Annual Report 2016

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 2016, EFG International completed the acquisition 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 (44.2% stake) and BTG Pactual (30.0%).

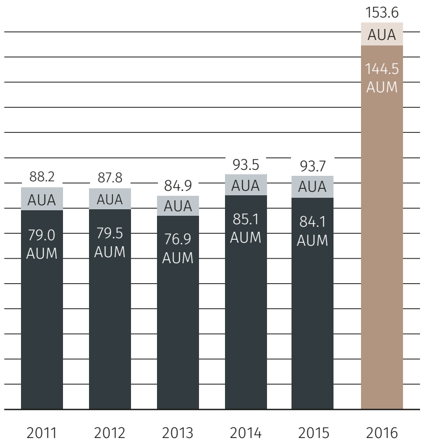
As a leading Swiss private bank, EFG International has a presence in major financial centres and growth markets. It has strong roots in Switzerland, with Zurich, Geneva and Lugano serving as key hubs for the governance and operation of the bank. EFG International operates in around 40 locations worldwide,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

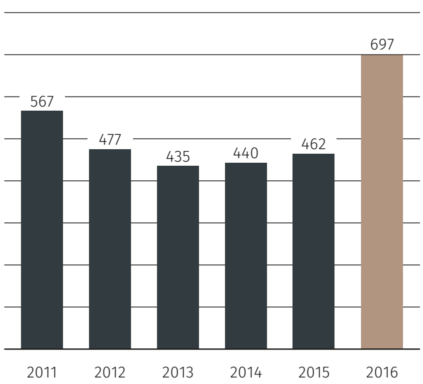
EFG INTERNATIONAL PERFORMANCE EVOLUTION

AUM and AUA

in CHF billions

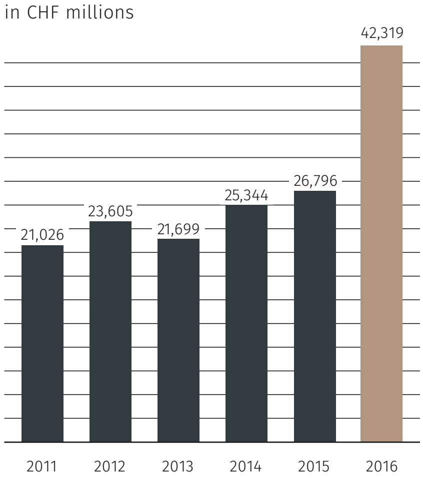


Client Relationship Officers (CROs)



Total Balance Sheet

in CHF millions



EFG INTERNATIONAL FINANCIAL HIGHLIGHTS

in CHF millions	31 December 2016
Income	
IFRS net profit	339.3
IFRS net profit attributable to ordinary shareholders	339.2
Underlying recurring net profit*	91.1
Operating income	722.0
Cost/income ratio	95.0%
Balance Sheet	
Total Assets	42,319
Shareholders, Equity	2,257
Market Capitalisation	
Share Price (in CHF)	6.16
Market Capitalisation (ordinary shares)	1,770
Regulatory Capital	
Total Regulatory Capital	2,470
Total Capital Ratio (Swiss GAAP Basel III, fully applied)	20.0%

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

Personnel	
Total number of CROs	697
Total number of employees (Fte's)	3,572

Listing

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

Ticker Symbols	
Reuters	EFGN.S
Bloomberg	EFGN SW

* *Excluding impact of non-recurring items.*

CONTENTS

Editorial Chairman and CEO

John A. Williamson, Joachim H. Straehle

Dear shareholders, dear clients,

In 2016, EFG International reached an important milestone in its history with the acquisition of BSI. As a result of this transformational step, we are today one of the largest Swiss private banks with almost CHF 145 billion of Assets under Management. While focusing on completing the transaction and driving forward with the integration process, we have maintained our underlying profitability in a challenging operating environment thanks mainly to the disciplined execution of our cost reduction programme. Our priority for the coming years is to fully realize the potential of this business combination for the benefit of our clients, shareholders and employees.

The start of 2017 signalled the beginning of a new and exciting era for our bank. However, it was also marked by an event that deeply saddened all of us at EFG: On 18 February 2017, our Honorary Chairman Jean Pierre Cuoni passed away in his 80th year. As co-founder of EFG Bank and its Chairman from 1997 to 2015, Jean Pierre Cuoni was the 'spiritus animus' of our company. He will be remembered for his vision and energy and for the extraordinary contribution he made to the development of EFG over the last two decades.

ON TRACK WITH THE INTEGRATION OF BSI

Since we announced the closing of the BSI acquisition on 1 November 2016, we have moved ahead swiftly with the integration process and have already reached a number of milestones. After BSI in Singapore in November 2016, BSI in Hong Kong was fully integrated into EFG in March 2017, which means the integration process in Asia as one of our key regions is now complete. It is planned that the integration of BSI's Swiss business will take place in the course of April, and the remaining BSI entities are also expected to be integrated in the second quarter of 2017, earlier than anticipated. In the final phase of the process, the migration of BSI to EFG's IT platform is due to be completed by end-2017.

As previously announced, our combined group is targeting annual pre-tax cost synergies of approximately CHF 240 million, which should be fully realized in 2019.

Going forward, we will focus on delivering against the key pillars of the growth strategy we have defined for our combined group. In particular, we will focus on realizing the current competitive strengths of our business in the high-net-worth individual (HNWI) core private banking segment and on strengthening our existing locations as part of our enhanced global network. At the same time, we will offer an extensive range of wealth management products and services through a flexible open architecture platform and increased penetration of investment solutions. While doing so, we will continue to draw on our entrepreneurial spirit and the high level of experience and continuity among our Client Relationship Officers (CROs) in order to differentiate our business from our peers. We aim to implement our growth strategy while maintaining a strong capital position and a low risk profile.

2016 PERFORMANCE REFLECTS BSI ACQUISITION AND CHALLENGING MARKETS

In a challenging environment with volatile markets and heightened economic and political uncertainty, EFG posted underlying operating income on a standalone basis (excluding BSI, non recurring items and life insurance) of CHF 677.8 million in 2016. This decline from CHF 696.6 million in 2015 was mainly driven by a decrease in underlying net commission due to lower levels of client activity, as well as the GBP depreciation (affecting 15% of total commissions) following the Brexit vote. EFG standalone underlying revenue margin was 84 bps, compared to 85 bps in 2015.

EFG standalone underlying operating expenses decreased to CHF (556.8) million in 2016 from CHF (588.0) million in the previous year, as we exceeded the targets of the cost reduction programme we initiated in 2015. Standalone underlying personnel expenses were down 6% year on year, while underlying other operating expenses declined by 4%. EFG standalone underlying cost/income ratio improved to 82.7% in 2016 from 83.8% in 2015.

EFG standalone underlying net profit was CHF 91.1 million[1] in 2016, in line with the previous year. Including the BSI IFRS net loss of CHF (8.8) million for November and December 2016, EFG IFRS net profit for 2016 was CHF 339.3 million, compared to CHF 57.1 million in 2015.

STRONG CAPITAL AND LIQUIDITY POSITION

EFG's capital position further improved in connection with the BSI acquisition, with a Swiss GAAP Common Equity Ratio (CET1) of 18.2% and a Total Capital Ratio of 20.0% at end-2016. EFG has a strong and liquid balance sheet, with a Liquidity Coverage Ratio of 210% and a Loan/Deposit Ratio of 52% at end-2016.

TARGETS OF EFG STANDALONE COST REDUCTION PROGRAMME EXCEEDED

In 2016, we continued to focus on implementing the cost reduction programme we initiated in 2015 and we exceeded our targets. EFG's standalone underlying cost base in the second half of 2016 was CHF (264.3) million, down CHF 32.7 million or 11% compared to the prior-year period. It was also CHF 9.7 million below the target level communicated with the first-half 2016 results.

The number of employees (full-time equivalents, FTEs) at EFG on a standalone basis was 1,959 at end-2016, down 10% versus the peak in September 2015, when the cost-reduction programme started, and below the previously communicated end-2016 target of 1,990. Including BSI, the total number of EFG FTEs was 3,572 at end-2016.

1 *This figure excludes the following non-recurring items: CHF 530.8 million contribution from "IFRS bargain gain" on the BSI acquisition, subject to the final purchase price adjustment process; CHF (170.5) million post-tax EFG intangible impairment charge relating to past acquisitions; CHF (35.8) million of costs relating to the acquisition and integration of BSI; CHF (21.9) million negative contribution from life insurance; CHF (18.0) million of exceptional legal charges in connection with previously disclosed and other matters; CHF (19.7) million of one-off Tier 2 amortization costs; CHF (6.9) million of costs related to EFG's standalone cost savings programme; and CHF (1.0) million other costs.*

CRO DEVELOPMENT

As a result of ongoing performance management and cost control measures, the number of EFG standalone CROs declined from 462 at end-2015 to 389[2] at end-2016. Average Assets under Management per EFG standalone CRO increased to CHF 224 million (excluding CROs newly hired during 2016) from CHF 180 million in the previous year. Including BSI, the number of CROs totalled 697 at 31 December 2016.

DEVELOPMENT OF NET NEW ASSETS AND ASSETS UNDER MANAGEMENT

EFG standalone net new assets totalled CHF (0.5) billion in 2016, compared to CHF 2.4 billion in the previous year. Net new asset generation was impacted in particular by challenging conditions in Asia, where EFG saw net asset outflows of CHF (1.8) billion over the year, mainly driven by client deleveraging and regularization. In 2016, Asia nevertheless achieved record pre-provision profit, with an increase of 55% year on year. The UK continued to deliver strong net new asset growth of 8% with net asset inflows of CHF 1.6 billion, and it further increased pre-provision profit by 4%. Net new asset generation remained robust in Continental Europe at CHF 0.6 billion and was flat in Switzerland. The Americas region recorded net asset outflows of CHF (0.7) billion in 2016, driven by continued difficult market conditions and tax amnesty programmes during the period, while pre-provision profit increased by 10%.

EFG standalone revenue-generating Assets under Management were CHF 82.2 billion at end-2016, versus CHF 83.3 billion at end-2015. This decrease reflects a negative net effect from acquisitions and disposals of CHF (0.4) billion, negative currency effects of CHF (1.3) billion, market effects of CHF 1.2 billion and net asset outflows of CHF (0.5) billion.

BSI revenue-generating Assets under Management were CHF 62.3 billion at end-2016, versus CHF 67.0 billion at closing on 31 October 2016. This decrease primarily reflects net new asset attrition of CHF (3.4) billion driven by business decisions to exit certain clients and locations as well as year-end regularization, and net outflows of CHF (1.5) billion due to other business reasons.

Overall, EFG revenue-generating Assets under Management totalled CHF 144.5 billion at end-2016.

ORDINARY DIVIDEND

The payment of a dividend of CHF 0.25 per share (free of withholding tax) will be proposed to the Annual General Meeting of 28 April 2017. This is unchanged from the dividend distributed in the previous year.

RENEWED BRAND

We have developed a new brand positioning and design for the combined business since the closing of the transaction. We plan to roll it out in the course of the integration of BSI's Swiss business in the second quarter of 2017. As previously announced, the combined group will follow a single brand strategy globally by building on the existing EFG name and combining the corporate values and visual identity of both EFG and BSI to create a new and contemporary design.

2 *Includes decrease of 11 CROs due to the deconsolidation of the UK IFA business in September 2016.*

OUTLOOK

In 2017, our main focus at EFG International will be on successfully completing the integration of BSI while, at the same time, stabilizing and giving new impetus to the acquired business. We will also seek to capitalize on our attractive franchise and new brand by selectively hiring high-quality CROs and teams.

Following the completion of the integration process, our ambition as a combined group is to further improve our competitive position as a top-tier Swiss private bank, to capture the significant potential for economies of scale, and to deliver sustainable growth.

COMMITTED TO OUR MEDIUM-TERM TARGETS

We are committed to the previously communicated medium-term targets for the enlarged business, which will apply after completion of the BSI integration. First, we aim to continually grow our revenue-generating Assets under Management with a target annualized growth rate averaging 3% to 6%, excluding the effects of market and FX movements. Second, we are targeting a cost/income ratio of below 70%, excluding integration and restructuring costs relating to the acquisition. Third, we aim to achieve an annual revenue margin of at least 85 bps.

As a combined group, we look forward to working towards these goals as we drive our business forward. We would like to thank our clients and shareholders for the trust they have placed in us. We also wish to express our gratitude to our employees around the globe for their continued hard work and dedication.

John A. Williamson,
Chairman of the Board

Joachim H. Straehle,
Chief Executive Officer

International Presence

On-site

EFG is globally oriented, with access to the kind of local knowledge that is critical for client support.

Worldwide, close to you
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 handles 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 Lyford Cay
Bermuda	Hamilton
Cayman Islands	Grand Cayman
Chile	Santiago
Colombia	Bogotá
Panama	Panama
Peru	Lima City
Uruguay	Montevideo Punta del Este
USA	Miami

Locations show combined EFG/BSI presence.

Europe

Channel Islands	Guernsey Jersey
Cyprus	Nicosia
France	Paris
Greece	Athens
Italy	Milano Como Genoa
Liechtenstein	Vaduz
Luxembourg	Luxembourg
Monaco	Monte Carlo
Spain	Madrid

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

Middle East

Bahrain	Manama

Asia

China	Shanghai
Hong Kong	Hong Kong
Indonesia	Jakarta
Singapore	Singapore
Taiwan	Taipei

Financial Review

Piergiorgio Pradelli
Deputy CEO & Chief Financial Officer

The financial year 2016 was characterized by the acquisition of BSI SA Group, which was signed on 21 February 2016. Following a Rights Issue in May 2016 and the completion of the regulatory approval process, the acquisition closed on 31 October 2016.

The combined banking Group has Revenue-generating Assets under Management (AUM) at end-2016 of CHF 144.5 billion, and a total balance sheet in excess of CHF 42 billion, firmly placing EFG as one of the largest private banks in Switzerland.

The acquisition of BSI SA Group is financially attractive. On one hand, we have paid a consideration lower than the Tangible Book Value with an implied P/TBV of 0.65X. The positive effects of the BSI acquisition led to a IFRS profit of CHF 339.3 million.

The size of the combined Group will allow us to realize economies of scale and synergies which will materialize in 2017 and 2018 in the wake of the integration process. In November 2016 we migrated BSI Singapore, and in March 2017 BSI Hong Kong, onto the existing EFG platform; so Asia is the first business region where we can consider the integration completed as planned. Furthermore, we commenced the legal restructuring of the Group. The integration is now well underway in all other jurisdictions, with the majority of the key steps scheduled into 2017.

The outflow of AUM from the BSI franchise has continued after Closing, with a decreasing trend. Besides the unsolicited client attrition which continued, albeit at a slower pace, following the events which affected BSI in the first half of 2016, additional AUM outflows were due to the exit strategy decided for Panama and partially for the Bahamas, as well as due to the CRO team departures in Asia.

In 2016 EFG continued with the implementation of the cost reduction programme announced in November 2015. We set out to achieve annual cost savings of CHF 30 million per annum. We comfortably exceeded this objective, whilst continuing to selectively recruit new CRO's, albeit applying more stringent criteria. Furthermore, we over-achieved the targets set in July 2016 to reduce the headcount below 1,990 and reduce the cost base for the second half of 2016 below CHF 274 million.

Underlying core business was broadly stable year-on year, with an underlying profit of CHF 91.1 million achieved on the comparable EFG businesses we had at end of 2015. This was in the context of the unpredictable market environment we experienced and headwinds that Swiss Private Banking continues to face. In addition, we had to manage the additional challenges that the BSI acquisition entailed, coupled with the execution of the cost cutting programme as mentioned above.

Following the Rights Issue in May 2016, the payment of part of the BSI purchase price in equity instruments, and the strict control of risk weighted assets; the Group's regulatory capital ratios ended the year in a healthy position, with a Total Capital Ratio of 20.0%, a Core Equity Tier 1 of 18.2% and a Leverage Ratio of 5.1%. These are calculated for the first time this year using Swiss GAAP – in line with our two main Swiss subsidiaries and many of our peers.

FACTORS AFFECTING RESULTS OF OPERATIONS

We started the year with CHF 83.3 billion of AUM and ended with CHF 144.5 billion. The BSI acquisition increased our AUM by CHF 67.0 billion at end of October, from which date we consolidated the acquired businesses. Over the course of the year we had CHF (0.5) billion of negative net new assets from the EFG businesses we owned at the beginning of the year, primarily due to clients de-leveraging their portfolios. Larger negative net new assets of CHF (4.9) billion arose from the BSI businesses acquired. These BSI businesses had experienced significant AUM decreases over the course of 2016, due in no small part to the publicly known Malaysian case, which led to the decision and announcements of the Swiss and Singapore regulators in May 2016 to levy a penalty and disgorge the profits BSI generated from this business prior to our acquisition of BSI. This news had a large negative impact on clients, with numerous departures continuing throughout 2016. This attrition continued in the first few months of our ownership and is reflected in the negative net new assets experienced in November/December of CHF (4.9) billion. The disposal of businesses and net positive market and currency effects had an overall offsetting impact on AUM of CHF (0.3) billion.

IFRS profit attributable to owners of the Group at CHF 339.3 million was positively impacted by the BSI acquisition, and reflects an Underlying profit of CHF 82.3 million (which includes the operating results of the BSI business for the last two months of the year of CHF 8.8 million) and Non-underlying profits of CHF 257.0 million.

The underlying profits were CHF 82.3 million, of which CHF 91.1 million arose from the existing EFG businesses (stable year on year), whilst the inclusion of the BSI business for the final two months of 2016 resulted in underlying losses of CHF (8.8) million.

The Non-underlying profit of CHF 257.0 million was positively impacted by the BSI acquisition, specifically the "Bargain purchase on business acquisition" of CHF 530.8 million we recorded. This reflects the difference between what we believe will be the final purchase price for the business and the fair value of the net assets acquired on 31 October. The profit arising on the acquisition may ultimately change as we finalise the purchase price with the seller, in line with the terms of the Sale and Purchase Agreement and the seller has raised objections to the proposed price adjustments (see Note 31 to the consolidated financial statements). Any conclusions that may be reached by an independent expert on potential unresolved asset valuations may have an impact on the final profit we realise. This process is not yet completed and the impact of any adjustments that may arise, on the amounts recorded at the date of acquisition and included in the financial statements, is not known. However, based on presently available information and assessments, any eventual impact on the Group's regulatory capital is not expected to be material.

In addition, related to the acquisition and financing of the transaction, we incurred CHF 35.6 million of acquisition related costs (CHF 17.6 million through equity for share issue costs and CHF 18.0 million through the Income Statement for direct acquisition related costs), as well as CHF 17.8 million of integration project costs. We estimate the acquisition and integration costs for BSI to total CHF 250 million upon completion of the integration in 2018, while cost synergies are estimated to exceed CHF 240 million per annum. A large portion of these cost synergies will arise from migrating the BSI businesses onto the EFG IT platform and from economies of scale in other areas of operations, management or governance functions.

Included in the Non-underlying profit we recorded CHF 199.5 million of intangible asset impairments related to acquisitions done in prior years. After tax this had a CHF 170.5 million impact.

The Group's life insurance portfolio drove a loss of CHF 21.9 million reflected in the Non-underlying profit. This primarily reflects certain mark to market losses incurred as a result of three life insurance carriers increasing their cost of insurance, which increases the ongoing premiums we have to pay on the policies. We believe these large increases by the insurance carriers are extraordinary and unprecedented, and as a result have initiated legal action against all three insurance carriers who have introduced these unjustified increases; with the objective to have the increases rescinded and to be refunded the "excess premiums" we have paid.

The Non-underlying profit also includes CHF (18.0) million of legal costs and provisions, CHF (6.9) million of one off costs to achieve the cost reduction plan and CHF (19.7) million of accelerated amortisation of interest costs related to the EUR 67.6 million Tier 2 capital instrument we called in late 2016 and repaid in January 2017 (on the first possible repayment date).

We ended the year with 697 CROs, of which the 308 CROs in BSI and 389 in the EFG business comparable to the end of 2015, a decline of 73 from the 462 we had at the end of 2015. This decline of 73 reflected the extensive cost reduction programme in the year and strict performance management, as well as raising the bar on recruitment standards, targeting only the more experienced CROs. This approach resulted in the "Class of 2016" comprising only 26 at the end of the year.

CONSOLIDATED FINANCIALS

Operating income was CHF 722.0 million, compared to CHF 696.7 million in 2015. The year-on-year increase is primarily driven upwards by the inclusion of the operating income of BSI for November and December of CHF 84.9 million, whilst reduced by the impacts of losses on the life insurance portfolio of CHF (21.0) million from the cost of insurance increases and the repayment of the Tier 2 capital instrument in January 2017 triggering an additional interest charge of CHF (19.7) million.

The overall underlying return on AUM decreased to 84 bps in 2016, from 85 bps in the prior year, as commission revenues decreased due to weak client transactional activity, while average AUM remained constant for the business excluding BSI. The Return on AUM for the BSI business was 80 bps for the two months.

Operating expenses
Operating expenses were CHF 690.4 million, up from CHF 604.3 million in 2015. This reflected again the impact of consolidating the CHF 86.9 million of BSI operating expenses for the last two months of the year, the BSI acquisition and integration related costs of CHF 35.8 million, and other non-underlying operating expenses of CHF 10.9 million (such as the costs to achieve the cost reduction programme and certain legal fees). Excluding these impacts, the underlying cost base of the EFG business we held at the end of 2015 decreased from CHF 588 million for 2015, to CHF 556.8 million for 2016, demonstrating the effectiveness of the cost reduction programme we initiated in 2015.

Bargain gain on business acquisition and impairment of goodwill and intangible assets
The Bargain purchase on business acquisition of CHF 530.8 million reflects the difference between what we believe will be the final purchase price for BSI of CHF 783.9 million, compared to the fair value of the net assets acquired on 31 October of CHF 1,314.7 million including CHF 116.4 million intangible assets reflecting primarily the value of BSI client relationships.

We recorded intangible asset impairments of CHF 199.5 million related to acquisitions done in prior years. This leave us with acquisition related intangibles on the balance sheet of CHF 49.7 million related to previous years acquisitions, supplemented with CHF 115.1 million of intangibles related to the BSI acquisition at the year-end.

The tax credit was CHF 3.2 million in 2016, as it included an offset of CHF 21.5 million related to deferred tax liabilities reversed related to the impairment of intangible assets.

BALANCE SHEET

The consolidated balance sheet total increased to CHF 42.3 billion (2015: CHF 26.8 billion) driven up by the consolidation of BSI.

Customer deposits increased by CHF 12.9 billion to CHF 32.7 billion, whilst loans increased by CHF 6.8 billion to CHF 18.9 billion primarily due to the BSI acquisition. This even further increased the liquidity of the balance sheet, ending the year with over CHF 8.9 billion cash balances with central banks and a liquidity coverage ratio of 210%. The majority of tangible assets remain callable or disposable within 3 months, with the exception of life insurance policies of CHF 0.8 billion and CHF 6.8 billion mortgages.

As mentioned above related to the life insurance policies held on the balance sheet, the Group faced significant increases in the cost of insurance. The Group assessed whether the carrying value of this investment was still supportable; and concluded it was. The inflows from expected future death benefits exceed the outflows from estimated future expected premiums and the carrying value of the portfolio, which means that the portfolio continues to generate positive cash flows, supporting the balance sheet value.

Shareholders' equity totalled CHF 2.26 billion, up from CHF 1.13 billion disclosed at end-2015. The main change arose from:

- net profit attributable to Group and non-controlling shareholders of CHF 342.0 million.
- net proceeds of share issues of CHF 731.4 million comprising the rights issue and the consideration shares issued as part of the purchase price of a total of CHF 749.0 million, less the costs of the share issues of CHF 17.6 million.
- Issuance of CHF 31.2 million of Additional Tier 1 instrument to the seller of BSI as part of the financing of the BSI acquisition;
- CHF (38.0) million paid as ordinary dividend;
- CHF (54.5) million currency translation differences;
- CHF 78.8 million retirement benefit pension actuarial gains; and
- CHF 9.4 million gains on available-for-sale securities.

At end-2016, the Total Capital Ratio was 20.0% (16.1% a year earlier) on a Swiss GAAP Basel III fully applied basis, after including CHF 71.5 million anticipated ordinary 2016 dividend, to be approved by the 2016 Annual General Meeting in April 2017 corresponding to a dividend per share of CHF 0.25. Risk-weighted assets increased to CHF 12.3 billion as of 31 December 2016, up from CHF 6.7 billion (in 2015) mainly due to the inclusion of the BSI risk-weighted assets.

The risk-weighted assets summary for 2015 and 2016 were the following (CHF billion):

	2015	2016
Credit Risk	5.1	8.7
Operational Risk	1.2	2.3
Market Risk, Settlement Risk, Non-Counterparty Related	0.4	1.3
Total Risk-weighted assets	6.7	12.3

Total Common Equity Tier 1 capital was CHF 2,290 million at 31 December 2016 (CHF 847 million a year earlier), including the anticipated 2016 ordinary dividend. The Common Equity Tier 1 (CET1) Ratio was 18.2% (2015: 12.5%). Total Tier 2 capital was CHF 180 million.

The Leverage Ratio stood at 5.1% (2015: 3.2%) on a Swiss GAAP basis.

ORDINARY DIVIDEND

The payment of a dividend of CHF 0.25 per share, representing a dividend pay-out of approximately CHF 71.5 million, will be proposed to the Annual General Meeting scheduled for April 2017.

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 negative)

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 negative)

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 our clients, we can foster mutual understanding.

ARNAUD CORNILLEAU / ACO. NICOLAS

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 other selected vintage car events and EFG is an official partner to the Rising Stars Programme run by the British Racing Drivers' Club.


RIGHT TO PLAY


SOUTHBANK SINFONIA

Right To Play
Using employee donations, EFG provides targeted support for projects run by "Right To Play". This international organization is active in 18 countries and uses sports activities and play to promote the physical, emotional and social development of children affected by conflict, poverty or illness. "Right To Play" also provides training for teachers and volunteers.

Southbank Sinfonia
EFG has been the principal partner of 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.


EMILE HOLBA

© 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 co-creator of the EFG Excellence Series in 2008. The Festival emerged from the long-standing Camden Jazz Week which was created in 1970. The aims of the Festival still remain the same today; celebrating the place of jazz in a city which is at ease with its rich cultural diversity, and drawing in a multitude 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.

Risk Management

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

EFG International's primary activities performed through its business units reflect the execution of client related activities, with the clients carrying the risk. Ultimate responsibility for risk management and supervision lies with EFG International's Board of Directors, which defines the risk appetite of the organisation and sets related policies. The Board of Directors has delegated certain supervision and approval functions to its Risk Committee and Audit Committee. Within such risk appetite framework, the Group takes limited credit, market and liquidity risks. Most credit risk is limited to interbank placements with rated financial institutions, investments in bonds of financial institutions, sovereign and corporate bodies, as well as mortgages loans, commercial loans and lombard loans. EFG International is exposed to limited market risk which is mainly restricted to foreign exchange, interest rate gapping and life insurance settlement positions maintained within defined parameters. EFG International is also exposed to operational and reputational risks.

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

RISK GOVERNANCE AND ORGANISATION

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

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

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

- The Executive Committee has responsibility for the implementation of, and compliance with, risk related policies, procedures and internal regulations which also include operational, legal and reputational risks.

- The Regulatory and Compliance Committee is responsible for the oversight of the Group with regards to matters relating to regulatory and compliance activities.

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

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

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

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

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

- 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 Group functions that also undertake risk oversight activities for their respective area of responsibility, such as the Chief Financial Officer, Chief Operating Officer, Group Chief Compliance Officer and General Counsel. Each business region has its own designated Regional Risk Officer who is responsible for the oversight of risk management in the region and reports to local senior management and to the Group's Chief Risk Officer.

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

– The Chief Operating Officer is, among other, responsible for the oversight of IT security matters (including cybersecurity and data security aspects), operational integration of new businesses, business continuity management throughout the Group and the Group's insurance cover policies.

– The Group Chief Compliance Officer heads the Compliance function and is responsible for providing efficient support to EFGI'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 regulations and for the broader defined conduct risk matters that include cross-border activity rules, 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 Litigation.

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. Because EFG International's primary credit exposures relate to loans collateralized by security portfolios and by mortgages, or to financial institutions, credit risk exposure is comparatively low.

Credit risks related to clients
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.

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

Management insists on thoroughly understanding the background and purpose of each loan, as well as the risks of the underlying collateral of each loan.

