group, other than those that exist as a result of the subsidiaries being individually regulated banks.

The summarized information for Asesores Y Gestores Financieros S.A., which is the only non-controlling interest that is material for the Group, is as follows:

	31 December 2017 CHF millions	31 December 2016 CHF millions
Summarised balance sheet		
Assets		
Cash and balances with central banks	96.3	64.4
Due from other banks	52.8	71.6
Loans and advances to customers	328.5	269.8
Financial assets at fair value through Other Comprehensive Income	29.8	
Investment securities: Available-for-sale		25.8
Intangible assets	10.4	9.2
Other assets	21.5	15.8
Liabilities		
Due to other banks	(155.9)	(204.5)
Due to customers	(307.4)	(191.8)
Other liabilities	(18.7)	(12.9)
Net assets	**57.3**	47.4
Summarised income statement		
Operating income	53.5	42.9
Operating expenses	(47.0)	(35.8)
Profit before tax	**6.5**	7.1
Taxes	(1.6)	(0.9)
Profit for the year	**4.9**	6.2

	31 December 2017 CHF millions	31 December 2016 CHF millions
Net profit for the year attributable to:		
Net profit attributable to owners of the Group	2.6	3.5
Net profit attributable to non-controlling interests	2.3	2.7
	4.9	6.2
Summarised cash flows		
Net cash flows from operating activities	4.9	48.4
Net cash flows used in investing activities	(2.9)	(4.9)
Net cash flows from financing activities – other	(0.7)	(0.1)
Effect of exchange rate changes on cash and cash equivalents	11.8	(0.8)
Net change in cash and cash equivalents	**13.1**	42.6
Cash and cash equivalents at beginning of period	136.0	93.4
Net change in cash and cash equivalents	13.1	42.6
Cash and cash equivalents	**149.1**	136.0

Asesores Y Gestores Financieros S.A. did not pay any dividends in the year (2016: nil).

54. Additional equity components

	Weighted average interest rate %	Due dates	31 December 2017 CHF millions	31 December 2016 CHF millions
EFG International AG – CHF 31,202,000	7.53% p.a.	Not applicable		31.2
Total			**–**	**31.2**

Additional equity components comprised Perpetual Tier 1 Subordinated Notes.

On 17 August 2017, the Group purchased from BTGP-BSI Limited all Tier 1 Notes outstanding. The redemption price amounted to CHF 31.2 million.

55. Off-balance sheet items

	31 December 2017 CHF millions	31 December 2016 CHF millions
Guarantees issued in favour of third parties	601.2	779.3
Irrevocable commitments	226.9	212.9
Operating lease commitments	199.5	210.1
Other		0.4
Total	**1,027.6**	1,202.7

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

	Not later than 1 year CHF millions	**1–5 years CHF millions**	**Over 5 years CHF millions**	**Total CHF millions**
31 December 2017				
Guarantees issued in favour of third parties	400.0	56.5	144.7	601.2
Irrevocable commitments	105.5	121.4		226.9
Operating lease commitments	40.5	97.8	61.2	199.5
Total	**546.0**	**275.7**	**205.9**	**1,027.6**
31 December 2016				
Guarantees issued in favour of third parties	480.2	162.7	136.4	779.3
Irrevocable commitments	114.6	98.3		212.9
Operating lease commitments	46.9	112.2	51.0	210.1
Other	0.4			0.4
Total	**642.1**	**373.2**	**187.4**	**1,202.7**

The financial guarantees maturities are based on the earliest contractual maturity date. The irrevocable commitments maturities are based on the dates on which loan commitments made to customers will cease to exist. Where a Group company is the lessee, the future minimum operating lease payments under non-cancellable operating leases are disclosed in the table above.

56. Fiduciary transactions

	31 December 2017 CHF millions	31 December 2016 CHF millions
Fiduciary transactions with third party banks	1,461.2	1,719.6
Loans and other fiduciary transactions		
Total	**1,461.2**	1,719.6

57. Segmental reporting

The Group's segmental reporting is based on how internal management reviews the performance of the Group's operations. With the acquisition of BSI, the Group has adopted a new management structure and segmentation of the business. As this reporting has changed in the current year, the reporting is provided on the basis of the current structure, and as required by IFRS 8 in a period when the structure is changed, the 2017 reporting is also prepared on the basis presented in the 2016 Annual Report.

In 2017 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:
– Central Switzerland, Ticino & Italy
– Romandie & Continental Europe
– Americas
– United Kingdom
– Asia

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, Ticino & Italy	Romandie & Continetal Europe	Americas	United Kingdom
At 31 December 2017				
Segment revenue	290.3	288.8	147.1	140.4
Segment expenses	(243.0)	(257.5)	(146.5)	(123.7)
Tangible assets and software depreciation	(6.5)	(6.5)	(3.3)	(3.1)
Total Operating margin	**40.8**	**24.8**	**(2.7)**	**13.6**
Cost to acquire intangible assets and impairment of intangible assets		(1.6)		
Other provisions	10.7	(6.2)	0.9	(1.3)
Impairment on loans and advances to customers	(0.2)	(0.2)	0.2	(0.6)
Segment profit/(loss) before tax	**51.3**	**16.8**	**(1.6)**	**11.7**
Income tax gain	4.0	5.9	0.4	4.6
Profit for the year	**55.3**	**22.7**	**(1.2)**	**16.3**
Assets under management	36,227	43,301	16,481	19,310
Employees (FTE's)	326	312	190	195

Corporate Overheads includes CHF 134.1 million of acquisition related and integration costs.

CHF millions	Private Banking and Wealth management Switzerland	Continental Europe	Americas	United Kingdom
At 31 December 2017				
Segment revenue	486.0	198.5	147.8	162.0
Segment expenses	(274.6)	(198.6)	(134.0)	(119.7)
Tangible assets and software depreciation	(6.5)	(6.5)	(3.3)	(3.1)
Total Operating margin	**204.9**	**(6.6)**	**10.5**	**39.2**
Cost to acquire intangible assets and impairment of intangible assets		(1.6)		
Other provisions	5.2	(6.2)	0.9	(1.3)
Impairment on loans and advances to customers	(0.2)	(0.2)	0.2	(0.6)
Segment profit/(loss) before tax	**209.9**	**(14.6)**	**11.6**	**37.3**
Income tax gain	4.0	5.9	0.4	4.6
Profit for the year	**213.9**	**(8.7)**	**12.0**	**41.9**
Assets under management	36,227	43,302	16,481	19,310
Employees (FTE's)	487	230	192	204

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

		Investment Solutions	Global Markets & Treasury	Corporate Overheads	Eliminations	Total
Asia	Total					
167.7	1,034.3	246.2	118.2	(64.8)	(191.2)	1,142.7
(124.5)	(895.2)	(107.0)	(36.9)	(111.1)		(1,150.2)
(3.7)	(23.1)	(1.2)	(2.7)	(2.9)		(29.9)
39.5	**116.0**	**138.0**	**78.6**	**(178.8)**	**(191.2)**	**(37.4)**
(0.6)	(2.2)			(7.7)		(9.9)
(1.6)	2.5	(0.5)	(5.5)			(3.5)
(4.0)	(4.8)		(16.8)	1.3		(20.3)
33.3	**111.5**	**137.5**	**56.3**	**(185.2)**	**(191.2)**	**(71.1)**
(2.5)	12.4	(4.1)		5.3		13.6
30.8	**123.9**	**133.4**	**56.3**	**(179.9)**	**(191.2)**	**(57.5)**
20,562	135,881	23,467		696	(18,016)	142,028
206	1,228	319	113	1,705		3,366

		Investment Solutions	Wealth Solutions	Corporate Overheads	Eliminations	Total
Asia	Total					
185.8	1,180.1	215.8	15.9	(78.1)	(191.0)	1,142.7
(117.2)	(844.1)	(92.6)	(9.2)	(228.0)	23.7	(1,150.2)
(3.7)	(23.1)	(1.2)		(5.6)		(29.9)
64.9	**312.9**	**122.0**	**6.7**	**(311.7)**	**(167.3)**	**(37.4)**
(0.6)	(2.2)			(7.7)		(9.9)
(1.6)	(3.0)	(0.5)				(3.5)
(4.0)	(4.8)			(15.5)		(20.3)
58.7	**302.9**	**121.5**	**6.7**	**(334.9)**	**(167.3)**	**(71.1)**
(2.5)	12.4	(4.1)		5.3		13.6
56.2	**315.3**	**117.4**	**6.7**	**(329.6)**	**(167.3)**	**(57.5)**
20,561	135,881	23,467		696	(18,016)	142,028
228	1,341	235	84	1,706		3,366

	Private Banking and Wealth management			
CHF millions	Switzerland	Continental Europe	Americas	United Kingdom
At 31 December 2016				
Segment revenue	142.7	118.8	101.2	157.0
Segment expenses	(115.5)	(87.7)	(80.7)	(104.2)
Tangible assets and software depreciation	(1.0)	(2.0)	(1.3)	(1.1)
Total Operating margin	**26.2**	**29.1**	**19.2**	**51.7**
Cost to acquire intangible assets and impairment of intangible assets	(0.1)	(0.8)	(0.5)	(1.4)
Impairment on Goodwill and Other intangible assets	(97.3)		(49.2)	(53.0)
Bargain gain on business acquisitions				
Other provisions	(10.3)	(5.0)		(1.1)
Impairment on loans and advances to customers	0.1	(0.2)	(0.1)	(3.1)
Segment profit/(loss) before tax	**(81.4)**	**23.1**	**(30.6)**	**(6.9)**
Income tax gain	20.2	(2.9)	(0.9)	2.6
Profit for the year	**(61.2)**	**20.2**	**(31.5)**	**(4.3)**
Assets under management	15,504	17,713	11,521	19,065
Employees (FTE's)	314	317	255	384

