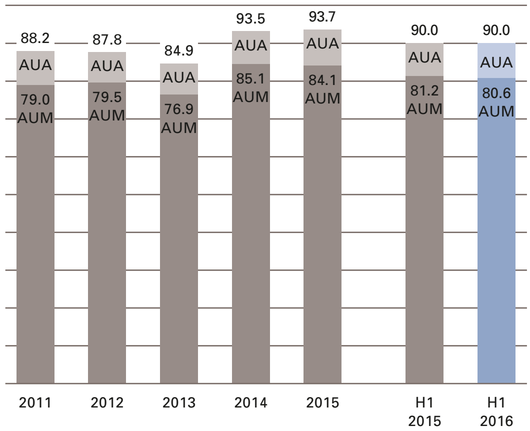
EFG International

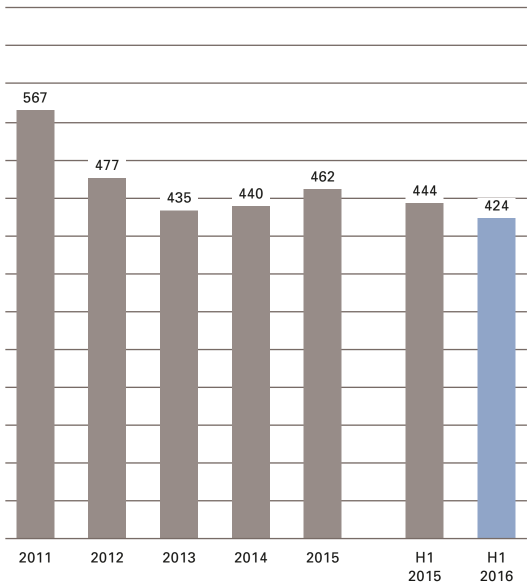
HALF YEAR REPORT 2016

AUM and AUA

in CHF billions

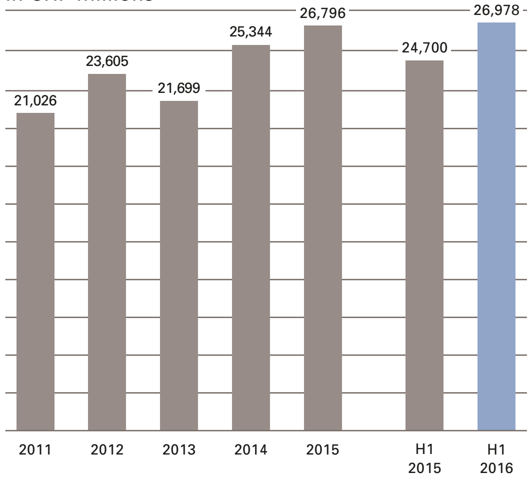


Client Relationship Officers (CROs)



Total Balance Sheet

in CHF millions



EFG INTERNATIONAL CONSOLIDATED FINANCIAL HIGHLIGHTS

in CHF millions	30 June 2016
Income	
Operating income	341.7
Profit before tax	33.8
Underlying net profit	38.1
Cost/income Ratio	86.9%
Balance Sheet	
Total Assets	26,978
Shareholders' Equity	1,344
Market Capitalisation	
Share Price (in CHF)	3.70
Market Capitalisation (ordinary shares)	743
BIS Capital (Basel III, fully applied, EU)	
Total BIS Capital	1,295
Total BIS Capital Ratio	22.8%

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

Personnel	
Total number of CROs	424
Total number of employees (FTE's)	2,056

Listing

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

Ticker Symbols	
Reuters	EFGN.S
Bloomberg	EFGN SW

International practitioners
of the craft of private banking

CONTENTS

SHAREHOLDER'S LETTER

John Williamson, Chairman of the Board
Joachim H. Straehle, Chief Executive Officer

Dear shareholders, dear clients,

The first half of 2016 was a challenging period for the financial services industry. A number of headwinds arose from economic and geo-political uncertainty, notably in emerging markets (particularly Asia) at the start of the year as well as following the UK's Brexit vote in June. As previously advised, business was constrained by subdued client activity, albeit there was some pick-up at the end of the second quarter. However, EFG International still delivered a stable year-on-year performance in its core private banking business. Given the likelihood of continued market uncertainty, we also focused strongly on the continued execution of our cost reduction programme. Implementation is ahead of schedule, placing the business on a strong footing to confront future challenges from a significantly lower cost base, while preparing the way for the planned acquisition of BSI. In relation to the latter, we are pleased to report that the preparations for the integration of BSI into EFG are ahead of plan. The combination of our businesses will create a Swiss private bank with the scale and efficiency required to compete effectively in the global wealth management market.

SUMMARY RESULTS

- First-half 2016 results reflect difficult market conditions and strong headwinds faced by the financial services industry; EFG achieved stable core private banking income compared to the prior-year period; revenue margin slightly improved versus the second half of 2015.

- Net new assets flat over the period, with positive momentum across most regions towards the end of the first half 2016; revenue-generating Assets under Management decreased by 3% versus end-2015, mainly due to negative currency effects in the context of the Brexit decision, as well as adverse markets.

- Implementation of cost reduction programme announced in November 2015 ahead of schedule – savings will significantly exceed the CHF 30 million target, with an expected underlying cost base (excluding non-recurring items) of CHF 274 million for the second half of 2016, down 12% compared to the prior-year period, including the full-year effect of H2 2015 hirings; further focus on cost and efficiency.

- Preparations for the integration of BSI into EFG ahead of plan, with a view to combining both banks' strengths to build a leading Swiss private bank with global reach, significant synergy potential and necessary scale to capture long-term opportunities in wealth management.

- Underlying net profit, excluding life insurance, of CHF 38.1 million, compared with CHF 44.1 million a year earlier; IFRS net profit of CHF 22.3 million, versus CHF 48.0 million in first half 2015, with performance in particular impacted by exceptional costs and provisions related to BSI acquisition and implementation of EFG's cost reduction programme.

BUSINESS OVERVIEW

Performance impacted by challenging markets and exceptional costs

The first half of 2016 was characterized by accentuated market uncertainty, notably in emerging markets including Asia at the beginning of the year, but also in the context of the June Brexit vote in the UK. The challenging markets created strong headwinds across the financial services industry. As indicated in the update of the business performance for the first quarter on 29 April 2016, EFG International's business was constrained by the market environment and low levels of client activity. Client activity remained subdued during the first half of 2016, with a slight rise towards the end of the period from the lows in the first quarter.

EFG International's operating income in the first half of 2016 was CHF 341.7 million, down 3% compared to the first half of 2015. This was primarily due to a decline in net banking fee and commission income of 8%, reflecting a decline in transactional revenues, risk adversity and low levels of client activity, as well as foreign-exchange impacts. Net interest income and net other income improved slightly compared to the first half of 2015.

Revenues from the life insurance portfolios negatively impacted the performance by CHF (0.8) million, compared with a positive revenue contribution of CHF 6.9 million in the first half of 2015. The underlying private banking business achieved stable results: Core operating income remained flat at CHF 318.0 million compared to CHF 315.5 million the previous year. The revenue margin was 84 bps, slightly better than the margin in the second half of 2015, which was at 83 bps.

Operating expenses were CHF 298.6 million in the first six months of 2016, compared to CHF 296.0 million in the prior-year period, and clearly below the CHF 308.3 million in the second half of 2015. Underlying operating expenses (excluding non-recurring costs) were CHF 292.5 million, versus CHF 291.0 million in the first half of 2015.