The credit departments of EFG International's business units monitor credit exposures against approved limits and pledged collateral. Most of the collateral is valued daily (but may be valued more frequently during periods of high market volatility). However, structured notes, hedge funds and some other mutual funds are valued monthly, whereas insurance policies are normally valued annually, mortgages less frequently.

EFG International's internal rating system assigns each credit exposure to one of ten rating categories. The rating process 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's loan book is of high quality. Consequently, an overwhelming majority of EFG International's credit exposures are rated within the top three categories.

Credit Risks related to financial institutions, Corporates and insurance companies
Management of counterparty risk is based on a centralised process at the EFG International level. Internal credit reviews are regularly performed at counterparty and at counterparty group holding levels. For the Financial Institutions, depending of among others, counterparty's S&P rating, its total equity, the analysis of its financial strengths as well as the country where the counterparty is domiciled, a global risk appetite is proposed as well as limits which have to be approved by the Country & Counterparty Committee. Approval competences for certain amounts and within predefined risk parameters have been delegated to individual members of the Country & Counterparty Committee. The bank has set out internal policies that define the principle for calculating counterparty risk on a range of products.

For the Insurance companies and selected corporates names, the Risk appetite is based on a predefined matrix which sets maximum limit criteria based on the companies, long-term ratings and consolidated net worth.

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 measures country risk based on external country ratings, predominantly derived from information provided by the S&P rating agency.

Management of country risk is based on a centralised process at the EFG International level. Limits are set by the Country & Counterparty Committee. Approval competences for certain amounts and within predefined risk parameters have been delegated to individual members of the Country & Counterparty Committee. Credit Department monitors country risk exposures within these limits.

MARKET RISK

Market risk refers to fluctuations in interest rates, exchange rates, share prices, precious metals and commodity prices, as well as the relevant expected volatility. Market risk derives from trading in treasury and investment market products for which prices are fixed daily, as well as from more traditional banking business, such as loans.

EFG International engages in trading of securities, derivatives, foreign exchange, money market paper and precious metals primarily on behalf of its clients and manages a fixed income, a foreign exchange delta, forward and options trading book. This business is conducted out of dealing rooms in Lugano, Geneva, Hong Kong, London, Miami and Zurich, all the trading books being managed by dedicated Lugano Trading desks. The Group maintains foreign exchange positions and interest rate exposure which are measured against overnight exposure, sensitivities, stress test and Value at Risk (VaR) limits and are subject to stop loss monitoring. Adherence to all limits is monitored independently by the Group Market Risk Unit, responsible for managing, overseeing and coordinating the development and implementation of adequate risk measurement and risk management policies in the area of market risk and for monitoring of market risks throughout the Group.

Market risk measurement
Market risk exposure is measured in several ways: nominal, sensitivities and VaR exposure, gap reports and sensitivity to stress tests. VaR is not used for regulatory reporting of risks. VaR is calculated using statistically expected changes in market parameters for a given holding period and at a given confidence level.

The internal model is based on a historical approach and uses a holding period of 10 days, an observation period of 201 days and 99% one-tailed confidence level. The VaR model is adjusted on an ongoing basis in response to developments in the financial markets and to changes in the Group's risk management needs. Where appropriate, if specific models are required, these are developed, tested and approved by the Group Market Risk Unit.

These VaR computations are complemented by various stress tests to identify the potential impact of extreme market scenarios on the value of portfolios. These stress tests simulate both exceptional movements in prices or rates and drastic deteriorations in market correlations. They, along with nominal limits, sensitivity limits and stop losses, are the primary tools used for internal market risk management. Stress test results are calculated daily by the EFG Group Market Risk Unit and reported to management.

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

Daily risk reports are produced which review compliance with nominal and sensitivity limits and stop loss limits. Detailed disclosures on market risk measures and exposures can be found in the Consolidated Financial Report.

Currency risk
Apart from the exposures to foreign currencies which relates to banking and trading activities performed within EFG International's subsidiary banks, and which are managed by the local treasury departments within pre-established risk parameters and limits, the Group is also exposed to foreign currency fluctuations because most of the subsidiary banks use local currencies as their reporting currencies.

LIQUIDITY RISK

Liquidity risks arise when financing activities are difficult or expensive as a result of liquidity crises 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.

EFG International manages liquidity risk in such a way as to ensure that ample liquidity is available to meet commitments to customers, both in demand for loans and repayments of deposits and to satisfy the Group's own cash flow needs within all of its business entities.

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

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

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

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

OPERATIONAL RISK

Operational risk is defined as the risk of direct or indirect 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.

EFG International 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.

Organisational structure and governance

The Board of Directors and senior management of EFG International 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 Risk Committee.

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

At the EFG International risk management level, operational risk oversight and guidance, including the development of an operational risk management framework, are under the responsibility of the Operational Risk Management Function. The Operational Risk Management Function works in collaboration with the Operational Risk Officers of the local business entities, the Regional Risk Officers within the Group as well as certain centralised Group functions that also undertake operational risk oversight for their respective area of responsibility, such as the Chief Financial Officer, the Global Chief Operating Officer, the Group Chief Compliance Officer and the General Counsel. The principal aim of the Operational Risk Management Function is to ensure that the Group has an appropriate operational risk management framework and program in place for identifying, assessing, mitigating, monitoring and reporting operational risk. The Operational Risk Management Function reports to the EFG International Chief Risk Officer.

Operational risk management framework

The operational risk management framework of EFG International codifies the Group's approach to identifying, assessing, mitigating, monitoring and reporting operational risk and also incorporates the standards defined by the Basel Committee for Banking Supervision. This framework comprises the philosophy, scope, definitions, operational risk boundaries, key operational risk areas, operational risk mitigation/transfer alternatives, approach for operational risk capital charge selected by the Group, principles for the management of operational risk, operational risk appetite, governance and organisation, role and responsibilities of the constituent parts of the governance structure, and operational risk management processes and tools. In respect of the latter, among the main processes and tools applied by the Operational Risk Management Function for the identification, assessment, monitoring and reporting of operational risk are: (i) assessment and monitoring of profile of key operational risks, (ii) monitoring of key risk indicators, (iii) collection, analysis and reporting of operational risk events and losses, (iv) consolidated operational risk reporting to the EFG International Chief Risk Officer and Risk Committee, (v) follow-up of actions taken to remedy key operational risk-related control issues and (vi) establishment of an operational risk awareness program.

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

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

Considering the rapidly evolving risks relating to IT security and data confidentiality in the financial industry, the 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 several jurisdictions around the world) in this area.

Where appropriate, EFG International establishes operational risk transfer mechanisms; in particular, all entities of the Group are covered by insurance to hedge (subject to defined exclusions) potential low-frequency-high-impact events. EFG International 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
Regulatory and compliance risk is the risk of financial or reputational loss resulting from a breach of applicable laws and regulations or the departure from internal or external codes of conduct or market practice.

The Group Compliance function is responsible for ensuring EFG International's observance of applicable rules and regulations. In line with the development of the regulatory environment of the industry, EFG International continuously invests in personnel and technical resources to ensure adequate compliance coverage. A Compliance risk framework is in place, complemented by a comprehensive set of policies and procedures and regular specialised training sessions delivered to all staff to raise their awareness and understanding of the compliance risks.

A major focus of regulators around the world is the fight against money laundering and terrorism financing. The Group has in place a comprehensive policy on anti-money laundering and know your customer, as well as on anti-bribery and corruption, to detect, prevent and report such risks. Group Compliance ensures adherence of the policy with regular reportings, on-site visits and monitoring programmes.

The Group defined a set of standards governing the cross-border services it offers, and developed country-specific manuals for the major markets it serves. A mandatory staff training and education concept is in place to ensure observance of 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.

Conduct risk is managed by the Regulatory and Advisory Compliance team at Group level, which maintains the relevant policies and runs the Fiduciary and Suitability Committee, which is responsible for monitoring of the regulated Asset Management businesses and the associated discretionary management of assets. The same team also ensures through a network of Local Product Committees that all products or securities sold to clients or bought for them have been through the appropriate approval process. Fiduciary and Suitability Committees and Local Product Committees report their findings respectively to the EFGI Fiduciary and Suitability Committee and the Group Product Committee.

Changes in the regulatory environment are monitored and directives and procedures are adapted as required. Group Compliance is centrally managed from Geneva with local compliance officers situated in all of EFG International's booking centre subsidiaries around the world. Developments in laws and regulation are monitored locally and by Group Compliance to assess the requirement to adapt the control framework.

Legal risk

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

Any change in the legal environment can constitute a challenge for the 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 the 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 function has principal responsibility for overseeing and advising the Group's management on significant civil litigation and all government enforcement matters involving the Group globally.

REPUTATIONAL RISK

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

- potential non-compliance with increasingly complex 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.

EFG International manages these potential reputational risks through the establishment and monitoring of the risk appetite of the Board of Directors, its transaction reputation risk policy and established policies, control procedures and monitoring mechanisms in areas such as know-your-customer and anti-money laundering, IT security and data confidentiality, and staff selection and recruitment.

Obituary

Jean Pierre Cuoni
Honorary Chairman

In February 2017, we were deeply saddened and with the greatest respect had to say the last good bye to our dear friend and Honorary Chairman Jean Pierre Cuoni, who passed away on 18 February 2017 in his 80th year of age.

Jean Pierre Cuoni was a co-founder of EFG Bank and its Chairman from 1997 to 2015. He was appointed Chairman of EFG International in 2005 at the time of the listing of the Bank on the SIX Swiss Exchange. He had been a Member of the Board of Directors of EFG Bank European Financial Group SA since 1995.

Furthermore, Mr. Cuoni was a Member of the Board of the Swiss Bankers Association (1982–1993) and a Member of its Executive Committee (1985–1993). He was Chairman of the Association of Foreign Banks in Switzerland (1986–1993) and Member of the Board of the Association of Swiss Exchanges (1988–1992), as well as Member of the Board of the Zurich Chamber of Commerce (1988–1996). From 1998 until 2004 he was Vice President of the British Swiss Chamber of Commerce. From 1985 until 2009, Mr. Cuoni was also a Member of the Investment Advisory Board of the International Labour Organisation (ILO) in Geneva.

Jean Pierre Cuoni was a Member of the Board of Right to Play International, a charitable organization, from 2005 to 2015, and remained non-executive Vice-Chairman of Right to Play Switzerland thereafter.

Jean Pierre Cuoni was very much the “spiritus animus” of EFG and was held in great affection by the many staff that knew him around the EFG Group. He will be remembered for his vision and energy, his focus on client business, and above all for his excellent sense of humor, engaging personality and unfailing optimism.

We will always be grateful to Jean Pierre Cuoni for his extraordinary contribution to the development of EFG, for his manifold achievements and for his dedication to the Bank. He will be much missed and always remain in our memory.

Corporate Governance

BOARD & COMMITTEES

Board of Directors

John A. Williamson (Chairman)
Niccolò H. Burki (Vice-Chairman)
Susanne Brandenberger, Emmanuel L. Bussetil,
Erwin R. Caduff, Michael N. Higgin,
Spiro J. Latsis, Bernd-A. Freiherr von Maltzan,
Périclès Petalas, Daniel Zuberbühler,
Steven M. Jacobs*, Roberto Isolani*

Acquisition Committee
E. L. Bussetil (Chair)
S. M. Jacobs*
B.-A. von Maltzan
P. Petalas
J. A. Williamson

Risk Committee
S. Brandenberger (Chair)
E. L. Bussetil
M. N. Higgin
R. Isolani*
B.-A. von Maltzan
P. Petalas
D. Zuberbühler

Remuneration & Nomination Committee
N. H. Burki (Chair)
E. L. Bussetil
E. R. Caduff
P. Petalas
J. A. Williamson

Audit Committee
M. N. Higgin (Chair)
S. Brandenberger
E. L. Bussetil
E. R. Caduff
P. Petalas

Audit Services Department
I. Flemmer

Executive Committee

- Regulatory & Compliance Committee
- Executive Credit Committee
- Management Risk Committee
- Asset/Liability Commitee
- Group Product Committee
- Group Fiduciary and Suitability Committee

······ Reporting line to Risk Committee to ensure independence of various risk functions within EFG International Group.
* *Member of the Board of Directors and its delegated committees as of 31 October 2016.*

EXECUTIVE COMMITTEE

Chief Executive Officer
Joachim H. Straehle

Deputy Chief Executive Officer & Chief Financial Officer	Piergiorgio Pradelli
Head of Romandie & Continental Europe Region	Adrian Kyriazi
Head of Investment Solutions	Renato Cohn
Head of Asia Region	Albert Chiu
Head of Americas Region	Sixto Campano*
Head of UK Region	A. Cooke-Yarborough
Chief Operating Officer	Mark Bagnall
Head of Global Markets	Maurizio Moranzoni
Head of Strategy	Peter Fischer
Chief Risk Officer	Reto Kunz
Head of Latin America Region	Gerald Robert
Head of Central Switzerland, Ticino & Italy Region	Renato Santi

* *Sixto Campano was an attendee of the Executive Committee. Marcelo Coscarelli is taking over the position "Head of Americas Region", effective 1 January 2017, as a member of the Executive Committee.*

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; the Company) and all its subsidiaries (together EFG International Group) are always aiming for good Corporate Governance based on leading national and international standards and strive continuously for developing the shareholders rights and representing their interests. It 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.

EFG International 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 Organizational and Management Regulations of EFG International (these documents are available on the EFG International website: *www.efginternational.com/auditors-regulations)*.

Based on recommendations of the CEO 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, thus a full separation of power is ensured. Furthermore, this structure includes checks and balances and safeguards the institutional independence of the Board of Directors from the day-to-day management.

As a publicly listed Swiss company, EFG International is subject to and complies with the Directive on Information relating to Corporate Governance (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 1 April 2016, with the guidelines 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, "Recommendation 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 fully complies with the Ordinance against Excessive Compensation in Listed Companies (Ordinance) entered into force on 1 January 2014 as well as with the FINMA Circular 2008/24 Supervision and Internal Control – Banks.

The following information corresponds to the situation as at 31 December 2016, 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, organized 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 and asset management services. EFG International's group of private banking businesses, operates in around 40 locations worldwide. The EFG International Group is organised in eight business segments: Americas, Asia, United Kingdom, Continental Europe, Switzerland, Investment Solutions, Wealth Solutions and Corporate, as well as BSI. Further information can be found in note 49 "Segmental Reporting" to the consolidated financial statements. The functional organization of EFG International is outlined on page 35.

1.2 Group entities

The main consolidated entities are listed in note 30. 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 capitalization was CHF 1,770,117,031.76 on 31 December 2016.

1.3 Significant shareholders

1,659 shareholders were recorded in EFG International's share register as at 31 December 2016 (i.e. shareholders with voting rights) representing 73.68% (previous year: 77.24%) of the total share capital issued. The shares of unregistered shareholders ("dispo") amounted to 26.32% (previous year: 22.76%).

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

As at 31 December 2016	Number of registered shares	Percentage of voting rights
EFG Bank European Financial Group SA, Geneva[1]	126,874,865	44.15%
BTGP-BSI Limited, London[2,3]	86,178,609	29.99%
Capital Research & Management Company, Los Angeles[4]	8,921,627	3.11%
Other Shareholders	65,381,560	22.75%
Total[5]	**287,356,661**	**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 BOVESPA 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 17.7% 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 2016 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%, 33⅓%, 50% and 66⅔% of voting rights. The legal basis for the disclosure of

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

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 2016 and published on the Disclosure Office's electronic publication platform of SIX can be found under *www.six-exchange-regulation.com/de/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.

2. CAPITAL STRUCTURE

2.1 Capital
2.1.1 Share capital
The outstanding share capital amounts to CHF 143,678,330.50 consisting of 287,356,661 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 78) has started in 2013 issuing its conditional share capital to provide registered shares for exercised options (including restricted stock units (RSUs) to employees.

The authorized capital amounts to CHF 2,390,131 and the remaining conditional share capital amounts to CHF 11,611,461.50 at 31 December 2016 (more information can be found in section 2.2.2 below).

Further information on the share capital can be found in note 44 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.

* *See www.efginternational.com/financial-reporting*
** *See www.efginternational.com/Articles_of_Association.pdf*

2.2 Authorized and conditional capital in particular

2.2.1 Authorized capital

The Board of Directors is authorized, 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 authorized 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) shall be determined by the Board of Directors.

2.2.2 Conditional capital

The share capital may be increased by no more than CHF 2,158,629 by issuing no more than 4,317,258 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 officers and employees at all levels of EFG International Group. The pre-emptive rights and the advance subscription rights of the shareholders and the participants are excluded in favour of the holders of the options (including 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 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 options (including RSUs) exercised by officers and employees of EFG International Group. Therefore, the remaining approved conditional capital for options (including RSUs) to employees amounts to 3,222,923 shares with a face value of CHF 0.50 (CHF 1,611,461.50).

The movements (creation of additional conditional capital and exercise of conditional capital in 2016) are summarized in the table below:

	Number of shares	CHF
Conditional capital as at 31 December 2015	2,817,258	1,408,629.00
Additional conditional capital created on 29 April 2016	1,500,000	750,000.00
Shares issued during 2016 via conditional capital (RSUs exercise)	(1,094,335)	(547,167.50)
Remaining conditional capital as at 31 December 2016	3,222,923	1,611,461.50

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

(a) 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; or

(b) 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 shall apply:

(a) Conversion rights may be exercised only for up to 7 years; and option rights only for up to 4 years from the date of the respective issuance.

(b) 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 options (including RSUs) exercised by officers and 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 options (including RSUs) exercised by employees of EFG International and its subsidiaries.

As mentioned above in section 2.2.2 in 2016 EFG International issued for the same purpose another 1,094,335 registered shares with a face value of CHF 0.50 at a total nominal amount of CHF 547,167.50 for options (including RSUs) exercised by employees of EFG International and its subsidiaries.

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

2.3.2 Ordinary share capital increase and increase by use of authorized 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 authorized capital that was approved by the shareholders at two general meetings (on 29 April and 26 July 2016).

The share capital was increased on 12 May 2016 by 48,165,975 registered EFG International shares with a face value of CHF 0.50. The pre-emptive ordinary share capital increase was launched after the Annual General Meeting on 29 April 2016 with a subscription price of at least CHF 6.12 per share. Existing shareholders subscribed for 46,465,975 shares (EFG International's main shareholder – EFG Bank European Financial Group SA – exercised all its subscription rights and subscribed for 44,329,748 registered shares) and 1,700,000 registered shares were purchased by investors in the international offering.

At closing of the BSI SA acquisition on 31 October 2016 EFG International issued as part of the purchase price paid to BTG Pactual SA a total of 86,178,609 registered shares at face value of CHF 0.50 from authorized capital (the shareholders approved the creation of conditional capital at the Annual General Meeting on 29 April 2016 (75,958,871 shares or CHF 37,979,435.50) and at an Extraordinary General Meeting on 26 July 2016 (15,000,000 shares or CHF 7,500,000)).

The details of the movements (share capital and authorized capital) during 2016 are as follows:

	Number of shares	CHF
Share capital (registered shares EFG International)		
Shares issued as at 31 December 2015	151,917,742	75,958,871.00
Shares issued via ordinary capital increase on 12 May 2016	48,165,975	24,082,987.50
Shares issued via authorized capital on 31 October 2016	86,178,609	43,089,304.50
Shares issued during 2016 via conditional capital (RSUs exercise)	1,094,335	547,167.50
Total shares issued as at 31 December 2016	**287,356,661**	**143,678,330.50**
Authorized capital		
Authorized capital approved on 29 April 2016	75,958,871	37,979,435.50
Authorized capital approved on 26 July 2016	15,000,000	7,500,000.00
Authorized capital used on 31 October 2016	(86,178,609)	(43,089,304.50)
Remaining Authorized Capital	**4,780,262**	**2,390,131.00**

2.4 Shares and participation certificates

Shares

Number of shares as at 31 December 2016:

Registered shares of CHF 0.50 par value	287,356,661

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.

Participation certificates

Number of participation certificate as at 31 December 2016:

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 Federal Act on Intermediated Securities. 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 shareholders' 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 register of shares (nominees) shall be entered in the register of shares 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 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 authorized to issue regulations to implement the above provisions.

2.7 Convertible bonds and warrants/options

Apart from the amounts disclosed in note 54 to the consolidated financial statements EFG International has not issued any option rights.

* *See www.efginternational.com/Articles_of_Association.pdf*

3. BOARD OF DIRECTORS

3.1 Members of the Board of Directors

The Board of Directors currently comprises twelve members all of whom are nonexecutive 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 47) was appointed Group CEO of BSI SA in May 2016, a role he relinquished in October 2016 upon closing of the BSI SA acquisition by EFG International.

No director (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 Chairman of the Board of Directors of EFG International and EFG Bank effective as of 29 April 2016 after having served as Vice-Chairman 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 2002–2011. During this time he transformed the business into one of the most significant contributors to EFG International 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 USA, 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 a Trustee of the Serious Trust, a UK registered charity.

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

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

Niccolò Herbert Burki is a Swiss citizen and was born in 1950. He was appointed a member of the Board of Directors of EFG International effective as of 26 April 2013 and Vice-Chairman effective as of 29 April 2016 after having served as Chairman since April 2015. He is also a member of the Board of Directors of EFG Bank since 2013. Before establishing Burki Attorneys-at-Law in 1997, Mr. Burki was an attorney at Bär & 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 at 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 Chairman of EFG International's Board-delegated Remuneration and Nomination Committee.

Susanne Brandenberger is a Swiss citizen and was born in 1967. She was appointed a member of the Board of Directors of EFG International at the extraordinary general meeting held on 7 October 2015. She is a member of the Board of Directors of EFG Bank also 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 1994–1999 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 the Risk & Audit Committee of Thurgauer Kantonalbank since June 2016 and holds a position as a member of the Board of the association "insieme 21".

Mrs. Brandenberger holds a PhD from the Swiss Institute for Banking and Finance of the University of St. Gallen and a Master in Banking and Finance from the University of St. Gallen.

Mrs. Brandenberger is currently Chairwoman 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 a member of the Board of Directors of EFG International effective as of 8 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). He is a member of the Board of European Financial Group EFG (Luxembourg) SA. He is also a member of the Board of SETE Holdings Sarl, Luxembourg and of Gestron Asset Management SA, Luxembourg. 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 & 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 as well as Remuneration and Nomination Committees and Chairman of the Acquisition Committee.

Erwin Richard Caduff is a Swiss citizen and was born in 1950. Mr. Caduff was educated in Switzerland (commercial school and bank apprenticeship). He was appointed a member of the Board of Directors of EFG International effective as of 29 April 2009.

He is a member of the Board of Directors of EFG Bank also since 2009. 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 specialized 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 South East 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 5 years with Citibank in Zurich and Singapore. The first 10 years of his professional career (1976–1986) he worked for Swiss Volksbank in Zurich and in Singapore.

Mr. Caduff is currently member of EFG International's Board-delegated Audit as well as Remuneration and Nomination Committees.

Michael Norland Higgin is a British Citizen and was born in 1949. He was appointed 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 obtained a Bachelor of Arts (BA) degree from Cambridge University in England in 1972 and attended the senior executive program at Stanford University (CA) in 1996. He is a fellow of the Institute of Chartered Accountants in England and Wales. Mr. Higgin is trustee of the London Youth Support Trust and an independent member of DCMS, audit and risk committee (Department of Culture, Media and Sport of the UK government).

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

Spiro J. Latsis is a Greek citizen and was born in 1946. He was appointed a member of the Board of Directors of EFG International effective as of 8 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). 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 Chairman since 1997. In addition, he is a non-executive director of European Financial Group EFG (Luxembourg) SA (since 2009; as Chairman). Mr. Latsis is Chairman of Paneuropean Oil and Industrial Holdings SA, Luxembourg and a non-executive Director of Consolidated Lamda Holdings SA, Luxembourg.

Mr. Latsis obtained his bachelor degree in Economics in 1968, a master degree in Logic and Scientific Method in 1970 and a doctorate in Philosophy in 1974, all from the London School of Economics. 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.

Freiherr Bernd-Albrecht von Maltzan is a German citizen and was born in 1949. He was appointed a member of the Board of Directors of EFG International effective as of 26 April 2013. He is a member of the Board of Directors of EFG Bank also 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 Chairman effective as of April 2016). Throughout his career with 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-Chairman 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; the Investment Committee of Niagara Stiftung (Foundation) in Munich, Germany and member of the Investment Committee of Leifheit Stiftung (Foundation) in Nassau, Bahamas. Mr. von Maltzan studied Economics at the universities in Munich and Bonn and obtained 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 and Acquisition Committees.

Périclès Petalas is a Swiss citizen and was born in 1943. He was appointed a member of the Board of Directors of EFG International effective as of 8 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, both 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 member of EFG International's Board-delegated Audit, Risk, Acquisition as well as Remuneration and Nomination Committees.

Daniel Zuberbühler is a Swiss citizen and was born in 1948. He was appointed a member of the Board of Directors of EFG International effective as of 25 April 2014. He is a member of the Board of Directors of EFG Bank also since 2014. He was formerly acting as Senior Financial Consultant, Director, Audit Financial Services, KPMG Zurich (2012–2013). Previously, he was Vice-Chairman of the Board of Directors of FINMA, the Swiss Financial Market Supervisory Authority (2009–2011). 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 Organization of Securities Commissions, Technical Committee; and the Financial Action Task Force on Money Laundering.

Mr. Zuberbühler is a member of the Board of Directors of Banca Popolare di Sondrio (Suisse) SA in Lugano.

A qualified Berne attorney, Mr. Zuberbühler studied law at the University of Berne and business at the City of London Polytechnic.

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

New members elected in 2016

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 31 October 2016.

Mr. Isolani is a Managing Partner of BTG Pactual, 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 was ultimately Joint Head of Global Capital Markets and also had joint responsibility for the Client Services Group, the Fixed Income and Forex global sales-forces at UBS. He jointly headed a marketing force of over 1,000 staff. Mr. Isolani was also a member of the Investment Bank's Board. Mr. Isolani joined UBS (formerly SBC) in 1992 and spent 10 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 Chairman of BMPS in 2015. He also serves as Chairman of the bank's Risk Committee and is a member of the Appointments Committee. Mr. Isolani is also a Board Member of ABI (Associazione Bancaria Italiana), the Italian Banking Association.

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 served as a Board Member and as a Member of the Audit & Risk Committee of BSI SA between September 2015 and May 2016. Mr. Isolani was appointed Group CEO of BSI SA in May 2016, a role he relinquished in October 2016 upon completion of the sale to EFG International.

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 31 October 2016. Before, he was formerly Vice-Chairman 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 group, based in London. He joined BTG Pactual on 1 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 hold a BA (Hons) in Finance, Accounting & Law from Brighton University, UK. He is a qualified chartered accountant and Fellow of the Institute of Chartered Accountants of England & Wales.

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

Member of the Board of Directors of EFG International who did not put himself up for re-election at the Annual General Meeting 2016

Robert Yin Chiu was a member of the Board of Directors of EFG International until the AGM on 29 April 2016, where he did not put himself forward for re-election. Mr. Chiu is a Hong Kong citizen and was born in 1948. He was appointed a member of the Board of Directors of EFG International effective as of 25 April 2014. He was a member of the Board of Directors of EFG Bank also since 2014. Since January 2014 he was non-executive Chairman, EFG Bank Asia, having formerly been its CEO (2000–2009) and executive Chairman (2009–2013). Prior to joining EFG, he was Managing Director and General Manager of Republic National Bank of New York (1993–2000), responsible for the bank's private banking business in the Asia-Pacific region. Before that, he was Global Head of Private Banking, Equitor Group of Standard Chartered Bank (1990–1992) and Head of Private Banking, Asia-Pacific Region (1987–1990), having started his career at Citibank.

He is a member of the Board of the First American International Bank, New York, USA (member of the Audit Committee, Compensation Committee, ALCO (Asset-Liability Committee) and Investments Committee) and Chairman of the Advisory Board of Aktis Capital Advisory Limited, a company with offices in Hong Kong, Singapore and China that manages private equity funds with investments focused in China.

Mr. Chiu holds a Bachelor of Science from Columbia University and a Master of Business Administration from the University of Chicago.

3.2 External mandates and vested interests

Please refer to the information provided in each director's biography 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 5 may be in listed companies.

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 AGM. Please reference 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 AGM 2017, at which time the directors will be subject to re-election by the shareholders.

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

3.5 Internal organizational structure

The internal organizational structure is laid down in the Organizational 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 fifty per cent 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 Chairman does not have a casting vote. The composition of the Board of Directors and its committees is disclosed in the organigram on page 35 (Board of Directors and Board-delegated Committees).