		Investment Solutions	Wealth Solutions	Corporate Overheads	BSI	Eliminations	Total
Asia	Total						
129.7	649.4	119.4	21.3	(44.9)	84.9	(108.1)	722.0
(86.1)	(474.2)	(46.7)	(15.4)	(75.8)	(86.1)	23.7	(674.5)
(0.7)	(6.1)	(0.1)	(0.3)	(4.0)	(0.8)		(11.3)
42.9	**169.1**	**72.6**	**5.6**	**(124.7)**	**(2.0)**	**(84.4)**	**36.2**
(0.5)	(3.3)				(1.3)		(4.6)
	(199.5)						(199.5)
	–				416.8		416.8
(0.1)	(16.5)		(0.4)	(0.3)	(3.1)		(20.3)
	(3.3)				(0.5)		(3.8)
42.3	**(53.5)**	**72.6**	**5.2**	**(125.0)**	**409.9**	**(84.4)**	**224.8**
(6.2)	12.8	(1.5)	(0.2)	(6.0)	(1.9)		3.2
36.1	**(40.7)**	**71.1**	**5.0**	**(131.0)**	**408.0**	**(84.4)**	**228.0**
15,353	79,156	11,349		424	62,316	(8,731)	144,514
309	1,579	135	103	172	1,613	(30)	3,572

58. Analysis of Swiss and foreign assets, liabilities and shareholders' equity

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
31 December 2017			
Assets			
Cash and balances with central banks	6,848.0	2,851.8	9,699.8
Treasury bills and other eligible bills	93.3	1,389.0	1,482.3
Due from other banks	2,525.5	50.5	2,576.0
Derivative financial instruments	259.1	437.0	696.1
Financial assets at fair value through P&L	1,106.1	1,085.6	2,191.7
Financial assets at fair value through Other Comprehensive Income	615.2	4,595.4	5,210.6
Loans and advances to customers	8,284.1	10,667.2	18,951.3
Property, plant and equipment	236.1	18.9	255.0
Intangible assets	133.1	69.7	202.8
Deferred income tax assets	57.5	25.1	82.6
Other assets	122.1	142.4	264.5
Total assets	**20,280.1**	**21,332.6**	**41,612.7**
Liabilities			
Due to other banks	3,515.0	(2,981.3)	533.7
Due to customers	12,070.1	20,227.9	32,298.0
Derivative financial instruments	241.1	405.8	646.9
Financial liabilities designated at fair value	250.9	233.1	484.0
Other financial liabilities		4,477.2	4,477.2
Debt issued			
Current income tax liabilities	11.7	4.3	16.0
Deferred income tax liabilities	4.6	1.3	5.9
Provisions	168.0	30.9	198.9
Other liabilities	386.1	258.3	644.4
Subordinated loans		580.7	580.7
Total liabilities	**16,647.5**	**23,238.2**	**39,885.7**
Equity			
Share capital	145.1		145.1
Share premium	1,904.8		1,904.8
Other reserves	1,241.0	(992.6)	248.4
Retained earnings	1,097.6	(1,696.0)	(598.4)
	4,388.5	**(2,688.6)**	**1,699.9**
Additional equity components			
Non-controlling interests		27.1	27.1
Total shareholders' equity	**4,388.5**	**(2,661.5)**	**1,727.0**
Total equity and liabilities	**21,036.0**	**20,576.7**	**41,612.7**

	Swiss CHF millions	Foreign CHF millions	Restated Total CHF millions
31 December 2016			
Assets			
Cash and balances with central banks	6,814.4	2,073.1	8,887.5
Treasury bills and other eligible bills	81.2	1,864.4	1,945.6
Due from other banks	2,156.8	767.0	2,923.8
Loans and advances to customers	9,333.0	9,545.3	18,878.3
Derivative financial instruments	323.8	507.4	831.2
Financial assets at fair value through P&L	869.3	321.0	1,190.3
Financial assets:			
Available-for-sale	768.6	4,668.7	5,437.3
Held-to-maturity	43.0	1,155.3	1,198.3
Intangible assets	131.1	60.6	191.7
Property, plant and equipment	235.2	18.5	253.7
Deferred income tax assets	65.1	24.8	89.9
Other assets	170.0	188.6	358.6
Total assets	**20,991.5**	**21,194.7**	**42,186.2**
Liabilities			
Due to other banks	1,456.3	(1,028.7)	427.6
Due to customers	13,950.1	18,796.8	32,746.9
Subordinated loans		265.3	265.3
Debt issued		334.4	334.4
Derivative financial instruments	317.3	459.8	777.1
Financial liabilities designated at fair value	200.6	453.8	654.4
Other financial liabilities		3,828.5	3,828.5
Current income tax liabilities	10.1	9.1	19.2
Deferred income tax liabilities	7.2	3.6	10.8
Provisions	183.4	15.9	199.3
Other liabilities	564.0	234.6	798.6
Total liabilities	**16,689.0**	**23,373.1**	**40,062.1**
Equity			
Share capital	143.9		143.9
Share premium	1,910.8		1,910.8
Other reserves	755.5	(870.8)	(115.3)
Retained earnings	374.4	(243.5)	130.9
	3,184.6	**(1,114.3)**	**2,070.3**
Additional equity components	31.2		31.2
Non-controlling interests		22.6	22.6
Total shareholders' equity	**3,215.8**	**(1,091.7)**	**2,124.1**
Total equity and liabilities	**19,904.8**	**22,281.4**	**42,186.2**

59. Basic and diluted earnings per ordinary share

59.1 Basic

	31 December 2017 CHF millions	Restated 31 December 2016 CHF millions
Net (loss) / profit for the year attributable to owners of the Group	(59.8)	225.3
Dividend on additional equity components	(1.9)	
Estimated pro-forma dividend on Bons de Participation	(0.1)	(0.1)
Net (loss) / profit for the year attributable to ordinary shareholders	**(61.8)**	225.2
Weighted average number of ordinary shares ('000s of shares)	289,704	198,703
Basic earnings per ordinary share (CHF)	**(0.21)**	1.13

Basic earnings per ordinary share is calculated by dividing the net (loss)/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 13,647 (2016: 47,765). For the purpose of the calculation of earnings per ordinary share, net (loss)/profit for the period has been adjusted by an estimated, pro-forma accrued dividend on the Bons de Participation. The latter has been computed by using a dividend rate from 01 January 2017 until 30 April 2017 of 0.634%, 0.973% from 01 May 2017 until 30 October 2017 and a rate of 1.138% thereafter.

59.2 Diluted

	31 December 2017 CHF millions	Restated 31 December 2016 CHF millions
Net (loss)/profit for the year attributable to owners of the Group	(59.8)	225.3
Dividend on additional equity components	(1.9)	
Estimated pro-forma dividend on Bons de Participation	(0.1)	(0.1)
Net (loss)/profit for the year attributable to ordinary shareholders	**(61.8)**	225.2
Diluted-weighted average number of ordinary shares ('000s of shares)	289,704	207,028
Diluted earnings per ordinary share (CHF)	**(0.21)**	1.09

In the period pursuant to its employee equity incentive plans, the Group issued in 2017 restricted stock units related to 5,618,755 (2016: 6,307,950) 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 ot increase the diluted-weighted average number of ordinary shares of EFG International in periods when the Group has profits attributable to ordinary shareholders. If the Group had reported a profit in the current year, the diluted-weighted average number of ordinary shares would have been 301,424,131.

For information regarding the EFG International equity incentive plan, see note 62.

60. Dividends

Final dividends per share are not accounted for until they have been ratified at the Annual General Meeting in April. A dividend in respect of 2017 of CHF 0.25 (2016: CHF 0.25) per share amounting to approximately CHF 72.4 million (2016: CHF 71.9 million), net of dividends not payable on treasury shares is to be proposed. The financial statements for the year ended 31 December 2017 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits, in the year ending 31 December 2018, with no tax effect for the Group.

	31 December 2017 CHF millions	31 December 2016 CHF millions
Dividends on ordinary shares		
CHF 0.25 per share related to 2016 paid in 2017	71.9	
CHF 0.20 per share related to 2015 paid in 2016		38.0
	71.9	38.0
Dividends on Bons de Participation		
For the period 31 October 2015 to 30 April 2016 at 1.197%		0.1
For the period 01 May 2016 to 30 October 2016 at 0.849%		
For the period 31 October 2016 to 30 April 2017 0.634%	0.1	
For the period 01 May 2017 to 30 October 2017 at 0.973%		
	0.1	0.1

61. Related party transactions

61.1 Transactions

	Significant Shareholders CHF millions	EFG Group CHF millions	Key management personnel CHF millions
31 December 2017			
Assets			
Due from other banks		1.5	
Derivatives		0.1	
Loans and advances to customers	23.4		6.9
Other assets	9.4	1.7	
Liabilities			
Due to other banks		4.4	
Derivatives		0.3	
Due to customers	111.7	1.3	2.9
Other liabilities	0.6	0.4	
Year ended 31 December 2017			
Interest income		0.2	0.1
Commission income		1.0	0.3
Net other income		1.3	
Operating expenses	(2.2)	(0.4)	

	Significant CHF millions Shareholders	EFG Group CHF millions	Key management personnel CHF millions
31 December 2016			
Assets			
Due from other banks		0.2	
Derivatives		0.8	
Loans and advances to customers			1.6
Other assets	89.0	0.4	
Liabilities			
Due to other banks		4.5	
Derivatives		1.5	
Due to customers	20.8	1.3	10.4
Other liabilities		0.3	
Year ended 31 December 2016			
Commission income		1.0	0.3
Net other income		1.1	
Operating expenses		(0.4)	

A number of banking transactions are entered into with related parties. These include loans, deposits, derivative transactions and provision of services. The amounts due from other banks reflect cash deposits, which like other third party amounts classified as due from other banks are unsecured.

Key management personnel comprise directors, key members of the management of the company and of its parent, as well as closely linked parties.

No provisions have been recognised in respect of loans given to related parties (2016: Nil).

61.2 Key management compensation (including directors)

The compensation of members of the Executive Committee relating to the year 2017 comprised of cash compensation of CHF 9,319,377 (2016: CHF 7,219,723), pension contributions of CHF 729,370 (2016: CHF 465,279) and restricted stock units valued at approximately CHF 8,066,999 (2016: CHF 4,360,504).

The compensation of the members of the Board of Directors relating to the year 2017 comprised of cash compensation of CHF 2,459,815 (2016: CHF 2,418,592), pension contributions of CHF 112,632 (2016: CHF 73,818) and restricted stock units valued at approximately CHF 210,000 (2016: nil).

For additional details required under Swiss Law (Swiss Code of Obligations art. 663b bis) see note 22 of the parent company financial statements.

62. Employee equity incentive plans

The EFG International Employee Equity Incentive Plan (the 'Plan') has different classes of options and 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.

The expense recorded in the Income Statement spreads the cost of the grants equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Total expense related to the Plan in the Income Statement for the period ended 31 December 2017 was CHF 28.9 million (2016: CHF 24.9 million).