Underlying recurring net profit, excluding life insurance, was CHF 38.1 million in the first half of 2016, compared to CHF 44.1 million in the first half of 2015. This excludes the following non-recurring items, most of which have been previously indicated:

- CHF 6.1 million in costs and provisions relating to the acquisition and integration of BSI.
- CHF 3.8 million in costs relating to the cost reduction programme, in line with the announcement made on 23 November 2015.
- CHF 4.5 million in legal and professional charges and litigation provisions relating to previously disclosed and other matters.
- CHF 0.6 million in costs relating to the CRO hiring programme in 2015.
- CHF 0.8 million negative contribution from life insurance.

As a result, IFRS net profit was CHF 22.3 million, compared to CHF 48.0 million for the first half of 2015. The cost-income ratio on a reported basis was 86.9%, up from 83.3% a year before, but down compared to 89.1% at the end of 2015. Underlying cost-income ratio was 84.9% in the first half of 2016, versus 83.5% in the first half of 2015.

On a Basel III (fully applied) basis, EFG International's BIS-EU Capital Ratio stood at 22.8% at the end of the first half of 2016, compared to 16.8% at year-end 2015. The Common Equity Ratio (CET1) was 18.5%, versus 12.8% at the end of last year. The increase of both capital ratios was mainly driven by the ordinary share capital increase completed in May 2016 to support the BSI transaction. A further driver was the reduction of risk-weighted assets by approx. 10% since end-2015 to CHF 5.6 billion, highlighting EFG's focus on capital ratios and effective RWA optimization. EFG International maintains a strong and liquid balance sheet, with a liquidity coverage ratio of 247% and a loan/deposit ratio of 49%.

Net asset inflows with disappointing start and good momentum towards the end of the first-half 2016

Net new assets generation was flat in the first half of 2016, with net assets of CHF (0.1) billion over the period, compared to net assets of CHF (0.3) billion in the first half of 2015. Net new asset generation was disappointing in the first quarter of 2016, while a positive momentum emerged across most regions towards the end of the second quarter 2016.

Revenue-generating Assets under Management were CHF 80.6 billion as at the end of the first half of 2016, down from CHF 83.3 billion at end-2015. This decline reflects negative currency effects of CHF (2.0) billion, primarily driven by foreign-exchange movements following the Brexit decision, negative market effects of CHF (0.6) billion, and net new assets of CHF (0.1) billion.

Cost reduction programme exceeds targets

EFG International made very good progress in implementing its cost reduction programme announced in November 2015, which aimed to improve efficiency through CHF 30 million in cost savings and 200 headcount reductions by the end of 2016. With CHF 19 million in savings and 170 FTE reductions already achieved in the first-half, expected to reach CHF 57 million and 254 FTEs for the full year 2016, these targets will be significantly exceeded.

EFG had an underlying cost base in the first half of 2016 of CHF 292.5 million, which is a reduction of 6% compared to the underlying adjusted cost base in the second half of 2015, including the full-year effect of H2 2015 hirings. For the second half of 2016, EFG targets a further reduction of its underlying cost base to CHF 274 million, which would imply a reduction of 12% compared to the underlying adjusted cost base in the second half of 2015.

The number of employees (full-time equivalents, FTEs) was 2,056 at end-June 2016, versus 2,103 a year before and 2,183 (including new committed CROs and initiatives) at the peak in September 2015. The target number of FTEs as per end-2016 is now 1,990, expected to be down 7% compared to end-2015 and down 9% versus the peak.

Regional business development

In Continental Europe, net new asset generation remained robust in the first half of 2016, with an annualised growth of approx. 4%. The region recorded an increase in operating income by 7% and in pre-provision profit by 16% compared to the prior-year period.

In Switzerland, net new asset growth was 2%, which was lower than in the second half of 2015, but well above the level in the first half of 2015. Pre-provision profit decreased, reflecting higher revenues offset by an increase in operating expenses mainly due to higher personnel costs. These included the full-year effect of the teams hired in the second half of 2015, which are developing well and confirm the respective business case.

The UK delivered continued net new asset growth of 5%. Pre-provision profit decreased, primarily reflecting a positive impact from bonds sales recorded in the first half of the previous year, as well as investments into compliance and risk functions. EFG expects the Brexit decision to have a limited impact on its business, with the exception of translation effects of a depreciation of the GBP.

Asia recorded net asset outflows in the first half of 2016 due to client deleveraging and the run-off of an investment product that could not be immediately replaced, but saw a particularly strong rebound towards the end of the first half of 2016. Asia increased its profitability substantially in the first of half of 2016, with pre-provision profit up by 40% year-on-year, reflecting higher revenues and lower costs.

In the Americas region, net asset outflows reflected continued difficult market conditions in Latin America in the first half of 2016, while pre-provision profit increased by 14% year-on-year.

CRO development reflecting focus on efficiency gains and performance

The number of Client Relationship Officers (CROs) stood at 424 at end-June 2016, compared to 462 at end-2015, reflecting a continued strong focus on performance management. EFG International was more selective in hiring, adding 15 experienced CROs during the first half of 2016, compared to 66 new hires in the second half of 2015. The CRO pipeline remains strong, reflecting EFG's commitment to private banking and enhanced attractiveness as an employer of choice, also in view of its expanded platform in combination with BSI.

Excluding the CROs hired in the first half of 2016, Assets under Management per CRO stood at CHF 197 million at end-June 2016, up 10% since 2012 and the highest level reached since the business review in 2011, underlining management's strong focus on CRO productivity and performance. After completion of the cost reduction programme, Assets under Management per CRO are expected to exceed CHF 200 million.

Update on premium increases in relation to life insurance policies

To date, EFG International has been informed of premium increases relating to 45 of 48 of its holdings of policies issued by Transamerica that are part of EFG International's held-to-maturity life insurance portfolio with a total number of 213 policies. EFG continues to consider the increases to be unjustified and will challenge their implementation in US courts, while continuing to monitor relevant pending actions. EFG has concluded that the carrying value is fully recoverable.

Preparations for the integration of BSI into EFG ahead of plan

As regards EFG International's planned acquisition of BSI, the financing process has been completed. EFG's shareholders approved an ordinary share capital increase that was completed on 11 May 2016, as well as the creation of authorized capital that will enable EFG to fully satisfy the share component of the purchase price for BSI. The disgorgement of CHF 95 million of profits to the FINMA and the fine of CHF 10 million to the MAS will reduce the purchase price but will not impact the negotiated indemnities. A market issue of AT1 instrument is no longer required.

Preparations for the integration of BSI into EFG International, driven by joint EFG and BSI teams, are ahead of plan. On 5 July 2016, EFG International announced the future management structure for the combined EFG and BSI business, effective as of the date of the closing of the transaction.

As announced on 14 July 2016, EFG International aims to integrate BSI's business in Singapore into EFG Bank's Singapore branch by the end of November 2016 at the latest, on the basis of an accelerated asset deal, which is subject to approval by the Monetary Authority of Singapore and court approval in Singapore.

The closing of the transaction is expected in the fourth quarter of 2016, as announced before. Following the approval of the transaction by the Swiss Financial Market Supervisory Authority (FINMA) in May 2016, the process for obtaining the other necessary regulatory approvals also remains on track. After closing, the legal integration of BSI into EFG will take place market by market and remains planned for completion by mid-2017, while the migration of BSI's business to EFG's IT platform is expected to complete by end-2017.

Looking ahead, there is much to be positive about for shareholders, employees and clients alike. We are putting in place the foundations of a leading Swiss private bank with global reach and significant scale. We have appointed a strong leadership team to deliver on the growth opportunities and synergy potential of the planned combined business. Most importantly of all, however, we have an outstanding group of employees across both businesses, without whom nothing would be possible. We would like to thank each and every one for their continued hard work, loyalty and professionalism.