* *See www.efginternational.com/Articles_of_Association.pdf*

** *See www.efginternational.com/Organizational_and_Management_Regulations.pdf*

The Board of Directors met fifteen times in 2016. Ordinary meetings typically last six to seven hours; see the details in the table below:

2016	05.02.	17.02.	21.02.	21.– 22.02.	27.– 28.04.	29.04.	18.05.	07.06.	23.06.	01.07.	25.– 26.07.	05.– 06.10.	28.10.	05.– 06.12.	28.12.
J.A. Williamson[1] (Chairman)	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
N.H. Burki[2] (Vice-Chairman)	X	X	X	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	X	X	X
E.L. Bussetil	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
E.R. Caduff	X	X	X	X	X	X	X	X	E	X	X	X	X	X	X
M.N. Higgin	X	X	X	X	X	X	X	X	X	X	X	X	E	X	X
S.J. Latsis	X	X	X	X	X	X	E	E	X	X	X	X	X	X	X
B.-A. von Maltzan	X	X	X	X	X	X	X	E	X	E	X	X	X	E	X
P. Petalas	E	E	X	X	X	X	X	X	X	X	X	X	X	X	X
D. Zuberbühler	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
R. Isolani[3]	–	–	–	–	–	–	–	–	–	–	–	–	–	X	X
S.M. Jacobs[4]	–	–	–	–	–	–	–	–	–	–	–	–	–	X	X
R.Y. Chiu[5]	X	X	X	X	E	E	–	–	–	–	–	–	–	–	–

"X" – in attendance
"E" – excused from attending

1 *Mr. Williamson was elected Chairman of the Board of Directors at the AGM on 29 April 2016. Prior to that he was Vice-Chairman of the Board of Directors since 24 April 2015.*

2 *Mr. Burki was elected Vice-Chairman of the Board of Directors at the AGM on 29 April 2016. Prior to that he was Chairman of the Board of Directors since 24 April 2015.*

3 *Mr. Isolani was appointed as a member of the Board of Directors effective 31 October 2016.*

4 *Mr. Jacobs was appointed as a member of the Board of Directors effective 31 October 2016.*

5 *Mr. Chiu was a member of the Board of Directors until the AGM on 29 April 2016, where he did not put himself forward for re-election.*

The Board of Directors comprises the following independent members:

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

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

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 the EFG International Group with regard to:

(i) the financial and business reporting processes, including the selection and application of appropriate accounting policies;
(ii) the integrated internal control systems for financial reporting as well as the internal controls of areas beyond financial reporting;
(iii) the Company's and EFG International Group tax risks, and
(iv) the internal and external audit processes.

The role of the Audit Committee is primarily supervisory and its decision making authority is limited to those areas which are ancillary to its supervisory role.

The Audit Committee comprises at least three Board members and its composition in 2016 was as follows: Mr. M.N. Higgin (Chairman), Mrs. S. Brandenberger, Messrs. E.L. Bussetil, E.R. Caduff and P. Petalas.

The Audit Committee meets at least four times a year and as often as businesses requires, 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 2016, the Audit Committee met nine times, as shown in the table below:

2016	11.02.	21.02.	28.04.	07.06.	23.06.	19.07.	25.07.	06.09.	17.11.
M.N. Higgin* (Chairman)	X	X	X	X	X	X	X	X	X
S. Brandenberger*	X	X	X	X	X	X	X	X	E
E.L. Bussetil	X	X	X	X	E	X	X	X	X
E.R. Caduff*	E	X	X	X	X	X	X	X	E
P. Petalas	X	X	X	X	X	X	X	X	X

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

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

Risk Committee
The role of the Risk Committee is to monitor, in the name and on behalf of the Board of Directors, risks throughout the EFG International Group within the policy, framework, rules and limits set by the Board of Directors or by itself. It is responsible for advising the Board of Directors on the EFG International Group's overall current and future risk appetite, overseeing management's implementation of the EFG International's risk appetite policy, reporting on the state of risk culture in

* *See www.efginternational.com/Organizational_and_Management_Regulations.pdf*

the EFG International Group, and interacting with and overseeing the Group Chief Risk Officer and Chief Compliance Officer. The Risk Committee's tasks includes oversight of the strategies for capital and liquidity management as well as the management of all relevant risks of the EFG International Group, such as credit, market, liquidity, operational and reputational risks, to ensure they are consistent with the stated risk appetite. It approves risk policies and limits in all areas over which the relevant internal directives grant it authority. It examines any situations or circumstances giving rise to a substantial risk for the EFG International Group and has the authority to require the reduction of any position which it considers excessive.

The Risk Committee comprises at least three members of the Board of Directors and its composition in 2016 was as follows: Mrs. S. Brandenberger (Chairwoman), Messrs. D. Zuberbühler, E. L. Bussetil, M. N. Higgin, B.-A. von Maltzan and P. Petalas.

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 2016, the Risk Committee met six times. See the details in the table below:

2016	12.02.	08.06.	22.07.	07.09.	16.11.	07.12.
S. Brandenberger*[1] (Chairwoman)	X	X	X	X	X	X
D. Zuberbühler*[2]	X	X	X	X	X	X
E. L. Bussetil	X	E	X	X	E	X
M. N. Higgin*	X	X	X	X	X	X
B.-A. von Maltzan*	X	E	X	X	E	E
P. Petalas	E	X	X	X	X	X
R. Isolani[3]	–	–	–	–	E	X

"X" – in attendance
"E" – excused from attending
* *Independent director*
[1] *Mrs. Brandenberger was appointed Chairwoman of the Risk Committee effective 8 June 2016.*
[2] *Mr. Zuberbühler acted as Chairman ad interim of the Risk Committee until 8 June 2016.*
[3] *Mr. Isolani was appointed member of the Risk Committee effective 31 October 2016.*

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

Remuneration and Nomination Committee
The Remuneration and 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:

(i) establishing the compensation strategy and the general remuneration policy of EFG International Group.
(ii) 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.
(iii) approving annually the remuneration of all other staff of EFG International and of its subsidiaries.
(iv) any other tasks conferred on it by the Board of Directors from time to time.

with regards to the nomination of Board members, reviewing and assessing:

(i) the composition, size and capability of the Board of Directors to adequately discharge its responsibilities and duties;
(ii) the succession of the Board members;
(iii) the selection criteria and processes for the identification and submission to the Board of Directors suitable candidates to become members of the Board for election by the general meeting of shareholder and;
(iv) 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;
(v) any other tasks conferred on it by the Board of Directors from time to time.

For more details about competences and responsibilities of the Remuneration and Nomination Committee see also the Compensation Report (pages 73 f) as well as article 30 of the Articles of Association* and section 2.10 of the Organizational and Management Regulations**.

From the AGM 2014 onwards the shareholders elect the members of the Remuneration and Nomination Committee individually for a one-year term with the possibility of being re-elected (see article 17 Articles of Association*).

The Remuneration and Nomination Committee comprises of at least three members of the Board of Directors and its composition in 2016 was as follows: Messrs. N.H. Burki (Chairman), E.L. Bussetil, E.R. Caduff, P. Petalas and J.A. Williamson.

The Remuneration and Nomination Committee meets annually in the first quarter to review salary and variable compensation decisions as well as when necessary. Meetings typically last two hours and are attended by the CEO and the Global Head of Human Resources. During 2016, the Remuneration and Nomination Committee met eight times. See the details in the table below:

2016	27.01.	11.02.	22.03.	28.04.	27.06.	25.07.	06.10.	06.12.
N.H. Burki (Chairman)*	X	X	X	X	X	X	X	X
E. L. Bussetil	X	X	X	X	X	X	X	X
E. R. Caduff*	X	X	X	X	X	X	X	X
P. Petalas	X	E	E	X	X	X	X	X
J.A. Williamson*	X	X	X	X	X	X	X	X

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

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

* *See www.efginternational.com/Articles_of_Association.pdf*
** *See www.efginternational.com/Organizational_and_Management_Regulations.pdf*

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 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 comprises at least three members of the Board of Directors and its composition in 2016 was as follows: Messrs. E.L. Bussetil (Chairman), B.-A. von Maltzan, P. Petalas, J.A. Williamson and S.M. Jacobs as of 31 October 2016. Mr. R.Y. Chiu stepped down from the Acquisition Committee on 29 April 2016.

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 Deputy CEO & Chief Financial Officer (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 minutes of the Acquisition Committee are reviewed by the full Board of Directors at its meetings. In addition, a verbal report from the Chairman of the Acquisition Committee is given to the Board of Directors at its meetings.

The Acquisition Committee met three times during 2016. See the details in the table below. Additionally the Acquisition Committee has reviewed several transactions during the year.

2016	11.01.	01.02.	06.12.
E.L. Bussetil (Chairman)	X	X	X
R.Y. Chiu[1]	X	X	–
S.M. Jacobs[2]	–	–	X
B.-A. von Maltzan*	X	X	X
P. Petalas	X	X	X
J.A. Williamson*	E	X	X

"X" – in attendance
"E" – excused from attending
* *Independent director*
1 *Mr. Chiu stepped down as member of the Acquisition Committee on 29 April 2016.*
2 *Mr. Jacobs was appointed member of the Acquisition Committee effective 31 October 2016.*

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 Organizational 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 of the CEO. The executive officers, under the responsibility of the CEO and the control of the Board of Directors, manage the operations of the 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 and the EFG International Group's overall strategy, within the respective parameters established by the Board of Directors, and is accountable for all operational and organizational matters as well as for the operating results. The Executive Committee is responsible for the day-to-day activities of the Company.

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 the 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 Organizational 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 Deputy CEO & 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 summarizing 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.

* *See www.efginternational.com/Organizational_and_Management_Regulations.pdf*

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. 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. See also the information about risk management in the section commencing page 23.

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 Organizational 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 the 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.

4. EXECUTIVE COMMITTEE

4.1 Organization and functional responsibilities

The EFG International Group is organized as a single structure, reporting to the CEO respectively to the Deputy CEO & CFO. Please see also the organization chart “Executive Committee” on page 35.

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 CEO of EFG International is responsible to the Board of Directors for the overall management and performance of the EFG International Group. He manages the implementation and development of strategic and operational plans as approved by the Board of Directors. He represents the 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 organization.

* *See www.efginternational.com/Organizational_and_Management_Regulations.pdf*

Deputy Chief Executive Officer and Chief Financial Officer

The Deputy CEO has a direct reporting line to the CEO of EFG International, and supports the CEO with the day-to-day management of EFG International Group. The Deputy CEO has oversight responsibility for the Compliance and Legal matters. He also oversees the Group's IT & Operations function, with a view to ensuring optimal organizational performance and security practices.

The CFO is responsible for all financial, tax and regulatory matters of the 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 regulatory and business liquidity as well as capital management within the general regulations and guidelines set by FINMA, the Board of Directors, the Audit Committee and the Risk Committee. The CFO oversees the monitoring of 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 is the designated Executive Committee member responsible for Compliance and fiduciary oversight and 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 the EFG International Group. In addition, he is responsible for the evaluation and management of data security, IT and Operations components of operational risk.

Chief Risk Officer

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

Head of Investment Solutions

The Head of Investment Solutions is responsible for the 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 Strategy

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

Head of Romandie & Continental Europe Region
The Head of Romandie & Continental Europe Region assumes regional business responsibility for Private Banking in Switzerland (Romandie) and Continental Europe.

Head of UK Region
The Regional Business Head of United Kingdom assumes regional business responsibility for the Private Banking activities of EFG International Group in the United Kingdom and the Channel Islands.

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

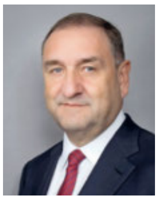
Head of Asia Region
The Regional Business Head of Asia assumes regional business responsibility for the Private Banking activities of EFG International Group in the Asia Pacific Region.

Head of Global Markets
The Head of the Global Markets Division is responsible for the Trading & Execution in all the different asset classes on the financial markets for EFG International Group worldwide. The position requires the participation to various Executive Committees like the Asset & Liability Committee, the Country & Counterparties Committee, the Group Product Committee and the Management Risk Committee.

Head of Latin America Region
The Head of Latin America Region has functional regional business responsibility for the activities of EFG International Group that serve the wealth management needs of affluent and high net worth Latin American clients. The Head of Latin America Region is also responsible for EFG International Group's business development for this geographic area, combining the expertise, knowledge and capabilities of teams based in the local markets and in the key hubs in Miami and Switzerland.

Head of Central Switzerland, Ticino & Italy Region
The Head of Central Switzerland, Ticino & Italy Region is responsible for the development of the Ticino and Zurich based business. 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. He is also co-heading the development on the Commonwealth of Independent States markets.

4.2 Members of the Executive Committee



Joachim H. Straehle
Chief Executive Officer

Joachim H. Straehle was appointed CEO of EFG International and EFG Bank, effective as of April 2015. He is also a member of the Board of Directors of EFG International's subsidiaries EFG Investment and Wealth Solutions Holding AG (as Chairman), Zurich and EFG Private Bank Ltd, London. Since 1 November 2016 and until the full legal integration of BSI, expected in the second quarter of 2017, he additionally chairs the Board of Directors of BSI SA and BSI Holdings AG.

Before joining EFG, Joachim H. 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 has 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 Program for Overseas Bankers, Wharton School, University of Pennsylvania, USA.

Piergiorgio Pradelli
Deputy Chief Executive Officer & Chief Financial Officer

Piergiorgio Pradelli was appointed Deputy CEO & CFO of EFG International and EFG Bank. His responsibilities encompass, apart from the CFO function, the Group Compliance function, the Global Treasury function as well as the Group's IT & Operations and the Legal and Litigation functions.

Mr. Pradelli undertook the position of CFO and member of the Executive Committee of EFG International in June 2012, while he assumed the same responsibilities for EFG Bank as of April 2013. He was designated Deputy CEO of EFG International and EFG Bank in January 2014. At that time, he also undertook oversight of the Risk function, which he maintained until 31 October 2016.

He is also a member of the Board of Directors of EFG International's subsidiaries EFG Private Bank Ltd, London, EFG Bank (Monaco), EFG International Finance (Luxembourg) Sarl, EFG Investment and Wealth Solutions Holding AG, Zurich, EFG Bank & Trust (Bahamas) Ltd, Asesores y Gestores Financieros SA, A&G Banca Privada SA, EFG Investment (Luxembourg) SA, EFG Bank (Luxembourg) SA, as well as of BSI SA and BSI Holdings AG.

Prior to his appointment as Deputy CEO & CFO at EFG International, Mr. Pradelli was Head of International Operations 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.

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.

Mark Bagnall
Chief Operating Officer

Mark Bagnall was appointed COO of EFG International and EFG Bank, effective as of 1 January 2011. 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 program with British Petroleum in 1989, before moving to JP Morgan in 1994.

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

Adrian Kyriazi
Head of Romandie & Continental Europe Region

Adrian Kyriazi was appointed Regional Business Head of Continental Europe & Switzerland of EFG International in July 2014 and member of EFG Bank's Executive Committee in the function as Head of Private Banking Switzerland. 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), 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 nineteen 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, USA, 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, was born in 1960, and holds a degree in law from Robinson College, Cambridge University.

Peter Fischer
Head of Strategy

Peter Fischer was appointed Head of Strategy of EFG International and EFG Bank, effective as of January 2016. In addition, Human Resources, Marketing & Communications and Special Projects are reporting to him. He currently serves as a member of the Board of Directors of BSI SA and BSI Holdings AG and EFG Capital Holdings Corp.

Peter Fischer joined EFG International AG 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, Peter Fischer headed various front office and staff functions at Credit Suisse and UBS in Switzerland, Europe, Asia and the USA.

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).

Albert Chiu
Head of Asia Region

Albert Chiu was appointed Head of Asia Region of EFG International and EFG Bank in 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 a Hong Kong citizen, born in 1965, and holds a Bachelor in Business Administration (Hon.) of the Chinese University of Hong Kong and completed the Advanced Management Program of Harvard Business School. He completed a Diploma course in the Sophia University in Japan.

Anthony Cooke-Yarborough
Head of UK Region

Anthony Cooke-Yarborough was appointed Head of UK Region of EFG International in June 2016. Since July 2015 he was attendee of the Executive Committee. Mr. Cooke-Yarborough is a member of the Board of Directors and CEO of EFG Private Bank Ltd, London, EFG International's wholly owned subsidiary in 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.

Mr. Cooke-Yarborough 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 served as 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. Mr. Cooke-Yarborough started his career at Lloyds Bank International in 1980 and held various senior management positions in the USA and Latin America, ultimately as Director, International Investments, Brazil.

Mr. Cooke-Yarborough is a British citizen, was born in 1956, and holds an MA in Economics of Cambridge University.

Changes in the Executive Committee in 2016 – new members

Renato Cohn
Head of Investment Solutions

Renato Cohn is Head of Investment Solutions of EFG International and EFG Bank as well as CEO of EFG International Group Asset Management, effective as of 31 October 2016. Currently, he serves also as member of the Group Executive Board of BSI SA.

Mr. Cohn joined BSI in September 2015 as Group Deputy CEO. 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 a Head of the Fixed Income Trading Desk.

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

Reto Kunz
Chief Risk Officer

Reto Kunz is Chief Risk Officer of EFG International and EFG Bank, effective as of 31 October 2016. Currently, he serves also as member of the Group Executive Board of BSI SA and, since he joined BSI in August 2015, he is responsible for Credit, Market and Operational Risks.

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

Maurizio Moranzoni
Head of Global Markets

Maurizio Moranzoni is Head of Global Markets of EFG International and EFG Bank, effective as of 31 October 2016. Currently, he serves also as member of the Group Executive Board of BSI SA, and he is responsible for the Capital Markets Division since 2015. Previously, he has been Global Head of Capital Markets at BSI since 2010.

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 is currently Vice Chairman of the BSI SA Pension Fund and was a member of the Board of Directors of BSI Europe SA until December 2016.

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

Gerald Robert
Head of Latin America Region

Gerald Robert is Head of Latin America Region of EFG International and EFG Bank effective as of 31 October 2016. Currently, he serves also as member of the Group Executive Board of BSI and he is 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 was born in 1957 and is a Swiss and US citizen. He graduated in International politics and economics from George Washington University and holds a Master of Arts from the John Hopkins University of Washington D.C., with a specialization in Economics and Finance.

Renato Santi
Head of Central Switzerland, Ticino & Italy Region

Renato Santi is Head of Central Switzerland, Ticino & Italy Region of EFG International and EFG Bank effective as of 31 October 2016. Currently, he serves also as member of the Group Executive Board of BSI and he is responsible for the activities in Switzerland since 2013 and in Europe since 2016.

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 is currently a member of the Board of Directors of BSI Monaco SAM.

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

Marcelo Coscarelli
Head of Americas Region

Marcelo Coscarelli was appointed Head of Americas Region and a Member of the Executive Committee of EFG International and EFG Bank, effective as of 1 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 an MBA from the University of Chicago, USA, and a Bachelor's degree in Economics from University of Campinas (UNICAMP) in São Paulo, Brazil.

Former members – The following members stepped down in 2016

Frederick Link was appointed as Chief Risk Officer (CRO) in July 2008. He served as Group General Counsel of EFG International from March 2006 until 31 December 2010. From April 2013 until 31 October 2016 he was also CRO of EFG International's wholly owned subsidiary EFG Bank. As CRO he was responsible for risk assessment, management and controlling throughout the EFG International Group.

Prior to joining EFG International in March 2006, Mr. Link was with Allen & Overy LLP in London, where he represented financial institutions and corporate clients in relation to equity and debt capital markets offerings, mergers & acquisitions and in the regulatory and legal aspects of financial derivatives and other complex financial products.

Mr. Link is a US citizen and was born in 1975. He holds a Ph.D. in Economics from the Massachusetts Institute of Technology, a J.D. from Harvard Law School and an A.B. in Economics from the University of Michigan.

James T. H. Lee was a member of the Executive Committee of EFG International until 31 October 2016, prior to his retirement on 31 December 2016. He remains a member of the Board of Directors of various EFG Asset Management and Wealth Solutions entities.

He was appointed Head of Investment Solutions of EFG International and of its wholly owned subsidiary EFG Bank, Zurich, effective as of April 2013. Since January 2014, he assumed responsibility for Wealth Solutions. He was also CEO of EFG Asset Management since June 2009.

Previously, he was the Deputy CEO of EFG International and EFG Bank (2003–2009). He joined EFG Bank in 2001 as an advisor and was appointed Head of Merchant Banking and Chairman of the credit committee and a member of the management in January 2002.

Prior to 2001, Mr. Lee worked for UBS on strategic and tactical acquisitions in the field of private banking (1999–2000), and was the Global Head of International Private Banking for Bank of America (1997–1998). Between 1973–1997 he held various positions at Citigroup in Corporate, Investment and Private Banking, including being responsible for the Private Bank's Ultra-High Net Worth business in Asia and for the Global Investment Advisory business of the Private Bank. In 2000, Mr. Lee acted as advisor to several start-up businesses active in the fields of e-commerce and healthcare and co-founded an e-commerce company in the UK to build portals for specific industries in which he no longer holds any interest.

Mr. Lee is a UK citizen and was born in 1948. He obtained a Bachelors of Science (Honours) degree in Electrical Engineering in 1970 and a Masters degree in Management Science and Operational Research, both from Imperial College, University of London.

4.3 External mandates and vested interests

There are no external mandates and vested interests of any members of the Executive Committee other than mentioned in the biographies above (see section 4.2 above).

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.

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 2016. 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 70–86 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 78 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 73 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 74 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;

* *See www.efginternational.com/Articles_of_Association.pdf*

– 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 75 and 78);
– 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 74);
– 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 81).

Details of the compensation paid to the members of the Board of Directors and the Executive Committee in 2016 and 2015 can be found on pages 82–84. With regard to shareholdings of the members of the Board of Directors and the Executive Committee, see the financial statements, note 21, page 225.

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 authorized 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 of shareholders.

* *See www.efginternational.com/Articles_of_Association.pdf*

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 Annual General Meeting

The statutory rules on the convocation of the general meeting of shareholders correspond with legal provisions. Accordingly, the general meeting of shareholders 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.

6.4 Agenda

The Board of Directors announces the agenda for the general meeting of shareholders. Shareholders representing shares with a nominal value of at least CHF one million may request that an item of business be placed on the agenda until 40 days at the latest before the date of the 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 organizational 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 take-over 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 33⅓% 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 recognized 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 8 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 2016.

8.2 Auditing fees

PwC received fees totaling CHF 6.2 million for the 2016 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, the EFG International Group paid PwC fees totaling CHF 2.8 million during the 2016 financial year.

For additional consulting-related services comprising legal, IT, tax and other project-related counseling, the EFG International Group paid PwC fees totaling CHF 1.1 million during the 2016 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 the EFG International Group auditors and their lead partners. The Audit Committee confers with the EFG International Group auditors about the effectiveness of the internal control systems in view of the risk profile of the EFG International Group.

The Audit Committee reviews the annual written statement submitted by the external auditors as to their independence. Mandates to the EFG International Group 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 Head of Chief Internal Audit. At least once per year, the Chairman 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 Chairman 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 press releases and presentations as needed. The documents are available, in electronic form at:
www.efginternational.com/financial-reporting
and
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
www.efginternational.com/press-releases

Additional corporate information, such as documents related to general meeting of shareholders, Articles of Association and Organizational and Management Regulations, can be found at
www.efginternational.com/context

Financial calendar
Important Dates:
28 April 2017: Annual General Meeting 2017, Zurich
3 May 2017: Ex-dividend date
4 May 2017: Record date
5 May 2017: Dividend payment date
26 July 2017: Publication of half-year results 2017

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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Further contacts can be found on the back cover.

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 remuneration, also called base salary; variable compensation, whether in the form of cash or non-cash award such as restricted stock units (hereafter called "RSUs"); and benefits, or 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.

EFGI 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 behaviors and performance contribution are recognized and rewarded while applying discretionary penalties regarding any conduct issues.

2. REGULATIONS

According to the Ordinance against Excessive Compensation in Listed Companies (hereafter called "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 their report on page 86).

* *See www.efginternational.com/Articles_of_Association.pdf*

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. These standards have been transposed into a comprehensive internal Group Remuneration Policy and include:

- Categorization of employees and governing bodies in accordance with their risk profile; defined categories are:

  (a) Members of the Board of Directors of EFG International and its subsidiaries
  (b) Chief Executive Officer ("CEO") and other members of the Executive Committee of EFG International
  (c) Region Heads/Regional CEOs
  (d) Senior Executives (Local Business Heads/Heads of Private Banking/Global Function Heads)
  (e) Key Executives (defined according to criteria laid down from time to time by the Remuneration and Nomination Committee) including Material Risk Takers ("MRTs") as defined by local regulations
  (f) Control Functions (Audit, Compliance, Risk and Human Resources)
  (g) Client Relationship Officers ("CROs")
  (h) 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 remuneration 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.

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

For information on staff costs, please refer to page 149 (note 13 to the consolidated financial statements).

4. RESPONSIBILITIES

The Remuneration and Nomination Committee currently consists of the following members of the Board of Directors who were individually elected by the Annual General Meeting (“AGM”) 2016 for a term of office of one year until the conclusion of the AGM 2017:

– Niccolò H. Burki (Chairman);
– John A. Williamson;
– Emmanuel L. Bussetil;
– Périclès Petalas;
– Erwin R. Caduff.

According to article 30 paragraph 2 of the Articles of Association* and in application of the Ordinance, the Remuneration and 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 Chairman and Vice-Chairman of the Board of Directors, for service on Board-delegated committees and for service as a Chairman 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;
– After the evaluation of the CEO’s performance, to make a recommendation to the Board of Directors of appropriate compensation levels for the CEO;
– 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 benefits.

In addition, and in accordance with the Organizational and Management Regulations**, the Group Remuneration Policy and the Terms of Reference of the Remuneration and Nomination Committee, the Remuneration and Nomination Committee has, among others, the following additional responsibilities and competencies:

– It ensures 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;
– It ensures 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;

* *See www.efginternational.com/Articles_of_Association.pdf*
** *See www.efginternational.com/Organizational_and_Management_Regulations.pdf*

- It ensures that the policy on variable compensation and other variable elements of employee remuneration is not in conflict with client interests, shareholder interest or FINMA Circular 2010/1;
- It decides on the contractual arrangements of the members and the Chairman 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 it further decides on the contractual arrangements of other Key Executives, including those of the Company's subsidiaries, as appropriate;
- It approves 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;
- It sets 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 and Nomination Committee for approval;
- It decides on the granting of loans and credits to members of the Board of Directors and related parties thereof as well as members of the Executive Committee and Regional CEOs (for loans and credits exceeding CHF 500,000);
- It decides 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 and Nomination Committee shall consider the recommendations and, at its absolute discretion, determine the size of options or 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. For further details see article 32 of the Articles of Association*.

The Board of Directors proposes to the AGM 2017 to amend the Articles of Association in order to allow that the fixed compensation of the members of the Board of Directors must not necessarily be paid in cash but may also be awarded in equity or equity linked instruments (e.g. RSUs).

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*.

* *See www.efginternational.com/Articles_of_Association.pdf*

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 2016.

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 and Nomination Committee and subject to the approval by the general meeting of shareholders. The Remuneration and 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 and 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 options and/or 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 options and/or RSUs cannot be below 50% (as defined in the Articles of Association*) and is determined annually by the Remuneration and 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 remuneration 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.

In Switzerland, and in most other countries where reliable data is available, fixed remuneration is also linked to a professional annual remuneration 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 still then follow group wide procedures. Whilst salary surveys are used to help establish the appropriate remuneration 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.

* *See www.efginternational.com/Articles_of_Association.pdf*

All staff salaries are subject to review on a yearly basis, first by local management and Human Resources, then by the Regional CEO, the EFG International CEO together with the Global Head of Human Resources and finally by the Remuneration and Nomination Committee.

Exceptional increases may occur during the year; above certain limits defined in the Group Remuneration Policy they need Remuneration and Nomination Committee approval before commitment.

5.3.2 Variable compensation

Variable remuneration to other staff members than members of the Board of Directors and Executive Committee – and except CROs (see section 5.4 hereafter); some asset managers and certain Regional Business Heads – is discretionary and is determined by their individual performance (annual assessment), the performance of their business line and the performance of the organisation. 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 remuneration that may be deferred will depend on the impact the job category can have on the risk profile of the organisation 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 remuneration 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 Regional CEOs, the EFG International CEO and the Remuneration and 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 and 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 contravening internal regulations or regulatory or legal requirements in particular and/or significantly raising the organisation's risk exposure shall have their variable compensation reduced or eliminated.