The Plan has been developed internally by the Group without the use of external consultants, although a service contract with an external company exists for the administration of the scheme.

The table below summarises the outstanding options and restricted stock units at 31 December 2017 which, when exercised, will each result in the issuance of one ordinary share:

Year granted	Type	Exercise price (CHF)	At beginning of year	Granted	Lapsed	Exercised	Outstanding
2010	Restricted stock units with 3 year lock-up		47,597		4,217	43,380	
2010	Restricted stock units with 5 year lock-up		17,315		257	17,058	
2011	Restricted stock units with 3 year lock-up		71,786			29,358	42,428
2011	Restricted stock units with 5 year lock-up		34,324			9,766	24,558
2012	Restricted stock units with 3 year lock-up		224,010			121,736	102,274
2012	Restricted stock units with 5 year lock-up		42,083			7,531	34,552
2013	Restricted stock units with 3 year lock-up		373,698			175,753	197,945
2013	Restricted stock units with 5 year lock-up		56,109				56,109
2014	Restricted stock units with 3 year lock-up		848,719		3,250	655,548	189,921
2014	Restricted stock units with 5 year lock-up		103,138			1,858	101,280
2015	Restricted stock units with ⅓ exercisable annually		927,620		20,314	307,460	599,846
2015	Restricted stock units with 3 year lock-up		1,066,214			69,185	997,029
2016	Restricted stock units with ⅓ exercisable annually		3,680,199		51,326	820,757	2,808,116
2016	Restricted stock units with 3 year lock-up		2,542,039			153,659	2,388,380
2017	**Restricted stock units with ⅓ exercisable annually**			**3,186,751**	**6,284**	**9,723**	**3,170,744**
2017	**Restricted stock units with 3 year lock-up**			**2,432,004**			**2,432,004**
			10,034,851	**5,618,755**	**85,648**	**2,422,772**	**13,145,186**

62.1 2017 incentive plan

EFG International granted 5,618,755 restricted stock units in 2017. There are two classes of restricted stock units. Both of the classes vest 1/3 every year over the next three years. One class has a 3-year lock-up restriction ('Restricted stock units with 3 year lock-up'), while the other class has no lock-up condition attached ('Restricted stock units with 1/3 exercisable annually'). The weighted average deemed value of each Restricted stock unit granted in 2017 is CHF 4.91. The values of the restricted stock units were determined using a model which takes into account the present value of the expected dividends during the period between the grant date and the earliest exercise date. The significant inputs into the model were the arithmetic average share price (closing) of the five consecutive business days following the earnings announcement (CHF 6.13) and the discount determined by management (20%) based on the expected life of the restricted stock units (12 to 36 months).

62.2 2018 incentive plan

EFG International will grant restricted stock units in April 2018 at prices to be determined based on the relevant valuation inputs on the date of issue.

63. Valuation of financial assets and liabilities

63.1 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 re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between levels in the current year.

	31 December 2017				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives		273.3		273.3	
Interest rate derivatives		21.0		21.0	
Equity derivatives		303.8		303.8	
Other derivatives		38.3		38.3	
Life insurance related			59.7	59.7	
Total derivatives assets					**696.1**
Financial assets at fair value through profit and loss – Trading Assets					
Equity	810.5			810.5	
Debt	139.8			139.8	
Total trading assets					**950.3**
Financial assets at fair value through profit and loss:					
Mandatorily measured			552.4	552.4	
Debt	6.0	417.7		423.7	
Equity	0.4	3.7	41.4	45.5	
Commodities	0.1			0.1	
Life Insurance related			173.1	173.1	
Structured products and investment funds		46.6		46.6	
Total manditorily measured					**1,241.4**
Total assets measured at fair value through profit and loss	**956.8**	**1,104.4**	**826.6**	**2,887.8**	**2,887.8**
Financial assets at fair value through other comprehensive income					
Debt	5,202.5			5,202.5	
Equity		8.1		8.1	
Total financial assets measured at fair value through other comprehensive income					**5,210.6**
Total assets measured at fair value	**6,159.3**	**1,112.5**	**826.6**	**8,098.4**	**8,098.4**

	31 December 2017				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (liabilities):					
Currency derivatives		257.6		257.6	
Interest rate derivatives		37.6		37.6	
Equity derivatives		315.6		315.6	
Other derivatives		36.1		36.1	
Total derivatives liabilities					**646.9**
Financial liabilities designated at fair value:					
Equity		204.1	42.7 [1]	246.8	
Structured products		46.9		46.9	
Life Insurance related			190.3	190.3	
Total financial liabilities designated at fair value					**484.0**
Total liabilities measured at fair value	**–**	**897.9**	**233.0**	**1,130.9**	**1,130.9**
Assets less liabilities measured at fair value	**6,159.3**	**214.6**	**593.6**	**6,967.5**	**6,967.5**

1 Level 3 equity related financial liabilities designated at fair value of CHF 42.7 million comprises put options held by non-controlling interests with valuations based on contractual terms and therefore is not dependent on internal assumptions on inputs, but is classified as Level 3 due to the absence of quoted prices or observable inputs.

	31 December 2016				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives		395.7		395.7	
Interest rate derivatives		24.8		24.8	
Equity derivatives		322.4		322.4	
Other derivatives		25.0		25.0	
Life insurance related			63.3	63.3	
Total derivatives assets					**831.2**
Financial assets at fair value:					
Debt	247.0	9.5		256.5	
Debt	464.6	13.2		477.8	
Total trading assets					**734.3**
Designated at inception:					
Commodities	136.2			136.2	
Life Insurance related			319.8	319.8	
Total financial assets designated at inception					**456.0**
Investment securities: Available-for-sale					
Equity	0.4		41.9	42.3	
Debt	4,420.2	942.6		5,362.8	
Life Insurance related			32.2	32.2	
Total investment securities available-for-sale					**5,437.3**
Total assets measured at fair value	**5,268.4**	**1,733.2**	**457.2**	**5,342.8**	**7,458.8**
Derivative financial instruments (liabilities):					
Currency derivatives		314.0		314.0	
Interest rate derivatives	9.7	95.7		105.4	
Equity derivatives	1.6	332.9		334.5	
Other derivatives		23.2		23.2	
Total derivatives liabilities					**777.1**
Financial liabilities designated at fair value:					
Equity	81.5	80.2	36.0 [1]	197.7	
Debt		114.4		114.4	
Life Insurance related			342.3	342.3	
Total financial liabilities designated at fair value					**654.4**
Total liabilities measured at fair value	**92.8**	**960.4**	**378.3**	**1,431.5**	**1,431.5**
Assets less liabilities measured at fair value	**5,175.6**	**772.8**	**78.9**	**6,027.3**	**6,027.3**

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

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily of quoted bonds and equity.

(ii) Financial instruments in level 2
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:
– Quoted market prices or dealer quotes for similar instruments
– The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
– The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value
– Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments

(b) Movements of level 3 instruments

	Assets in level 3			
	Derivative financial instruments CHF millions	Financial assets measured at fair value through profit and loss CHF millions	Available-for-sale CHF millions	Total Assets in level 3 CHF millions
At 01 January 2017	63.3	319.8	74.1	457.2
Reclassified to financial assets at fair value through profit and loss – on adoption of IFRS 9		590.6	(74.1)	516.5
Total gains or losses in the Income Statement – Net loss from changes in fair value	2.0	(199.5)		(197.5)
Purchases/Premiums paid	2.1	143.2		145.3
Disposals/Premiums received	(5.0)	(55.4)		(60.4)
Exchange differences	(2.7)	(31.8)		(34.5)
At 31 December 2017	**59.7**	**766.9**	**–**	**826.6**
Change in unrealised gains or losses for the period included in the Income Statement for assets held at the end of the reporting period	2.0	(201.0)		(199.0)

			Liabilities in level 3	
			Financial liabilities designated at fair value CHF millions	Total Liabilities in level 3 CHF millions
At 01 January 2017			378.3	378.3
Total gains or losses in the Income Statement – Net gains from change in fair value			(139.8)	(139.8)
Purchases/Premiums paid			35.5	35.5
Disposals/Premiums received			(32.7)	(32.7)
Exchange differences			(8.3)	(8.3)
At 31 December 2017	**–**	**–**	**233.0**	**233.0**
Change in unrealised gains or losses for the period included in the Income Statement for liabilities held at the end of the reporting period			(191.9)	(191.9)

	Assets in level 3			
	Derivative financial instruments CHF millions	Financial assets measured at fair value through profit and loss CHF millions	Available-for-sale CHF millions	Total Assets in level 3 CHF millions
At 01 January 2016	62.2	305.0	63.6	430.8
Total gains or losses in the Income Statement – Interest and discount income		47.3	2.1	49.4
in the Income Statement – Net loss from financial instruments designated at fair value	1.1	(64.2)		(63.1)
in Other Comprehensive Income			(4.4)	(4.4)
Purchases/Premiums paid	(1.5)	47.0	6.7	52.2
Addition in scope of consolidation due to BSI acquisition			11.5	11.5
Disposals/Premiums received		(23.6)	(6.1)	(29.7)
Exchange differences	1.5	8.3	0.7	10.5
At 31 December 2016	**63.3**	**319.8**	**74.1**	**457.2**
Change in unrealised gains or losses for the period included in the Income Statement for assets held at the end of the reporting period	1.1	(16.9)	2.1	(13.7)

			Liabilities in level 3	
			Financial liabilities designated at fair value CHF millions	Total Liabilities in level 3 CHF millions
At 01 January 2016			353.1	353.1
Total gains or losses in the Income Statement – Interest and discount income			52.0	52.0
in the Income Statement – Net gain from financial instruments designated at fair value			(49.0)	(49.0)
Purchases/Premiums paid			1.5	1.5
Addition in scope of consolidation due to BSI acquisition			34.7	34.7
Disposals/Premiums received			(22.7)	(22.7)
Exchange differences			8.7	8.7
At 31 December 2016	**–**	**–**	**378.3**	**378.3**
Change in unrealised gains or losses for the period included in the Income Statement for liabilities held at the end of the reporting period			3.0	3.0

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

Valuation governance

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

A significant part of 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 values estimates is performed against external sources and recalibration performed on a continuous basis against changes in fair value versus expectations. Fair value measurements are compared with observed prices and market levels, for the specific 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's fair value estimate.