John Williamson,
Chairman of the Board

Joachim H. Straehle,
Chief Executive Officer

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Half year ended 30 June 2016 CHF millions	Half year ended 31 December 2015 CHF millions	Half year ended 30 June 2015 CHF millions
Interest and discount income		**209.4**	210.3	203.3
Interest expense		**(107.1)**	(109.9)	(103.1)
Net interest income	5	**102.3**	100.4	100.2
Banking fee and commission income		**208.5**	213.3	238.9
Banking fee and commission expense		**(33.8)**	(28.5)	(48.4)
Net banking fee and commission income	6	**174.7**	184.8	190.5
Dividend income	7	**1.9**	4.7	1.8
Net trading income and foreign exchange gains less losses	8	**58.5**	57.4	46.9
Net loss from financial instruments measured at fair value	9		(5.0)	(1.4)
Gains less losses on disposal of available-for-sale investment securities	10	**0.6**	0.2	14.0
Other operating income		**3.7**	1.2	1.0
Net other income		**64.7**	58.5	62.3
Operating income		**341.7**	343.7	353.0
Operating expenses	11	**(298.6)**	(308.3)	(296.0)
Other provisions	16	**(8.9)**	(21.5)	1.5
(Impairment) / Reversal of impairment on loans and advances to customers		**(0.4)**		0.1
Profit before tax		**33.8**	13.9	58.6
Income tax expense	14	**(9.9)**	(4.0)	(9.1)
Net profit for the period		**23.9**	9.9	49.5
Net profit for the period attributable to:				
Net profit attributable to equity holders of the Group		**22.3**	9.1	48.0
Net profit attributable to non-controlling interests		**1.6**	0.8	1.5
		23.9	9.9	49.5
Earnings per ordinary share		CHF	CHF	CHF
Basic	20	**0.13**	0.05	0.32
Diluted	21	**0.13**	0.05	0.31

The notes on pages 19 to 43 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Half year ended 30 June 2016 CHF millions	Half year ended 31 December 2015 CHF millions	Half year ended 30 June 2015 CHF millions
Net profit for the period	**23.9**	9.9	49.5
Other Comprehensive (Loss)/Income			
Items that may be reclassified subsequently to the Income Statement:			
Net (loss) / gain on hedge of net investments in foreign operations, with no tax effect	(2.8)	5.7	(15.8)
Currency translation differences, with no tax effect	(53.2)	12.3	(24.3)
Fair value gains / (losses) on available-for-sale investment securities, before tax	5.5	(25.6)	4.8
Tax effect on changes in fair value of available-for-sale investment securities	0.4	0.5	1.2
Transfer to the Income Statement of realised available-for-sale investment securities reserve, before tax	(0.6)	(0.2)	(14.0)
Items that will not be reclassified to the Income Statement:			
Defined benefit costs	(33.6)	(14.1)	(13.7)
Tax effect on defined benefit costs	21.1		
Other Comprehensive Loss for the period, net of tax	**(63.2)**	(21.4)	(61.8)
Total Comprehensive Loss for the period	**(39.3)**	(11.5)	(12.3)
Total Comprehensive Loss for the period attributable to:			
Equity holders of the Group	(41.0)	(13.2)	(11.3)
Non-controlling interests	1.7	1.7	(1.0)
	(39.3)	(11.5)	(12.3)

The notes on pages 19 to 43 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AT 30 JUNE 2016

	Note	30 June 2016 CHF millions	31 December 2015 CHF millions
Assets			
Cash and balances with central banks		**5,359.9**	4,862.0
Treasury bills and other eligible bills		**799.2**	757.1
Due from other banks		**2,216.8**	2,168.5
Loans and advances to customers		**11,574.8**	12,061.6
Derivative financial instruments		**824.8**	735.4
Financial assets at fair value:			
Trading assets		**0.6**	58.6
Designated at inception		**307.9**	305.0
Investment securities:			
Available-for-sale		**4,189.9**	4,243.8
Held-to-maturity		**1,141.0**	1,162.2
Intangible assets		**272.7**	271.7
Property, plant and equipment		**19.4**	21.6
Deferred income tax assets		**33.1**	35.0
Other assets		**237.6**	113.9
Total assets		**26,977.7**	26,796.4
Liabilities			
Due to other banks		**398.0**	503.2
Due to customers		**19,664.8**	19,863.5
Subordinated loans	15	**233.6**	242.8
Debt issued	15	**350.4**	392.0
Derivative financial instruments		**894.9**	714.1
Financial liabilities designated at fair value		**359.8**	353.1
Other financial liabilities		**3,392.4**	3,237.9
Current income tax liabilities		**5.8**	4.9
Deferred income tax liabilities		**13.5**	35.1
Provisions	16	**10.4**	7.7
Other liabilities		**310.1**	313.1
Total liabilities		**25,633.7**	25,667.4
Equity			
Share capital	17	**100.6**	76.1
Share premium		**1,517.3**	1,245.9
Other reserves		**(220.2)**	(153.4)
Retained earnings		**(74.9)**	(59.1)
		1,322.8	1,109.5
Non-controlling interests		**21.2**	19.5
Total equity		**1,344.0**	1,129.0
Total equity and liabilities		**26,977.7**	26,796.4

The notes on pages 19 to 43 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to equity holders of the Group					Non-controlling interests	Total Equity
	Share capital CHF millions	Share premium CHF millions	Other reserves CHF millions	Retained earnings CHF millions	Total CHF millions	CHF millions	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 period				48.0	48.0	1.5	49.5
Currency translation differences, net of tax			(37.6)		(37.6)	(2.5)	(40.1)
Fair value losses on available-for-sale investment securities, net of tax			(8.0)		(8.0)		(8.0)
Defined benefit costs			(13.7)		(13.7)		(13.7)
Total Comprehensive Loss for the period	–	–	(59.3)	48.0	(11.3)	(1.0)	(12.3)
Dividend paid on ordinary shares				(37.7)	(37.7)		(37.7)
Dividend paid on Bons de Participation				(0.1)	(0.1)		(0.1)
Ordinary shares sold		0.4			0.4		0.4
Ordinary shares repurchased		(0.2)			(0.2)		(0.2)
Employee equity incentive plans amortisation			5.2		5.2		5.2
Employee equity incentive plans exercised	0.5	1.7	(0.5)		1.7		1.7
Balance at 30 June 2015	**76.0**	**1,245.7**	**(127.1)**	**(80.3)**	**1,114.3**	**17.8**	**1,132.1**
Net profit for the period				9.1	9.1	0.8	9.9
Currency translation differences, net of tax			17.1		17.1	0.9	18.0
Fair value losses on available-for-sale investment securities, net of tax			(25.3)		(25.3)		(25.3)
Defined benefit costs			(14.1)		(14.1)		(14.1)
Total Comprehensive Loss for the period	–	–	(22.3)	9.1	(13.2)	1.7	(11.5)
Dividend paid on Bons de Participation				(0.1)	(0.1)		(0.1)
Ordinary shares sold		0.2			0.2		0.2
Ordinary shares repurchased		(0.1)			(0.1)		(0.1)
Employee equity incentive plans amortisation			8.3		8.3		8.3
Employee equity incentive plans exercised	0.1	0.1	(0.1)		0.1		0.1
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**