Exceptional variable awards may occur during the year; above a certain minimum they need Remuneration and 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 remuneration of CROs is defined at hiring in line with their historic remuneration package 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 remuneration. Losses arising from repetitive operating errors, serious mistakes, non-respect of internal and external regulations or law directly reduce their variable remuneration. CROs with a variable compensation over or equivalent to CHF 50,000 are required to take a mandatory 25% of their variable compensation in the form of RSUs.

5.5 Employees in control functions

The remuneration level of employees in control functions is deemed to enable the employment of qualified and experienced personnel. The mix of fixed and variable remuneration for control function personnel is weighted in favour of fixed remuneration; 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	Minimum 50% in RSUs
CROs with a variable compensation over CHF 50,000	Minimum 25% in RSUs
Other employees with a variable compensation over CHF 50,000	Progressive deferral: Minimum of 10% up to a maximum of 25%

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 and 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 granted during the financial years 2005 to 2016 and which last up to the point in time that all 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 and Nomination Committee annually all persons who are eligible to participate in the Employee Equity Incentive Plan. The Remuneration and 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.

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 organisation 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 and Nomination Committee may exceptionally decide to grant accelerated vesting to leavers depending on the circumstances of the 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 clearly established rules and are made only in exceptional cases; above certain minima such proposals must be submitted to the Remuneration and 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 and 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 AGM.

No variable compensation for members of the Board of Directors related to the business year 2016 will be proposed to the AGM 2017.

* *See www.efginternational.com/Articles_of_Association.pdf*

Details of the compensation paid to the members of the Board of Directors in 2015 and 2016 can be found on pages 82–85.

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 and 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 AGM).

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 and Nomination Committee based upon recommendations of the CEO (except in relation to his own variable compensation). The Remuneration and Nomination Committee has defined a minimum of 60% of the variable remuneration 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 and Nomination Committee may approve modifications of this rule for specific events, subject to mandatory law.

Variable Compensation shall 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 and Nomination Committee include personal performance, subordinates' performance, sound management, budget control, and the realization of defined objectives, realization 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 amounted from 0% to 139% of the annualized fixed component, averaging at 49.3%. The average variable component to annualized total compensation is 25.7%, of which average deferral for a member of the Executive Committee is 100%.

The Remuneration and 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 2016 and 2015 can be found on pages 82–85.

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

* *See www.efginternational.com/Articles_of_Association.pdf*

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 79 members for 2016.

The compensation of the members of the Forum is determined as for all staff and is reviewed annually by the Remuneration and 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 and Local Business Heads are subject to a minimum of 50% deferral of their variable compensation. The senior management in control and operational functions has a minimum deferral of 25% with an average deferral of 34.0%.

The variable component of pay to members of the Forum amounted from 0% to 398% of the annualised fixed component, averaging at 50.7%. The average variable component to annualised total compensation is 22.9%, of which average deferral for a Forum member is 47.4%.

Compensation of Senior Management Forum

Compensation year ended 2016

	Fixed compensation (1)	*Variable compensation (2)*		Other compen-sation	Social charges (4)	Total 2016
	Cash	Cash bonus	Share options (3)			
	CHF	CHF	CHF	CHF	CHF	CHF
Senior Management Forum						
Total	**26,700,424**	**7,929,377**	**9,035,796**	**242,789**	**4,313,721**	**48,222,107**
Average	337,980	100,372	114,377	3,073	54,604	610,406

Notes
1) Including employees’ contributions for social charges.
2) Including the amounts of the members of the Executive Committee, subject to approval by the shareholders at the AGM 2017.
3) The amount represents the value of equity incentives granted in 2017 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 54 of the consolidated financial statements.
4) Including employer pension contributions.

8. LOANS AND CREDITS

The Articles of Association* provide 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 shall not exceed a maximum of CHF 3,000,000 for unsecured loans and credits as well as 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*). In 2016 there were no additional/new loans and credits granted.

The Remuneration and 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 falling under the competences of the Remuneration and Nomination Committee, are dealt with by the approval body of EFG International ("the Approval Body"). The Approval Body comprises three members of the Executive Committee and, as a backup, the Head of the Credit Department. Details on pre-existing loans and credits granted to members of the Board of Directors and the Executive Committee can be found on page 85.

9. EXTERNAL ADVICE

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

* *See www.efginternational.com/Articles_of_Association.pdf*

10. COMPENSATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

(i) Compensation year ended 2016 (audited)

	Fixed compensation (1)	*Variable compensation (2)*		Other compen-sation	Social charges (4)	Total
	Cash CHF	Cash bonus CHF	Share options (3) CHF	CHF	CHF	2016 CHF
Board of Directors						
John A. Williamson, Chairman (5)	1,209,335				194,224	1,403,559
Niccolò H. Burki, Vice-Chairman	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)**	**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*

Notes
1) Including employees' contributions for social charges.
2) Subject to approval by the shareholders at the AGM 2017.
3) The amount represents the value of RSUs to be granted in 2017. For specific valuation of the Employee Equity Incentive Plans, refer to note 54 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 AGM 2016).
6) No compensation has been paid to this member of the Board of Directors.
7) The AGM 2016 has approved a maximum aggregate fixed compensation for all members of the Executive Committee for the business year 2016 of CHF 11,600,000. The table above shows that the total fixed compensation paid to the members of the Executive Committee in 2016 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 AGM 2016

The table above shows the compensation of the individual members of the Board of Directors for the business year 2016 as they are calculated for the Financial Statements 2016. Since the shareholders have approved at the AGM 2016 a maximum aggregate fixed compensation for all members of the Board of Directors for their term of office from AGM 2016 to AGM 2017 of CHF 4,200,000 the table below shows that the total fixed compensation paid to the members of the Board of Directors for such term of office has not exceeded the amount approved by the shareholders.

	Fixed compensation (1) Cash CHF	Social charges CHF	From AGM 2016 to AGM 2017 Total CHF
Board of Directors			
John A. Williamson, Chairman	1,000,000	98,487	1,098,487
Niccolò H. Burki, Vice-Chairman	220,000	12,936	232,936
Susanne Brandenberger, member	205,000	44,239	249,239
Emmanuel L. Bussetil, member (2)			–
Erwin R. Caduff, member	150,000	8,068	158,068
Michael N. Higgin, member*	334,668	24,963	359,631
Roberto Isolani, member** (2)			–
Steven M. Jacobs, member** (2)			–
Spiro J. Latsis, member (2)			–
Périclès Petalas, member (2)			–
Bernd-A. von Maltzan, member***	246,434	8,068	254,502
Daniel Zuberbühler, member	125,000	6,656	131,656
Total Board of Directors	**2,281,102**	**203,417**	**2,484,519**

* *Includes UK subsidiary Board of Directors' fees*
** *Joined in October 2016*
*** *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 2015 (audited)

	Fixed compensation (1)	*Variable compensation (2)*		Other compen-sation	Social charges (4)	Total
	Cash CHF	Cash bonus CHF	Share options (3) CHF	CHF	CHF	2015 CHF
Board of Directors						
Niccolò H. Burki, Chairman	406,748				23,942	430,690
John A. Williamson, Vice-Chairman (5)**	1,116,644				109,975	1,226,619
Susanne Brandenberger, member**	37,500				8,096	45,596
Emmanuel L. Bussetil, member (6)						–
Erwin R. Caduff, member	141,668				10,080	151,748
Robert Y. Chiu, member	125,002		963,213		6,581	1,094,796
Michael N. Higgin, member***	309,308				23,071	332,379
Spiro J. Latsis, member (6)						–
Périclès Petalas, member (6)						–
Bernd-A. von Maltzan, member	150,000				8,101	158,101
Daniel Zuberbühler, member	135,002				7,189	142,191
Jean Pierre Cuoni*	220,000				13,368	233,368
Hugh N. Matthews*	166,666				9,370	176,036
Total Board of Directors	**2,808,538**	**–**	**963,213**	**–**	**219,773**	**3,991,524**
Executive Committee						
Total Executive Committee	**7,860,408**	**2,853,733**	**3,755,600**	**54,603**	**1,226,868**	**15,751,212**
of which highest paid: James T. H. Lee, Head of Investment & Wealth Solutions	1,107,829	450,400	675,600	41,160	164,635	2,439,624

* *Left in 2015*
** *Joined in 2015*
*** *Includes UK subsidiary Board of Directors' fees*

Notes
1) Including employees' contributions for social charges.
2) Approved by the shareholders at the annual general meeting 2016.
3) The amount represents the value of RSUs granted in 2016. For specific valuation of the Employee Equity Incentive Plans, refer to note 54 of the consolidated financial statements.
4) Employer social charges of the Executive Committee of CHF 1,226,868 includes an amount of CHF 410,672 of pension contributions.
5) This member of the Board of Directors receives a variable compensation related to his former position as CEO of EFG International until 24 April 2015, approved by the shareholders at the annual general meeting 2016, for a total amount of CHF 1,400,000 (CHF 560,000 in cash and CHF 840,000 in RSUs). These amounts are included in the total reported for Executive Committee members.
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

The following pre-existing loans and credits granted by subsidiaries to members of the Board of Directors and the Executive Committee are outstanding at the end of the year. These loans and credits were granted before the Ordinance entered into force on 1 January 2014.

	2016 CHF	2015 CHF
Board of Directors		
John A. Williamson, Chairman		445,284
Total Board of Directors	**–**	**445,284**

Executive Committee	2016 CHF	2015 CHF
Maurizio Moranzoni, Head of Global Markets (highest amount granted to an individual member of the Executive Committee)*	2,633,224	
Other members of the Executive Committee**	**5,147,663**	536,435
Total Executive Committee	**7,780,887**	**536,435**

* *Member of the Executive Committee since October 2016*

** *Amounts drawn within the pre-existing credit limits. Including members of the Executive Committee who joined in June 2016 and October 2016*

The variation in the loans and credits reported for the members of the Executive Committee in 2015 and 2016 is essentially due to the arrival of the new members who joined the Executive Committee in 2016.

No loans or credits were granted to related parties of members of the Board of Directors and Executive Committee by EFG International and its subsidiaries.

AUDITOR'S REPORT

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 2016

We have audited the Compensation Report of EFG International AG for the year ended 31 December 2016. 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 82 to 85 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 2016 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, 14 March 2017

EFG International
Consolidated Financial Statements

for the year ended 31 December 2016

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

Consolidated Financial Statements

	Note	Year ended 31 December 2016 CHF millions	Year ended 31 December 2015 CHF millions
Interest and discount income		437.2	413.6
Interest expense		(240.3)	(213.0)
Net interest income	5	**196.9**	**200.6**
Banking fee and commission income		479.6	452.2
Banking fee and commission expense		(84.2)	(76.9)
Net banking fee and commission income	6	**395.4**	**375.3**
Dividend income	7	1.9	6.5
Net trading income and foreign exchange gains less losses	8	128.2	104.3
Net loss from financial instruments measured at fair value	9	(8.1)	(6.4)
Gains less losses on disposal of available-for-sale investment securities	10	1.7	14.2
Other operating income		6.0	2.2
Net other income		**129.7**	**120.8**
Operating income		**722.0**	**696.7**
Operating expenses	12	(690.4)	(604.3)
Bargain gain on business acquisitions	31	530.8	–
Impairment on goodwill and other intangibles	32.1	(199.5)	–
Other provisions	40	(20.3)	(20.0)
(Impairment)/Reversal of impairment on loans and advances to customers	11	(3.8)	0.1
Profit before tax		**338.8**	**72.5**
Income tax gain / (expense)	14	3.2	(13.1)
Net profit for the year		**342.0**	**59.4**
Net profit for the year attributable to:			
Net profit attributable to equity holders of the Group		339.3	57.1
Net profit attributable to non-controlling interests		2.7	2.3
		342.0	**59.4**

	Note	Year ended 31 December 2016 CHF	Year ended 31 December 2015 CHF
Earnings per ordinary share			
Basic	51.1	1.71	0.37
Diluted	51.2	1.64	0.36

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

Consolidated Financial Statements

	Note	Year ended 31 December 2016 CHF millions	Year ended 31 December 2015 CHF millions
Net profit for the year		**342.0**	**59.4**
Other Comprehensive Income/(Loss)			
Items that may be reclassified subsequently to the Income Statement:			
Net loss on hedge of investments in foreign operations, with no tax effect		(29.3)	(10.1)
Currency translation differences, with no tax effect		(25.2)	(12.0)
Fair value gains/(losses) on available-for-sale investment securities, before tax	28	12.4	(20.8)
Tax effect on available-for-sale investment securities	28	(1.3)	1.7
Transfer to the Income Statement of realised available-for-sale investment securities reserve, before tax	28	(1.7)	(14.2)
Items that will not be reclassified to the Income Statement:			
Retirement benefit gains/(costs)	43	78.8	(27.8)
Other Comprehensive Income/(Loss) for the year, net of tax		**33.7**	**(83.2)**
Total Comprehensive Income/(Loss) for the year		**375.7**	**(23.8)**
Total Comprehensive Income/(Loss) for the year attributable to:			
Equity holders of the Group		373.2	(24.5)
Non-controlling interests		2.5	0.7
		375.7	**(23.8)**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2016

Consolidated Financial Statements

	Note	31 December 2016 CHF millions	31 December 2015 CHF millions
Assets			
Cash and balances with central banks	17	8,887.5	4,862.0
Treasury bills and other eligible bills	19	1,945.6	757.1
Due from other banks	20	2,923.8	2,168.5
Loans and advances to customers	21	18,878.3	12,061.6
Derivative financial instruments	24	831.2	735.4
Financial assets at fair value:			
Trading assets	25	734.3	58.6
Designated at inception	26	456.0	305.0
Investment securities:			
Available-for-sale	27	5,437.3	4,243.8
Held-to-maturity	29	1,198.3	1,162.2
Intangible assets	32	191.7	271.7
Property, plant and equipment	33	253.7	21.6
Deferred income tax assets	15	33.8	35.0
Other assets	34	547.1	113.9
Total assets		**42,318.6**	**26,796.4**
Liabilities			
Due to other banks	35	427.6	503.2
Due to customers	36	32,746.9	19,863.5
Derivative financial instruments	24	777.1	714.1
Financial liabilities designated at fair value	38	654.4	353.1
Other financial liabilities	39	3,828.5	3,237.9
Debt issued	37	334.4	392.0
Current income tax liabilities		19.2	4.9
Deferred income tax liabilities	15	10.8	35.1
Provisions	40	199.3	7.7
Other liabilities	41	798.6	313.1
Subordinated loans	37	265.3	242.8
Total liabilities		**40,062.1**	**25,667.4**
Equity			
Share capital	44.1	143.9	76.1
Share premium	44.2	1,910.8	1,245.9
Other reserves	45	(96.9)	(153.4)
Retained earnings		244.9	(59.1)
Total shareholders' equity		**2,202.7**	**1,109.5**
Additional equity components	46	31.2	
Non-controlling interests		22.6	19.5
Total equity		**2,256.5**	**1,129.0**
Total equity and liabilities		**42,318.6**	**26,796.4**

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

	Note	*Attributable to equity holders of the Group* Share capital CHF millions	Share premium CHF millions	Other reserves CHF millions	Retained earnings CHF millions	Total Shareholders' equity CHF millions	Additional equity components CHF millions	Non-controlling Interests CHF millions	Total equity CHF millions
Balance at 1 January 2015		**75.5**	**1,243.8**	**(72.5)**	**(90.5)**	**1,156.3**		**18.8**	**1,175.1**
Net profit for the year					57.1	57.1		2.3	59.4
Currency translation difference and net investment hedge, net of tax				(20.5)		(20.5)		(1.6)	(22.1)
Fair value gains on available-for-sale investment securities, net of tax				(33.3)		(33.3)			(33.3)
Retirement benefit costs				(27.8)		(27.8)			(27.8)
Total Comprehensive Income for the year		**–**	**–**	**(81.6)**	**57.1**	**(24.5)**	**–**	**0.7**	**(23.8)**
Dividend paid on ordinary shares	52				(37.7)	(37.7)			(37.7)
Dividend paid on Bons de Participation	52				(0.2)	(0.2)			(0.2)
Ordinary shares sold	44		0.6			0.6			0.6
Ordinary shares repurchased	44		(0.3)			(0.3)			(0.3)
Employee equity incentive plans amortisation	54			13.5		13.5			13.5
Employee equity incentive plans exercised		0.6	1.8	(0.6)		1.8			1.8
Transfer to retained earnings on lapse of employee equity incentive plans				(12.2)	12.2	–			–
Balance at 31 December 2015		**76.1**	**1,245.9**	**(153.4)**	**(59.1)**	**1,109.5**	**–**	**19.5**	**1,129.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016 CONTINUED

	Note	*Attributable to equity holders of the Group* Share capital CHF millions	Share premium CHF millions	Other reserves CHF millions	Retained earnings CHF millions	Total Shareholders' equity CHF millions	Additional equity components	Non-controlling Interests CHF millions	Total Equity CHF millions
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					339.3	339.3		2.7	342.0
Currency translation difference and net investment hedge, net of tax				(54.3)		(54.3)		(0.2)	(54.5)
Fair value losses on available-for-sale investment securities, net of tax				9.4		9.4			9.4
Retirement benefit gains				78.8		78.8			78.8
Total Comprehensive Income for the year		**–**	**–**	**33.9**	**339.3**	**373.2**	**–**	**2.5**	**375.7**
Issuance of ordinary shares	44	67.2	681.8			749.0			749.0
Cost of share issuance			(17.6)			(17.6)			(17.6)
Dividend paid on ordinary shares	52				(38.0)	(38.0)			(38.0)
Dividend paid on Bons de Participation	52				(0.1)	(0.1)			(0.1)
Ordinary shares sold	44	0.1	0.6			0.7			0.7
Ordinary shares repurchased	44		(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	54			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	46					–	31.2		31.2
Balance at 31 December 2016		**143.9**	**1,910.8**	**(96.9)**	**244.9**	**2,202.7**	**31.2**	**22.6**	**2,256.5**

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

	Note	Year ended 31 December 2016 CHF millions	Year ended 31 December 2015 CHF millions
Cash flows from operating activities			
Interest received		449.0	405.9
Interest paid		(218.3)	(215.0)
Banking fee and commission received		492.2	450.3
Banking fee and commission paid		(86.8)	(77.6)
Dividend received	7	1.9	6.5
Net trading income		120.1	97.9
Other operating receipts		2.3	2.1
Staff costs paid		(454.9)	(399.7)
Other operating expenses paid		(213.3)	(144.1)
Income tax paid		(16.2)	(12.7)
Cash flows from operating activities before changes in operating assets and liabilities		**76.0**	**113.6**
Changes in operating assets and liabilities			
Net (increase)/decrease in treasury bills		(939.9)	42.9
Net decrease/(increase) in due from other banks		630.3	(277.6)
Net increase in derivative financial instruments		(56.4)	(102.5)
Net decrease in loans and advances to customers		1,533.5	678.6
Net (increase)/decrease in other assets		(346.5)	8.3
Net (decrease)/increase in due to other banks		(447.9)	35.9
Net increase in due to customers		465.7	1,697.7
Net decrease/(increase) in other liabilities		295.9	(96.7)
Net cash flows from operating activities		**1,210.7**	**2,100.2**
Cash flows from investing activities			
Acquistion of business net of cash acquired		3,213.8	
Purchase of securities		(2,907.9)	(2,214.0)
Proceeds from sale of securities		2,608.6	1,893.7
Purchase of property, plant and equipment	33	(14.5)	(7.3)
Purchase of intangible assets	32	(18.2)	(13.2)
Net cash flows from/(used in) investing activities		**2,881.8**	**(340.8)**
Cash flows from financing activities			
Dividend paid on Bons de Participation	52	(0.1)	(0.2)
Dividend paid on ordinary shares	52	(38.0)	(37.7)
Cash received on employee share options exercised		0.2	1.9
Ordinary shares issuance		280.6	
Ordinary shares repurchased	44	(0.1)	(0.3)
Ordinary shares sold	44	0.7	0.6
Issuance of structured products		7,763.1	3,593.0
Redemption of structured products		(7,047.9)	(3,267.3)
Net cash flows from financing activities		**958.5**	**290.0**
Effect of exchange rate changes on cash and cash equivalents		**160.0**	**(86.6)**
Net change in cash and cash equivalents		**5,211.0**	**1,962.8**
Cash and cash equivalents at beginning of period	18	7,276.1	5,313.3
Net change in cash and cash equivalents		5,211.0	1,962.8
Cash and cash equivalents	18	**12,487.1**	**7,276.1**

1. GENERAL INFORMATION

EFG International AG and its subsidiaries (hereinafter collectively referred to as "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, Panama, Singapore, Spain, Switzerland, Taiwan, the United Kingdom and the United States of America. Across the whole Group, the number of employees (FTE's) at 31 December 2016 was 3,572 (31 December 2015: 2,137).

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 14 March 2017.

2. 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 2016. These financial statements have been prepared in accordance with those International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards Interpretations Committee ("IFRS Interpretations Committee") interpretations issued and effective, or issued and early adopted which are applicable for the year ended 31 December 2016. These consolidated financial statements are subject to the approval of the shareholders.

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

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The process also requires management to exercise its judgement in the process of applying the group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further information about critical estimates 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 subsidiaries EFG Bank AG and BSI SA.

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 1 January 2016.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

New and amended standards effective 1 January 2016:

There are several amendments that apply for the first time in 2016 further presented below. These did not have a significant impact on the consolidated financial statements of the Group:

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants – Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

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

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

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

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

  IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a “three stage” approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

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

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

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

– IFRS 16 "Leases", issued in January 2016 and effective for annual periods beginning on or after 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 the Group is required to recognise: a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact on its financial statements.

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

The following other new pronouncements are not expected to have any material impact on the Group when adopted:
– Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
– Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).
– Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
– Amendments to IFRS 4, Insurance Contracts (issued on 12 September 2016 and effective for annual periods beginning on or after 1 January 2018).

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

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

(b) Consolidation

(i) Subsidiaries

Subsidiary undertakings are all entities (including structured entities) over which the Group, directly or indirectly, has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date 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. Where 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 30.

(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 Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

(c) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in CHF which is the Group's presentation currency, as the functional currency of the parent company and of its major operating subsidiaries, EFG Bank AG and BSI SA.

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 are 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:

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the 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 options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

Certain derivatives embedded in other financial instruments, such as the option in a structured product, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit 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:

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

Hedge accounting is used for derivatives designated as such, provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group will discontinue hedge accounting in the following scenarios:
– when the Group determines that a hedging instrument is not, or has ceased to be, highly effective as a hedge,
– when the derivative expires or is sold, terminated or exercised,
– when the hedged item matures, is sold or repaid; or
– when forecast transactions are no longer deemed highly probable.

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

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

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the 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 24.

(e) Offsetting financial instruments

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

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

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

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

(ii) Banking fees and commissions

Fees and commissions are generally recognised on an 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 linked fees or fee components are recognised when the performance criteria are fulfilled and the fee can be reliably measured.

(g) Property, plant and equipment

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

(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 asset's fair value less costs to sell and value in use). Goodwill is allocated to cash generating units for the purpose of impairment testing (note 32.2). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets – Client Relationships

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

(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 3–10 year basis. The acquisition cost of software capitalised is on the basis of the cost to acquire and bring into use the specific software.

(i) Financial assets and liabilities

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

(j) Impairment of financial assets

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

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

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

(i) Available-for-sale assets

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

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

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the 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.

(k) Debt securities in issue and other financial liabilities

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the 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.

(l) 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.

(m) Deferred income tax

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

Deferred tax assets are only recognised to the extent that it is probable that they will crystallise in the future. Deferred tax relating to changes in fair values of available-for-sale investments, which is taken directly 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 carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

(n) Employee benefits

(i) Retirement benefit obligations

The Group operates various pension schemes which are either defined contribution or defined benefit plans, depending on prevailing practice in each country. For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset. The Group has no legal or constructive obligations to pay further contributions if the 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.

(o) 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.

(p) Provisions

Provisions are recognised when:

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

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

(q) 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.

(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.

(r) Fiduciary activities

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

(s) 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.

(t) Comparatives

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

(u) Repurchase and reverse-repurchase agreements

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Business combinations

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

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

(b) Impairment of intangible assets

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

(c) Fair value of financial instruments

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

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

The Group follows the guidance of IFRS13 on the valuation of unquoted designated at fair value life insurance policies (note 4.2.1). Given the illiquidity of the market for life insurance policies and the absence of market observable valuations for portfolios of similar characteristics, the Group has adopted an Income Approach (Method 1) to the valuation. The Income Approach risk adjusts future cash flows and then discounts these using a risk free rate. The key risk adjustments made in the fair value measurement include longevity risk (including the risk of statistical volatility), credit risk, risk of change in cost of insurance and liquidity risk. The valuation is most sensitive to longevity risk and risk of change in cost of insurance (premium increase risk), and as a result the Group discloses sensitivities to these in note 4.2.1.

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

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

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

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

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

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

- Non-derivative financial asset: Life insurance policies are not treated as derivatives and are akin to fixed income instruments. A derivative typically involves only a percentage of the notional exposure being paid for and a leverage effect. However, the full value of the life insurance policies was paid when they were acquired and no leverage effect exists.
- Fixed or determinable payments: Cash flows relating to life insurance policies are the premium payments required to keep the policies in force and the death benefits receivable. The cash flow timing is determined by mortality assumptions derived from the standard mortality tables.
- Fixed maturity: No financial assets with indefinite lives can be classified as held-to-maturity. The life insurance policies have a prefixed event that determines the maturity of the instrument (i.e. the death of the insured which is estimated based on actuarial data).
- Intention and ability to hold to maturity: the Group concluded on recognition in 2010 that it had, and continues to have the intention and the ability to hold these life insurance policies until maturity.

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

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

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

(h) Held-to-maturity investments – Others

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

(i) Income taxes and deferred tax

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

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

(j) Provisions

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

(k) Retirement benefit obligations

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

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the 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 43.

(l) Loans and advances to customers

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

4. FINANCIAL RISK ASSESSMENT AND MANAGEMENT

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

The Group’s primary activities performed through its business units reflect the execution of client related activities, with the clients carrying the risk. Within the risk appetite framework agreed and approved by the Board of Directors and related Risk Committees, the Group also maintains “nostro” positions in a number of selected areas. Consequently, the Group takes limited credit, market and liquidity risks, with most credit risk being limited to margin loans and other secured exposures to clients as well as exposures to banks and financial institutions.

The Group is exposed to limited market risk which is mainly restricted to foreign exchange, interest rate gapping and life insurance settlement positions maintained within defined parameters. The Group is also exposed to operational and reputational risks.

Ultimate responsibility for the supervision of risk management lies with the Groups Board of Directors, which defines the risk appetite of the organisation and sets policies. The Board of Directors has delegated certain supervision and approval functions to its Risk Committee and Audit Committee.

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

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

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

Risk Governance and Organisation

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

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

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

- The Executive Committee has responsibility for the implementation of, and compliance with, risk related policies, procedures and internal regulations which also include operational, legal and reputational risks.

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

- The Regulatory and Compliance Committee is responsible for the oversight of the Group with regards to matters relating to regulatory and compliance activities.

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

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

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

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

– 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 Group functions that also undertake risk oversight activities for their respective area of responsibility, such as the Chief Financial Officer, Chief Operating Officer, Group Chief Compliance Officer and General Counsel. Each business region has its own designated Regional Risk Officer who is responsible for the oversight of risk management in the region and reports to local senior management and to the Group's Chief Risk Officer.

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

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

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

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

4.1 Credit risk

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

4.1.1 Credit risk management

(a) Loans and advances

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

The Executive Credit Committee of the Group has overall responsibility for the client credit business, including the implementation of credit policies and procedures defined by the Board of the Group. Certain duties, including monitoring of day-to-day operations, have been delegated to the various Credit Departments of the Group under the supervision of the Credit Department of EFG Bank AG. The approval of loans, ceilings and other exposures has been delegated, based on certain defined risk and size criteria, to senior members of the credit departments, certain credit committees of international units and to the Executive Credit Committee of the Group.

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

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

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

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

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

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

(b) Debt securities and other bills

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

4.1.2 Risk limit control and mitigation policies

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

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

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

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

Other specific control and mitigation measures are outlined below.

(a) Collateral

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

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

(b) Derivatives

The Group maintains a strict monitoring of credit risk exposure induced by over-the-counter derivatives transactions 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, EFGI Business units have signed mitigating agreements with its most important financial institutions counterparties.

(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 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 under paragraph 4.1.1. a).