Valuation techniques

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

- 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 models

Valuation techniques		31 December 2017 CHF millions	31 December 2016 CHF millions
Discounted cash flow analysis	**Products**		
FVTOCI – Equity securities	Equities in stock exchanges and clearing houses		37.6
FVTOCI – Equity securities	Private equity funds		4.3
FVTPL – Mandatorily measured	Equities in stock exchanges and clearing houses	41.4	
Financial liabilities designated at fair value	Liability to purchase non-controlling interests	(42.7)	(36.0)
Discounted cash flow analysis and life expectancies (non-market observable inputs)			
Derivatives	Synthetic life insurance policies	59.7	63.3
FVTPL – Mandatorily measured	Physical life insurance policies	552.4	23.3
FVTPL – Mandatorily measured	Physical life insurance policies	173.1	294.8
Available-for-sale	Physical life insurance policies		32.2
Financial liabilities designated at fair value	Synthetic life insurance policies	(190.3)	(342.3)
Total		**593.6**	77.2

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 30 for further details.

(ii) Equity in stock exchanges and clearing houses

The participation in SIX Group is based on a valuation using the expected net asset value of SIX Group at the end of December 2017 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 December financial statements at the time of preparing these consolidated financial statements, the Group has made an estimate of the net asset value using unobservable data, being the estimated SIX Group year-end net profit as of December 2017. The sensitivity to this valuation is that the gain/loss taken through profit and loss for a 30% higher and 30% lower 12 month 2017 estimated profit would be CHF 0.6 million gain or CHF (0.6) million loss on this position classified as FVTPL.

(iii) Put option over non-controlling interests – liability to purchase non-controlling interests
The put options of the minority shareholders of Asesores y Gestores Financieros SA give rise to a financial liability designated at fair value of CHF 42.7 million that corresponds to the estimated discounted repurchase amount.

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

The CVM shall contractually never be lower than the fixed price of EUR 33.5 million, which should be paid to minority shareholder upon the exercise of the put. The actual CVM calculated as of 31 December 2017 is below the contractual CVM and thus the current sensitivity of the put options is considered to be zero (2016: nil), hence no sensitivity to this currently exists.

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

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

				Related amounts not set off in the balance sheet		
As at 31 December 2017	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amounts of recognised financial assets presented in the balance sheet**	**Financial liabilities subject to netting agreements**	**Cash collateral**	**Net exposure**
Derivatives	725.6	(29.5)	696.1	(196.9)	(330.5)	168.7
FVTPL – Life insurance policies	150.3		150.3	(150.3)		
Total financial assets	**875.9**	**(29.5)**	**846.4**	**(347.2)**	**(330.5)**	**168.7**

				Related amounts not set off in the balance sheet		
As at 31 December 2017	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amounts of recognised financial assets presented in the balance sheet**	**Financial liabilities subject to netting agreements**	**Cash collateral**	**Net exposure**
Derivatives	676.4	(29.5)	646.9	(196.9)	(129.5)	320.5
FVTPL – Life insurance policies	190.3		190.3	(150.3)	(159.0)	
Total financial liabilities	**866.7**	**(29.5)**	**837.2**	**(347.2)**	**(288.5)**	**320.5**

As at 31 December 2016	Gross amounts of recognised financial liabilities	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 liabilities subject to netting agreements	Cash collateral	Net exposure
Derivatives	757.1	(21.7)	735.4	(115.1)	(485.0)	135.3
Life insurance policies – Designated at fair value at inception	277.8		277.8	(277.8)		
Total financial assets	**1,034.9**	**(21.7)**	**1,013.2**	**(392.9)**	**(485.0)**	**135.3**

As at 31 December 2016	Gross amounts of recognised financial liabilities	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 liabilities subject to netting agreements	Cash collateral	Net exposure
Derivatives	735.8	(21.7)	714.1	(115.1)	(130.8)	468.2
Life insurance policies – Designated at fair value at inception	318.5		318.5	(277.8)	(128.3)	
Total financial liabilities	**1,054.3**	**(21.7)**	**1,032.6**	**(392.9)**	**(259.1)**	**468.2**

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

At the end of December 2017 derivative financial instruments valued at CHF 29.5 million have been netted with derivative financial instruments with a negative value of CHF 29.3 million for a net presentation of derivative financial instruments as an asset with a value of CHF 0.1 million.

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

63.2 Financial assets and liabilities measured at amortised cost

The table below summarises the carrying values and fair values of those financial assets and liabilities that were measured at amortised cost as of 31 December 2017:

	Note	Carrying value CHF millions	Fair Value CHF millions	Difference CHF millions
31 December 2017				
Financial assets				
Due from other banks	(i)	2,576.0	2,575.9	(0.1)
Loans and advances to customers	(ii)	18,951.4	19,208.2	256.8
		21,527.4	**21,784.1**	**256.7**
Financial liabilities				
Due to other banks	(iv)	533.7	533.5	(0.2)
Due to customers	(iv)	32,298.0	32,291.1	(6.9)
Subordinated loans	(vi)	580.7	621.3	40.6
Other financial liabilities	(vii)	4,477.2	4,466.5	(10.7)
		37,889.6	**37,912.4**	**22.9**
Net assets and liabilities not measured at fair value		**(16,362.2)**	**(16,128.3)**	**233.9**
As at 31 December 2016				
Financial assets				
Due from other banks	(i)	2,923.8	2,923.6	(0.2)
Loans and advances to customers	(ii)	18,878.3	19,035.7	157.4
Investment securities – Held-to-maturity – Life insurance related		854.7	516.9	(337.8)
Investment securities – Held-to-maturity – Debt	(iii)	343.6	327.8	(15.8)
Other financial assets		89.0	89.0	–
		23,089.4	**22,893.0**	**(196.4)**
Financial liabilities				
Due to other banks	(iv)	427.6	427.6	–
Due to customers	(iv)	32,746.9	32,749.1	(2.2)
Subordinated loans	(vi)	265.3	270.3	(5.0)
Debt issued	(vii)	334.4	334.6	(0.2)
Other financial liabilities	(viii)	3,828.5	3,834.2	(5.7)
		37,602.7	**37,615.8**	**(13.1)**
Net assets and liabilities not measured at fair value		**(14,513.3)**	**(14,722.8)**	**(204.4)**

(i) Due from other banks
Due from other banks includes inter-bank placements and items in the course of collection. The fair value of floating rate placements, overnight deposits and term deposits with a maturity of less than 90 days is assumed to be their carrying amount, as the effect of discounting is not significant. The fair values are within level 2 of the fair value hierarchy.

(ii) Loans and advances to customers
Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received up to the next interest reset date. Expected cash flows are discounted at current market rates to determine fair value. Determined fair values are within level 2 of the fair value hierarchy.

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

(iv) 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.

(vi) 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.

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

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

63.3 Deferred day-1 profit or loss

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

	2017 CHF millions	2016 CHF millions
At 01 January	1.0	1.1
Recognised in the Income Statement		(0.1)
At 31 December	**1.0**	1.0

64. Financial assets and liabilities – IAS 39 disclosures

The below disclosures relate to the 2016 comparative information prepared under IAS 39. As the Group has elected not to restate prior year comparatives on an IFRS 9 basis, for completeness, the Group presents the disclosures related to IAS 39 below.

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

	Maximum exposure before collateral held or other credit enhancements 2016 CHF millions	Exposure after collateral held or other credit enhancements 2016 CHF millions
Cash and balances with central banks	8,887.5	8,887.5
Treasury bills and other eligible bills	1,945.6	1,945.6
Due from other banks	2,923.8	2,278.5
Loans and advances to customers:		
Overdrafts, lombard loans and term loans	12,096.2	379.8
Mortgages	6,782.1	0.0
Derivative financial instruments	831.2	191.4
Financial assets at fair value:		
Trading assets – Debt securities	477.8	477.8
Designated at inception – Debt securities	456.0	161.2
Investment securities – Debt securities	6,593.4	6,593.4
Other assets	547.1	181.2
Total on-balance sheet assets 2016	**41,540.7**	**21,096.4**
Financial guarantees	779.3	150.4
Loan commitments, and other credit related guarantees	212.9	133.0
Total off-balance sheet items 2016	**992.2**	**283.4**
Total	**42,532.9**	**21,379.8**

See note 23 Collateral for loans and advances to customers which shows that collateralised loans comprised 96.9% of the total. Mortgages are 100% secured.

Exposure after collateral held or other credit enhancements by ratings
31 December 2016 based on S&P's ratings:

	AAA–AA CHF millions	A CHF millions	BBB–BB CHF millions	B–C CHF millions	Unrated CHF millions	Total CHF millions
Cash and balances with central banks	8,821.6		65.9			8,887.5
Treasury bills and other eligible bills	1,945.6					1,945.6
Due from other banks	377.5	1,001.2	245.0		654.7	2,278.4
Loans and advances to customers:						–
Overdrafts, lombard loans and term loans	28.3	52.5	261.1	37.9		379.8
Mortgages						–
Derivative financial instruments	27.7	69.7	7.9		86.1	191.4
Financial assets at fair value:						–
Trading Assets – Debt securities	46.7	107.2	311.8	11.6	0.5	477.8
Designated at inception – Debt securities	154.9	3.7		2.6		161.2
Investment securities – Debt securities	5,332.2	896.7	192.5		172.0	6,593.4
Other assets					181.2	181.2
Total on-balance sheet assets 2016	**16,734.5**	**2,131.0**	**1,084.2**	**52.1**	**1,094.5**	**21,096.3**
Financial guarantees					150.4	150.4
Loan commitments, and other credit related guarantees					133.0	133.0
Total off-balance sheet items 2016	**–**	**–**	**–**	**–**	**283.4**	**283.4**

Loans and advances
Loans and advances are secured by collateral as follows:

	31 December 2016 CHF millions
Loans and advances to customers	
Mortgages	6,782.1
Secured by other collateral	11,716.4
Unsecured	379.8
Total loans and advances to customers	**18,878.3**
Off-balance sheet commitments	
Contingent liabilities secured by other collateral	708.8
Contingent liabilities unsecured	283.4
Total off-balance sheet commitments	**992.2**

The status of loans and advances are as follows:

		31 December 2016	
		Loans and advances to customers CHF millions	**Due from other banks CHF millions**
Neither past due nor impaired	a)	18,607.7	2,923.8
Past due but not impaired	b)	270.6	
Impaired		43.2	
Gross		**18,921.5**	**2,923.8**
Less: allowance for impairment		(43.2)	
Net		**18,878.3**	**2,923.8**

The total impairment provision for loans and advances of at 31 December 2016 is CHF 43.2 million comprises specific provisions against individual loans. Note 27 relates to the loss allowance for loans and advances to customers.