The notes on pages 19 to 43 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to equity holders of the Group					Non-controlling interests	Total Equity
	Share capital CHF millions	**Share premium** CHF millions	**Other reserves** CHF millions	**Retained earnings** CHF millions	**Total** CHF millions	CHF millions	CHF millions
Balance at 31 December 2015	**76.1**	**1,245.9**	**(153.4)**	**(59.1)**	**1,109.5**	**19.5**	**1,129.0**
Net profit for the period				22.3	22.3	1.6	23.9
Currency translation differences, net of tax			(56.1)		(56.1)	0.1	(56.0)
Fair value losses on available-for-sale investment securities, net of tax			5.3		5.3		5.3
Defined benefit costs, net of tax			(12.5)		(12.5)		(12.5)
Total Comprehensive Loss for the period	–	–	(63.3)	22.3	(41.0)	1.7	(39.3)
Issuance of ordinary shares	24.1	270.7			294.8		294.8
Cost of share issuance			(14.2)		(14.2)		(14.2)
Dividend paid on ordinary shares				(38.0)	(38.0)		(38.0)
Dividend paid on Bons de Participation				(0.1)	(0.1)		(0.1)
Ordinary shares sold	0.1	0.6			0.7		0.7
Ordinary shares repurchased		(0.1)			(0.1)		(0.1)
Employee equity incentive plans amortisation			11.0		11.0		11.0
Employee equity incentive plans exercised	0.3	0.2	(0.3)		0.2		0.2
Balance at 30 June 2016	**100.6**	**1,517.3**	**(220.2)**	**(74.9)**	**1,322.8**	**21.2**	**1,344.0**

The notes on pages 19 to 43 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Half year ended 30 June 2016 CHF millions	Half year ended 30 June 2015 CHF millions
Net cash flows from operating activities	5.3	15.5
Net changes in operating assets and liabilities	(81.1)	692.7
Net cash flows from / (used in) investing activities	190.2	(67.7)
Net cash flows from / (used in) financing activities	511.5	(30.2)
Effect of exchange rate changes on cash and cash equivalents	(151.5)	45.7
Net change in cash and cash equivalents	**474.4**	656.0
Cash and cash equivalents at beginning of period	7,276.1	5,313.3
Net change in cash and cash equivalents	474.4	656.0
Cash and cash equivalents	**7,750.5**	5,969.3

Cash and cash equivalents

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

	30 June 2016 CHF millions	30 June 2015 CHF millions
Cash and balances with central banks	5,359.9	3,273.1
Treasury bills and other eligible bills	422.5	373.8
Due from other banks – At sight	1,338.9	1,473.7
Due from other banks – At term	629.2	848.7
Cash and cash equivalents	**7,750.5**	5,969.3

The notes on pages 19 to 43 form an integral part of these condensed consolidated interim financial statements.

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 and asset management services. EFG International AG is a limited liability company incorporated and domiciled in Switzerland. The Group ist listed on the SIX Swiss Exchange.

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on 26 July 2016.

2. ACCOUNTING POLICIES AND VALUATION PRINCIPLES

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

These condensed consolidated interim financial statements are presented in accordance with IAS 34 *'Interim Financial Reporting'*. In preparing the interim financial statements, the same accounting principles, measurement basis and key assumptions are applied as in the consolidated financial statements for the year ended 31 December 2015. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

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

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

A summary of standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group are included in note 2 of the consolidated financial statements for the year ended 31 December 2015.

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 9 adoption is to decrease the shareholders' equity by approximately CHF 247 million and increase interest income before tax by CHF 20 million per year.

These condensed consolidated interim financial statements are unaudited and should be read in conjunction with the audited financial statements included in the Group's consolidated financial statements for the year ended 31 December 2015.

These condensed consolidated interim financial statements are available in English only. Year-end financial statements are available in English, French and German; however, the English version prevails.

3. FINANCIAL RISK ASSESSMENT AND MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk, market risk and liquidity risk.
The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for 2015. There have been no significant changes in the risk management organisation or in the risk management policies since 31 December 2015.

3.1 CREDIT RISK

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

3.2 MARKET RISK

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

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

The Group does not engage in proprietary trading in securities other than its holding of fixed income securities and life insurance policies in its banking book. The Group maintains small proprietary positions in foreign exchange instruments, and as a result, the related market risk exposures are low, and the sensitivities would be immaterial.

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

3.2.1 Assets and liabilities measured at fair value

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.

As at 30 June 2016, the Group held the following classes of financial instruments measured at fair value:

	30 June 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		275.3		275.3	
Interest rate derivatives		20.2		20.2	
Equity derivatives		444.6		444.6	
Other derivatives		21.4		21.4	
Life insurance related			63.3	63.3	
Total derivatives assets					**824.8**
Financial assets at fair value – Trading assets:					
Debt	0.6			0.6	
Total trading assets					**0.6**
Financial assets at fair value – Designated at inception:					
Life Insurance related			307.9	307.9	
Total financial assets designated at inception					**307.9**
Investment securities: Available-for-sale:					
Equity			29.9	29.9	
Debt	3,546.1	580.8		4,126.9	
Life Insurance related			33.1	33.1	
Total investment securities available-for-sale					**4,189.9**
Total assets measured at fair value	**3,546.7**	**1,342.3**	**434.2**	**5,323.2**	**5,323.2**
Derivative financial instruments (liabilities):					
Currency derivatives		265.4		265.4	
Interest rate derivatives	1.3	131.0		132.3	
Equity derivatives		476.5		476.5	
Other derivatives		20.7		20.7	
Total derivatives liabilities					**894.9**
Financial liabilities designated at fair value:					
Equity			34.9*	34.9	
Life Insurance related			324.9	324.9	
Total financial liabilities designated at fair value					**359.8**
Total liabilities measured at fair value	**1.3**	**893.6**	**359.8**	**1,254.7**	**1,254.7**
Assets less liabilities measured at fair value	**3,545.4**	**448.7**	**74.4**	**4,068.5**	**4,068.5**

* *Level 3 equity related financial liabilities designated at fair value of CHF 34.9 million comprises put options held by non-controlling interests, with a valuation 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.*

During the period ended 30 June 2016, there were no transfers between Levels.

Movements in Level 3 assets:

	Derivative financial instruments CHF millions	Financial assets designated at inception CHF millions	Investment securities 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		23.4	1.1	24.5
in the Income Statement – Net trading income	2.5			2.5
in the Income Statement – Net loss from financial instruments designated at fair value		(28.9)		(28.9)
in Other Comprehensive Income			(1.8)	(1.8)
Purchases / Premiums paid	0.9	22.5	3.1	26.5
Disposals / Premiums received	(1.3)	(9.8)	(2.4)	(13.5)
Exchange differences	(1.0)	(4.3)	(0.6)	(5.9)
At 30 June 2016	**63.3**	**307.9**	**63.0**	**434.2**
Change in unrealised gains or losses for the period included in the Income Statement for assets held at the end of the reporting period	2.5	(5.5)	1.1	(1.9)

Movements in Level 3 liabilities:

	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	25.8	25.8
in the Income Statement – Net gain from financial instruments designated at fair value	(24.6)	(24.6)
Purchases / Premiums paid	18.0	18.0
Disposals / Premiums received	(7.8)	(7.8)
Exchange differences	(4.7)	(4.7)
At 30 June 2016	**359.8**	**359.8**
Change in unrealised gains or losses for the period included in the Income Statement for liabilities held at the end of the reporting period	1.2	1.2

3.2.2 Assets and liabilities not measured at fair value

The table below summarises the carrying values 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
30 June 2016				
Financial Assets				
Due from other banks	i)	2,216.8	2,216.9	0.1
Loans and advances to customers	ii)	11,574.8	11,670.7	95.9
Investment securities – Held-to-maturity – Life insurance related	iii)	793.0	513.3	(279.7)
Investment securities – Held-to-maturity – Debt	iv)	348.0	326.5	(21.5)
		14,932.6	**14,727.4**	**(205.2)**
Financial Liabilities				
Due to other banks	v)	398.0	398.0	–
Due to customers	vi)	19,664.8	19,663.2	1.6
Subordinated loans	vii)	233.6	251.6	(18.0)
Debt issued	viii)	350.4	350.4	–
Other financial liabilities	ix)	3,392.4	3,397.8	(5.4)
		24,039.2	**24,061.0**	**(21.8)**
Net assets and liabilities not measured at fair value		**(9,106.6)**	**(9,333.6)**	**(227.0)**

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

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

The Group holds a financial investment in 213 life insurance policies as of 30 June 2016 (219 at 31 December 2015) which are classified in the Held-to-Maturity category and measured at amortised cost, subject to impairment test to determine their realisable value at each reporting date.