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

4.1.3 Exposure to credit risk

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

	Maximum exposure before collateral held or other credit enhancements		*Exposure after collateral held or other credit enhancements*	
	2016 CHF millions	2015 CHF millions	2016 CHF millions	2015 CHF millions
Cash and balances with central banks	8,887.5	4,862.0	8,887.5	4,862.0
Treasury bills and other eligible bills	1,945.6	757.1	1,945.6	757.1
Due from other banks	2,923.8	2,168.5	2,278.5	1,734.0
Loans and advances to customers:				
Overdrafts, Lombard loans and term loans	12,096.2	8,816.2	379.8	47.4
Mortgages	6,782.1	3,245.4		
Derivative financial instruments	831.2	735.4	191.4	135.3
Financial assets at fair value:				
Trading Assets – Debt securities	477.8	58.6	477.8	58.6
Designated at inception – Debt securities	456.0	305.0	161.2	27.2
Investment securities – Debt securities	6,593.4	5,377.4	6,593.4	5,377.4
Other assets	547.1	113.9	181.2	78.1
On-balance sheet assets	**41,540.7**	**26,439.5**	**21,096.4**	**13,077.1**
Financial guarantees	779.3	290.8	150.4	1.3
Loan commitments, and other credit related guarantees	212.9	104.0	133.0	22.3
Off-balance sheet items	**992.2**	**394.8**	**283.4**	**23.6**
Total	**42,532.9**	**26,834.3**	**21,379.8**	**13,100.7**

See note 23 Collateral for loans and advances to customers which shows that collateralised loans comprised 96.9% (2015: 99.5%) 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**
Total on-balance sheet assets 2015	10,211.9	1,611.5	379.3	57.1	817.3	13,077.1
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**
Total off-balance sheet items 2015	–	–	–	–	23.6	23.6

Concentration of risks of financial assets with credit risk exposure

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

As of 31 December 2016 the carrying value of the exposure of the ten largest borrowers was CHF 1,840.1 million (2015: CHF 1,518.0 million).

4.1.4 Loans and advances

Loans and advances are summarised as follows:

		31 December 2016		*31 December 2015*	
		Loans and advances to customers CHF millions	Due from other banks CHF millions	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	11,810.1	2,168.5
Past due but not impaired	b)	270.6		251.5	
Impaired		43.2		6.7	
Gross		**18,921.5**	**2,923.8**	**12,068.3**	**2,168.5**
Less: allowance for impairment		(43.2)		(6.7)	
Net		**18,878.3**	**2,923.8**	**12,061.6**	**2,168.5**

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

(a) Loans and advances neither past due nor impaired

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

	Loans and advances to customers		
Grades	Overdrafts, Lombard and Term loans CHF millions	Mortgages CHF millions	Total CHF millions
31 December 2016			
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 2015			
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
31 December 2015			
Greater than 180 days, past due	193.0	49.7	242.7
Less than 180 days, past due	1.6	7.2	8.8
Total	**194.6**	**56.9**	**251.5**
Fair value of collateral	196.4	84.3	280.7

4.1.5 Impairment and provisioning policies

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

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

	2016		2015	
Grade descriptions	Loans and advances %	Impairment provision %	Loans and advances %	Impairment provision %
Grade 1–2	55.0%		54.8%	
Grade 3	33.1%		36.3%	
Grade 4–5	9.1%		6.4%	
Grade 6–7	2.3%	4.1%	2.4%	
Grade 8	0.2%	3.0%	0.0%	
Grade 9–10	0.3%	92.9%	0.1%	100.0%
	100.0%	**100.0%**	**100.0%**	**100.0%**

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

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

The table below presents an analysis of debt securities, treasury bills, other eligible bills and investment securities subject to credit risk, by rating agency designation at 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**
31 December 2015						
Grade 1–2	757.1		199.4	3,390.6	862.1	5,209.2
Grade 3		58.1	45.5	735.0	118.6	957.2
Grade 4–5		0.5	40.1	52.2	129.7	222.5
Grade 6			18.9	4.1	50.6	73.6
Unrated			1.1	33.3	1.2	35.6
Total	**757.1**	**58.6**	**305.0**	**4,215.2**	**1,162.2**	**6,498.1**

4.2 Market risk

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

Risks related to the balance sheet structure (interest rate and foreign exchange rate) are managed by the Asset and Liability Committee and monitored by Group Market Risk, in accordance with the principles and maximum limits stipulated by the Groups Risk Policy. The Board delegated Risk Committee sets sensitivity risk limits for the economic value of equity and the net interest income, which are monitored by the Group Risk Control. The Group uses derivative financial products for Asset and Liability Management (ALM) and for trading purposes.

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

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

4.2.1 Assets and liabilities measured at fair value

(a) Fair value hierarchy

IFRS 13 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 recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

	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:					
Equity	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**	**7,458.8**	**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 *	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**

* *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.*

	31 December 2015				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives		156.2		156.2	
Interest rate derivatives	0.2	24.0		24.2	
Equity derivatives		430.7		430.7	
Other derivatives		62.1		62.1	
Life insurance related			62.2	62.2	
Total derivatives assets					**735.4**
Financial assets at fair value:					
Debt	58.6			58.6	
Total trading assets					**58.6**
Designated at inception:					
Life Insurance related			305.0	305.0	
Total financial assets designated at inception					**305.0**
Investment securities: Available-for-sale					
Equity	0.5		28.1	28.6	
Debt	3,283.1	896.6		4,179.7	
Life Insurance related			35.5	35.5	
Total investment securities available-for-sale					**4,243.8**
Total assets measured at fair value	**3,342.4**	**1,569.6**	**430.8**	**5,342.8**	**5,342.8**
Derivative financial instruments (liabilities):					
Currency derivatives		102.1		102.1	
Interest rate derivatives		92.4		92.4	
Equity derivatives		458.9		458.9	
Other derivatives		60.7		60.7	
Total derivatives liabilities					**714.1**
Financial liabilities designated at fair value:					
Equity			34.6 *	34.6	
Life Insurance related			318.5	318.5	
Total financial liabilities designated at fair value					**353.1**
Total liabilities measured at fair value	**–**	**714.1**	**353.1**	**1,067.2**	**1,067.2**
Assets less liabilities measured at fair value	**3,342.4**	**855.5**	**77.7**	**4,275.6**	**4,275.6**

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

(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	Designated at inception CHF millions	Available-for-sale CHF millions	Total Assets in Level 3 CHF millions
At 1 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 1 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

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

	Liabilities in Level 3	
	Financial liabilities designated at fair value CHF millions	Total Liabilities in Level 3 CHF millions
At 1 January 2015	369.2	369.2
Total gains or losses		
in the Income Statement – Interest and discount income	52.5	52.5
in the Income Statement – Net gain from financial instruments designated at fair value	(82.2)	(82.2)
Purchases/Premiums paid	(17.4)	(17.4)
Disposals/Premiums received	35.3	35.3
Exchange differences	(4.3)	(4.3)
At 31 December 2015	**353.1**	**353.1**
Change in unrealised gains or losses for the period included in the Income Statement for liabilities held at the end of the reporting period	(29.7)	(29.7)

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

Valuation governance

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

A significant part of 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, benchmarking the fair values estimates is performed against external sources and recalibration performed on a continuous basis against changes in fair value versus expectations. Fair value measurements are compared with observed prices and market levels, for the specific 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:

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

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

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

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

(i) Life settlement policies

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

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

The assumptions on life expectancy are based on the Valuation Basic Table ("VBT") last published by the Society of Actuaries in 2015 and adjusted by external life settlement underwriter and actuaries to reflect the individual medical characteristics of the referenced insureds. Premium estimates are based on cost of insurance estimates, which are provided by independent parties specialised and experienced in the field of premium calculations for life settlement policies. The Group conducts a regular in-depth review of such providers to ensure high quality standards and reliability of the forecasts. The risk adjustments as well as the discount factors reflect the risk compensation (return) an investor in a life settlement policy would expect to receive by buying a life settlement policy. The market for life settlement policies is private and fragmented, hence the appropriate inputs are unobservable. As a result, assumptions are made in determining relevant risk adjustment.

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

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

		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 settlements sensitivity							
Derivatives	Synthetic policies	3.3	(3.0)	0.1	(0.2)	–	–
Financial assets at fair value	Physical policies	13.5	(12.6)	18.9	(22.1)	10.4	(10.2)
Available-for-sale	Physical policies	2.4	(2.2)	2.3	(2.1)	2.2	(2.2)
Financial liabilities designated at fair value	Synthetic policies	(13.3)	12.4	(16.1)	21.2	–	–
Total impact on shareholders equity		**5.9**	**(5.4)**	**5.2**	**(3.2)**	**12.6**	**(12.4)**

(ii) Equity in stock exchanges and clearing houses

The participation in SIX Group is based on a valuation using the expected net asset value of SIX Group at the end of December 2016 which the Group understands would be the basis for any sale or purchase between SIX Group shareholders. As SIX Group 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 2016. The sensitivity to this valuation is that the gain/loss taken through Other Comprehensive Income for a 30% higher and 30% lower 12 month 2016 estimated profit would be CHF 0.5 million gain or CHF (0.5) million loss on this position classified as available-for-sale.

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

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

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

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

Put options held by non-controlling interests have valuations primarily based on contractual terms and 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.

As at 31 December 2016	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of recognised financial assets presented in the balance sheet	*Related amounts not set off in the balance sheet* Financial liabilities subject to netting agreements	Cash collateral received	Net exposure
Derivatives	867.8	(36.7)	831.1	(230.6)	(434.3)	166.2
Life insurance policies – Designated at fair value at inception	294.8		294.8	(294.8)		
Total financial assets	**1,162.6**	**(36.7)**	**1,125.9**	**(525.4)**	**(434.3)**	**166.2**

As at 31 December 2016	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of recognised financial liabilities presented in the balance sheet	*Related amounts not set off in the balance sheet* Financial assets subject to netting agreements	Cash collateral paid	Net exposure
Derivatives	813.8	(36.7)	777.1	(230.6)	(161.6)	384.9
Life insurance policies – Designated at fair value at inception	342.3		342.3	(296.5)	(137.6)	–
Total financial liabilities	**1,156.1**	**(36.7)**	**1,119.4**	**(527.1)**	**(299.2)**	**384.9**

As at 31 December 2015	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of recognised financial assets presented in the balance sheet	*Related amounts not set off in the balance sheet* Financial liabilities subject to netting agreements	Cash collateral received	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 2015	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of recognised financial liabilities presented in the balance sheet	*Related amounts not set off in the balance sheet* Financial assets subject to netting agreements	Cash collateral paid	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 2016 derivative financial instruments valued at CHF 38.5 million have been netted with derivative financial instruments with a negative value of CHF 37.2 million for a net presentation of derivative financial instruments as an asset with a value of CHF 1.3 million.

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

4.2.2 Assets and liabilities not measured at fair value

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

	Note	Carrying value CHF millions	Fair value CHF millions	Difference CHF millions
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	(iii)	854.7	524.1	(330.6)
Investment securities – Held-to-maturity – Debt	(iv)	343.6	325.7	(17.9)
		23,000.4	**22,809.1**	**(191.3)**
Financial Liabilities				
Due to other banks	(v)	427.6	427.6	–
Due to customers	(vi)	32,746.9	32,749.1	(2.2)
Subordinated loans	(vii)	265.3	270.3	(5.0)
Debt issued	(viii)	334.4	334.6	(0.2)
Other financial liabilities	(ix)	3,828.5	3,834.2	(5.7)
		37,602.7	**37,615.8**	**(13.1)**
Net assets and liabilities not measured at fair value		**(14,602.3)**	**(14,806.7)**	**(204.4)**
31 December 2015				
Financial Assets				
Due from other banks	(i)	2,168.5	2,168.6	0.1
Loans and advances to customers	(ii)	12,061.6	12,223.5	161.9
Investment securities – Held-to-maturity – Life insurance related	(iii)	815.7	566.4	(249.3)
Investment securities – Held-to-maturity – Debt	(iv)	346.5	326.5	(20.0)
		15,392.3	**15,285.0**	**(107.3)**
Financial Liabilities				
Due to other banks	(v)	503.2	503.2	–
Due to customers	(vi)	19,863.5	19,863.1	0.4
Subordinated loans	(vii)	242.8	261.5	(18.7)
Debt issued	(viii)	392.0	392.0	–
Other financial liabilities	(ix)	3,237.9	3,262.3	(24.4)
		24,239.4	**24,282.1**	**(42.7)**
Net assets and liabilities not measured at fair value		**(8,847.1)**	**(8,997.1)**	**(150.0)**

(i) Due from other banks

Due from other banks includes inter-bank placements and items in the course of collection. The fair value of floating rate placements, overnight deposits and term deposits with a maturity of less than 90 days is assumed to be their carrying amount, as the effect of discounting is not significant. The fair values are within level 2 of the fair value hierarchy.

(ii) Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received up to the next interest reset date. Expected cash flows are discounted at current market rates to determine fair value. Determined fair values are within level 2 of the fair value hierarchy.

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

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

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

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

The determination of the realisable value of these financial assets requires management's most complex and subjective judgments. The realisable value of these policies is primarily exposed to:
– changes in longevity, and
– changes in the premium streams (cost of insurance).

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

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

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

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

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

Fair value of Held-to-maturity – Life insurance related

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

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

	Discount Factor		*Life expectancy*		*Premium Estimates*	
	–1% CHF millions	+1% CHF millions	–3 months CHF millions	+3 months CHF millions	–5% CHF millions	+5% CHF millions
Life insurance sensitivity						
Held-to-maturity – Fair value for disclosure	52.1	(45.8)	34.0	(33.0)	39.8	(39.4)

The fair value would reduce based on the above sensitivities in the following scenarios:
– a 1% increase in discount factor,
– a 3 months extension in life expectancies, and
– a 5% increase in premium estimates.

A 1% increase in discount rates (parallel shift) would reduce the present value of the cash flows, primarily the net present value of the death benefits receivable, reducing fair value. A 3 month extension in life expectancies has effectively two negative impacts; additional cash outflows for premium payments, and delay in the receipt of the net death benefit, reducing fair value. A 5% increase in increase in premiums, would result in a parallel upward shift by 5% of all estimated future premium payments, and would result in higher future cash outflows, reducing fair value. Any change in the fair value illustrated by the above sensitivities would result in the gap between the carrying value and fair value increasing by the same amount.

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

Carrying Value versus Fair Value

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

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

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

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

(v) & (vi) Due to other banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. Expected cash flows are discounted at current market rates to determine fair value. Determined fair values are within level 2 of the fair value hierarchy.

(vii) Subordinated loans

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

(viii) Debt issued

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

(ix) Other financial liabilities

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

4.2.3 Deferred day-1 profit or loss

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

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

4.2.4 Market risk measurement techniques

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

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

(a) Value at Risk

The Value at Risk (VaR) computation is a risk analysis tool designed statistically 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 at a specified level of probability. The Group VaR methodology is based on a full revaluation historical VaR approach covering all assets and liabilities on the balance sheet with the exclusion of these mentioned in Note 4.2.4(b). The Group produces its VaR figures with an In-house tool using a 10-day holding period with a 201-day observation period at a 99% confidence level.

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

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

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

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

(b) Alternative sensitivity analysis

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

i) Trading assets and designated at fair value through profit or loss, which includes life insurance policies, structured products and unquoted equities
ii) Available-for-sale – life insurance policies
iii) Financial liabilities – life insurance policies and liabilities to purchase non-controlling interests.

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

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

Category	Product	Impact from		*Price Risk*	
			Market value CHF millions	Income Statement CHF millions	Statement of Comprehensive Income CHF millions
31 December 2016					
Available for sale	Unquoted equities	30% lower profits	37.6		(0.5)
Available for sale	Private equity funds	30% lower profits	4.3		(1.5)
Financial liabilities at fair value	Liabilities to purchase non-controlling interests	20% increase in revenue	(36.0)		
31 December 2015					
Available for sale	Unquoted equities	30% lower profits	27.8		(0.4)
Available for sale	Private equity funds	30% lower profits	0.3		(0.1)
Financial liabilities at fair value	Liabilities to purchase non-controlling interests	20% increase in revenue	(34.6)		

(c) Stress tests

VaR calculations are complemented by various stress tests, which identify the potential impact of extreme market scenarios on portfolios values. These stress tests simulate both exceptional movements in prices or rates; and drastic deteriorations in market correlations. In addition to nominal limits and stop losses, they are the primary tools used by internal market risk management. Stress test results are calculated daily by the Market Risk Management Unit and reported to management.

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

i) Risk factor stress testing, where stress movements are applied to each risk category, and
ii) Ad hoc stress testing, which includes applying possible stress events to specific positions or regions.

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

(d) Earnings at risk

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

4.2.5 Interest rate risk

The Board sets limits for the interest repricing gap or mismatch; which is monitored by the Market Risk Management Unit.

The table below summarises the Group's exposure to interest rate risk. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	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
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 assets					547.1	547.1
Total financial assets	**26,674.8**	**4,395.1**	**6,026.2**	**1,299.5**	**3,443.8**	**41,839.4**
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	(18,756.5)	1,807.3
Off-balance-sheet interest repricing gap	3,029.1	(471.3)	(2,355.7)	(202.1)		–

	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
31 December 2015						
Assets						
Cash and balances with central banks	4,862.0					4,862.0
Treasury bills	687.7	69.4				757.1
Due from other banks	450.4	242.0			1,476.1	2,168.5
Loans and advances to customers	6,759.0	1,701.7	3,583.0	17.9		12,061.6
Derivative financial instruments	252.0	1.4	0.5	0.2	481.3	735.4
Financial assets at fair value:						
Trading Assets	57.5		1.1			58.6
Designated at inception				305.0		305.0
Investment securities:						
Available-for-sale	2,573.1	321.9	881.3	426.3	41.2	4,243.8
Held-to-maturity		1,162.2				1,162.2
Other assets					113.9	113.9
Total financial assets	**15,641.7**	**3,498.6**	**4,465.9**	**749.4**	**2,112.5**	**26,468.1**
Liabilities						
Due to other banks	229.7	15.0			258.5	503.2
Due to customers	8,563.4	889.9	213.4		10,196.8	19,863.5
Subordinated loans				242.8		242.8
Debt issued			392.0			392.0
Derivative financial instruments	198.9	4.3	0.1	0.1	510.7	714.1
Financial liabilities designated at fair value				318.5	34.6	353.1
Other financial liabilities	803.3	646.3	1,358.9	429.4		3,237.9
Provisions					7.7	7.7
Other liabilities					313.1	313.1
Total financial liabilities	**9,795.3**	**1,555.5**	**1,964.4**	**990.8**	**11,321.4**	**25,627.4**
On-balance-sheet interest repricing gap	5,846.4	1,943.1	2,501.5	(241.4)	(9,208.9)	840.7
Off-balance-sheet interest repricing gap	2,165.0	(99.7)	(1,582.8)	(482.5)		–

Fair value interest rate risk hedges

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

4.2.6 Foreign exchange risk

The Group carries out foreign currency operations both for its clients, and for its own account. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments, in foreign operations. The overall net nominal positions per currency are monitored against overnight limits. In addition, 10 sliding days stop loss limits are in place for VaR stress test. Entities in the Group use derivative contracts, such as forward or option contracts primarily to offset customer transactions.

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

The Group takes on limited exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure. See note 4.2.4 which reflects the Currency risk VaR.

4.3 Liquidity risk

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

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

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

Fund transfer pricing

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

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

4.3.1 Liquidity risk management process

The Group attempts to avoid concentrations of its funding facilities. It observes its current liquidity situation and determines the pricing of its assets and credit business. The Group also has a liquidity management process in place that includes liquidity contingency plans. These contingency measures include the activation of repo transactions with prime counterparties, the liquidation of marketable securities and/or draw downs on lines of credit (Lombard facility) with the Swiss National Bank.

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

The Group's liquidity risk management process is carried out by the Group Treasury department and monitored by the Market Risk Management Unit. It includes:
– Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers
– Maintaining a portfolio of highly marketable assets that can easily be liquidated (repaid or sold) as protection against any unforeseen interruption to cash flow
– Monitoring balance sheet liquidity ratios against internal and regulatory requirements
– Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities, and the expected collection date of the financial assets (note 4.3.3).

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

4.3.2 Funding approach

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

4.3.3 Financial liabilities cash flows

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

	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**
31 December 2015						
Liabilities						
Due to other banks	486.9	1.4	15.0			503.3
Due to customers	17,428.3	1,484.6	879.0	84.9		19,876.8
Subordinated loans			13.5		229.3	242.8
Debt issued				392.0		392.0
Derivative financial instruments	9,738.3	3,821.0	1,603.6	27.7		15,190.6
Financial liabilities designated at fair value	34.6				318.5	353.1
Other financial liabilities	619.3	376.8	557.8	1,175.0	531.5	3,260.4
Provisions			7.7			7.7
Other liabilities	268.3	10.1	32.1	2.5	0.1	313.1
Total financial liabilities	**28,575.7**	**5,693.9**	**3,108.7**	**1,682.1**	**1,079.4**	**40,139.8**
Total off balance-sheet	**394.8**					**394.8**

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

4.3.4 Summary of Liquidity

The Group's central treasury manages the liquidity and financing risks on an integrated basis. The liquidity positions of the Group's entities are monitored and managed daily and exceed the regulatory minimum, as required by the Group's market risk framework and policy. Overall, the Group, through its business entities, enjoys a favourable funding base with stable and diversified customer deposits which provide the vast majority of the Group's total funding. Together with its capital resources, the surplus of stable customer deposits over loans to the Group's customers is placed with the given treasury units where the Group's funding and liquidity are managed to ensure this complies with the different local regulatory requirements. In addition, all entities operate within the Group's liquidity policies and guidelines.

4.3.5 Concentration risk

The Group monitors concentration risk through the following mechanisms:

– The overall level of market and credit exposures are tightly monitored by means of specific risk parameters and indicators approved by the Board of Directors and/or Board delegated Risk Committee and in line with the Group's overall committed level of risk appetite and avoidance of any concentration risk.
– These exposures and corresponding limits are proactively reviewed through Management Risk Committee and/or Board delegated Risk Committee to ensure full consideration is given to both market and liquidity conditions, the overall risk framework of the Group, and to avoid any possible concentration risk in light of changing market environments.

4.4 Securities repurchase and reverse purchase agreements

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

* *Before netting agreements*

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

4.5 Capital Management

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

Capital adequacy and the use of regulatory capital is continually monitored and reported by the Group's management, using the framework developed by the Bank for International Settlements. The regulatory capital requirement of the Group is ultimately determined by the rules implemented by the Swiss banking regulator, the Swiss Financial Market Supervisory Authority. In prior years, the Group reported regulatory capital using IFRS as a basis and has changed this in 2016. As EFG Bank AG and BSI SA, as the two main subsidiaries of the Group report under Swiss GAAP, the Group has decided to report regulatory capital using Swiss GAAP as a basis. This is also the basis the Group uses to report to the Swiss Financial Market Supervisory Authority. The Group will publish the Basel III Pillar 3 Disclosures for the year ended 31 December 2016 on the Group website by 30 April 2017, 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 2017, 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 2016 and 2015. During those two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	Note	*Basel III – Fully applied Swiss GAAP* 31 December 2016 Unaudited CHF millions	31 December 2015 Unaudited CHF millions
Tier 1 capital			
Share capital		143.9	76.1
Share premium		1,928.4	1,245.9
Other reserves		237.7	(146.7)
Retained earnings		111.4	(32.3)
Non-controlling interests		22.6	19.5
Swiss GAAP: Total shareholders' equity		**2,444.0**	**1,162.5**
Less: Proposed dividend on Ordinary Shares	52	(71.5)	(38.0)
Less: Goodwill (net of acquisition related liabilities) and intangibles		(81.9)	(245.5)
Less: Bons de Participation (included in Additional Tier 1)		(14.4)	(14.5)
Less: Other Basel III deductions		(31.7)	(32.1)
Common Equity Tier 1 (CET1)		**2,244.5**	**832.4**
Additional Tier		45.6	14.5
Total qualifying Tier 1 capital		**2,290.1**	**846.9**
Tier 2 capital			
Subordinated loan		179.6	230.6
Total regulatory capital		**2,469.7**	**1,077.5**
Risk-weighted assets			
Credit risk including settlement risk and credit value adjustment		8,677.1	5,110.9
Non-counterparty related risk		292.8	28.2
Market risk*		1,018.7	318.3
Operational risk*		2,359.1	1,228.5
Total risk-weighted assets		**12,347.7**	**6,685.9**

	31 December 2016 %	31 December 2015 %
Basel III – FINMA CET1 Ratio (after deducting proposed dividend on Ordinary Shares)	**18.2**	**12.5**
Basel III – FINMA Total Capital Ratio (after deducting proposed dividend on Ordinary Shares)	**20.0**	**16.1**

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

	Basel III – Fully applied Swiss GAAP	
	31 December 2016 Unaudited CHF millions	31 December 2015 Unaudited CHF millions
On balance sheet exposure (excluding derivatives and other adjustments)	41,383.2	25,765.5
Derivative exposures (including add-ons)	1,024.1	423.0
Securities financing transactions	1,339.9	60.0
Other Off balance sheet exposure	877.6	184.4
Total exposure	**44,624.8**	**26,432.9**
Total qualifying Tier 1 capital	**2,290.1**	**846.9**
Basel III – FINMA Leverage Ratio	**5.1%**	**3.2%**

5. NET INTEREST INCOME

	31 December 2016 CHF millions	31 December 2015 CHF millions
Interest and discount income		
Banks and customers	337.6	311.5
Financial assets designated at fair value	49.4	51.6
Available-for-sale investment securities	44.8	36.6
Held-to-maturity investment securities	10.4	20.9
Amortisation of Available-for-sale equity reserve	(10.9)	(10.7)
Treasury bills and other eligible bills	5.9	3.7
Total interest and discount income	**437.2**	**413.6**
Interest expense		
Banks and customers*	(120.8)	(115.7)
Financial liabilities at fair value	(51.8)	(52.8)
Other financial liabilities	(26.9)	(22.6)
Subordinated loans**	(40.8)	(16.7)
Debt issued	–	(5.2)
Total interest expense	**(240.3)**	**(213.0)**
Net interest income	**196.9**	**200.6**

* *Negative interest on Swiss Francs deposits placed by the Bank at the Swiss National Bank amounts to CHF 25.3 million in the year ended 31 December 2016 (2015: CHF 16.3 million) and are disclosed as Interest expense due to Banks and customers.*

** *Interest expense on subordinated loans includes accelerated amortisation of CHF 19.8 million of discount related to a bond that the Group decided to repay in 2017, prior to the originally expected repayment in January 2022 (see note 37).*

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

6. NET BANKING FEE AND COMMISSION INCOME

	31 December 2016 CHF millions	31 December 2015 CHF millions
Advisory and Management fees	229.3	213.9
Brokerage fees	152.1	150.6
Commission and fee income on other services	98.2	87.7
Banking fee and commission income	**479.6**	**452.2**
Commission and fee expenses on other services	(84.2)	(76.9)
Banking fee and commission expense	**(84.2)**	(76.9)
Net banking fee and commission income	**395.4**	**375.3**

7. DIVIDEND INCOME

	31 December 2016 CHF millions	31 December 2015 CHF millions
Available-for-sale investment securities	1.9	6.5
Dividend income	**1.9**	**6.5**

8. NET TRADING INCOME AND FOREIGN EXCHANGE GAINS LESS LOSSES

Net trading income of CHF 128.2 million (2015: CHF 104.3 million) comprised 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.