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group (refer to note 7 for definition of internal grades).

	Loans and advances to customers		
Grades	Overdrafts, lombard and term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2017			
Grade 1–2	8,324.3	2,065.4	10,389.7
Grade 3	2,907.3	3,344.9	6,252.2
Grade 4–5	462.6	1,260.9	1,723.5
Grade 6–7	44.6	125.6	170.2
Grade 8	13.4	19.1	32.5
Grade 9–10	19.3	20.3	39.6
	11,771.5	**6,836.2**	**18,607.7**
31 December 2016			
Grade 1–2	6,220.0	394.0	6,614.0
Grade 3	2,143.6	2,232.5	4,376.1
Grade 4–5	234.2	540.7	774.9
Grade 6–7	19.3	21.0	40.3
Grade 8		0.3	0.3
Grade 9–10	4.5		4.5
	8,621.6	**3,188.5**	**11,810.1**

(b) Loans and advances past due, but not impaired

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

	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2016			
Greater than 180 days, past due	208.9	50.5	259.4
Less than 180 days, past due	9.6	1.6	11.2
Total	**218.5**	**52.1**	**270.6**
Fair value of collateral	335.5	92.1	427.6

Impairment and provisioning policies

The internal and external rating systems described in note 7 focus primarily on credit quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that are expected at the balance sheet date based on objective evidence of impairment.

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

	31 December 2016	
Grade descriptions	**Loans and advances (%)**	**Impairment provision (%)**
Grade 1–2	55.0%	
Grade 3	33.1%	
Grade 4–5	9.1%	
Grade 6–7	2.3%	4.1%
Grade 8	0.2%	3.0%
Grade 9–10	0.3%	92.9%
	100.0%	**100.0%**

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

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

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

	Treasury bills and other eligible bills CHF millions	Trading Assets CHF millions	Designated at inception CHF millions	Investment securities Available-for-sale CHF millions	Investment securities Held-to-maturity CHF millions	Total CHF millions
31 December 2016						
Grade 1–2	1,945.6	46.7	383.2	4,473.4	858.8	7,707.7
Grade 3		107.2	41.6	748.7	148.0	1,045.5
Grade 4–5		311.8	30.3	2.6	189.9	534.6
Grade 6		11.6				11.6
Unrated		0.5	0.9	170.4	1.6	173.4
Total	**1,945.6**	**477.8**	**456.0**	**5,395.1**	**1,198.3**	**9,472.8**

65. Information relating to the EFG fiduciary certificates in circulation

The Group has EUR 13,382,000 notional amount of outstanding EFG Fiduciary Certificates. These were issued by Banque de Luxembourg on a fiduciary basis, in its own name but at the sole risk and for the exclusive benefit of the holders of the EFG Fiduciary Certificates. Banque de Luxembourg holds 13,382 Class B Bons de Participation issued by EFG International AG and 13,382 Class B Shares issued by EFG Finance (Guernsey) Limited.

66. Assets under management and assets under administration

	31 December 2017 CHF millions	31 December 2016 CHF millions
Character of client assets		
Equities	32,279.0	32,448.0
Deposits	34,018.0	34,607.0
Bonds	35,122.0	37,173.0
Loans	18,978.0	19,004.0
Structured notes	4,205.0	3,900.0
Hedge funds/Fund of hedge funds	3,817.0	5,365.0
Fiduciary deposits	1,275.0	592.0
Other	12,334.0	11,425.0
Total Assets under Management	**142,028.0**	144,514.0
Total Assets under Administration	**12,319.0**	9,036.0
Total Assets under Management and Administration	**154,347.0**	153,550.0

Assets under Administration are trust assets administered by the Group. The Group has CHF 13,274 million (2016: 7,905 million) of Assets under Custody not included in the above.

	31 December 2017 CHF millions	31 December 2016 CHF millions
Assets under Management		
Character of Assets under Management:		
Assets in own administrated collective investment schemes	7,847.0	5,318.0
Assets under discretionary management agreements	24,447.0	26,527.0
Other assets under management	90,756.0	93,665.0
Total Assets under Management (including double counts)	**123,050.0**	125,510.0
Thereof double counts	*4,963.0*	*4,985.0*
Loans	18,978.0	19,004.0
Total Assets under Administration	12,319.0	9,036.0
Total Assets under Management and Administration	**154,347.0**	153,550.0
Net new asset inflows (including double counts)	**(5,845.0)**	(5,460.0)

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

	31 December 2017 CHF millions	**31 December 2016** CHF millions
At beginning of year	125,510.0	71,213.0
Net new money outflow	(5,616.0)	(4,487.0)
Market performance and currency impact	6,706.0	1,517.0
Increase in scope of consolidation due to acquisition	2,546.0	58,618.0
Other effects	(6,096.0)	(1,351.0)
Total at end of year	**123,050.0**	125,510.0

Net new money consists of new client acquisition, client departures and inflows or outflows attributable to existing clients (whether in cash or securities). Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in net new assets. Effects resulting from any acquisition or disposal of Group companies are not included in net new money.

67. Post balance sheet events

On 31 January 2018 the Group repaid the CHF 180,000,000 4.75% resettable guaranteed subordinated notes due 2023 (ISIN: CH0204819301) issued by EFG Funding (Guernsey) Limited at their principal amount with accrued interest to the date of redemption at the first optional call date.

68. Board of Directors

The Board of Directors of EFG International AG comprises:

John A. Williamson*	Chairman
Niccolò H. Burki*	Vice-Chariman
Susanne Brandenberger*	
Emmanuel L. Bussetil	
Erwin Richard Caduff*	(resigned on 28 April 2017)
Michael Higgin*	
Roberto Isolani	
Steven M. Jacobs	
Spiro J. Latsis	
Pericles Petalas	
Bernd-A. von Maltzan*	
Daniel Zuberbühler*	

* independent directors.

69. Swiss banking law requirements

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

(a) Financial investments

Under IFRS, changes in the fair value of financial assets at fair value through other comprehensive income are recorded as increases or decreases to shareholders' equity (refer to consolidated Statement of Other Comprehensive Income) until an investment is sold, collected or otherwise disposed of, or until an investment is determined to be impaired. On disposal of a debt financial instrument at fair value through other comprehensive income, the difference between the net disposal proceeds and carrying amount, including any previously recognised unrealised gain or loss arising from a change in fair value reported in Other Comprehensive Income, is included in the Income Statement for the period.

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

(b) Fair value option

Even if an instrument meets the requirements to be measured at amortised cost or FVOCI, IFRS 9 contains an option to designate, at initial recognition, a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities (or recognising the gains and losses on them) on different bases.

Under Swiss law, this option is not available. Only the financial assets held for trading are reflected on the balance sheet at fair value. Hybrid instruments are bifurcated: the embedded derivative is marked to market through net trading income and the host contract is accounted for on an accrued cost basis. No own credit adjustments are booked for hybrid instruments. Generally, loans are accounted for at amortized cost less impairment, loan commitments stay off-balance sheet and fund investments are accounted for as financial investments.

(c) Derivative financial instruments
Under IFRS 9 derivatives are recorded in the balance sheet at fair value with changes in fair value being recognised in Fair value gains less losses on financial instruments measured at fair value.

Under Swiss law, the Group's derivative instruments are recorded on Balance sheet at their market values (gross positive and negative replacement values). Replacement values are reported on a net basis provided the netting agreements are legally enforceable. Hedging transactions are valued using the same principles as those for the underlying transactions being hedged.

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

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

Under Swiss law, goodwill and intangible assets are amortised over the estimated economic life on a straight-line basis. The net carrying value of intangible assets is, in addition, reappraised annually, with any reduction to the net carrying value taken immediately as an expense in the Income Statement.

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

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

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

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

(g) Retirement benefit obligations
Under IFRS and the specific rules of IAS 19R, the Group records a liability for the Swiss pension funds as if they are defined benefit schemes.

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

(h) Expected credit losses
Under IFRS, the Group records a loss allowance for all financial assets measured on amortised cost basis and debt instruments at FVOCI, reflecting a forward looking expectation of future losses even where there is no loss incurred.

Under Swiss law, impairments are only recorded on an incurred basis.

Auditor’s Report

Report of the statutory auditor
to the General Meeting of
EFG International AG, Zurich

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of EFG International AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 66 to 225) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

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

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: CHF 6'530'000

We conducted full scope audit work at 17 reporting units in 9 territories.

Our audit scope covered 90% of the Group's loss before tax and 90% of Group's total assets.

As key audit matters the following areas of focus have been identified:

- Adoption of IFRS 9,
- Impairment of loans and advances to customers,
- Valuation of investments in life insurance policies,
- Provisions and contingent liabilities in respect of ongoing disputes and litigations,
- Swiss pension obligations

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is organized into eight segments – Private Banking & Wealth management for (i) Central Switzerland, Ticino & Italy, (ii) Romandie & Continental Europe, (iii) Americas, (iv) United Kingdom, (v) Asia, (vi) Investment Solutions, (vii) Global Markets & Treasury and (viii) Other. The Group financial statements are a consolidation of 91 reporting units, comprising the Group's operating businesses and centralised functions. From the audit teams located in other territories (“component auditors”), we obtained inter-office audit reports, as well as reports detailing the audit procedures that were conducted on areas perceived to be associated with higher risk of misstatement. We reviewed these reports, held calls with the component auditors and, where appropriate, challenged the component auditors as to the adequacy and sufficiency of their audit procedures.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 6'530'000
How we determined it	5% of an average of 2 years (2016 and 2017) profit before tax, adjusted for the 2016 bargain gain. Average limited to two years due to acquisition of BSI in 2016.
Rationale for the materiality benchmark applied	We have applied this benchmark, which is a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. We believe that it is the appropriate benchmark given the fluctuation in the Group's performance.