These life insurance policies are issued by U.S. life insurance companies. The insured individuals have an average age of 87.6 years, and have an implied average life expectation of 7.0 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 1,457 million.

The carrying value of these investments is CHF 793.0 million (USD 811 million) at 30 June 2016 (31 December 2015: USD 822 million) and is derived from an acquisition value (based on an IRR at acquisition of 10.7%), premiums paid and a revenue accrual on life insurance policies.

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.

If the Group had used the extraordinary and unprecedented cost of insurance increases communicated by the insurance companies rather than management's best estimate, the net carrying value would be higher than the assessed future cash flows. 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 in a range of approximately zero to CHF 50 million higher than the total death benefits receivable, resulting in a potential impairment in this range.

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 3.2.4.

The sensitivity to the 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	
Life insurance sensitivity	–1% CHF millions	+1% CHF millions	–3 months CHF millions	+3 months CHF millions	–5% CHF millions	+5% CHF millions
Held-to-maturity – Fair Value for disclosure	47.9	(54.7)	33.2	(33.6)	41.5	(41.8)

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,

and as a result the gap between the carrying value and fair value would increase by the same amount.

Carrying Value versus Fair Value

The fair value is CHF 279.7 million lower than the carrying value at 30 June 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 247 million.

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.

3.2.3 Deferred day-1 profit or loss

Financial instruments for which fair value is determined using valuation models where not all inputs are market-observable are initially recognised in the Group's financial statements at their transaction price. 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.

	30 June 2016 CHF millions	31 December 2015 CHF millions	30 June 2015 CHF millions
At beginning of period	**1.1**	1.1	1.3
Recognised in the Income Statement			(0.2)
At end of period	**1.1**	1.1	1.1

3.2.4 Valuation techniques

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 value estimates is performed against external sources and recalibration performed on a continuous basis against changes in fair value versus expectations. Fair value measurements are compared with observed prices and market levels, for the specific instrument to be valued whenever possible.

As a result of the above and in order to align with independent market information and accounting standards, valuation adjustments may be made to the business's fair value estimate.

Valuation techniques

(a) 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.

(b) 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:

i) Quoted market prices or dealer quotes for similar instruments;
ii) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
iii) 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;
iv) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Financial instruments in Level 3

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

		30 June 2016 CHF millions	31 December 2015 CHF millions
Valuation techniques			
Discounted cash flow analysis	**Products**		
Available-for-sale – Equity securities	Equities in stock exchanges and clearing houses	**29.6**	27.8
Available-for-sale – Equity securities	Private equity funds	**0.3**	0.3
Financial liabilities designated at fair value	Liability to purchase non-controlling interests	**(34.9)**	(34.6)
Discounted cash flow analysis and life expectancies (non-market observable inputs)			
Derivatives	Synthetic life policies	**63.3**	62.2
Financial assets at fair value	Physical life policies	**24.4**	27.2
Financial assets at fair value	Physical life policies *	**283.5**	277.8
Available-for-sale	Physical life policies	**33.1**	35.5
Financial liabilities designated at fair value	Synthetic life policies *	**(324.9)**	(318.5)
Total		**74.4**	77.7

* *Assets valued at CHF 283.5 million (2015: CHF 277.8 million) and similarly valued liabilities at CHF 324.9 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.

a) Life insurance policies

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.

The Group follows the guidance of IFRS13 on the valuation of unquoted designated at fair value life insurance policies. Given the illiquidity of the market for life insurance policies and the absence of market observable valuations for portfolios of similar characteristics, the Group applies an Income Approach 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 include longevity risk (including the risk of statistical volatility), credit risk, risk of change in cost of insurance, liquidity risk, reputational risk, operational risk and legal risk. The valuation is most sensitive to longevity risk and risk of change in cost of insurance (premium increase risk), and as a result the Group discloses sensitivities to these below.

The approach, as required by IFRS 13, is market participant oriented and makes use of market observable and non-market observable inputs to achieve this. The inputs incorporate:
– actuarially based assumptions on life expectancy,
– premium estimates,
– risk adjustments, and
– interest rate curves or discount factors.
The assumptions on life expectancy are based on the Valuation Basic Table ("VBT") last published by the Society of Actuaries in 2015 and adjusted by an external life insurance underwriter and by 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 insurance policies and taking into account the normal increases linked to ageing of the insured. The Group conducts a regular in-depth review of such providers to ensure high quality standards and reliability of the forecasts. These risk adjusted cash flows have been discounted at the term matching linearly interpolated market swap curve. The risk adjustments as well as the discount factors reflect the risk compensation (return) an investor in a life insurance policy would expect to receive by buying a life insurance policy. The market for life insurance policies is private and fragmented; hence the appropriate inputs are unobservable. As a result, assumptions are made in determining relevant risk adjustment.

The sensitivity impact on shareholders equity from the Group's valuation of physical and synthetic life insurance policies and related financial instruments is included below:

		Discount Factor		Longevity		Premium Estimates	
Life insurance sensitivity		–1% CHF millions	+1% CHF millions	–3 months CHF millions	+3 months CHF millions	–5% CHF millions	+5% CHF millions
Derivatives	Synthetic policies	3.6	(3.3)	0.1	–	–	–
Financial assets at fair value	Physical policies	12.6	(13.7)	21.3	(17.5)	10.2	(10.3)
Available-for-sale	Physical policies	2.3	(2.5)	2.3	(2.4)	2.4	(2.4)
Financial liabilities designated at fair value	Synthetic policies	(11.2)	12.0	(18.4)	13.2	–	–
Total impact on shareholders equity		**7.3**	**(7.5)**	**5.3**	**(6.7)**	**12.6**	**(12.7)**

The fair value of assets and liabilities 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.

b) 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 June 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 June financial statements at the time of preparing these Interim financial statements, the Group has made an estimate of the net asset value using unobservable data, being the estimated SIX Group half-year net profit as of June 2016. The sensitivity to this valuation is that the gain/loss taken through Other Comprehensive Income for a 30% higher and 30% lower 6 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.

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

The put options of the minority shareholders of Asesores y Gestores Financieros SA give rise to a financial liability designated at fair value of CHF 34.9 million that corresponds to the estimated discounted repurchase amount, which was deducted from shareholders' equity when the put options were created.

The put options valuation methodology has been contractually agreed upon with the minority shareholders and is based on unobservable but objective accounting information (the Continuing Valuation Methodology – "CVM"). This valuation methodology takes into account three relevant accounting measures: EBITDA, Net revenues and Normalised Net Assets. The CVM shall contractually never be lower than the fixed price of EUR 32.2 million, which should be paid to minority shareholder upon the exercise of the put. The actual CVM calculated as per end of June 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 dependent on internal assumptions only to a limited extent and are classified as Level 3.

