EFG International

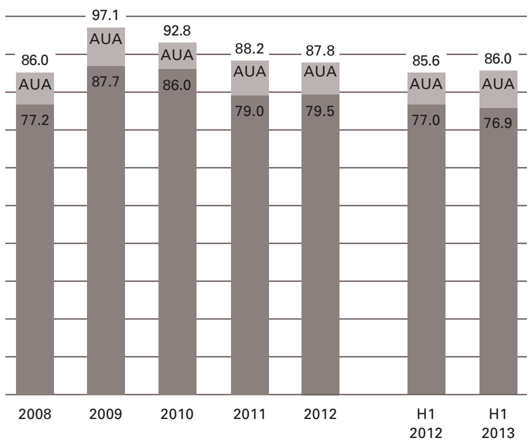
HALF YEAR REPORT 2013

EFG INTERNATIONAL CONSOLIDATED FINANCIAL HIGHLIGHTS

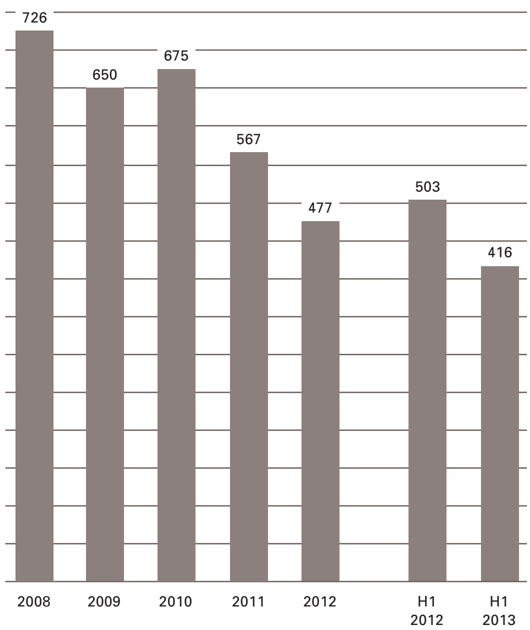
in CHF millions		30 June 2013
Income		
Operating income		381.8
Profit before tax		104.4
Net profit attributable to Group shareholders		84.5
Net profit attributable to ordinary shareholders		83.8
Cost/income Ratio		78.3%
Balance Sheet		
Total Assets		22,142
Shareholders' Equity		1,068
Market Capitalisation		
Share Price (in CHF)		11.50
Market Capitalisation (ordinary shares)		1,696
BIS Capital (Basel III fully phased in)		
Total BIS Capital		1,008
Total BIS Capital Ratio		18.0%
Ratings	**long term**	**outlook**
Moody's	A3	Stable
Fitch	A	Stable
Personnel		
Total number of CROs		416
Total number of employees		1,977
Listing		
Listing at the SIX Swiss Exchange, Switzerland; ISIN: CH0022268228		
Ticker Symbols		
Reuters		EFGN.S
Bloomberg		EFGN SW

AUM and AUA

in CHF billions

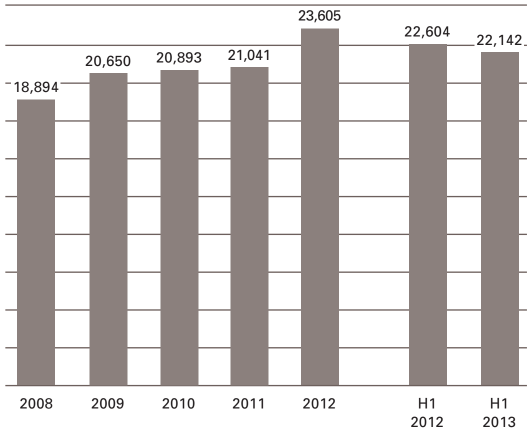


Client Relationship Officers (CROs)



Total Balance Sheet

in CHF millions



International practitioners
of the craft of private banking

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SHAREHOLDER‘S LETTER

Jean Pierre Cuoni, Chairman of the Board
John Williamson, Chief Executive Officer

Dear shareholders, dear clients,

EFG International saw a strong increase in profits in the first half of 2013, largely reflecting the sale of its remaining stake in EFG Financial Products. While underlying profit was constrained by lower asset and liability management revenues and structuring transactions, mainstream private banking activities delivered very strong double-digit growth in profit. The business was further simplified and de-risked, and the quality of earnings continued to improve.