9. NET LOSS FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	31 December 2016 CHF millions	31 December 2015 CHF millions
Financial instruments measured at fair value		
Equity securities	(3.5)	1.9
Debt securities	3.2	0.1
Derivative financial instruments	5.9	6.6
Life insurance securities	(13.7)	(15.4)
Inefficiency on fair value hedges	–	0.4
Net loss from financial instruments measured at fair value	**(8.1)**	**(6.4)**

	31 December 2016 CHF millions	31 December 2015 CHF millions
Inefficiency on fair value hedges		
Net gain on hedging instruments	14.9	76.3
Net loss on hedged items attributable to the hedged risk	(14.9)	(75.9)
Net gain representing ineffective portions of fair value hedges	**–**	**0.4**

10. GAINS LESS LOSSES ON DISPOSAL OF AVAILABLE-FOR-SALE INVESTMENT SECURITIES

	31 December 2016 CHF millions	31 December 2015 CHF millions
Transfer from Other Comprehensive Income		
Debt securities	3.1	15.5
Life insurance securities	(1.4)	(1.3)
Gains less losses on disposal of available-for-sale investment securities	**1.7**	**14.2**

11. (IMPAIRMENT)/REVERSAL OF IMPAIRMENT ON LOANS AND ADVANCES TO CUSTOMERS

	Note	31 December 2016 CHF millions	31 December 2015 CHF millions
Impairment on loans and advances to customers		(3.9)	
Reversal of impairment on loans and advances to customers		0.1	0.1
(Impairment)/Reversal of impairment on loans and advances to customers	22	**(3.8)**	**0.1**

12. OPERATING EXPENSES

	Note	31 December 2016 CHF millions	31 December 2015 CHF millions
Staff costs	13	(466.5)	(436.1)
Professional services		(56.6)	(20.9)
Advertising and marketing		(8.7)	(10.9)
Administrative expenses		(59.2)	(51.9)
Operating lease rentals		(32.9)	(29.1)
Depreciation of property, plant and equipment	33	(6.8)	(6.1)
Amortisation of intangible assets			
Computer software and licences	32	(4.5)	(3.8)
Other intangible assets	32	(4.6)	(4.2)
Legal and litigation expenses		(22.6)	(18.2)
Other		(28.0)	(23.1)
Operating expenses		**(690.4)**	**(604.3)**

13. STAFF COSTS

	Note	31 December 2016 CHF millions	31 December 2015 CHF millions
Wages, salaries and staff bonuses		(370.1)	(354.9)
Social security costs		(28.7)	(26.6)
Pension costs			
Defined benefits	43	(11.2)	(10.4)
Other net pension costs		(10.0)	(7.4)
Employee Equity Incentive Plans	54	(24.9)	(13.5)
Other		(21.6)	(23.3)
Staff costs		**(466.5)**	**(436.1)**

As at 31 December 2016 the number of full time equivalent employees (FTE's) of the Group was 3,572 (2015: 2,137) and the average for the year was 2,451 (2015: 2,101).

14. INCOME TAX EXPENSE

	Note	31 December 2016 CHF millions	31 December 2015 CHF millions
Current tax expense		(20.7)	(15.1)
Deferred income tax gain	15	23.9	2.0
Total income tax gain /(expense)		**3.2**	**(13.1)**

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 profit before tax	338.8	72.5
Tax at the weighted average applicable rate of 17% (2015: 17%)	(57.6)	(12.3)
Tax effect of:		
Impact of bargain gain on business acquisition not subject to tax	90.2	
Utilisation of tax losses carried forward	(4.8)	
Recognition of previously unrecognised tax loss carry forwards	4.0	7.7
Unrecognised tax loss carry forwards for the year	(15.8)	(7.6)
(Loss)/profit not subject to tax	(9.7)	0.2
Different tax rates in different countries	0.4	2.9
Impairment of deferred tax assets	(0.1)	(1.6)
Other differences	(3.4)	(2.4)
Total income tax gain /(expense)	**3.2**	**(13.1)**

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

15. DEFERRED INCOME TAXES

Deferred income taxes are calculated under the liability method on all temporary differences, using the expected effective local applicable rate. Deferred income tax assets and liabilities comprise the following:

	31 December 2016 CHF millions	31 December 2015 CHF millions
Deferred income tax assets	33.8	35.0
Deferred income tax liabilities	(10.8)	(35.1)
Net deferred income tax assets/(liabilities)	**23.0**	**(0.1)**

The movement on the net deferred income tax account is as follows:

At 1 January	**(0.1)**	**(2.6)**
Deferred tax gain for the period in the Income Statement	23.9	2.0
Arising on acquisition of BSI	–	
Available-for-sale adjustment through Other Comprehensive Income	(1.3)	1.7
Exchange differences	0.5	(1.2)
At 31 December	**23.0**	**(0.1)**

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

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

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

	31 December 2016 CHF millions	31 December 2015 CHF millions
Utilisation of tax losses carried forward	(4.2)	(2.5)
Creation of deferred tax assets	6.0	6.0
Impairment of deferred tax assets	(0.1)	(1.6)
Deferred tax liabilities related to intangible assets	21.5	(0.3)
Other temporary differences	0.7	0.4
Deferred income tax gain	**23.9**	**2.0**

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

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

	31 December 2016 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	8.3	7.83%	106.4	106.4		
EFG Bank (Luxembourg) S.A., Luxembourg*	13.7	29.22%	46.8			46.8
EFG Chile SpA	0.3	35.00%	0.8			0.8
EFG Corredores de Bolsa SpA	0.4	35.00%	1.3			1.3
EFG Private Bank Ltd	5.1	20.25%	25.2			25.2
Asesores Y Gestores Financieros SA	0.4	30.00%	1.3			1.3
Total	**28.2**		**181.8**	**106.4**	**–**	**75.4**

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

	31 December 2016 CHF millions	Expiry in 1–3 years CHF millions	Expiry in 4–7 years CHF millions	Expiry after 7 years no expiry 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.*

	31 December 2015 CHF millions	Expiry in 1–3 years CHF millions	Expiry in 4–7 years CHF millions	Expiry after 7 years no expiry CHF millions
EFG International AG, Switzerland	843.3	843.3		
EFG Bank AG, Switzerland	186.8	97.6	89.2	
EFG Bank (Luxembourg) S.A., Luxembourg*	144.3			144.3
Total	**1,174.4**	**940.9**	**89.2**	**144.3**

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

16. ANALYSIS OF SWISS AND FOREIGN INCOME AND EXPENSES FROM ORDINARY BANKING ACTIVITIES, AS PER THE OPERATING LOCATION

	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		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	530.8		530.8
Impairment on goodwill and other intangibles	(92.6)	(106.9)	(199.5)
Other provisions	(10.8)	(9.5)	(20.3)
Reversal of impairment on loans and advances to customers	(0.5)	(3.3)	(3.8)
Profit before tax	**490.5**	**(151.7)**	**338.8**
Income tax gain / (expense)	12.9	(9.7)	3.2
Net profit for the year	**503.4**	**(161.4)**	**342.0**
Net profit for the period attributable to:			
Net profit attributable to equity holders of the Group	503.4	(164.1)	339.3
Net profit attributable to non-controlling interests		2.7	2.7
	503.4	**(161.4)**	**342.0**

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
Year ended 31 December 2015			
Interest and discount income	136.1	277.5	413.6
Interest expense	(62.5)	(150.5)	(213.0)
Net interest income	**73.6**	**127.0**	**200.6**
Banking fee and commission income	100.3	351.9	452.2
Banking fee and commission expense	(21.3)	(55.6)	(76.9)
Net banking fee and commission income	**79.0**	**296.3**	**375.3**
Dividend income	6.5		6.5
Net trading income and foreign exchange gains less losses	33.3	71.0	104.3
Net (loss)/gain from financial instruments measured at fair value	(92.0)	85.6	(6.4)
Gains less losses on disposal of available-for-sale investment securities	(85.1)	99.3	14.2
Other operating income/(loss)	162.7	(160.5)	2.2
Net other income	**25.4**	**95.4**	**120.8**
Operating income	**178.0**	**518.7**	**696.7**
Operating expenses	(242.8)	(361.5)	(604.3)
Other provisions	(21.7)	1.7	(20.0)
Reversal of impairment on loans and advances to customers		0.1	0.1
Profit before tax	(86.5)	159.0	72.5
Income tax expense	0.4	(13.5)	(13.1)
Net profit for the year	**(86.1)**	**145.5**	**59.4**
Net profit for the period attributable to:			
Net profit attributable to equity holders of the Group	(86.1)	143.2	57.1
Net profit attributable to non-controlling interests		2.3	2.3
	(86.1)	**145.5**	**59.4**

17. CASH AND BALANCES WITH CENTRAL BANKS

	31 December 2016 CHF millions	31 December 2015 CHF millions
Cash in hand	94.6	5.5
Balances with central banks	8,792.9	4,856.5
Cash and balances with central banks	**8,887.5**	**4,862.0**

18. 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 2016 CHF millions	31 December 2015 CHF millions
Cash and balances with central banks	8,887.5	4,862.0
Treasury bills and other eligible bills	1,090.6	574.0
Due from other banks – At sight	1,736.2	1,457.1
Due from other banks – At term	772.8	383.0
Cash and cash equivalents with less than 90 days maturity	**12,487.1**	**7,276.1**

19. TREASURY BILLS AND OTHER ELIGIBLE BILLS

	31 December 2016 CHF millions	31 December 2015 CHF millions
Treasury bills	1,945.6	757.1
Treasury bills and other eligible bills	**1,945.6**	**757.1**
Pledged treasury bills with central banks and clearing system companies.	–	–

20. DUE FROM OTHER BANKS

	31 December 2016 CHF millions	31 December 2015 CHF millions
At sight	1,736.2	1,457.1
At term – with maturity of less than 90 days	772.8	383.0
At term – with maturity of more than 90 days	414.8	328.4
Due from other banks	**2,923.8**	**2,168.5**
Pledged due from other banks	*716.2*	*443.1*

21. LOANS AND ADVANCES TO CUSTOMERS

	Note	31 December 2016 CHF millions	31 December 2015 CHF millions
Due from customers		12,131.8	8,821.2
Mortgages		6,789.7	3,247.1
Gross loans and advances		**18,921.5**	**12,068.3**
Less: Provision for impairment losses	22	(43.2)	(6.7)
Loans and advances to customers		**18,878.3**	**12,061.6**

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

	31 December 2016		*31 December 2015*	
	CHF millions	%	CHF millions	%
Latin America and Caribbean	4,464.3	23.7%	3,626.5	30.1%
Switzerland	3,856.4	20.4%	315.6	2.6%
Asia and Oceania	3,157.9	16.7%	2,610.7	21.6%
United Kingdom	3,119.5	16.5%	2,612.1	21.7%
Europe (other)	2,857.6	15.1%	1,952.9	16.2%
United States and Canada	585.1	3.1%	390.8	3.2%
Africa and Middle East	469.3	2.5%	423.6	3.5%
Luxembourg	368.2	2.0%	129.4	1.1%
Total	**18,878.3**	**100.0%**	**12,061.6**	**100.0%**

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

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

22. PROVISION FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

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

23. COLLATERAL FOR LOANS

	31 December 2016 CHF millions	31 December 2015 CHF millions
Loans and advances to customers		
Mortgages	6,782.1	3,245.4
Secured by other collateral	11,716.4	8,768.8
Unsecured	379.8	47.4
Total loans and advances to customers	**18,878.3**	**12,061.6**
Off-balance sheet commitments		
Contingent liabilities secured by other collateral	708.8	371.2
Contingent liabilities unsecured	283.4	23.6
Total off-balance sheet commitments	**992.2**	**394.8**

The unsecured loans include CHF 347.6 million (2015: CHF 34.0 million) of loans made with no collateral and CHF 32.2 million (2015: CHF 13.4 million) of loans where the collateral value is below the value of the loan. The increase year on year is due to the acquisition of BSI Group. The uncollateralised portion of these loans is classified as “unsecured”; however they are within the approved unsecured lending limits for the customers.

See note 4.1 for further details on collateral.

24. DERIVATIVE FINANCIAL INSTRUMENTS

24.1 Derivatives

The Group’s credit risk represents the potential cost to replace the forward or swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities. Credit risk on index, interest rate and bond futures is negligible because futures contracts are collateralised by cash or marketable securities, and changes in their value are settled daily.
The notional amounts of financial instruments provide a basis for comparison, but do not indicate the amount of future cash flows, or the current fair value of the underlying instruments. Accordingly, they do not indicate the Group’s exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, credit spreads or foreign exchange rates, relative to their terms. The fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

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

	31 December 2016			31 December 2015		
	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	8,321.5	52.6	52.6	3,502.8	37.2	23.2
Currency swaps	22,315.9	216.8	169.0	11,057.7	99.0	55.8
OTC currency options	12,488.3	128.3	93.8	4,281.4	20.0	23.1
	43,125.7	**397.7**	**315.4**	**18,841.9**	**156.2**	**102.1**
Interest rate derivatives						
Interest rate swaps	2,074.0	10.1	42.6	919.2	9.7	4.4
OTC interest rate options	32.4	2.9	6.0	121.5	12.2	14.1
Interest rate futures	182.2	0.4	0.1	64.8	0.2	
	2,288.6	**13.4**	**48.7**	**1,105.5**	**22.1**	**18.5**
Other derivatives						
Equity options and index futures	2,800.1	322.4	334.5	2,391.4	430.7	458.9
Credit default swaps	1,258.3	22.7	21.5	326.7	60.9	59.5
Total return swaps	137.5	63.3		134.0	62.2	
Commodity options and futures	3.2	0.3	0.3	3.7	1.2	1.2
	4,199.1	**408.7**	**356.3**	**2,855.8**	**555.0**	**519.6**
Total derivative assets/liabilities held for trading	**49,613.4**	**819.8**	**720.4**	**22,803.2**	**733.3**	**640.2**
Derivatives held for hedging						
Derivatives designated as fair value hedges						
Interest rate swaps	3,294.5	11.4	56.7	2,250.1	2.1	73.9
Total derivative assets/liabilities held for hedging	**3,294.5**	**11.4**	**56.7**	**2,250.1**	**2.1**	**73.9**
Total derivative assets/liabilities	**52,907.9**	**831.2**	**777.1**	**25,053.3**	**735.4**	**714.1**

24.2 Hedging activities

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

Fair value hedges

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

25. FINANCIAL ASSETS AT FAIR VALUE – TRADING ASSETS

		31 December 2016 CHF millions	31 December 2015 CHF millions
Issued by non public issuers:	Banks	280.3	58.6
Issued by non public issuers:	Other	454.0	
Total		**734.3**	**58.6**

The movement in the account is as follows:

At 1 January	**58.6**	**105.6**
Addition in scope of consolidation due to BSI acquisition	761.5	
Additions	1.2	0.1
Disposals (sale and redemption)	(87.5)	(49.0)
Accrued interest		0.1
Gains from changes in fair value	0.5	1.8
At 31 December	**734.3**	**58.6**

26. FINANCIAL ASSETS AT FAIR VALUE – DESIGNATED AT INCEPTION

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

The movement in the account is as follows:

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

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

27. INVESTMENT SECURITIES – AVAILABLE-FOR-SALE

		31 December 2016 CHF millions	31 December 2015 CHF millions
Issued by public bodies:	Government	1,389.1	1,119.2
Issued by public bodies:	Other public sector	803.7	584.3
Issued by other issuers:	Banks	2,522.8	1,882.5
Issued by other issuers:	US life insurance companies	32.2	35.5
Issued by other issuers:	Other	689.5	622.3
Total		**5,437.3**	**4,243.8**

Debt securities:	Listed/Quoted	4,385.3	3,283.1
Debt securities:	Unquoted – Discounted cash flow analysis	935.8	896.6
Debt securities:	Unlisted	41.7	
Equity securities:	Listed/Quoted	0.4	0.5
Equity securities:	Unquoted – Other valuation Models	41.9	28.1
Life insurance related:	Unquoted – Discounted cash flow analysis	32.2	35.5
Total		**5,437.3**	**4,243.8**

Pledged securities with central banks, clearing system companies or third party banks	*719.9*	*232.0*

The movement in the account is as follows:

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

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

28. INVESTMENT SECURITIES – AVAILABLE-FOR-SALE EQUITY RESERVE

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 45).

The movement of the reserve is as follows:

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

29. INVESTMENT SECURITIES – HELD-TO-MATURITY

		31 December 2016 CHF millions	31 December 2015 CHF millions
Issued by public bodies:	Government	43.0	43.3
Issued by public bodies:	Other public sector	300.6	303.2
Issued by other issuers:	US Life insurance companies	854.7	815.7
Gross investment securities – Held-to-maturity		**1,198.3**	**1,162.2**
Impairment on financial assets held-to-maturity		–	–
Total		**1,198.3**	**1,162.2**

The movement in the account is as follows:

	2016 CHF millions	2015 CHF millions
At 1 January	**1,162.2**	**1,159.1**
Additions in scope of consolidation due to BSI acquisition	–	–
Additions/premiums paid	74.6	60.5
Redemptions	(67.6)	(43.1)
Accrued interest	9.9	20.5
Exchange differences	19.2	(34.8)
At 31 December	**1,198.3**	**1,162.2**
Pledged securities with central banks and clearing system companies.	–	–

30. SHARES IN SUBSIDIARY UNDERTAKINGS

The following is a listing of the Group's main subsidiaries at 31 December 2016:

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	32,000
EFG Bank von Ernst AG, Vaduz	Bank	Liechtenstein	100%	0%	CHF	25,000
EFG Bank (Luxembourg) S.A., Luxembourg	Bank	Luxembourg	100%	0%	EUR	28,000
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
BSI Bank SA, Lugano	Bank	Switzerland	100%	0%	CHF	1,840,000
BSI Europe SA, Luxembourg	Bank	Luxembourg	100%	0%	EUR	35,400
BSI Monaco SAM, Monaco	Bank	Monaco	100%	0%	EUR	18,000
BSI Bank (Panama) SA, Panama	Bank	Panama	100%	0%	USD	10,410
Oudart SA, Paris	Asset Management Company	France	100%	0%	EUR	5,500
EOS Servizi Fiduciari SpA, Milan	Fiduciary Company	Italy	100%	0%	EUR	4,250
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 Financing PLC	Finance Company	England & Wales	0%	100%	GBP	–
EFG Funding (Guernsey) Ltd	Finance Company	Guernsey	100%	0%	CHF	–
EFG International (Guernsey) Ltd	Finance Company	Guernsey	100%	0%	EUR	1
EFG International Finance (Luxembourg) Sarl	Finance Company	Luxembourg	100%	0%	CHF	2,200
EFG International Finance (Guernsey)	Structured product issuance	Guernsey	100%	0%	CHF	5,000
EFG Investment (Luxembourg) SA, Luxembourg	Holding	Luxembourg	100%	0%	EUR	78,899
EFG Investment and Wealth Solutions Holding AG, Zurich	Holding	Switzerland	100%	0%	CHF	600

The percentage shareholding of the main subsidiaries was unchanged from 2015 except for A&G Banca Privada S.A. with a decrease in ownership from 56% to 54%.

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

The Group uses other entities to manage assets on behalf of its customers. These entities are subject to an investment management agreement in which the Group acts as administrator only and is remunerated via a fixed fee. In some of these entities the Group is participating in the funding by providing loan facilities granted which are secured by way of fund assets. The Management has assessed that the Group has no effective power over these entities nor over the operations of the entity, as it is not 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.

The total non-controlling interest for the period is CHF 22.6 million of which CHF 21.6 million is in respect of 46.0% interest in Asesores Y Gestores Financieros S.A. and CHF 1.0 million in respect of 9.99% interest in EFG Investment 2 (UK) Ltd.

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 2016 CHF millions	31 December 2015 CHF millions
Summarised balance sheet		
Assets		
Cash and balances with central banks	64.4	41.3
Due from other banks	71.6	52.1
Loans and advances to customers	269.8	309.9
Investment securities: Available-for-sale	25.8	26.5
Intangible assets	9.2	3.7
Other assets	15.8	14.4
Liabilities		
Due to other banks	(204.5)	(284.8)
Due to customers	(191.8)	(106.6)
Other liabilities	(12.9)	(14.8)
Net assets	**47.4**	**41.7**
Summarised income statement		
Operating income	42.9	41.2
Operating expenses	(35.8)	(35.1)
Profit before tax	**7.1**	**6.1**
Taxes	(0.9)	(0.9)
Profit for the year	**6.2**	**5.2**

	31 December 2016 CHF millions	31 December 2015 CHF millions
Net profit for the year attributable to:		
Net profit attributable to owners of the Group	3.5	2.9
Net profit attributable to non-controlling interests	2.7	2.3
	6.2	**5.2**
Summarised cash flows		
Net cash flows from operating activities	48.4	6.0
Net cash flows used in investing activities	(4.9)	(27.0)
Net cash flows from financing activities – from non controlling interests		
Net cash flows from financing activities – other	(0.1)	(1.1)
Effect of exchange rate changes on cash and cash equivalents	(0.8)	(0.6)
Net change in cash and cash equivalents	**42.6**	**22.7**
Cash and cash equivalents at beginning of period	93.4	116.1
Net change in cash and cash equivalents	42.6	(22.7)
Cash and cash equivalents	**136.0**	**93.4**

Asesores Y Gestores Financieros S.A. did not pay any dividends in the year (2015: nil).

31. BUSINESS COMBINATIONS

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

The BSI Group is a leading global private banking group, offering private banking, wealth management and asset management services. The BSI Group's principal places of business are in 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 is to create one of the largest private banks in Switzerland by Revenue Generating AUM, providing the Group with the scale to solidify its position as one of the country's leading private banking groups. As a result, the Group will also be better positioned to take advantage of further consolidation opportunities in the Swiss private bank market. The EFGI Group and BSI Group have complementary geographic footprints both in Switzerland and abroad. As such, the Group will benefit from significant broader coverage, with additional booking centres in Switzerland, Europe and Latin America, and in addition presents the Group with the potential for significant cost synergies.

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

	Note	CHF millions
Issuance of 86,178,609 Ordinary shares		454.2
Additional Tier 1	46	31.2
Cash consideration		576.0
Total initial consideration		**1,061.4**
Expected price adjustment		(277.5)
Expected final purchase consideration		**783.9**

The Ordinary shares issued are reflected at the fair value of the shares issued, applying EFG'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. The cash consideration reflects the cash paid to the seller on 31 October 2016 based on the sellers tentative estimate as at that date.

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

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

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

There is no contingent consideration.

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

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

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

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

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

Consideration in shares – approximately CHF 250 million of bargain purchase as part of the purchase consideration was for shares in the Group. The sale and purchase contract fixed the number of shares. Due to the decline in the share price of the Group between the date when the price was contractually fixed for the shares (CHF 9.50 per share) between the buyer and seller, and the quoted market price at close of business on 28 October 2016 of CHF 5.27 per share (being the last trading day before the shares were issued), resulting in a lower purchase consideration with no impact on net assets acquired, and hence creating an element of the bargain purchase. In addition the seller agreed to subscribe for additional shares (in lieu of cash consideration) at a price of CHF 6.12 per share, but the issuance was only effective at the closing of the transaction on 31 October 2016. At Closing the fair value of these shares of CHF 5.27 per share was below this contractually agreed price, resulting in a lower purchase consideration with no impact on net assets acquired, and hence creating an element of the bargain purchase.

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

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

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

	Year ended 31 December 2016 CHF millions
Cost of share issuance – directly through equity	(17.6)
Advisors, lawyers and accountants – Operating expenses	(18.0)
Total acquisition related costs	**(35.6)**

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	0.2	–
Other assets	86.6	86.6	–
Total Assets	**15,828.1**	**15,944.6**	**116.5**
Liabilities			
Due to other banks	371.6	371.6	–
Due to customers	12,883.2	12,883.2	–
Subordinated loans	98.8	98.8	–
Debt issued	4.4	4.4	–
Derivative financial instruments	185.8	185.8	–
Financial liabilities designated at fair value	125.6	125.6	–
Other financial liabilities	159.8	159.8	–
Current income tax liabilities	8.9	8.9	–
Deferred income tax liabilities	0.1	0.1	–
Provisions	191.1	191.1	–
Other liabilities	600.6	600.6	–
Total Liabilities	**14,629.9**	**14,629.9**	–
Net assets	**1,198.2**	**1,314.7**	**116.5**

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

	For the period 1 November 2016 to 31 December 2016 CHF millions
Summarised income statement for the period	
Operating income	84.9
Operating expenses	(88.2)
Other provisions	(3.1)
Impairment on loans and advances to customers	(0.5)
Loss before tax	**(6.9)**
Taxes	(1.9)
Loss for the period	**(8.8)**
Net loss for the period attributable to:	
Net loss attributable to owners of the Group	(8.8)
Net loss attributable to non-controlling interests	
	(8.8)

Contingent liabilities

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

(i) FIFA

In 2015, the US Attorney's Office for the Eastern District of New York and the Office of the Attorney General in Switzerland initiated criminal investigations into bribery and money-laundering allegations involving officials of Fédération Internationale de Football Association ("FIFA") and its member associations and related parties. Certain FIFA-related accounts were opened and maintained by the BSI Group and they are currently under review. The U.S. Department of Justice ("DoJ") has issued requests for assistance to the Swiss authorities in obtaining information for some of the FIFA-related accounts. The U.S. and Swiss authorities are also investigating whether the Group and other financial institutions complied with their anti-money laundering obligations in connection with the FIFA-related accounts. The BSI Group is cooperating fully with the Swiss and U.S. authorities in these ongoing investigations. It cannot be excluded that penalty payments may be payable to DoJ or to other regulatory bodies, however it is not possible to estimate these. EFGI is entitled to indemnification against any loss that may arise from this claim from the seller of the BSI Group.

(ii) Malaysian Matter

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

(iii) Italian Proceedings

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

(iv) DoJ NPA

On March 30, 2015, BSI Group entered into a non-prosecution Agreement ("NPA") with the DoJ in connection with its US Tax Program for Swiss Banks. The NPA may be terminated or re-negotiated should BSI be determined by the Tax Division of the DoJ to have committed any U.S. federal offences during the four years following the date of the NPA. This could lead to further prosecutions of BSI in relation to the matters which were the subject matter of the NPA. BSI Group cannot exclude the possibility that the above mentioned matter, or future proceedings of which BSI Group is currently unaware, will cause the Tax Division of the DoJ to conclude that such U.S. federal offences have been committed, resulting in the termination or, at minimum, re-negotiation of the NPA. Currently investigations by DoJ are ongoing and the Group is not aware of any potential penalties. EFGI is entitled to indemnification against any loss that may arise from these matters from the seller of the BSI Group.

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

(v) Shareholder agreement

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

Provisions for litigation and charges

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

(i) Madoff

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

(ii) Client related

The liquidator of an investment company has brought a claim against the BSI Group in the Commercial Court of Paris. The liquidator alleges that the Group is liable for processing a specific transfer of USD 50 million. The BSI Group is vigorously defending against the claim. Under IFRS 3 an assessment has been made of this present obligation that arises from past events and calculated that the fair value of this claim is zero.

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

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

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

(iii) Regulatory related

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

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

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

32. 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 2015					
Cost		45.8	192.8	608.0	846.6
Accumulated amortisation and impairment		(36.9)	(161.9)	(372.9)	(571.7)
Net book value		**8.9**	**30.9**	**235.1**	**274.9**
Year ended 31 December 2015					
Opening net book amount		8.9	30.9	235.1	274.9
Acquisition of computer software and licences		12.0			12.0
Acquisition of other intangible assets			1.2		1.2
Amortisation charge for the year – Computer software and licences	12	(3.8)			(3.8)
Amortisation charge for the year – Other intangible assets	12		(4.2)		(4.2)
Exchange differences		(0.3)	(1.2)	(6.9)	(8.4)
Closing net book value		**16.8**	**26.7**	**228.2**	**271.7**
At 31 December 2015					
Cost		56.7	187.4	599.5	843.6
Accumulated amortisation and impairment		(39.9)	(160.7)	(371.3)	(571.9)
Net book value		**16.8**	**26.7**	**228.2**	**271.7**
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	12	(4.5)			(4.5)
Amortisation charge for the year – Other intangible assets	12		(4.6)		(4.6)
Exchange differences		–	(4.2)	(2.9)	(7.1)
Closing net book value		**26.9**	**124.3**	**40.5**	**191.7**
At 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**

32.1 Impairment charge for the year

An impairment charge of CHF 199.5 million has been recorded for the year ended 31 December 2016 (31 December 2015: nil). The detail of the impairment charge is as follows:

	Method used to estimate the recoverable amount of the cash generating unit	Other intangible Assets CHF millions	Goodwill CHF millions	Total CHF millions
Banque Edouard Constant	Value in use		(76.3)	(76.3)
Harris Allday	Value in use	(12.7)	(30.6)	(43.3)
PRS Group	Value in use		(37.8)	(37.8)
Other cash generating units		(2.0)	(40.1)	(42.1)
Total		**(14.7)**	**(184.8)**	**(199.5)**

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

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

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

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

32.2 Impairment 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% (2015: 5.0% to 5.9%). The risk premiums were determined using capital asset pricing models and are based on capital market data as of the date of impairment test. A period of 5 years is used for all cash flow projections.