3.2.5 Offsetting

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

As at 30 June 2016	Gross amounts of recognised financial assets CHF millions	Gross amounts of recognised financial liabilities set off in the balance sheet CHF millions	Net amounts of recognised financial assets presented in the balance sheet CHF millions	Related amounts not set off in balance sheet: Financial liabilities subject to netting agreements CHF millions	Related amounts not set off in balance sheet: Cash collateral received CHF millions	Net exposure CHF millions
Derivatives	866.4	(41.6)	824.8	(150.0)	(547.6)	127.2
Life insurance policies – Designated at fair value at inception	283.5		283.5	(283.5)		–
Total financial assets	**1,149.9**	**(41.6)**	**1,108.3**	**(433.5)**	**(547.6)**	**127.2**

As at 30 June 2016	Gross amounts of recognised financial liabilities CHF millions	Gross amounts of recognised financial assets set off in the balance sheet CHF millions	Net amounts of recognised financial liabilities presented in the balance sheet CHF millions	Related amounts not set off in balance sheet: Financial assets subject to netting agreements CHF millions	Related amounts not set off in balance sheet: Cash collateral paid CHF millions	Net exposure CHF millions
Derivatives	936.5	(41.6)	894.9	(150.0)	(135.5)	609.4
Life insurance policies – Designated at fair value at inception	324.9		324.9	(283.5)	(129.0)	–
Total financial liabilities	**1,261.4**	**(41.6)**	**1,219.8**	**(433.5)**	**(264.5)**	**609.4**

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 June 2016 derivative financial instruments valued at CHF 42.9 million have been netted with derivative financial instruments with a negative value of CHF 41.6 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.

3.3 LIQUIDITY RISK

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

In comparison to 31 December 2015, there are no material changes in the liquidity profile of the Group.

4. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

	30 June 2016 CHF millions	31 December 2015 CHF millions	30 June 2015 CHF millions
Character of client assets			
Equities	**20,683**	22,309	21,775
Deposits	**19,902**	21,876	20,325
Bonds	**16,547**	16,227	15,595
Loans	**11,624**	12,091	11,909
Structured notes	**2,507**	2,435	2,343
Hedge funds / Funds of Hedge funds	**2,904**	3,325	3,369
Fiduciary deposits	**2,153**	599	639
EFG International shares		829	1,041
Other	**4,260**	4,442	4,241
Total Assets under Management	**80,580**	84,133	81,237
Total Assets under Administration	**9,454**	9,605	8,726
Total	**90,034**	93,738	89,963

5. NET INTEREST INCOME

	Half year ended 30 June 2016 CHF millions	Half year ended 31 December 2015 CHF millions	Half year ended 30 June 2015 CHF millions
Interest and discount income			
Banks and customers	158.4	159.6	151.9
Financial assets designated at fair value	23.5	26.7	24.9
Available-for-sale investment securities	20.5	19.2	17.4
Held-to-maturity investment securities*	5.3	2.1	8.1
Treasury bills and other eligible bills	1.7	2.7	1.0
Total interest and discount income	**209.4**	210.3	203.3
Interest expense			
Banks and customers**	(59.4)	(59.9)	(55.8)
Financial liabilities at fair value	(25.6)	(27.4)	(25.4)
Other financial liabilities	(12.2)	(11.5)	(11.1)
Subordinated loans	(7.4)	(8.4)	(8.3)
Debt issued	(2.5)	(2.7)	(2.5)
Total interest expense	**(107.1)**	(109.9)	(103.1)
Net interest income	**102.3**	100.4	100.2

* Net of amortisation of available-for-sale equity reserve, relating to the life insurance policies transferred from available-for-sale, of CHF (5.4) million, CHF (5.4) million and CHF (5.3) million for half year ended 31 December 2015 and 30 June 2015 respectively.

** Negative interest on Swiss franc deposits placed at the Swiss National Bank amounts to CHF 12.7 million for the half year ended 30 June, CHF 10.2 million, CHF 6.1 million for the half year ending December 2015 and June 2015 respectively and are disclosed as Interest expense due to Banks and customers.

6. NET BANKING FEE AND COMMISSION INCOME

	Half year ended 30 June 2016 CHF millions	Half year ended 31 December 2015 CHF millions	Half year ended 30 June 2015 CHF millions
Advisory and Management fees	99.8	99.1	114.8
Brokerage fees	67.5	72.1	78.5
Commission and fee income on other services	41.2	42.1	45.6
Banking fee and commission income	**208.5**	213.3	238.9
Commission and fee expenses on other services	(33.8)	(28.5)	(48.4)
Banking fee and commission expense	**(33.8)**	(28.5)	(48.4)
Net banking fee and commission income	**174.7**	184.8	190.5

7. DIVIDEND INCOME

	Half year ended 30 June 2016 CHF millions	Half year ended 31 December 2015 CHF millions	Half year ended 30 June 2015 CHF millions
Available-for-sale investment securities	**1.9**	4.7	1.8
Dividend income	**1.9**	4.7	1.8

8. NET TRADING INCOME AND FOREIGN EXCHANGE GAINS LESS LOSSES

Net trading income of CHF 58.5 million (CHF 57.4 million for half year ended 31 December 2015 and CHF 46.9 million for 30 June 2015 respectively) 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

	Half year ended 30 June 2016 CHF millions	Half year ended 31 December 2015 CHF millions	Half year ended 30 June 2015 CHF millions
Financial instruments measured at fair value			
Equity securities	**0.3**	0.7	1.2
Debt securities		0.1	
Derivative financial instruments	**3.7**	5.4	1.2
Life insurance securities	**(4.1)**	(11.4)	(4.0)
Inefficiency on fair value hedges (see below)	**0.1**	0.2	0.2
Net loss from financial instruments measured at fair value	**–**	(5.0)	(1.4)

	Half year ended 30 June 2016 CHF millions	Half year ended 31 December 2015 CHF millions	Half year ended 30 June 2015 CHF millions
Inefficiency on fair value hedges			
Net (losses)/gains on hedging instruments	**(65.8)**	16.2	60.1
Net gains/(losses) on hedged items attributable to the hedged risk	**65.9**	(16.0)	(59.9)
Net gains representing ineffective portions of fair value hedges	**0.1**	0.2	0.2

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

	Half year ended 30 June 2016 CHF millions	Half year ended 31 December 2015 CHF millions	Half year ended 30 June 2015 CHF millions
Transfer from Other Comprehensive Income			
Debt securities	**(0.2)**	1.5	14.0
Life insurance securities	**0.8**	(1.3)	
Gains less losses from available–for–sale investment securities	**0.6**	0.2	14.0

11. OPERATING EXPENSES

	Half year ended 30 June 2016 CHF millions	Half year ended 31 December 2015 CHF millions	Half year ended 30 June 2015 CHF millions
Staff costs (note 12)	(217.0)	(219.3)	(216.8)
Professional services	(10.0)	(11.3)	(9.6)
Advertising and marketing	(4.5)	(5.3)	(5.6)
Administrative expenses	(24.4)	(27.9)	(24.0)
Operating lease rentals	(15.0)	(15.1)	(14.0)
Depreciation of property, plant and equipment	(3.0)	(3.2)	(2.9)
Amortisation of intangible assets:			
Computer software and licences	(2.0)	(2.1)	(1.7)
Other intangible assets	(1.6)	(2.1)	(2.1)
Legal and litigation expenses	(7.7)	(9.9)	(8.3)
Other	(13.4)	(12.1)	(11.0)
Operating expenses	**(298.6)**	(308.3)	(296.0)

12. STAFF COSTS

	Half year ended 30 June 2016 CHF millions	Half year ended 31 December 2015 CHF millions	Half year ended 30 June 2015 CHF millions
Wages, salaries and staff bonuses	(170.7)	(175.9)	(179.0)
Social security costs	(13.6)	(13.8)	(12.8)
Pension costs	(11.9)	(8.4)	(9.4)
Employee Equity Incentive Plans	(11.0)	(8.3)	(5.2)
Other	(9.8)	(12.9)	(10.4)
Staff costs	**(217.0)**	(219.3)	(216.8)

13. ACQUISITION AND INTEGRATION COSTS

In the period the Group has recorded CHF 3.1 million of integration costs as restructuring provisions (see note 16) and CHF 3.0 million of acquisition costs as operating expenses related to the acquisition and integration of BSI Bank.