We agreed with the Audit Committee that we would report to them misstatements above CHF 300'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Adoption of IFRS 9	
The early adoption of IFRS 9 Financial Instruments by the Group from 1 January 2017 resulted in material change to the classification and measurement of the Group’s financial assets and significantly changed the calculation of allowances for credit losses. As a result of IFRS 9 adoption, the Group (i) classified at fair value the financial assets of CHF 1’198.3 million which were previously carried at amortized cost and (ii) debited its opening 2017 equity with CHF 493.9 million due to change in measurement basis for the financial instruments. Significant part of re-measurement charge	In order to validate Management’s decision regarding the classification of the Group’s financial assets, we carried out the following procedures: – Obtained and critically challenged business model analysis performed by an external specialist engaged by Management by reviewing it in the context of historic sales of assets and current management strategy; – Reviewed Management’s SPPI testing conducted on sample basis and carried out our own independent SPPI test on a sample basis. In order to validate the ECL estimates, we carried out

Key audit matter	How our audit addressed the key audit matter
upon adoption of IFRS 9 resulted from CHF 337.8 million write down to fair value of life insurance policies that were previously recorded at amortized cost as further described in the key audit matter "Valuation of investments in life insurance policies" as well as two items that are further described in the key audit matter “Impairment of loans and advances to customers”: – Customer advances secured by cash owned by a pledger whose parent company has been put into receivership resulted in charge on re-measurement of CHF 69.3 million; – Customer advances to structured vehicles where recovery is expected primarily by realizing life insurance policies collateral resulted in re-measurement charge of CHF 68.1 million. Under IFRS 9, the classification of the financial assets is driven by the cash flow characteristics (“SPPI test”) of the contract and the business model within which the asset is held. This analysis required Management judgment and interpretation of the Standard’s requirements. For instance, SPPI test of advances to structured vehicles that are repaid from and collateralised by the assets of the vehicles which mainly comprise life insurance policies required consideration of the funding structure of the vehicles including the amount of equity contributed by other parties in order to conclude that the advances meet the “SPPI test” IFRS 9 changed the basis for recognizing allowances from incurred to expected credit loss (“ECL”) and resulted in increased allowances for financial assets measured at amortized cost. The estimation of ECL under IFRS 9 is significantly more complex and requires higher level of judgment when interpreting and applying the Standard’s requirements. There is also a significant increase in data inputs required to calculate the ECL. This requires the use of data from a number of systems that have not been used previously for accounting purposes. This increases the risk of data completeness and integrity within these systems. Also refer to Note 2, Note 3 (i), Note 5 (b)-(c).	the following procedures: – Reviewed the ECL methodology against both the Standard and applicable guidance; – Reviewed the methodology to model and data validation and the reports by the Group’s Risk Model Validation unit; – Verified that the ECL computation accurately reflected the methodology by performing an independent calculation on a sample basis and comparing the results. We obtained comfort over data inputs by: – Testing IT general controls over access rights and changes to the systems used in the ECL generation. Also, testing generation of the key reports used. – Verifying complete and accurate flow of data between the ECL systems and tools by checking key data elements between the systems on a sample basis. – Tracing key data in the ECL computation to the supporting documents on a sample basis. We inspected the key controls in Management’s ECL sign-off process and carried out independent overall analytical assessment. We further reviewed completeness of IFRS 9 adoption disclosures. We found the approach of Management to be consistent with IFRS 9 requirements and based on supportable judgments.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers	
Loans and advances to customers were considered a key audit matter due to the size of the balance (CHF 18,951.3 million, predominantly Lombard and mortgage loans) as well as Management judgements involved in estimation of the expected credit losses. The provision for expected credit losses amounted to CHF 183.2 million. In order to limit the losses from its lending business, the Group has set loan-to-value limits that are tailored to the nature of the supporting collateral. The key judgement made by Management when estimating the provision for expected credit losses involves assessing whether the realisable value of collateral will be sufficient to cover the exposure. Management has put in place a comprehensive set of controls in order to monitor the market value of collateral on an ongoing basis, as well as to timely identify Significant Increases in Credit Risk (SICR). There were two items requiring significant management judgement: – Customer advances with a gross carrying value of approximately CHF 189.1 million (USD 193.8 million) as at 31 December 2017 were secured by cash owned by a pledger whose parent company has been put into receivership. The receiver has raised objection as to the validity and enforceability of the pledge and has obtained a ruling by an arbitrator requesting the Group to release the pledged assets. The Group believes that the pledge is fully enforceable but has calculated the recoverable amount by judgmentally weighting the outcomes of several scenarios developed with the assistance of external legal counsel. The Management recorded a provision of CHF 70.1 million against these advances; – Customer advances with a gross carrying value of CHF 297.8 million had been made to structured vehicles where recovery is expected primarily by realizing collateral which comprises illiquid life insurance policies ("LIPs"). The Management concluded that full recovery of the advances may not be possible in certain reasonably expected scenarios. The Group has calculated the recoverable amount of the LIPs with the assistance of external actuarial advisors and recorded a provision of CHF 81.9 million.	We assessed and tested the design and operating effectiveness of the controls relied on by Management for identification of credit impaired loans and loans with increased credit risks, as well as the calculation of the impairment provision. As part of this work, on a sample basis, we: – checked that the assigned pledge is available to confirm that the Group could realize collateral in order to recover the loan; – tested the controls over the automated sourcing of the market prices for financial assets pledged by the customers as collateral in order to ensure that up-to-date market values are used when estimating ECL; – tested the controls over the generation of credit excess list and shortfall reports to ensure that these reports were complete and accurate. In addition, we carried out the following procedures: – on sample basis, we inspected documents used in the valuation of unquoted collateral (e.g. independent valuation reports for mortgage loans and cash surrender value assessments for life insurance policies) in order to ensure that the reports were sufficiently current and that they supported Management's assessment regarding the sufficiency of collateral; – on a sample basis checked the loan tapes to ensure that loans with SICR indicators had been classified out of Stage 1; – reviewed credit excess list and shortfall reports to identify potentially underprovided loans. We performed the following procedures in respect of the two items requiring significant Management judgement: – We reviewed Management's scenario analysis and challenged their assessment about the recoverability of the advance with the net carrying value of CHF 119.0 million by analyzing the scenarios and reasonableness of the probabilities assigned against the statements obtained from external legal counsel and available documentation. We reviewed the legal opinions commissioned by Management on this matter and obtained confirmation letters directly from external legal counsels. – We reviewed the Management's impairment assessment for the loans secured with the LIPs.

Key audit matter	How our audit addressed the key audit matter
The Management used internal model and applied a number of judgments with respect to key assumptions (impact of CoI, life expectancy, mortality risk, credit risk of insurance carriers) when determining the recoverable amount. Also refer to Note 2 (h), Note 3 (i), Note 4 (b), Note 5 (b), Note 7, Note 27, Note 28.	This included review of the in-house valuation model for the LIPs that is derived from model used for other direct investment in LIPs and critically challenging the assumptions used. We found the approach of Management to be reasonable.
Valuation of investments in life insurance policies	
The Group holds life insurance policies ("LIPs") with carrying value of CHF 725.5 million which it classifies as financial assets at fair value through profit or loss (FVTPL). Management uses a mark-to-model approach for fair valuation of LIPs and related derivatives. This approach requires significant judgement with respect to (a) the choice of valuation models and (b) choice of estimates used in the models. Consequently, we considered this area to be a key audit matter. During 2015-2017 period, several insurance carriers notified the Group about increases in insurance premiums ("CoI"). These increases have attracted criticism from US Consumers Associations and regulators and the Group filed legal claims in dispute of these increases. The Group factored these increases into its assessment of the fair value of the LIPs by assuming that market participants would also take into consideration the legal dispute when determining the fair value. Management developed a number of discrete scenarios with the base case being relying on expert opinions. Based on the review of these scenarios, Management decided to assume premium increases for all policies subject to notification of increase by the insurance carriers, but at a rate significantly lower than that notified by the insurers. For LIPs with insurance carriers that have not notified CoI increase, the Group maintained the same estimates as in the previous year. *Also refer to Note 2 (a),(j), Note 3 (i), Note 5 (c), Note 30, Note 63 (c).*	In order to confirm the carrying value of the LIPs, we have, on a sample basis: – inspected the evidence for and re-performed the checklist filled by the Treasury Department to ensure that premium payments have been completely, timely and accurately made; – tested census data based on external confirmations obtained from servicers and custodians to ensure completeness of the LIP population; – tested premium payments against the output received from the servicers; – tested the death benefits collected in 2017 against relevant supporting documentation. Our procedures were supported by our own actuaries. We assessed the adequacy of the fair value model in light of IFRS 13 requirements and concluded that it was in line with the requirements of the Standard. We also reviewed the methodology for the models used, confirmed that the assumptions are correctly entered in the Group's model, and assessed whether the main assumptions used by Management are in line with historic experience or a market participant's view. We further checked and concluded that the assumptions and risk factors used in the model were consistent with the ones used by the life insurance industry for valuing LIPs. This included (a) assessing whether the use of 2015 VBT mortality table was appropriate, (b) review of the key assumptions (life expectancy, premiums, death benefits), and (c) checking mathematical accuracy of the model. We found the approach of Management to be reasonable.

Key audit matter	How our audit addressed the key audit matter
Provisions and contingent liabilities in respect of ongoing disputes and litigations	
We focused on this area because the Group is a defendant in a number of disputes where, as disclosed in Note 45 and Note 47, the amount of compensation claimed is significant and the impact of the cases on the financial statements depends on Management's judgement. Management, informed by the internal and external legal counsels, makes judgements about the probability of outcomes and magnitude of the liabilities arising from claims which are subject to the future outcome of legal processes. Per Note 45, as of 31 December 2017, the Group had recognised provisions of CHF 192.6 million for litigations and other claims. Also refer to Note 3 (o), Note 5 (g), Note 45, Note 47.	In view of the significant judgements required, we discussed the outstanding claims against the Group with Management (including in-house counsel), evaluated the Management's assessment of the nature and status of claims and sought additional evidence we considered appropriate. We examined the Management's conclusions with respect to the provisions and disclosures made for significant cases, both considering the correspondence between the Group and its external legal counsel and obtaining confirmation letters (with status and outlook of the case) directly from the external legal counsel. We further reviewed the disclosures for cases provided for (Note 45) and contingent liabilities (Note 47) to ensure that they were in line with the reports provided by the external legal counsels. We concluded that the judgements and disclosures made were reasonable.
Swiss pension obligations	
In Switzerland, the Group has defined benefit pension plans which, in aggregated, have plan assets with fair value of CHF 1,435.0 million and funded obligation with present value of CHF 1,602.2 million. The Swiss plans are considered to be defined benefit plans under IAS 19 due to a minimum guaranteed return in the Swiss pension legislation. The members of the plans are paid guaranteed level of pension for life at the minimum level required by the Swiss law. The valuation of the pension liabilities requires significant level of judgement and technical expertise in choosing appropriate assumptions. Therefore, in order to assist with this exercise, Management engaged an independent actuary who, in addition to carrying out the calculation for the defined benefit obligation, proposed the assumptions for Management to review and challenge. Changes in a number of the key assumptions (including discount rate, salary growth rate, pension growth rate	We assessed the adequacy of the methodology used by the actuary for estimating the present value of defined benefit obligation by reviewing it in light of IAS 19 requirements. We evaluated and challenged the key assumptions (discount rate, salary growth rate, pension growth rate and life expectancy) used by the actuary for the estimation of the defined benefit obligation by comparing them to the rates reported in relevant national and industry publications and internally developed benchmarks. We tested, on sample basis, the accuracy of the census data for the plan members by comparing the detailed listing of the covered staff, together with their key characteristics (age, gender, insured salary and type of pension coverage), used by the actuary against the records maintained by the HR department. We further tested that the listing used by the actuary was complete by checking that it contained all the staff which we randomly selected from the HR records.