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

The carrying amounts of goodwill and intangible assets at 31 December 2016 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	8.21% / 2.0%	5 years	5.3	19.7	25.0
Fair value less costs to sell		P/E	AuM multiple			
Continental Europe	Banque Monégasque de Gestion	9.6	3.3%	2.4	20.8	23.2
Other						
BSI Group	BSI Group			108.7		108.7
Various	Other Cash Generating Units			7.9		7.9
Total carrying values				**124.3**	**40.5**	**164.8**

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

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

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

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		5.7		34%
Asesores y Gestores Financieros SA		21.6		31%

33. 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 2015						
Cost		4.0	40.1	20.7	41.0	105.8
Accumulated depreciation		(1.0)	(30.7)	(16.3)	(36.7)	(84.7)
Net book value		**3.0**	**9.4**	**4.4**	**4.3**	**21.1**
Year ended December 2015						
Opening net book amount		3.0	9.4	4.4	4.3	21.1
Additions			2.4	1.3	3.6	7.3
Depreciation charge for the year	12	(0.1)	(2.5)	(1.1)	(2.4)	(6.1)
Disposal and write-offs				(0.1)		(0.1)
Exchange differences		(0.1)	(0.2)	(0.2)	(0.1)	(0.6)
Closing net book value		**2.8**	**9.1**	**4.3**	**5.4**	**21.6**
At 31 December 2015						
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 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	12	(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**

34. OTHER ASSETS

	31 December 2016 CHF millions	31 December 2015 CHF millions
Prepaid expenses and accrued income	57.9	36.5
Settlement balances	85.8	35.8
Current income tax assets	2.7	1.8
Other assets	400.7	39.8
Other assets	**547.1**	**113.9**

Settlement balances of CHF 85.8 million (2015: CHF 35.8 million) reflect trade date versus settlement date accounting principle, which is applied on the issuance of structured products and is dependent on transactions executed over the year-end period. Included in other assets is a receivable of CHF 277.5 million from Banco BTG Pactual SA related to the acquisition of BSI for refund of purchase consideration overpaid at acquisition. This receivable arose as a result of difference between the consideration paid on 31 October 2016 upon acquisition of the BSI Group and the final consideration calculated by the Group after the financial position and amount of decrease in Assets under Management of the BSI Group were ascertained in February 2017. For detailed information about the BSI Group acquisition, please refer to note 31.

35. DUE TO OTHER BANKS

	31 December 2016 CHF millions	31 December 2015 CHF millions
Due to other banks at sight	315.5	287.8
Due to other banks at term	112.1	215.4
Due to other banks	**427.6**	**503.2**

36. DUE TO CUSTOMERS

	31 December 2016 CHF millions	31 December 2015 CHF millions
Non interest bearing	20,696.7	10,196.8
Interest bearing	12,050.2	9,666.7
Due to customers	**32,746.9**	**19,863.5**

37. SUBORDINATED LOANS AND DEBT ISSUED

	Weighted average interest rate %	Due dates	31 December 2016 CHF millions	31 December 2015 CHF millions
Subordinated loans – issuers				
EFG International (Guernsey) Ltd – EUR 66,425,000	8.00% p.a.	January 2022	76.8	55.6
EFG Funding (Guernsey) Ltd – CHF 180,000,000	4.75% p.a.	January 2023	188.5	187.2
Total subordinated loans			**265.3**	**242.8**

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

	Weighted average interest rate %	Due dates	31 December 2016 CHF millions	31 December 2015 CHF millions
Debt issued – issuers				
Chestnut Financing PLC – GBP 266,300,000	1.28% p.a.	August 2017	334.4	392.0
Total debt issued			**334.4**	**392.0**

The debt issued by Chestnut Financing PLC is secured by a portfolio of mortgages over properties in the United Kingdom with a book value of CHF 438.7 million (2015: CHF 531.3 million).

38. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

		31 December 2016 CHF millions	31 December 2015 CHF millions
Synthetic life insurance	Unquoted – Discounted cash flow analysis	342.3	318.5
Equity securities	Quoted	161.7	
Equities securities (liabilities to purchase non-controlling interests)	Discounted cash flow analysis	36.0	34.6
Fixed income securities	Quoted	114.4	
Total Financial Liabilities designated at fair value		**654.4**	**353.1**

The movement in the account is as follows:

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

Credit rating impact

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

Synthetic life insurance

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

Liability to purchase non-controlling shareholders interests

The non-controlling shareholders of Asesores y Gestores Financieros SA have the right to sell their shares to a wholly owned subsidiary of EFG International AG. This right applied from 1 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 2016, the financial liability was valued at CHF 36.0 million (2015: CHF 34.6 million).

39. OTHER FINANCIAL LIABILITIES

	31 December 2016 CHF millions	31 December 2015 CHF millions
Structured products issued	3,828.5	3,237.9
Total other financial liabilities	**3,828.5**	**3,237.9**

40. PROVISIONS

	Provision for litigation risks CHF millions	Provision for restructuring CHF millions	Other provisions CHF millions	Total CHF millions
At 1 January 2015	7.0	0.6	30.4	38.0
Increase in provisions recognised in the Income Statement		2.2	25.1	27.3
Release of provisions recognised in the Income Statement	(0.1)	(0.1)	(7.1)	(7.3)
Provisions used during the year	(5.0)	(2.2)	(42.2)	(49.4)
Exchange differences	(0.1)	(0.2)	(0.6)	(0.9)
At 31 December 2015	**1.8**	**0.3**	**5.6**	**7.7**
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**
Expected payment within 12 months		1.4	15.7	17.1
Expected payment thereafter	44.2		138.0	182.2
	44.2	**1.4**	**153.7**	**199.3**

Provision for litigation risks

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

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

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

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

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

Provision for restructuring

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

Other provisions

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

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

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

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

41. OTHER LIABILITIES

	31 December 2016 CHF millions	31 December 2015 CHF millions
Deferred income and accrued expenses	320.5	160.0
Settlement balances	16.4	60.9
Short term compensated absences	17.8	5.9
Retirement benefit obligations	361.7	57.2
Other liabilities	82.2	29.1
Total other liabilities	**798.6**	**313.1**

42. CONTINGENT LIABILITIES

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

The following contingent liabilities that management is aware of are related to legal proceedings which could have a material effect on the Group. However, based on presently available information and 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 the Group have been named as defendants in lawsuits by the liquidators of Fairfield Sentry Ltd. and Fairfield Sigma Ltd. in the US Bankruptcy Court for the Southern District of New York and in the High Court of Justice of the British Virgin Islands, asserting that redemption payments received by the Group entities on behalf of clients should be returned to Fairfield Sentry Ltd. and Fairfield Sigma Ltd. The amount claimed is uncertain, but the Group believes the amount claimed is approximately USD 211 million. The Group entities have obtained a complete and final dismissal of the lawsuits in the British Virgin Islands. They keep vigorously defending the lawsuits in New York and believe they have strong 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 unauthorized transactions were performed. The amount claimed is approximately EUR 49 million plus interest. The Group entities are vigorously defending the cases and believe they have strong defences to the claims.

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

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

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

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

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

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

(x) The Group is the defendant in two civil proceedings pending before the Court of Torre Annunziata, arising from its role as a trustee of certain trusts associated with three families who owned an Italian shipping company which was declared 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 BSI Group.

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

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

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

(ii) In 2015, the US Attorney’s Office for the Eastern District of New York and the Office of the Attorney General in Switzerland initiated criminal investigations into bribery and money-laundering allegations involving officials of Fédération Internationale de Football Association (“FIFA”) and its member associations and related parties. Certain FIFA-related accounts were opened and maintained by the Group and they are currently under review. The U.S. Department of Justice (“DoJ”) has issued requests for assistance to the Swiss authorities in obtaining information for some of the FIFA-related accounts. The U.S. and Swiss authorities are also investigating whether the Group and other financial institutions complied with their anti-money laundering obligations in connection with the FIFA-related accounts. The Group is cooperating fully with the Swiss and U.S. authorities in these ongoing investigations. The Group is entitled to indemnification against losses that may arise from these matters from the seller of the BSI Group (see note 31).

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

43. RETIREMENT BENEFIT OBLIGATIONS

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

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

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

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

The disclosures below relates to the Swiss plans.

	Note	31 December 2016 CHF millions	31 December 2015 CHF millions
Net amount recognised in the Balance Sheet			
Present value of funded obligation		1,764.2	293.2
Fair value of plan assets		1,402.5	236.0
Liability recognised in the Balance Sheet		**361.7**	**57.2**
Net amount recognised in the Balance Sheet at the beginning of year		**57.2**	**30.4**
Increase in scope of consolidation – BSI acquisition		386.8	
Net amount recognised in the Income Statement	13	11.2	10.4
Net amount recognised in Other Comprehensive Income		(78.8)	27.8
Company contribution paid in year		(14.7)	(11.4)
Net amount recognised in the Balance Sheet at the end of year		**361.7**	**57.2**

	Present value of obligation CHF millions	Fair value of plan assets CHF millions	Total CHF millions
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 loss 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**

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

	31 December 2016	31 December 2015	31 December 2014
Significant actuarial assumptions			
Discount rate	0.61%	0.90%	1.35%
Salary growth rate	1.25%	1.00%	1.00%
Pension growth rate	0.00%	0.00%	0.00%

	Years	Years	Years
Assumptions regarding future mortality			
Longevity at age 65 for current pensioners:			
male	22.4	21.5	21.4
female	24.4	24.0	23.9
Longevity at age 65 for future pensioners (aged 50):			
male	23.9	22.8	22.8
female	25.9	25.3	25.2

	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
2016 Sensitivity analysis			
Discount rate	0.10%	(20.9)	23.6
Salary growth rate	0.10%	3.4	(2.9)
Pension growth rate	0.10%	19.6	
Life expectancy	1 year	11.5	(11.4)

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

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

Financial assumptions include the discount rate, the expected rate of salary growth and the expected rate of pensions increases. The discount rate is set based on consideration of the yields of high quality corporate debt of duration similar to that of the pension liabilities. Where availability of such data is limited, the company considers yields available on government bonds and allowing for credit spreads available in other deeper and more liquid markets for high quality corporate debt. The salary growth assumption is set based on the employer's expectation for inflation and market forces on salaries. The actuarial gain for the year of CHF 33.6 million includes CHF 24.6 million positive effect of financial assumptions, CHF 10.2 million positive effect of experience and CHF (1.2) million negative effect in demographic assumptions.

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

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

The operation of the pension plans involves exposure to a range of risks most significant being presented further below. The impact of these risks is shared between the Group and the plan participants in case of negative effects. In situations where the pension funds will accumulate surplus assets after providing the target benefits, the boards of the foundation may consider a distribution of the surplus to participants. No part of the surplus may be attributed to the Group.

(i) Investment risk.

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

A component of the return earned each year is derived from investment in bonds, and these bond returns are reflected in changes in the discount rate used to measure the defined benefit obligation. As a result benefit re-measurements through 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 maximize the returns on plan assets.

Plan assets are invested under mandates to a number of investment portfolio managers. Investment portfolio managers' performance is regularly evaluated against its established strategy. The actual return on plan assets was a gain of CHF 48.0 million in 2016 (2015: loss of CHF 2.0 million). The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

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

The asset allocation is as follows:

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

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

	31 December 2016 CHF millions	31 December 2015 CHF millions
Expected maturity analysis of undiscounted pension benefits		
Less than a year	87.2	16.7
Between 1–2 years	74.8	12.9
Between 2–5 years	144.5	18.9
Over 5 years	1,635.5	294.2
Total	**1,942.0**	**342.7**

44. SHARE CAPITAL, 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.

44.1 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 2015	**75.3**	**0.2**	**–**	**–**	**75.5**
Ordinary shares sold					–
Ordinary shares repurchased					–
Employee equity incentive plans exercised	0.6				0.6
At 31 December 2015	**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**

44.2 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 2015	**1,335.1**	**0.1**	**(91.4)**	**–**	**1,243.8**
Ordinary shares sold			0.6		0.6
Ordinary shares repurchased			(0.3)		(0.3)
Employee equity incentive plans exercised	1.8				1.8
At 31 December 2015	**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**

44.3 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 2015	150,695,434	13,382	(120,704)	(750)	
Ordinary shares sold			63,860		
Ordinary shares repurchased			(29,540)		
Employee equity incentive plans exercised	1,222,308				
At 31 December 2015	**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)**	
Net share capital (CHF millions)	**143.7**	**0.2**	**–**	**–**	**143.9**

The Group issued 48,165,975 shares on 13 May 2016 and 86,178,609 shares on 31 October 2016, both increases in share capital at a nominal value of CHF 0.50 per registered share.

All transactions in EFG International AG shares were traded at market prices. The total number of treasury shares sold during 2016 is 76,968 (2015: 63,860) at an average price per share of CHF 7.69 (2015: CHF 10.50). The total number of treasury shares acquired during 2016 is 21,595 (2015: 29,540) and the average purchase price of these shares in the period was CHF 6.13 per share (2015: CHF 11.42).

At 31 December 2016 a total of 31,011 registered shares (2015: 86,384) and 750 (2015: 750) Bons de Participation were held by subsidiaries.

In 2016 a total of 1,094,335 (2015: 1,222,308) shares were issued related to employee equity incentive plans which included 44,522 options (2015: 241,036) with an average price of CHF 5.00 (2015: CHF 7.72) per share resulting in proceeds on issuance of CHF 0.2 million (2015: CHF 1.9 million).

Conditional share capital

The share capital may be increased by a maximum of CHF 1,611,461 (2015: CHF 1,408,629) by issuing up to 3,222,923 (2015: 2,817,258) 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 25,000,000 by issuing 50,000,000 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.

45. OTHER RESERVES

	IAS 39 equity CHF millions	Employee share option plan CHF millions	Other CHF millions	Total CHF millions
Balance at 1 January 2015	(78.2)	81.6	(75.9)	(72.5)
Employee equity incentive plans amortisation		13.5		13.5
Employee equity incentive plans exercised		(0.6)		(0.6)
Transfer to retained earnings on lapse of employee equity incentive plans		(12.2)		(12.2)
Fair value losses on available-for-sale investment securities, before tax	(20.8)			(20.8)
Transfer to the Income Statement of realised available-for-sale investment securities reserve, before tax	(14.2)			(14.2)
Tax effect on changes in fair value of available-for-sale investment securities	1.7			1.7
Retirement benefit costs			(27.8)	(27.8)
Net loss on hedge of net investments in foreign operations, with no tax effect			(10.1)	(10.1)
Currency translation differences net of non-controlling interests			(10.4)	(10.4)
At 31 December 2015	**(111.5)**	**82.3**	**(124.2)**	**(153.4)**

	IAS 39 equity 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 gains 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
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**	**(101.2)**	**(96.9)**

46. ADDITIONAL EQUITY COMPONENTS

	Weighted average interest rate %	Due dates	31 December 2016 CHF millions	31 December 2015 CHF millions
EFG International AG – CHF 31,202,000	7.53% p.a.	Not applicable	31.2	
Total			**31.2**	**0.0**

Additional equity components comprise 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 occured.

Based on the contractual terms of the Perpetual Tier 1 Subordinated Notes, the Group is able to indefinitely defer repayment of principal and interest. On this basis, the notes have been classified as equity in these consolidated financial statements.

47. OFF-BALANCE SHEET ITEMS

	31 December 2016 CHF millions	31 December 2015 CHF millions
Guarantees issued in favour of third parties	779.3	290.8
Irrevocable commitments	212.9	104.0
Operating lease commitments	210.1	108.0
Other	0.4	
Total	**1,202.7**	**502.8**

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 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**
31 December 2015				
Guarantees issued in favour of third parties	164.4	57.1	69.3	290.8
Irrevocable commitments	39.8	64.1	0.1	104.0
Operating lease commitments	24.9	66.4	16.7	108.0
Total	**229.1**	**187.6**	**86.1**	**502.8**

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.

48. FIDUCIARY TRANSACTIONS

	31 December 2016 CHF millions	31 December 2015 CHF millions
Fiduciary transactions with third party banks	1,719.6	768.2
Loans and other fiduciary transactions		5.1
Total	**1,719.6**	**773.3**

49. SEGMENTAL REPORTING

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

	Private Banking and Wealth management			
	Switzerland CHF millions	Continental Europe CHF millions	Americas CHF millions	United Kingdom CHF millions
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 expense	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

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

	Switzerland CHF millions	Continental Europe CHF millions	Americas CHF millions	United Kingdom CHF millions
At 31 December 2015				
Segment revenue	150.5	118.0	100.6	168.9
Segment expenses	(118.7)	(87.2)	(82.0)	(117.6)
Tangible assets and software depreciation	(1.2)	(1.6)	(1.1)	(1.0)
Total Operating margin	**30.6**	**29.2**	**17.5**	**50.3**
Cost to acquire intangible assets and impairment of intangible assets		(0.8)	(0.5)	(1.8)
Other provisions	(21.4)		(3.2)	5.1
Reversal of impairment on loans and advances to customers	0.1			
Segment profit/(loss) before tax	**9.3**	**28.4**	**13.8**	**53.6**
Income tax expense	(1.6)	(3.2)	(0.7)	(3.4)
Profit for the year	**7.7**	**25.2**	**13.1**	**50.2**
Assets under management	14,998	17,564	11,632	19,536
Employees (FTE's)	336	320	282	436

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.

Asia	Total	*Investment Solutions*	*Wealth Solutions*	*Corporate Overheads*	*BSI*	*Eliminations**	*Total*
CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
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)
	–				530.8		530.8
(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)**	**523.9**	**(84.4)**	**338.8**
(6.2)	12.8	(1.5)	(0.2)	(6.0)	(1.9)		3.2
36.1	**(40.7)**	**71.1**	**5.0**	**(131.0)**	**522.0**	**(84.4)**	**342.0**
15,353	79,156	11,349		424	62,316	(8,731)	144,514
309	1,579	135	103	172	1,613	(30)	3,572

Asia	Total	*Investment Solutions*	*Wealth Solutions*	*Corporate Overheads*	*BSI*	*Eliminations**	*Total*
119.4	657.4	136.7	25.8	6.4		(129.6)	696.7
(90.0)	(495.5)	(47.9)	(18.0)	(52.9)		24.1	(590.2)
(1.0)	(5.9)	(0.1)	(0.5)	(3.4)			(9.9)
28.4	**156.0**	**88.7**	**7.3**	**(49.9)**		**(105.5)**	**96.6**
(1.1)	(4.2)						(4.2)
	(19.5)			(0.5)			(20.0)
	0.1						0.1
27.3	**132.4**	**88.7**	**7.3**	**(50.4)**		**(105.5)**	**72.5**
(3.7)	(12.6)	(2.7)	(0.4)	2.6			(13.1)
23.6	**119.8**	**86.0**	**6.9**	**(47.8)**		**(105.5)**	**59.4**
16,214	79,944	11,788		1,268		(8,867)	84,133
353	1,727	151	116	175		(32)	2,137

50. ANALYSIS OF SWISS AND FOREIGN ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY

	Swiss CHF millions	Foreign CHF millions	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:			
Trading Assets	733.0	1.3	734.3
Designated at inception	136.3	319.7	456.0
Investment securities:			
Available-for-sale	768.6	4,668.7	5,437.3
Held-to-maturity	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	9.0	24.8	33.8
Other assets	358.5	188.6	547.1
Total assets	**21,123.9**	**21,194.7**	**42,318.6**
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
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
Subordinated loans		265.3	265.3
Debt issued		334.4	334.4
Current income tax liabilities	10.1	9.1	19.2
Deferred income tax liabilities	7.2	3.6	10.8
Provisions	183.4	15.9	199.3
Other liabilities	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	774.3	(871.2)	(96.9)
Retained earnings	488.0	(243.1)	244.9
	3,317.0	**(1,114.3)**	**2,202.7**
Additional equity components	31.2		31.2
Non-controlling interests		22.6	22.6
Total shareholders' equity	**3,348.2**	**(1,091.7)**	**2,256.5**
Total equity and liabilities	**20,037.2**	**22,281.4**	**42,318.6**

	Swiss CHF millions	Foreign CHF millions	Total CHF millions
31 December 2015			
Assets			
Cash and balances with central banks	4,000.2	861.8	4,862.0
Treasury bills and other eligible bills		757.1	757.1
Due from other banks	1,756.9	411.6	2,168.5
Loans and advances to customers	3,276.3	8,785.3	12,061.6
Derivative financial instruments	109.8	625.6	735.4
Financial assets at fair value:			
Trading Assets		58.6	58.6
Designated at inception		305.0	305.0
Investment securities:			
Available-for-sale	77.6	4,166.2	4,243.8
Held-to-maturity	43.3	1,118.9	1,162.2
Intangible assets	105.2	166.5	271.7
Property, plant and equipment	6.8	14.8	21.6
Deferred income tax assets	12.8	22.2	35.0
Other assets	22.5	91.4	113.9
Total assets	**9,411.4**	**17,385.0**	**26,796.4**
Liabilities			
Due to other banks	2,660.2	(2,157.0)	503.2
Due to customers	5,101.1	14,762.4	19,863.5
Subordinated loans		242.8	242.8
Debt issued		392.0	392.0
Derivative financial instruments	116.2	597.9	714.1
Financial liabilities designated at fair value		353.1	353.1
Other financial liabilities		3,237.9	3,237.9
Current income tax liabilities	0.8	4.1	4.9
Deferred income tax liabilities	28.5	6.6	35.1
Provisions	2.4	5.3	7.7
Other liabilities	121.1	192.0	313.1
Total liabilities	**8,030.3**	**17,637.1**	**25,667.4**
Equity			
Share capital	76.1		76.1
Share premium	1,245.9		1,245.9
Other reserves	675.7	(829.1)	(153.4)
Retained earnings	120.7	(179.8)	(59.1)
	2,118.4	**(1,008.9)**	**1,109.5**
Non-controlling interests		19.5	19.5
Total shareholders' equity	2,118.4	(989.4)	1,129.0
Total equity and liabilities	**10,148.7**	**16,647.7**	**26,796.4**

51. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

51.1 Basic

	31 December 2016 CHF millions	31 December 2015 CHF millions
Net profit for the year attributable to owners of the Group	339.3	57.1
Estimated pro-forma dividend on Bons de Participation	(0.1)	(0.2)
Net profit for the year attributable to ordinary shareholders	**339.2**	**56.9**
Weighted average number of ordinary shares ('000s of shares)	198,703	151,824
Basic earnings per ordinary share (CHF)	**1.71**	**0.37**

Basic earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares owned by the Group amounting to 47,765 (2015: 93,730). For the purpose of the calculation of earnings per ordinary share, net 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 1st January 2016 until 30 April 2016 of 1.197%, 0.849% from 1 May 2016 until 30 October 2016 and a rate of 0.634% thereafter.

51.2 Diluted

	31 December 2016 CHF millions	31 December 2015 CHF millions
Net profit for the year attributable to owners of the Group	339.3	57.1
Estimated pro-forma dividend on Bons de Participation	(0.1)	(0.2)
Net profit for the year attributable to ordinary shareholders	**339.2**	**56.9**
Diluted-weighted average number of ordinary shares ('000s of shares)	207,028	156,004
Diluted earnings per ordinary share (CHF)	**1.64**	**0.36**

In the period Pursuant to its employee equity incentive plans, the Group issued in 2016 restricted stock units to purchase 6,307,950 (2015: 2,221,579) shares which increased the diluted-weighted average number of ordinary shares by 8,325,106 (2015: 4,180,014) shares to 207,027,730 (2015: 156,004,026) shares.

For information regarding the EFG International equity incentive plan, see note 54.

52. 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 2016 of CHF 0.25 (2015: CHF 0.25) per share amounting to approximately CHF 71.8 million (2015: CHF 38.0 million), net of dividends not payable on treasury shares is to be proposed. The financial statements for the year ended 31 December 2016 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 2017, with no tax effect for the Group.

	At 31 December 2016 CHF millions	At 31 December 2015 CHF millions
Dividends on ordinary shares		
CHF 0.25 per share related to 2015 paid in 2016	38.0	
CHF 0.20 per share related to 2014 paid in 2015		37.7
	38.0	**37.7**
Dividends on Bons de Participation		
For the period 31 October 2014 to 30 April 2015 at 1.349%		0.1
For the period 1 May 2015 to 30 October 2015 at 0.712%		0.1
For the period 31 October 2015 to 30 April 2016 at 1.197%	0.1	
For the period 1 May 2016 to 30 October 2016 at 0.849%	0.0	
	0.1	**0.2**

53. RELATED PARTY TRANSACTIONS

53.1 Transactions

	Significant Shareholders CHF millions	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	277.5*	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)	

* *Receivable from Banco BTG Pactual SA. See note 31 and 34.*

	Significant Shareholders CHF millions	EFG Group CHF millions	Key management personnel CHF millions
31 December 2015			
Assets			
Loans and advances to customers			0.9
Other assets		1.3	
Liabilities			
Due to other banks		18.9	
Derivatives		0.8	
Due to customers	15.3	1.4	7.7
Other liabilities		0.3	
Year ended 31 December 2015			
Commission income		2.5	0.2
Net other income		1.2	
Operating expenses		(1.4)	

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 (2015: Nil).

53.2 Key management compensation (including directors)

The compensation of members of the Executive Committee relating to the year 2016 comprised of cash compensation of CHF 7,219,723 (2015: CHF 10,714,141), pension contributions of CHF 465,279 (2015: CHF 410,672) and restricted stock units valued at approximately CHF 4,360,504 (2015: CHF 3,755,600).

The compensation of the members of the Board of Directors relating to the year 2016 comprised of cash compensation of CHF 2,418,592 (2015: CHF 2,808,538), and pension contributions of CHF 73,818 (2015: CHF 39,757).

For additional details required under Swiss Law (Swiss Code of Obligations art. 663b bis) see note 21 of the parent company financial statements.

54. 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 2016 was CHF 24.9 million (2015: CHF 13.5 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 2016 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
2009	In-the-money	5.00	44,522			44,522	–
2009	Restricted stock units with 3 year lock-up	0	10,333		1,271	9,062	–
2010	Restricted stock units with 3 year lock-up	0	64,858			17,261	47,597
2010	Restricted stock units with 5 year lock-up	0	18,742			1,427	17,315
2011	Restricted stock units with 3 year lock-up	0	104,638			32,852	71,786
2011	Restricted stock units with 5 year lock-up	0	47,387			13,063	34,324
2012	Restricted stock units with 3 year lock-up	0	267,295			43,285	224,010
2012	Restricted stock units with 5 year lock-up	0	42,083				42,083
2013	Restricted stock units with 3 year lock-up	0	897,007		2,206	521,103	373,698
2013	Restricted stock units with 5 year lock-up	0	56,109				56,109
2014	Restricted stock units with 3 year lock-up	0	889,330		5,813	34,798	848,719
2014	Restricted stock units with 5 year lock-up	0	103,138				103,138
2015	Restricted stock units with $^{1}/_{3}$ exercisable annually	0	1,131,204		18,838	184,746	927,620
2015	Restricted stock units with 3 year lock-up	0	1,090,375		1,762	22,399	1,066,214
2016	Restricted stock units with $^{1}/_{3}$ exercisable annually	0		3,708,019	27,820		3,680,199
2016	Restricted stock units with 3 year lock-up	0		2,599,931	32,797	25,095	2,542,039
			4,767,021	**6,307,950**	**90,507**	**949,613**	**10,034,851**

54.1 2016 incentive plan

EFG International granted 6,307,950 restricted stock units in 2016. There are two classes of restricted stock units. Both of the classes vest $^1/_3$ every year over the next three years. One class has a 3-year lock-up restriction ("Restricted stock units with 3 year lock-up"), while the other class has no lock-up condition attached ("Restricted stock units with $^1/_3$ exercisable annually"). The weighted average deemed value of each Restricted stock unit granted in 2016 is CHF 4.79. The values of the restricted stock units were determined using a model which takes into account the present value of the expected dividends during the period between the grant date and the earliest exercise date. The significant inputs into the model were the arithmetic average share price (closing) of the five consecutive business days following the earnings announcement (CHF 5.98) and the discount determined by management (20%) and the expected life of the restricted stock units (12 to 36 months).

54.2 2017 incentive plan

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

55. 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.

56. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

	31 December 2016 CHF millions	31 December 2015 CHF millions
Character of client assets		
Equities	32,448	22,309
Deposits	34,607	21,876
Bonds	37,173	16,227
Loans	19,004	12,091
Structured notes	3,900	2,435
Hedge funds / Fund of hedge funds	5,365	3,325
Fiduciary deposits	592	599
EFG International shares		829
Other	11,425	4,442
Total Assets under Management	**144,514**	**84,133**
Total Assets under Administration	**9,036**	**9,605**
Total Assets under Management and Administration	**153,550**	**93,738**

Assets under Administration are trust assets administered by the Group. The Group has CHF 7,905 million of assets under custody not included in the above.