14. INCOME TAX EXPENSE

	Half year ended 30 June 2016 CHF millions	Half year ended 31 December 2015 CHF millions	Half year ended 30 June 2015 CHF millions
Current tax expense	(8.2)	(7.2)	(7.9)
Deferred tax expense	(1.7)	3.2	(1.2)
Income tax expense	**(9.9)**	(4.0)	(9.1)

15. SUBORDINATED LOANS AND DEBT ISSUED

	Weighted average interest rate %	Due dates	30 June 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	**54.1**	55.6
EFG Funding (Guernsey) Ltd – CHF 180,000,000	4.75% p.a.	January 2023	**179.5**	187.2
Total subordinated loans			**233.6**	242.8

Subordinated loans are presented net of unamortised discount on issuance of CHF 21.3 million (2015: CHF 22.9 million).

Debt issued – issuers				
Chestnut Financing PLC – GBP 266,300,000	1.28% p.a.	August 2017	**350.4**	392.0
Total debt issued			**350.4**	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 473.4 million (2015: CHF 531.3 million).

16. PROVISIONS

	Provisions for litigation risks CHF millions	Provisions for restructuring CHF millions	Other provisions CHF millions	Total CHF millions
At 1 January 2016	1.8	0.3	5.6	7.7
Increase in provisions recognised in the Income Statement	1.0	6.9	1.0	8.9
Provisions used during the period	(1.0)	(3.3)	(1.4)	(5.7)
Exchange differences			(0.5)	(0.5)
At 30 June 2016	**1.8**	**3.9**	**4.7**	**10.4**
Expected payment within 12 months	1.8	3.9	4.7	10.4
Expected payment thereafter				–
	1.8	**3.9**	**4.7**	**10.4**

Provision for litigation risks

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

Provision for restructuring

(i) The Group is reviewing the cost base and as a result of that decision in certain locations the employment contracts of employees were terminated. During the period, the Group provided CHF 3.8 million for these announced restructurings.
(ii) The Group has provided CHF 3.1 million for integration related costs for the BSI acquisition.
(iii) The remaining provision of CHF 0.2 million relates to the residual closure costs of business in liquidation.

Other provisions

Other provisions of CHF 4.7 million comprise primarily the following:

i. Provisions of CHF 4.1 million for potential client claims, which are expected to be settled within a year.
ii. A provision of CHF 0.6 million related to the US Department of Justice's Program for Swiss banks. The Group has provided for the residual estimated costs of outside legal counsel and other external advisers.

17. SHARE CAPITAL

In the period, Share Capital increased by CHF 24.5 million, as a result of the 48,165,975 new shares issued on 13 May 2016 and the 633,936 new shares issued following the exercise of equity incentive plans from conditional share capital.
The issued nominal share capital of EFG International AG amounts to CHF 100,358,827 divided into 200,717,653 registered shares with a nominal value of CHF 0.50 each.

18. EMPLOYEE EQUITY INCENTIVE PLANS

In the period the Group has granted 6,232,113 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.

19. DIVIDEND PER SHARE

At the Annual General Meeting on 29 April 2016 a dividend in respect of 2015 of CHF 0.25 (2014: CHF 0.25) per share amounting to CHF 38.0 million (2014 paid in 2015: CHF 37.7 million) was approved.

	Half year ended 30 June 2016 CHF millions	Half year ended 31 December 2015 CHF millions	Half year ended 30 June 2015 CHF millions
Dividends on ordinary shares			
CHF 0.25 per share related to 2014 paid in 2015			37.7
CHF 0.25 per share related to 2015 paid in 2016	38.0		
	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		
	0.1	0.1	0.1

20. BASIC EARNINGS PER ORDINARY SHARE

	Half year ended 30 June 2016 CHF millions	Half year ended 31 December 2015 CHF millions	Half year ended 30 June 2015 CHF millions
Net profit for the period	22.3	9.1	48.0
Estimated pro–forma dividend on Bons de Participation	(0.1)	(0.1)	(0.1)
Net profit for the period attributable to ordinary shareholders	**22.2**	9.0	47.9
Weighted average number of ordinary shares – *000's of shares*	165,446	151,965	151,683
Basic earnings per ordinary share in CHF	**0.13**	0.05	0.32

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 period, excluding the average number of ordinary shares owned by the Group amounting to 50,431. 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 1 January 2016 until 30 April 2016 of 1.197% and 0.849% thereafter.

21. DILUTED EARNINGS PER ORDINARY SHARE

	Half year ended 30 June 2016 CHF millions	Half year ended 31 December 2015 CHF millions	Half year ended 30 June 2015 CHF millions
Net profit for the period	22.3	9.1	48.0
Estimated pro–forma dividend on Bons de Participation	(0.1)	(0.1)	(0.1)
Net profit for the period attributable to ordinary shareholders	**22.2**	9.0	47.9
Diluted–weighted average number of ordinary shares – *000's of shares*	172,659	157,043	154,965
Diluted earnings per ordinary share in CHF	**0.13**	0.05	0.31

In the period, pursuant to its employee equity incentive plans, the Group issued in 2016 restricted stock units to purchase 6,232,113 shares which increased the diluted-weighted average number of ordinary shares at 30 June 2016 by 7,212,311 shares to 172,658,680 shares.

22. 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 insurance policy related investments, certain investment portfolios, funding costs (including funding costs from structured products issuances and subordinated loan issuances), global brand related marketing and Swiss back-office and IT functions used on a global basis.

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.

	Private Banking and Wealth Management						Investment Solutions	Wealth Solutions	Corporate Overheads	Eliminations	Total
CHF millions	Switzerland	Continental Europe	Americas	United Kingdom	Asia	Total					
Half year ended 30 June 2016											
Segment revenue	73.0	60.7	50.2	81.4	62.6	327.9	60.2	8.4	(3.1)	(51.7)	341.7
Segment expenses	(61.4)	(44.0)	(40.1)	(58.6)	(41.8)	(245.9)	(23.4)	(7.9)	(27.5)	12.7	(292.0)
Tangible assets and software depreciation	(0.5)	(1.0)	(0.7)	(0.5)	(0.3)	(3.0)		(0.1)	(1.9)		(5.0)
Total Operating margin	**11.1**	**15.7**	**9.4**	**22.3**	**20.5**	**79.0**	**36.8**	**0.4**	**(32.5)**	**(39.0)**	**44.7**
Cost to acquire intangible assets and impairment of intangible assets	(0.1)	(0.4)	(0.2)	(0.8)	(0.1)	(1.6)					(1.6)
Other provisions	(7.3)	(0.3)		(0.7)		(8.3)		(0.2)	(0.4)		(8.9)
(Impairment)/ Reversal of impairment on loans and advances to customers	0.1			(0.5)		(0.4)					(0.4)
Segment profit / (loss) before tax	**3.8**	**15.0**	**9.2**	**20.3**	**20.4**	**68.7**	**36.8**	**0.2**	**(32.9)**	**(39.0)**	**33.8**
Income tax (expense) / gain	(0.7)	(1.5)	(0.2)	(0.2)	(2.8)	(5.4)	(1.7)	(0.1)	(2.7)		(9.9)
Profit / (loss) for the period	**3.1**	**13.5**	**9.0**	**20.1**	**17.6**	**63.3**	**35.1**	**0.1**	**(35.6)**	**(39.0)**	**23.9**
Assets under management	14,912	17,292	11,213	18,608	15,378	77,403	11,070		421	(8,314)	80,580
Employees (FTE's)	324	322	267	426	320	1,659	146	105	175	(29)	2,056