Key audit matter	How our audit addressed the key audit matter
and life expectancy) can have a material impact on the calculation of the liability. In 2017, the Group recognised actuarial gains of CHF 82 million due to changes in these assumptions. Also refer to Note 3 (m), Note 5 (h) and Note 48.	We checked the disclosures for the retirement benefit obligation against the report produced by the actuary and concluded that the disclosures were appropriate. We concluded that Management had used reasonable assumptions and adequately complied with IAS 19 requirements.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the compensation report of EFG International AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers Ltd

Christophe Kratzer
Audit expert
Auditor in charge

Thomas Romer
Audit expert

Geneva, 27 February 2018

EFG International, Zurich
Parent Company Financial Statements

for the year ended 31 December 2017

Income statement for the year ended 31 December 2017
EFG International, Zurich

	Note	**Year ended 31 December 2017 CHF millions**	Year ended 31 December 2016 CHF millions
Income			
Interest income from subsidiaries		33.4	26.1
Income from subsidiaries	14	57.0	38.3
Other income	15	516.4	
Total income		**606.8**	64.4
Expenses			
Staff expenses		(13.3)	(9.3)
Operating expenses	16	(41.6)	(50.4)
Interest expenses on subordinated debt		(1.4)	(0.4)
Interest expenses paid to subsidiaries		(1.3)	(0.6)
Foreign exchange losses		(2.1)	(21.0)
Impairment of investments in subsidiaries	8	(293.5)	(187.7)
Other provisions			(0.4)
Increase in provision for guarantees	17	(29.6)	(15.0)
Total expenses		**(382.8)**	(284.8)
Net profit before tax		**224.0**	(220.4)
Tax expense		(1.6)	(1.7)
Net profit/(loss) for the period		**222.4**	(222.1)

Balance sheet as at 31 December 2017
EFG International, Zurich

	Note	Year ended 31 December 2017 CHF millions	Year ended 31 December 2016 CHF millions
Assets			
Due from subsidiaries		64.4	27.7
Other assets		10.1	278.8
Current assets		**74.5**	**306.5**
Investments in subsidiaries		1,742.5	1,329.7
Subordinated loans to subsidiaries		462.5	476.5
Non-current assets		**2,205.0**	**1,806.2**
Total assets		**2,279.5**	**2,112.7**
Liabilities			
Due to subsidiaries		468.4	453.7
Accrued expenses and deferred income		15.2	12.5
Other liabilities		0.5	1.3
Current liabilities		**484.1**	**467.5**
Subordinated debt	7		31.2
Provisions	17	364.3	334.7
Non-current liabilities		**364.3**	**365.9**
Total liabilities		848.4	833.4
Equity			
Share capital	12	144.9	143.7
Non-voting equity securities (Participation certificates)	12	0.2	0.2
Legal reserves		2,276.3	2,348.1
of which Reserve from capital contributions	*18*	*2,276.0*	*2,347.9*
of which Reserve for own shares from capital contributions		*0.3*	*0.2*
Retained earnings	19	(1,212.7)	(990.6)
Net profit / (loss) for the period		222.4	(222.1)
Total shareholders' equity		**1,431.1**	**1,279.3**
Total shareholders' equity and liabilities		**2,279.5**	**2,112.7**

Notes to the financial statements EFG International, Zurich

1. General information

EFG International AG is incorporated and domiciled in Switzerland. Its registered office is at Bleicherweg 8, 8022 Zurich.

2. Accounting policies

The EFG International AG standalone financial statements are prepared in accordance with the principles of the Swiss Law on Accounting Law (art. 957 to 963b of the Swiss Code of Obligations). As the Group is preparing its consolidated financial statements in accordance with IFRS, EFG International AG (standalone) is exempt from various disclosures in the standalone financial statements.

The standalone financial statements of EFG International AG are presented in CHF, its functional currency. Assets and liabilities denominated in foreign currencies are converted at rates of exchange prevailing at year end, which are presented in note 2c) of the consolidated financial statements.

Investments in subsidiaries

Investments in subsidiaries are equity interests and are directly held subsidiaries through which EFG International conducts its business on a global basis. They are measured individually and carried at historical cost less any impairments.

Provisions

Provisions are recognised when:

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

3. Contingent liabilities

EFG International AG has entered into several guarantee agreements mainly with subsidiaries which could theoretically lead to potential obligations of CHF 4,265 million (2016: CHF 4,077 million). Included in this amount is CHF 3,276 million (2016: CHF 2,796 million) related to structured products issued by a fellow subsidiary company (which does not have a stand-alone credit rating) and are guaranteed by EFG International AG (which does have a credit rating). The risks related to these liabilities of the subsidiary are fully hedged by the subsidiary and are fully collateralised in the subsidiary by equal valued assets (primarily cash deposits).

4. Balance sheet assets with retention of title to secure own obligations

There are no such assets.

5. Off-balance sheet obligations relating to leasing contracts

There are no such obligations.

6. Liabilities relating to pension plans and other retirement benefit obligations

There are no such liabilities.

7. Subordinated debt

	Weighted average interest rate %	Due date	31 December 2017 CHF millions	31 December 2016 CHF millions
BTGP-BSI Limited, London				
CHF 31'202'000	7.53% p.a.	not applicable		31.2
Total			**–**	31.2

This comprised Perpetual Tier 1 Subordinated Notes bearing interest at 7.53% p.a. fixed until the first optional call date of 31 October 2021. Thereafter the interest rate will be set at the beginning of each 5 year period. The repayment of this debt is subject to conditions, including the prior approval of the regulator, and no 'write-down trigger event' having occurred. On 17 August 2017, the Group purchased from BTGP-BSI limited all Tier 1 Notes outstanding.
The AT1 redemption price amounts to CHF31,202,000

8. Principal participations

The company's principal participations are shown in the note 35, to the consolidated financial statements.

In the current year the company impaired the carrying value of investments in subsidiaries by CHF (293.5) million (2016:CHF (187.7) million) where capital was invested in subsidiaries with net asset values below the carrying value of the subsidiaries. The existing carrying value is still below its original acquisition cost.

9. Release of undisclosed reserves

During the period, no undisclosed reserves were released (2016: nil).

10. Revaluation of long-term assets to higher than cost

There was no such revaluation.

11. Own shares held by the company and by Group companies

At 31 December 2017, 40,223 registered shares (2016: 31,011) and 750 (2016: 750) Bons de Participation "B" were held by subsidiaries. See note 50.3 of the consolidated financial statements.

12. Share capital

	31 December 2017 CHF millions	31 December 2016 CHF millions
289,717,268 (2016: 287,356,661) registered shares at the nominal value of CHF 0.50	144.9	143.7
13,382 (2016: 13,382) Bons de Participation "B" at the nominal value of CHF 15.00	0.2	0.2
Total share capital	**145.1**	143.9

Conditional share capital
The share capital may be increased by a maximum of CHF 1,681,158 (2016: CHF 1,611,461) by issuing up to 3,362,316 (2016: 3,222,923) fully paid up registered shares with a face value of CHF 0.50 each through the exercise of option rights granted to officers and employees at all levels of the company and its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the option rights.

The share capital may be increased by a maximum of CHF 10,000,000 by issuing up to 20,000,000 fully paid up registered shares with a face value of CHF 0.50 each through the exercise of conversion and/or option rights granted in connection with the issuance of newly issued convertible debentures with option rights or other financing instruments by the company or one of its group companies. The preferential subscription rights of the shareholders and participants are excluded in favor of the holders of the conversion and/or option rights.

Authorised share capital
The Board of Directors is authorised, at any time until 28 April 2018, to increase the share capital by a maximum of CHF 2,390,131 by issuing up to 4,780,262 fully paid up registered shares with a face value of CHF 0.50 each. Increases by firm underwriting, partial increases, as well as increases by way of conversion of own free funds are permitted.

13. Significant shareholders

The significant shareholders and groups of shareholders, whose participation exceed 5% of all voting rights are:

	31 December 2017		31 December 2016	
	Shares	**Participation of %**	Shares	Participation of %
EFG Bank European Financial Group SA, Geneva	126,874,865	43.8%	126,874,865	44.2%
BTGP-BSI Limited, London	79,378,609	27.4%	86,178,609	30.0%

EFG Bank European Financial Group SA is controlled by the Latsis Family interests through several intermediate parent companies. BTGP-BSI Limited is a wholly-owned subsidiary of Banco BTG Pactual SA, Rio de Janeiro, a bank listed on the BOVESPA Sao Paulo Stock Exchange in Brazil.

14. Income from subsidiaries

Income from subsidiaries consists of the following:

	31 December 2017 CHF millions	31 December 2016 CHF millions
Dividends	16.1	
Royalties	3.6	14.1
Management service fees	3.5	1.0
Administrator fees	19.0	15.5
Other services	14.8	7.7
Total	**57.0**	38.3

15. Other income

Other income consists of the following:

	31 December 2017 CHF millions	31 December 2016 CHF millions
Dividend from subsidiary	1,195.0	
Less decrease in net asset value of subsidiary	(682.1)	
Gain recognised from subsidiary	**512.9**	–
Other income	3.5	
Total	**516.4**	–

16. Operating expenses

Operating expenses consist of the following:

	31 December 2017 CHF millions	31 December 2016 CHF millions
Costs of share issuance in a subsidiary		(17.6)
Acquisition related expenses	(15.3)	(17.1)
Other operating expenses	(9.9)	(10.5)
Services provided by subsidiaries	(16.4)	(5.2)
Total	**(41.6)**	(50.4)

17. Provisions for guarantees

Guarantees of CHF 953.7 million were provided to subsidiaries (2016: CHF 924.8 million), related to loans to other Group companies. Based on the net realisable assets of these Group companies, a potential liability of CHF 364.3 million (2016: CHF 334.7 million) exists at year end, assuming the guarantees are called.