FINANCIAL SUMMARY

For the first six months of 2013 (H1 2013):

Net profit

- IFRS net profit attributable to ordinary shareholders was CHF 83.8 million, up 71% compared with the first half of 2012. This includes CHF 34.2 million from the sale of EFG International's remaining stake of 20.25% in EFG Financial Products (since renamed Leonteq), completed in April.

- Underlying net profit attributable to ordinary shareholders was CHF 60.3 million, compared with CHF 63.9 million a year earlier.

Operating income & expenses

- Operating income was CHF 381.8 million in the first half of 2013 compared with CHF 409.1 million a year earlier – excluding EFG Financial Products, down from CHF 346.9 million to CHF 330.3 million – due to lower asset and liability management revenues and a reduction in specialist structuring transactions relating to large clients. After allowing for these factors, mainstream private banking revenues from continuing businesses were 10% higher compared with the first half of 2012.

- Operating expenses were CHF 301.4 million, down 8% from a year earlier.

- The cost-income ratio stood at 78.3%, compared with 79.5% for the same period last year.

- The revenue margin stood at 97 bps versus 104 bps a year earlier (87 bps versus 92 bps, excluding EFG Financial Products, against a target of 84 bps).

Capital position

- The Basel III BIS Capital Ratio stood at 18.0% at end-June, up from 15.9% at end-2012.

Revenue-generating Assets under Management

- Revenue-generating Assets under Management were CHF 76.0 billion, compared with CHF 78.7 billion at end-2012. This reflects a reduction of CHF 4.6 billion mainly relating to EFG Financial Products, plus the redesignation of CHF 1.0 billion as Assets under Administration, offset by FX and market effects of CHF 1.0 billion and net new assets from continuing businesses of CHF 1.9 billion. Excluding exited businesses and reclassifications, revenue-generating Assets under Management were up 4%.

REVIEW OF BUSINESS

Underlying profit constrained by market conditions, but quality of earnings continued to improve
Underlying net profit attributable to ordinary shareholders was CHF 60.3 million, down 6% on a year earlier (and unchanged on the second half of last year), after excluding the following non-recurring items:

- CHF 36.8 million (CHF 34.2 million capital gain plus CHF 2.6 million profit contribution prior to closing) relating to EFG Financial Products. EFG International's remaining stake of 20.25% was sold to Notenstein Private Bank on 23 April 2013.

- CHF 3.7 million relating to completion of the business review. The formal process of closing operations in France and Sweden has taken longer than originally envisaged, meaning some residual expenses, but should be completed by the end of this year. The delayed sale of EFG International's Canadian business is also envisaged to complete during the second half of 2013.

- CHF 9.6 million, representing a provision relating to EFG International's share of the advance payment made by Swiss banks relating to the UK tax agreement. With less tax transferred to the UK than anticipated, there is doubt as to how much of their advance payments banks will eventually recover.

- CHF 0.7 million relating to the Bons de Participation dividend.

Operating expenses were down in the first half of 2013, reflecting the flow through of savings achieved as a result of the business review. However, underlying profit development was constrained by lower profits from EFG International's asset and liability management – due to the current low yield environment and the reduction in high-yielding GIIPS assets – and the absence of specialist structuring transactions relating to large clients (together equivalent to a circa 9 bps reduction in the margin). The latter was a notable feature in 2012, but is unpredictable and has been less of a factor during 2013 to date. By contrast, private banking activities (excluding EFG Financial Products, asset and liability management, and structuring transactions for large clients) delivered very strong double-digit growth in profits, evidencing earnings quality and forward momentum.