	Private Banking and Wealth Management						Investment Solutions	Wealth Solutions	Corporate Overheads	Eliminations	Total
CHF millions	Switzerland	Continental Europe	Americas	United Kingdom	Asia	Total					
Half year ended 31 December 2015											
Segment revenue	79.2	61.1	50.2	83.9	58.9	333.3	64.9	16.5	(6.3)	(64.7)	343.7
Segment expenses	(60.4)	(44.8)	(40.5)	(62.0)	(45.4)	(253.1)	(24.3)	(10.3)	(24.6)	11.4	(300.9)
Tangible assets and software depreciation	(0.9)	(0.8)	(0.6)	(0.6)	(0.3)	(3.2)		(0.3)	(1.8)		(5.3)
Total Operating margin	**17.9**	**15.5**	**9.1**	**21.3**	**13.2**	**77.0**	**40.6**	**5.9**	**(32.7)**	**(53.3)**	**37.5**
Cost to acquire intangible assets and impairment of intangible assets		(0.4)	(0.2)	(1.0)	(0.5)	(2.1)					(2.1)
Other provisions	(21.4)		(1.4)	1.8		(21.0)			(0.5)		(21.5)
Segment profit / (loss) before tax	**(3.5)**	**15.1**	**7.5**	**22.1**	**12.7**	**53.9**	**40.6**	**5.9**	**(33.2)**	**(53.3)**	**13.9**
Income tax (expense) / gain	(0.9)	(2.3)	(0.9)	(0.5)	(1.6)	(6.2)	(0.9)	(0.3)	3.4		(4.0)
Profit / (loss) for the period	**(4.4)**	**12.8**	**6.6**	**21.6**	**11.1**	**47.7**	**39.7**	**5.6**	**(29.8)**	**(53.3)**	**9.9**
Assets under management	14,998	17,564	11,632	19,536	16,214	79,944	11,788		1,268	(8,867)	84,133
Employees (FTE's)	336	320	282	436	353	1,727	151	116	175	(32)	2,137

	Private Banking and Wealth Management						Investment Solutions	Wealth Solutions	Corporate Overheads	Eliminations	Total
CHF millions	Switzerland	Continental Europe	Americas	United Kingdom	Asia	Total					
Half year ended 30 June 2015											
Segment revenue	71.3	56.9	50.4	85.0	60.5	324.1	71.8	9.3	12.7	(64.9)	353.0
Segment expenses	(58.3)	(42.4)	(41.5)	(55.6)	(44.6)	(242.4)	(23.6)	(7.7)	(28.3)	12.7	(289.3)
Tangible assets and software depreciation	(0.3)	(0.8)	(0.5)	(0.4)	(0.7)	(2.7)	(0.1)	(0.2)	(1.6)		(4.6)
Total Operating margin	**12.7**	**13.7**	**8.4**	**29.0**	**15.2**	**79.0**	**48.1**	**1.4**	**(17.2)**	**(52.2)**	**59.1**
Cost to acquire intangible assets and impairment of intangible assets		(0.4)	(0.3)	(0.8)	(0.6)	(2.1)					(2.1)
Other provisions			(1.8)	3.3		1.5					1.5
Reversal of impairment on loans and advances to customers	0.1					0.1					0.1
Segment profit / (loss) before tax	**12.8**	**13.3**	**6.3**	**31.5**	**14.6**	**78.5**	**48.1**	**1.4**	**(17.2)**	**(52.2)**	**58.6**
Income tax (expense) / gain	(0.7)	(0.9)	0.2	(2.9)	(2.1)	(6.4)	(1.8)	(0.1)	(0.8)		(9.1)
Profit / (Loss) for the period	**12.1**	**12.4**	**6.5**	**28.6**	**12.5**	**72.1**	**46.3**	**1.3**	**(18.0)**	**(52.2)**	**49.5**
Assets under management	14,117	15,482	11,757	19,307	15,985	76,648	11,610		1,461	(8,482)	81,237
Employees (FTE's)	314	300	301	410	361	1,686	145	124	178	(30)	2,103

23. OFF-BALANCE SHEET ITEMS

	30 June 2016 CHF millions	31 December 2015 CHF millions
Guarantees issued in favour of third parties	222.1	290.8
Irrevocable commitments	107.4	104.0
Operating lease commitments	120.1	108.0
Total	**449.6**	502.8

24. CONTINGENT LIABILITIES

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 threatened pending legal proceedings if management is of the opinion that the Group is more likely than not to face payments or losses and if the amount of such payments or losses can be reliably estimated.

The following contingent liabilities that management is aware of are related to legal proceedings which could have a material effect on the Group. However, based on current available information and advice received it is not expected that any of these contingent liabilities will result in material provisions or other liabilities.

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

(i) Several entities in the Group have been named as defendants in lawsuits by the liquidators of Fairfield Sentry Ltd. and Fairfield Sigma Ltd. in the US Bankruptcy Court for the Southern District of New York and in the High Court of Justice of the British Virgin Islands, asserting that redemption payments received by the Group entities on behalf of clients should be returned to Fairfield Sentry Ltd. and Fairfield Sigma Ltd. The amount claimed is uncertain, but the Group believes the amount claimed is approximately USD 160 million. The Group entities have obtained a complete and final dismissal of the lawsuits in the British Virgin Islands. They keep vigorously defending the lawsuits in New York and believe they have strong defences to the claims.

(ii) The Trustee of Bernard L, Madoff Investment Securities LLC ("BLMIS") has filed a complaint in the US Bankruptcy Court for the Southern District of New York asserting that redemption payments totalling USD 355 million allegedly received by certain Group entities on behalf of clients through Fairfield and Kingate feeder funds should be returned to BLMIS. This action includes the redemptions claimed by the Fairfield liquidators (see previous paragraph). The Group entities are vigorously defending the cases and believe they have strong defences to the claims.

(iii) The Group is engaged in litigation proceedings initiated by a client claiming that he has been misled insofar as he thought that his investments were capital protected, that the agreed investment strategy has not been followed and that unauthorized transactions were performed. The amount claimed is approximately EUR 48 million plus interest. The Group entities are vigorously defending the cases and believe they have strong defences to the claims.

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

(v) The Group has been 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 reputational damage. The Group is vigorously defending the case and believes it has strong defences to the claims.

(vi) The Group is defending itself against a civil claim by a client who alleges that due to the breach of duties in providing investment management services by the Group, he suffered losses on one of his accounts ranging from USD 2 million to USD 11 million. The Group is vigorously defending the case and believes it has strong defences to the claims.

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

The Group has 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 Group understands that the receiver of the insurance company has commenced civil legal proceedings 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 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.

25. RELATED PARTY TRANSACTIONS

A number of banking transactions are entered into with related parties. These include loans, deposits, derivatives and provision of services. The total assets positions with related parties amounted to CHF 2.6 million at the end of June 2016 (December 2015: CHF 2.2 million).

No provisions have been recognised in respect of loans given to related parties (2015: nil).

26. POST BALANCE SHEET EVENTS – SIGNIFICANT EVENTS AND TRANSACTIONS

There are no post balance sheet events.

27. BOARD OF DIRECTORS

The Board of Directors of EFG International AG comprises:

John A. Williamson	Chairman (appointed on 29 April 2016, former Vice-Chairman)
Niccolo H. Burki *	Vice-Chairman (appointed on 29 April 2016, former Chairman)
Susanne Brandenberger *	
Emmanuel L. Bussetil	
Erwin Richard Caduff *	
Robert Y. Chiu	(resigned on 29 April 2016)
Michael N. Higgin *	
Spiro J. Latsis	
Pericles Petalas	
Bernd-A. von Maltzan *	
Daniel Zuberbühler *	

* independent directors.

FORWARD LOOKING STATEMENTS

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

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

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