	31 December 2016 CHF millions	31 December 2015 CHF millions
Assets under Management		
Character of assets under management:		
Assets in own administrated collective investment schemes	5,318	3,025
Assets with discretionary management agreements	26,527	14,082
Other assets under management	93,665	54,935
Total Assets under Management (including double counts)	**125,510**	**72,042**
Thereof double counts	*4,985*	*1,702*
Loans	19,004	12,091
Total Assets under Administration	9,036	9,605
Total Assets under Management and Administration	**153,550**	**93,738**
Net new asset inflows (including double counts)	**(5,460)**	**2,439**

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

	Total Managed Assets (including double counts) CHF millions	Total Managed Assets (including double counts) CHF millions
At beginning of year	71,213	83,304
Net New Money outflow	(4,487)	
Net New Assets outflow		(5,460)
Market performance and currency impact	1,517	1,067
Increase in scope of consolidation due to BSI acquisition	58,618	66,954
Other effects	(1,351)	(1,351)
Total at end of year	**125,510**	**144,514**

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

57. POST BALANCE SHEET EVENTS

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

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

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

58. BOARD OF DIRECTORS

The Board of Directors of EFG International AG comprises:

John A. Williamson*	Chairman (appointed on 29 April 2016, former Vice-Chairman)
Niccolò H. Burki*	Vice-Chariman (appointed on 29 April 2016, former Chairman)
Susanne Brandenberger*	
Emmanuel L. Bussetil	
Erwin Richard Caduff*	
Robert Yin Chiu	(resigned on 29 April 2016)
Michael Higgin*	
Roberto Isolani	(appointed on 31 October 2016)
Steven M. Jacobs	(appointed on 31 October 2016)
Spiro J. Latsis	
Pericles Petalas	
Bernd-A. von Maltzan*	
Daniel Zuberbühler*	

** independent directors.*

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

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

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

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 remeasured at the lower of their carrying value or fair value less costs to sell.

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

(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.

STATUTORY 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 2016 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 90 to 202) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") and comply with Swiss law.

Basis for opinion

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

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

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

Our audit approach

Overview

Overall Group materiality: CHF 9.6 million representing 5% of the adjusted loss before tax. The principal adjustment was the reversal of negative goodwill of CHF 530.8 million arising on acquisition of BSI Group.

– We conducted full scope audit work at 25 reporting units in 11 territories.
– Our audit scope covered 95% of the Group's profit before tax and 94% of Group's total assets.

The following are the key audit matters that we have identified:
– Accounting for the acquisition of BSI Group,
– 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,
– Goodwill impairment assessment, and
– 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 nine segments – Private Banking & Wealth management for Americas, Asia, United Kingdom, Continental Europe, Switzerland, Investment Solutions, Wealth Solutions, Corporate and BSI. The Group financial statements are a consolidation of 92 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 9.6 million
How we determined it	5% of adjusted loss before tax
Rationale for the materiality benchmark applied	We chose adjusted loss before tax as the benchmark because, in our view, the users of the financial statements (including for example, the shareholders and market analysts) will focus on the adjusted profit of the business (rather than the generally accepted benchmark of profit before tax) which is not impacted by the negative goodwill arising on acquisition of BSI Group.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above CHF 0.4 million 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

Accounting for the acquisition of BSI

On 31 October 2016, the Group acquired a Swiss private bank, BSI SA ("BSI Group"), from Banco BTG Pactual SA ("the Seller") for a total consideration of CHF 783.9 million. The Group has recognised as income a negative goodwill of CHF 530.8 million arising from the acquisition.

Accounting for the acquisition of BSI Group is a complex exercise containing many critical judgements. It requires the determination of the fair value of acquired assets and liabilities, including contingent liabilities, as of the acquisition date. After the acquisition, the estimates made will impact the amounts recognised in the consolidated income statement, primarily amortisation and depreciation charges, which are dependent on the initial fair value.

The consideration was paid in EFGI shares, additional tier 1 instruments and cash. The amount of this consideration is based on a number of components, principally being the tangible book value of the BSI Group as of acquisition date and the net change in certain assets under management ("AuM") for eleven months then ended. After Management finalised the calculation of these components in February 2017, it concluded that the payment made initially to the Seller on 31 October 2016 was too high and recorded a receivable from the Seller in the amount of CHF 277.5 million. The amounts calculated by Management are open to challenge by the Seller up until 4 April 2017.

Management has identified customer relationships as an intangible asset acquired in a business combination and attributed CHF 110 million to them. Determination of the fair value of customer relationships involved complex valuation considerations and required the use of an external specialist.

In respect of a number of high profile disputes and investigations in which BSI Group is involved, Management concluded that, although an outflow of economic resources could arise, the potential obligation could not be measured with sufficient reliability for them to attribute a fair value to these contingent liabilities. However, Management disclosed that the Group has been indemnified cumulatively, up to CHF 400 million (and up to the amount of purchase consideration for certain cases), by the Seller for potential future penalties and charges in respect of these cases.

We reviewed Management's calculation of the consideration in light of the requirements of the share purchase agreement ("SPA") and vouched them against the evidence of transfer. We checked the fair value of share consideration by agreeing the share price used by Management to the quoted closing price of EFGI shares on the trade date preceding the acquisition date.

We reconciled the net identifiable assets used in the negative goodwill calculation to the acquisition-date audited financial statements of the BSI Group drawn up under the SPA. We tested the reconciling items. We ensured, by reading the accounting policies prescribed in the SPA, reviewing the transaction closing balance sheet of BSI and using our understanding of the acquired business, that the completeness and existence of the assets and liabilities included in the IFRS 3 acquisition date balance sheet were appropriate.

We evaluated and challenged the assumptions within the valuation of acquired customer relationships as prepared by external specialist and approved by Management. Our work included a critical review of the adequacy of the valuation methodology in light of IFRS 13 requirements and a challenge of the key assumptions made by Management in the valuations (e.g. the discount rate, return on assets under management ("AuM"), attrition of customers, cost to income ratio, and terminal growth rate) by comparing them with the rates reported in publicly available information and our internally developed benchmarks.

We obtained Management's analysis supporting the fair value estimation for contingent liabilities, including claims where Management maintained reliable estimates could not be made, and challenged those conclusions in light of the information obtained directly from external legal counsel.

We critically challenged Management's explanation of how negative goodwill could arise by identifying and analysing the quantifiable and other unquantifiable factors contributing to the negative goodwill.

Key audit matter	How our audit addressed the key audit matter
Management disclosed its analysis of how negative goodwill could arise in the business combination and attributed it to several quantifiable factors: – Customer relationships intangible asset that increased net identifiable assets but did not affect the amount of consideration; – Change in the market price of EFGI shares between the signing of the share purchase agreement and the acquisition date; – Outflows of AuMs which reduced the consideration but did not directly affect the net assets acquired. See Note 2 (b) and Note 31.	Based on the results of our procedures around the accounting for the acquisition of BSI and negative goodwill, the judgements and assumptions made by Management appear reasonable at this time. We note that there are a number of significant legal exposures, for which indemnification up to a defined limit has been obtained from the Seller, which are in very early stages and the outcome of which will only be reasonably estimable in the future.

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 18,878.3 million, predominantly lombard and mortgage loans) as well as the subjective judgements over both timing of recognition of impairment and the estimation of the size of any such impairment. The provision for impairment losses amounted to CHF 43.2 million and was calculated as a result of individually assessing all the exposures with signs of impairment.

In order to limit the losses from its lending business, the Group has set loan-to-value limits that are tailored to the nature (rating, liquidity) of the supporting collateral.

The key judgement made by Management when estimating the provision for impairment losses involves assessing whether the realisable value of collateral is 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 and to timely identify indicators of impairment.

A special item requiring significant management judgement involved customer advances with carrying value of approximately CHF 197.5 million as at 31 December 2016. As disclosed in Note 42 (vii), these advances were secured by cash owned by a pledger whose parent company has been put into receivership. The receiver has raised legal issues as to the validity and enforceability of the pledge. The Group has not made a provision as Management believes that the pledge is fully enforceable.

We assessed and tested the design and operating effectiveness of the controls over identification of impaired loans and 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 conducting impairment assessment;
– 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 the Management's assessment regarding the sufficiency of collateral. The samples included both exposures that were identified as impaired by Management and exposures that were deemed unimpaired by Management;
– where controls over automated sourcing of market prices for quoted financial assets used as collateral were not available, we manually re-checked on a sample basis the market prices attributed to quoted collateral;

Key audit matter	How our audit addressed the key audit matter
Also refer to Note 2 (i) (ii), Note 2 (j), Note 4.1.1 (a), 4.1.1-5, Note 11, Notes 21-22.	– reviewed credit excess list and shortfall reports to identify potentially underprovided loans; – on a sample basis, we tested adjustments for impairment by tracing them to the respective credit files. We challenged Management's assessment about the recoverability of the advance of CHF 197.5 million where the receiver is disputing the validity and enforceability of the pledge. We reviewed the legal opinions commissioned by Management on this matter and obtained confirmation letters directly from external legal counsel who confirmed that the pledge is valid and enforceable. We found the approach of Management to be reasonable.

Valuation of investments in life insurance policies

The Group holds significant positions in life insurance policies (LIPs) which it classifies into held-to-maturity (HTM), available for sale (AFS) and at fair value through profit or loss (FVTPL) financial assets. The Group has further bought derivatives and entered into structured transactions designed to provide an economic hedge against some of its LIP holdings.

The carrying values of the Group's LIPs were as follows as of 31 December 2016:

Assets	CHF million
LIPs HTM*	854.7
LIPs at FVTPL	319.8
LIPs AFS	32.2
Liabilities	
Synthetic LIPs	342.3

** The fair value of LIPs HTM was CHF 524.1 million as of 31 December 2016.*

The Group calculates the effective interest on its HTM LIPs portfolio by accruing interest at a rate equivalent to the rate of return that it expects to realise on the HTM LIPs portfolio until maturity. This estimate is periodically revised, leading to varying rate of return on HTM LIPs portfolio from period to period. The overall yield of the investment (accrual and amortized death benefits of previously matured life insurance policies) was 1.09% in 2016.

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 2016 against relevant supporting documentation.

Our procedures were supported by our own actuarial specialists.

In order to confirm the carrying value of HTM LIPs , we reviewed Management's assessment and conclusion that the carrying value as at 31 December 2016 is supported as described in the following paragraphs.

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.

Key audit matter	How our audit addressed the key audit matter

Management uses a mark-to-model approach for fair value valuation of LIPs, synthetic 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.

In 2015 and 2016, 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 claims in dispute of these increases.

The Group factored these increases into its assessment of the carrying value of the HTM LIPs and the fair value estimation of AFS LIPs and LIPs at FVTPL as well as fair value disclosure of the HTM portfolio as at 31 December 2016 as follows:

- in its assessment of the carrying value of HTM LIPs, supported by the legal and actuarial experts and taking into consideration the legal dispute, Management incorporated, in its determination of its best estimate cash flows ("BECF") from insurers from whom notifications had been received, an estimate for increase in premiums that was significantly less than the increase notified by the insurers. Should the Group have incorporated the premium increases actually requested by the insurance carriers, outflows in form of premiums would exceed receivable from HTM LIPs by CHF 135 million, leading to potential impairment.
- for the purposes of determining fair value of LIPs (determination of fair value cash flows ("FVCF")), Management's approach to estimating CoI increases assumes that market participants would also take into consideration the legal dispute when determining fair value. Management developed a number of discrete scenarios with base case being based on expert opinions. Based on the review of these scenarios, Management decided to assume premium increases for all policies subject to notifications but at a rate significantly lower than 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 (i)-(j), Note 3 (c)-(f), 4.2.1. (c) (ii), 4.2.2 (iii), Notes 26-29, Note 38.

The scope of our work covered the review of the underlying model methodology used to value both the BECF and FVCF, confirmation that the assumptions are correctly entered in the Group's model, and an assessment of whether the main assumptions used by Management are in line with Management's 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, premium estimates (cost of insurance), death benefits), and (c) checking mathematical accuracy of the model.

For LIPS HTM, we reviewed the disclosures for fair value and yield on investment to ensure that these were consistent with the results of the mark-to-model calculations.

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 40 and Note 42, the amount of compensation claimed is significant and the impact of the cases on the financial statements depends on Management 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 40, as of 31 December 2016, the Group had recognised provisions of CHF 197.9 million for litigations and other claims. Also refer to Note 2 (p), Note 3 (i), Note 40, Note 42.	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 critically evaluated the independence of the external legal counsel. We further reviewed the disclosures for cases provided for (Note 40) and contingent liabilities (Note 42) to ensure that they were in line with the reports provided by the external legal counsel. We concluded that the judgements and disclosures made were reasonable.

Goodwill impairment assessment

The goodwill impairment assessment is considered a key audit matter as the recoverable amount of goodwill (CHF 40.6 million) is based on Management judgements and assumptions (such as assumptions in respect of the future results of the business, AuM-based market comparatives, the price-earnings multiples, the discount rates and the future cash flow forecasts to which these rates are applied). The goodwill impairment charge recognised by the Group during 2016 amounts to CHF 184.8 million. The main goodwill balances as at 31 December 2016 were allocated to the following cash generating units (CGUs): – Banque Monégasque de Gestion – CHF 20.8 million; – Asesores y Gestores Financieros SA – CHF 19.7 million. Refer to Note 2 (h) (i), Note 3 (a) and Note 32.	We critically assessed the methodology applied by Management by reviewing it in light of IAS 36 requirements for the determination of recoverable amount for the CGU, the composition of cash flow forecasts, the calculation of discount rate, as well as choice of comparatives. We concluded that the methodology used by Management was adequate. We evaluated and challenged the Management's assumptions (for key assumptions refer to Note 32.2). Specifically, where the recoverable amount of a CGU was estimated on the basis of value in use calculation, we have: – reviewed the reasonableness of the business plan for the 2017–2021 forecast period by comparing it against the historic performance of the CGU over the 2013–2016 years. We tied out the key historic performance metrics (AuM, operating income and direct expenses) of the CGU for 2016 to the management information system;

Key audit matter	How our audit addressed the key audit matter
	– considered if alternative assumptions (such as growth rate for AuM, operating income and direct expenses over the forecasting period and in perpetuity; margin on AuM; funding costs/return on injected equity) may be more relevant, if this was the case we performed recalculations using the alternative assumptions based on relevant economic and industry forecasts; – compared the value in use originally estimated by Management against the discounted net cash flows as recalculated by applying our alternative assumptions (including alternative growth rate and discounted rate). Where the recoverable amount of the CGU was estimated based on price-earning and AuM multiples, we performed the following: – reviewed the peer group from which Management derived the multiples and produced alternative multiples by independently selecting an alternative but comparable peer group; – cross-checked the Management's multiples against our multiples. Based on the work performed, we concluded that the assumptions used by Management in their impairment testing are within reasonable range. We concurred with Management's decision on recognition of impairment charge during 2016.

Swiss pension obligations

In Switzerland, the Group has defined benefit pension plans which, in aggregated, have plan assets with fair value of CHF 1,402.5 million and funded obligation with present value of CHF 1,764.2 million. The Swiss plans are considered to be defined benefit plans under IAS 19 (R) 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,	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(R) 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

Key audit matter	How our audit addressed the key audit matter
proposed the assumptions for Management to review and challenge. Unfavourable changes in a number of the key assumptions (including discount rate, salary growth rate, pension growth rate and life expectancy) can have a material impact on the calculation of the liability. In 2016, the Group recognised actuarial gains of CHF 33.6 million due to changes in these assumptions.	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. 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 standalone financial statements and compensation report of the 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 provision 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, 14 March 2017

EFG International, Zurich
Parent Company Financial Statements

for the year ended 31 December 2016

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INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

EFG International, Zurich

	Note	Year ended 31 December 2016 CHF millions	Year ended 31 December 2015 CHF millions
Income			
Interest income from subsidiaries		26.1	24.6
Income from subsidiaries	14	38.3	40.2
Other income			0.1
Total income		**64.4**	**64.9**
Expenses			
Staff expenses		(9.3)	(12.0)
Operating expenses	15	(50.4)	(17.4)
Interest expenses on subordinated debt		(0.4)	–
Interest expenses paid to subsidiaries		(0.6)	(0.9)
Foreign exchange losses		(21.0)	(9.2)
Impairment of investments in subsidiaries	8	(187.7)	(0.8)
Other provisions		(0.4)	–
Increase in provision for guarantees	16	(15.0)	(23.7)
Total expenses		**(284.8)**	**(64.0)**
Net (loss)/profit before tax		(220.4)	**0.9**
Tax expense		(1.7)	(0.9)
Net (loss)/profit for the period		**(222.1)**	**0.0**

BALANCE SHEET AS AT 31 DECEMBER 2016

EFG International, Zurich

	Note	Year ended 31 December 2016 CHF millions	Year ended 31 December 2015 CHF millions
Assets			
Due from subsidiaries		27.7	33.9
Other assets		278.8	9.1
Current assets		**306.5**	**43.0**
Investments in subsidiaries		1,329.7	733.2
Subordinated loans to subsidiaries		476.5	397.1
Non current assets		**1,806.2**	**1,130.3**
Total assets		**2,112.7**	**1,173.3**
Liabilities			
Due to subsidiaries		453.7	54.7
Accrued expenses and deferred income		12.5	8.9
Other liabilities		1.3	0.3
Current liabilities		**467.5**	**63.9**
Subordinated debt	7	31.2	–
Provisions	16	334.7	319.7
Non-current liabilities		**365.9**	**319.7**
Total liabilities		**833.4**	**383.6**
Equity			
Share capital	12	143.7	75.9
Non-voting equity securities (Participation Certificates)	12	0.2	0.2
Legal reserves		2,348.1	1,704.2
of which Reserve from capital contributions		*2,347.9*	*1,703.3*
of which Reserve for own shares from capital contributions		*0.2*	*0.9*
Retained earnings	18	(990.6)	(990.6)
Net (loss)/profit for the period		(222.1)	–
Total shareholders' equity		**1,279.3**	**789.7**
Total shareholders' equity and liabilities		**2,112.7**	**1,173.3**

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 2 c) 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 4,077 million (2015: CHF 3,263 million). Included in this amount is CHF 2,796 million (2015: CHF 1,907 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 dates	31 December 2016 CHF millions	31 December 2015 CHF millions
BTGP-BSI Limited, London				
CHF 31,202,000	7.53% p.a.	not applicable	31.2	–
Total			**31.2**	**–**

This comprises 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 occured.

8. PRINCIPAL PARTICIPATIONS

The company’s principal participations are shown in note 30 to the consolidated financial statements. In the current year the company impaired the carrying value of investments in subsidiaries by CHF 187.7 million (2015: CHF 0.8 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.

In 2016 the company acquired the BSI Group of companies. The purchase consideration is not yet finalised. See notes 31 and 34 of the consolidated financial statements.

9. RELEASE OF UNDISCLOSED RESERVES

During the period, no undisclosed reserves were released (2015: 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 2016, 31,011 registered shares (2015: 86,384) and 750 (2015: 750) Bons de Participation “B” were held by subsidiaries. See note 44.3 of the consolidated financial statements.

12. SHARE CAPITAL

	31 December 2016 CHF millions	31 December 2015 CHF millions
287,356,661 (2015: 151,917,742) registered shares at the nominal value of CHF 0.50	143.7	75.9
13,382 (2015: 13,382) Bons de Participation “B” at the nominal value of CHF 15.00	0.2	0.2
Total share capital	**143.9**	**76.1**

The Group issued 48,165 975 shares on 12 May 2016 and 86,178,609 shares on 31 October 2016, both increases in share capital at a nominal value of CHF 0.50 per registered share.

Conditional share capital

The share capital may be increased by a maximum of CHF 1,611,461 (2015: CHF 1,408,629) by issuing up to 3,222,923 (2015: 2,817,258) 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 2016		*31 December 2015*	
	Shares	Participation of %	Shares	Participation of %
EFG Bank European Financial Group SA, Geneva	126,874,865	44.2%	82,545,117	54.4%
BTGP-BSI Limited, London	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 São Paulo Stock Exchange in Brazil.

14. INCOME FROM SUBSIDIARIES

Income from subsidiaries consists of the following:

	31 December 2016 CHF millions	31 December 2015 CHF millions
Royalties	14.1	13.8
Management service fees	1.0	3.0
Administrator fees	15.5	17.2
Other services	7.7	6.2
Total	**38.3**	**40.2**

15. OPERATING EXPENSES

Operating expenses consist of the following:

	31 December 2016 CHF millions	31 December 2015 CHF millions
Costs of share issuance	(17.6)	–
Acquisition related expenses	(17.1)	–
Other operating expenses	(10.5)	(12.2)
Services provided by subsidiaries	(5.2)	(5.2)
Total	**(50.4)**	**(17.4)**

16. PROVISIONS FOR GUARANTEES

Guarantees of CHF 924.8 million were provided to subsidiaries (2015: CHF 1,205.4 million), related to loans to other Group companies. Based on the net realisable assets of these Group companies, a potential liability of CHF 334.7 million (2015: CHF 319.7 million) exists at year-end, assuming the guarantees are called.

17. GENERAL LEGAL RESERVE

In 2016 a dividend distribution of CHF 38.0 million (2015: CHF 37.7 million) has been paid from the Reserve from capital contributions representing CHF 0.25 per registered share (2015: CHF 0.25 per registered share). The general legal reserve increased by CHF 681.8 million during the period due to the share capital increases performed on 13 May 2016 and 31 October 2016 and increased by CHF 0.2 million during the period due to the exercise of employee equity incentive plans on shares previously constituted through conditional capital (2015: CHF 1.7 million).

18. RETAINED EARNINGS

	31 December 2016 CHF millions	31 December 2015 CHF millions
At 1 January	(990.6)	(1,003.3)
Net result of prior period	0.0	12.7
Transfer from Reserve from capital contributions for dividend payment	38.0	37.7
Dividend paid	(38.0)	(37.7)
At 31 December	**(990.6)**	**(990.6)**

19. PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes, subject to the approval of the General Meeting of Shareholders, to carry forward the loss of the year of CHF 222.1 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 71.8 million. The Board of Directors proposes to fully charge the proposed distribution for 2016 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.

20. RISK MANAGEMENT

See note 4 of consolidated financial statements.

21. COMPENSATION OF BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

(i) Compensation year ended 2016

	Fixed compensation (1)	*Variable compensation (2)*		Other compensation	Social charges (4)	Total
	Cash	Cash bonus	Share options (3)			2016
	CHF	CHF	CHF	CHF	CHF	CHF
Board of Directors						
John A. Williamson, Chairman (5)	1,209,335				194,224	1,403,559
Niccolò H. Burki, Vice-Chairman	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)						–
Péériclès 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)**	**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*

Notes
1) Including employees' contributions for social charges.
2) Subject to approval by the shareholders at the AGM 2017.
3) The amount represents the value of RSUs to be granted in 2017. For specific valuation of the Employee Equity Incentive Plans, refer to note 54 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 AGM 2016).
6) No compensation has been paid to this member of the Board of Directors.
7) The AGM 2016 has approved a maximum aggregate fixed compensation for all members of the Executive Committee for the business year 2016 of CHF 11,600,000. The table above shows that the total fixed compensation paid to the members of the Executive Committee in 2016 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 2015

	Fixed compensation (1)	Variable compensation (2)		Other compensation	Social charges (4)	Total
	Cash	Cash bonus	Share options (3)			2015
	CHF	CHF	CHF	CHF	CHF	CHF
Board of Directors						
Niccolò H. Burki, Chairman	406,748				23,942	430,690
John A. Williamson, Vice-Chairman (5)**	1,116,644				109,975	1,226,619
Susanne Brandenberger, member**	37,500				8,096	45,596
Emmanuel L. Bussetil, member (6)						–
Erwin R. Caduff, member	141,668				10,080	151,748
Robert Y. Chiu, member	125,002		963,213		6,581	1,094,796
Michael N. Higgin, member***	309,308				23,071	332,379
Spiro J. Latsis, member (6)						–
Périclès Petalas, member (6)						–
Bernd-A. von Maltzan, member	150,000				8,101	158,101
Daniel Zuberbühler, member	135,002				7,189	142,191
Jean Pierre Cuoni*	220,000				13,368	233,368
Hugh N. Matthews*	166,666				9,370	176,036
Total Board of Directors	**2,808,538**	**–**	**963,213**	**–**	**219,773**	**3,991,524**
Executive Committee						
Total Executive Committee	**7,860,408**	**2,853,733**	**3,755,600**	**54,603**	**1,226,868**	**15,751,212**
of which highest paid: James T.H. Lee, Head of Investment & Wealth Solutions	1,107,829	450,400	675,600	41,160	164,635	2,439,624

* *Left in 2015*
** *Joined in 2015*
*** *Includes UK subsidiary Board of Director fees*

Notes
1) Including employees' contributions for social charges.
2) Approved by the shareholders at the annual general meeting 2016.
3) The amount represents the value of RSUs granted in 2016. For specific valuation of the Employee Equity Incentive Plans, refer to note 54 of the consolidated financial statements.
4) Employer social charges of the Executive Committee of CHF 1,226,868 includes an amount of CHF 410,672 of pension contributions.
5) This member of the Board of Directors receives a variable compensation related to his former position as CEO of EFG International until 24 April 2015, approved by the shareholders at the annual general meeting 2016, for a total amount of CHF 1,400,000 (CHF 560,000 in cash and CHF 840,000 in RSUs). These amounts are included in the total reported for Executive Committee members.
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.

At 31 December 2016 the following loans and credits were granted by subsidiaries to members of the Board of Directors and the Executive Committee and are outstanding at the end of the year.

(iii) Loans and credits

	2016 CHF	2015 CHF
Board of Directors		
John A. Williamson, Chairman		445,284
Total Board of Directors	**–**	**445,284**

Executive Committee	2016 CHF	2015 CHF
Maurizio Moranzoni, Head of Global Markets (highest amount granted to an individual member of the Executive Committee)*	2,633,224	
Other members of the Executive Committee**	**5,147,663**	536,435
Total Executive Committee	**7,780,887**	**536,435**

* *Member of the Executive Committee since June 2016*
** *Amounts drawn within the pre-existing credit limits. Including members of the Executive Committee who joined in June 2016 and October 2016*

The variation in the loans and credits reported for the members of the Executive Committee in 2015 and 2016 is essentially due to the arrival of the new members who joined the Executive Committee in 2016.

No loans or credits were granted to related parties of members of the Board of Directors and Executive Committee by EFG International and its subsidiaries.

(iv) Shareholdings

At 31 December 2016 the following shareholdings were held by the Board of Directors and the Executive Committee and closely linked parties.

	Shares 2016	Shares 2015	2016 Vested Share Options	2016 Granted Share Options	2015 Vested Share Options	2015 Granted Share Options
Board of Directors						
John A. Williamson, Chairman	277,255	221,368	69,794	256,867	71,969	158,082
Niccolo H. Burki, Vice-Chairman						
Susanne Brandenberger						
Emmanuel L. Bussetil						
Erwin R. Caduff	11,500	11,500				
Michael N. Higgin						
Roberto Isolani*						
Steven M. Jacobs*						
Spiro J. Latsis**	126,874,865	82,545,117				
Périclès Petalas						
Bernd-A. von Maltzan						
Daniel Zuberbühler						
Robert Y. Chiu***		1,136,661			103,301	156,528
Total Board of Directors	**127,163,620**	**83,914,646**	**69,794**	**256,867**	**175,270**	**314,610**

	Shares 2016	Shares 2015	2016 Vested Share Options	2016 Granted Share Options	2015 Vested Share Options	2015 Granted Share Options
Executive Committee						
Total Executive Committee	**340,332**	**611,877**	**388,807**	**974,998**	**173,770**	**318,087**
Joachim H. Straehle						
Piergiorgio Pradelli						
Mark Bagnall						
Adrian Kyriazi						
Peter Fischer*						
Albert Chiu*	340,332					
Anthony Cooke-Yarborough*						
Maurizio Moranzoni*						
Renato Cohn*						
Reto Kunz*						
Gérald Robert*						
Renato Santi*						
James T.H. Lee***		572,944				
Frederick Link***		38,933				

* *Joined in 2016*
** *Total number of shares controlled by the Latsis family interests*
*** *Left in 2016*

The members of the Executive Committee have been granted 974,998 share options and restricted stock units which are currently subject to vesting criteria (2015: 318,087 share options and restricted stock units). These would vest in the period 2017 to 2019.

22. POST BALANCE SHEET EVENTS

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

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

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

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

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

Opinion
We have audited the financial statements of EFG International AG ("the Company"), which comprise the balance sheet as at 31 December 2016, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 216 – 225) as at 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 2.0 million
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 is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 0.3 million 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, 14 March 2017

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