	31 December 2017 CHF millions	31 December 2016 CHF millions
Increase in provision for guarantees	(52.7)	(26.4)
Release of provision for guarantees	62.9	11.4
New provision for guarantee covering loans collateralized by life insurance policies	(39.8)	
Total	**(29.6)**	(15.0)

18. General legal reserve

In 2017 a dividend distribution of CHF 71.9 million (2016: CHF 38.0 million) has been paid from the Reserve from capital contributions representing CHF 0.25 per registered share (2016: CHF 0.25 per registered share).

19. Retained earnings

	31 December 2017 CHF millions	31 December 2016 CHF millions
At 1 January	(990.6)	(990.6)
Net result of prior period	(222.1)	
Transfer from Reserve from capital contributions for dividend payment	71.9	38.0
Dividend paid	(71.9)	(38.0)
At 31 December	**(1,212.7)**	(990.6)

20. Proposed appropriation of available earnings

The Board of Directors proposes, subject to the approval of the General Meeting of Shareholders, to carry forward the profit of the year of CHF 222.4 million as cumulative negative retained earnings and to proceed to a distribution to shareholders of CHF 0.25 per share, which will amount to a total distribution of CHF 72.4 million. The Board of Directors proposes to fully charge the proposed distribution for 2017 of CHF 0.25 per share to the balance sheet item 'Reserve from capital contributions'. Subject to the adoption of this proposal by the General Meeting of Shareholders, such distribution will not be subject to the Swiss withholding tax.

21. Risk management

See notes 4 to 7 of consolidated financial statements.

22. Compensation of Board of Directors and Executive Committee

(i) Compensation year ended 2017

	Fixed compensation (1)		Variable compensation (2)		Other compen-sation	Social charges (4)	Total
	Cash	RSUs	Cash bonus	RSUs (3)			2017
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
Board of Directors							
John A. Williamson, Chair	1,000,000					149,475	1,149,475
Niccolò H. Burki, Vice-Chair	256,667	30,000				14,453	301,120
Susanne Brandenberger, member	231,667	30,000				45,498	307,165
Emmanuel L. Bussetil, member (5)							–
Erwin R. Caduff, member*	50,000					2,676	52,676
Michael N. Higgin, member**	329,347	30,000				24,831	384,178
Roberto Isolani, member	83,334	30,000				18,046	131,380
Steven M. Jacobs, member	100,000	30,000				21,640	151,640
Spiro J. Latsis, member (5)							–
Périclès Petalas, member (5)							–
Bernd-A. von Maltzan, member***	267,133	30,000				9,030	306,163
Daniel Zuberbühler, member	141,667	30,000				7,525	179,192
Total Board of Directors	**2,459,815**	**210,000**	**–**	**–**	**–**	**293,174**	**2,962,989**
Executive Committee							
Total Executive Committee**(6)**	**9,319,377**	**–**	**4,911,332**	**8,066,999**	**16,094**	**1,416,518**	**23,730,320**
of which highest paid:							
Joachim H. Straehle, CEO EFG International	1,600,007		1,100,000	1,650,000		167,751	4,517,758

* Left in April 2017
** Includes UK subsidiary Board of Directors' fees
*** Includes Luxembourg subsidiaries Board of Directors' fees
**** Including members of the Executive Committee who joined and left in 2017. For those members, the compensation disclosed represents the amounts received as Executive Committee members.

Notes
1 Including employees' contributions for social charges.
2 Subject to approval by the shareholders at the Annual General Meeting 2018.
3 The amount represents the value of RSUs to be granted in 2018. For specific valuation of the Employee Equity Incentive Plans, refer to note 62 of the consolidated financial statements.
4 Employer social charges of the Executive Committee of CHF 1,416,518 include an amount of CHF 729,370 of pension contributions.
5 No compensation has been paid to this member of the Board of Directors.
6 The Annual General Meeting 2017 has approved a maximum aggregate fixed compensation for all members of the Executive Committee for the business year 2017 of CHF 13,900,000. The table above shows that the total fixed compensation paid to the members of the Executive Committee in 2017 has not exceeded that amount.

No compensation has been granted to related parties of members of the Board of Directors and the Executive Committee.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for banking transactions executed in-house (EFG Bank AG) that are available to all employees of the EFG International Group.

(ii) Compensation year ended 2016

	Fixed compensation (1)	*Variable compensation (2)*		Other compen-sation	Social charges (4)	Total
	Cash	Cash bonus	RSUs (3)			2016
	CHF	CHF	CHF	CHF	CHF	CHF
Board of Directors						
John A. Williamson, Chair (5)	1,209,335				194,224	1,403,559
Niccolò H. Burki, Vice-Chair	276,668				15,739	292,407
Susanne Brandenberger, member	160,001				34,580	194,581
Emmanuel L. Bussetil, member (6)						–
Erwin R. Caduff, member	150,001				8,068	158,069
Robert Y. Chiu, member*	41,667				2,184	43,851
Michael N. Higgin, member**	300,919				23,099	324,018
Roberto Isolani, member*** (6)						–
Steven M. Jacobs, member*** (6)						–
Spiro J. Latsis, member (6)						–
Périclès Petalas, member (6)						–
Bernd-A. von Maltzan, member	150,001				8,068	158,069
Daniel Zuberbühler, member	130,000				6,855	136,855
Total Board of Directors	**2,418,592**	**–**	**–**	**–**	**292,817**	**2,711,409**
Executive Committee						
Total Executive Committee******	**7,219,723**	**–**	**4,360,504**	**75,098**	**1,124,866**	**12,780,191**
of which highest paid:						
Joachim H. Straehle, CEO	1,600,007		700,000		192,741	2,492,748

* Left in April 2016
** Includes UK subsidiary Board of Directors' fees
*** Joined in October 2016
**** Including members of the Executive Committee who joined and left in 2016. For those members, the compensation disclosed represents the amounts received as Executive Committee members.

Notes
1 Including employees' contributions for social charges.
2 Approved by the shareholders at the annual general meeting 2017.
3 The amount represents the value of RSUs granted in 2017. For specific valuation of the Employee Equity Incentive Plans, refer to note 62 of the consolidated financial statements.
4 Employer social charges of the Executive Committee of CHF 1,124,866 include an amount of CHF 465,279 of pension contributions.
5 This member of the Board of Directors received a fixed compensation based on his former compensation package as CEO of EFG International for the first four months of 2016 (until Annual General Meeting 2016).
6 No compensation has been paid to this member of the Board of Directors.

No compensation has been granted to related parties of members of the Board of Directors and the Executive Committee.

Members of the Board of Directors and the Executive Committee benefit from the same preferential conditions for banking transactions executed in-house (EFG Bank AG) that are available to all employees of the EFG International Group.

(iii) Loans and credits

	2017 CHF	2016 CHF
Executive Committee		
Maurizio Moranzoni, Head of Global Markets (highest amount granted to an individual member of the Executive Committee)	2,763,111	2,633,224
Other members of the Executive Committee	1,918,396	5,147,663
Total Executive Committee	**4,681,507**	7,780,887

There were no loans and credits to members of the Board of Directors outstanding at the end of the year 2017 (2016: nil). In 2017 the loans and credits granted to related parties of members of the Board of Directors and Executive Committee and Executive Committee by EFG International and its subsidiaries amounted to a total of CHF 25,611,988 (2016: nil).

(iv) Shareholdings
At 31 December 2017 the following shareholdings were held by the Board of Directors and the Executive Committee and closely linked parties.

	Shares 2017	Shares 2016	2017 Vested RSUs	2017 Granted RSUs	2016 Vested RSUs	2016 Granted RSUs
Board of Directors						
John A. Williamson, Chair	319,657	277,255	120,489	147,980	69,794	256,867
Niccolò H. Burki, Vice-Chair				6,115		
Susanne Brandenberger				6,115		
Emmanuel L. Bussetil						
Erwin R. Caduff*		11,500				
Michael N. Higgin				6,115		
Roberto Isolani				6,115		
Steven M. Jacobs				6,115		
Spiro J. Latsis**	126,874,865	126,874,865				
Périclès Petalas						
Bernd-A. von Maltzan				6,115		
Daniel Zuberbühler				6,115		
Total Board of Directors	**127,194,522**	127,163,620	**120,489**	**190,785**	69,794	256,867

* Left in 2017
** Total number of shares controlled by the Latsis family interests
*** Joined in 2017

	Shares 2017	Shares 2016	2017 Vested RSUs	2017 Granted RSUs	2016 Vested RSUs	2016 Granted RSUs
Executive Committee						
Total Executive Committee	**479,008**	340,332	**636,061**	**1,585,035**	388,807	974,998
Joachim H. Straehle						
Piergiorgio Pradelli	43,974					
Mark Bagnall						
Adrian Kyriazi						
Peter Fischer						
Albert Chiu	434,169	340,332				
Anthony Cooke-Yarborough	865					
Maurizio Moranzoni						
Renato Cohn						
Reto Kunz						
Marcelo Coscarelli***						
Vittorio Ferrario***						
Franco Polloni***						
Gérald Robert*						
Renato Santi*						

* Left in 2017
** Total number of shares controlled by the Latsis family interests
*** Joined in 2017

The members of the Executive Committee have been granted 1,585,035 restricted stock units which are currently subject to vesting criteria (2016: 974,998 restricted stock units). These would vest in the period 2018 to 2020.

23. Post balance sheet events

There were no significant events after 31 December 2017 that are not included above and would require disclosure.

Report of the statutory auditor
to the General Meeting of
EFG International AG
Zurich

Report on the audit of the financial statements

Opinion
We have audited the financial statements of EFG International AG, which comprise the balance sheet as at 31 December 2017, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 238–248) as at 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach
Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 11'200'000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 300,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Christophe Kratzer Audit expert Auditor in charge	Thomas Romer Audit expert

Geneva, 27 February 2018

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Forward looking statements

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