Capital position continued to strengthen
EFG International significantly improved both the level and composition of its capital during 2012, and this process continued in the first half of 2013. On a Basel III (fully phased in) basis, EFG International's BIS Capital Ratio stood at 18.0%, up from 15.9% at end-2012, compared with a business review target range of 14–16%. The Common Equity Ratio (CET 1) stood at 13.5%, up from 11.7%.

Net new assets for continuing businesses within target range, with an improving trend
Net new assets relating to continuing businesses were CHF 1.9 billion (annualised growth of 5%), compared with CHF 1.2 billion in the first half of 2012. Excluding the outflow of a low-yielding CHF 0.6 billion single stock position, net new assets were CHF 2.5 billion, representing annualised growth of 7%. The Continental European business delivered annualised growth of 14%; Asia and the UK delivered 7% and 8% growth respectively; the Americas business was flat, in part reflecting the impact of geo-political factors on certain areas of business; while the Swiss private banking business delivered 4%, representing an encouraging turnaround from last year.

Regional businesses performing strongly

The UK, Asia and Continental Europe businesses all delivered double-digit growth in operating income and pre-tax contribution. Indeed, each grew their pre-tax contribution by more than 20% compared with a year earlier, with Continental Europe approaching growth of 100%. While the Switzerland business was, as expected, down on a year earlier, after a challenging 2012, there have been distinct signs of improvement, with a return to net new asset generation, and operating income and pre-tax contribution both running ahead of budget. The one area of relative challenge was the Americas, which has not managed to sustain the strong performance seen in 2012 as a result of geo-political factors together with outflows due to the cessation of a number of significant structuring transactions relating to large clients, albeit offset by inflows in other areas of the business.

Business back in net CRO hiring mode

The total number of CROs (excluding EFG Financial Products) stood at 416 at the end of June 2013, up from 414 at end-2012. The emphasis is on quality hiring, with the UK (up four), Americas (up three) and Switzerland (up five) all making solid progress during the first half, and Continental Europe remaining stable. Asia had a net reduction of six CROs, as a result of a further tranche of underperforming CROs being let go during the first quarter; however, as a better indicator of progress, it added net six CROs during the second quarter.

Focus on delivering controlled, profitable growth

EFG International is fully focused on the challenge of delivering controlled, profitable growth. As stated at the time of its full-year 2012 results, it is seeking to derive revenue and profit upside across a number of business drivers:

- CRO recruitment. There has been a return to CRO hiring mode and the focus remains on high quality individuals and, in particular, teams. The pipeline continues to improve and, during the second half of the year, EFG International will be announcing senior appointments in both Switzerland and Hong Kong. These involve experienced individuals who will add momentum to CRO hiring in their respective markets.

- Adoption of market strategies. Regional business sponsors have been appointed for a number of high-growth markets and segments: Central and Eastern Europe, the Middle East, China, Latin America and Global Indians. Each is responsible for optimising the market opportunity, encompassing recruitment, the competitiveness of EFG International's offering, and business development.

- Broadening and deepening client relationships. EFG Asset Management is now firmly established internally as the provider of the organisation's open architecture investment solutions platform, and continued to make strong progress during the first half of 2013, with revenue-generating AUM up by roughly a third on a year earlier. The same approach has now been extended to both wealth structuring – with EFG International's trust and company administration businesses having recently been combined to form EFG Wealth Solutions - and credit, in the process forming a comprehensive and integrated solutions platform to support CROs.

- An upgraded approach to UHNWIs. As an extension of work being done in relation to its solutions platform, EFG International remains committed to increasing the support it offers CROs in relation to ultra-high net worth individuals, from enhancing its offering to hiring additional bankers with a strong UHNWI focus.

At the same time, EFG International is committed to maintaining strong cost discipline. Aside from the hiring of high quality CROs, the hiring freeze remains in place, other than to meet industry-wide regulatory and risk management requirements.

Strong commitment to regulatory compliance

EFG International is in no doubt that regulatory compliance is a pre-requisite to growth, and has recently completed an external assessment of its approach. This has identified a number of areas for improvement, based on best practices, while confirming that EFG International's approach is fit for purpose and in keeping with leading peers. The business will be making further investments in related systems, processes and resources over the next 6–12 months.

A focus on organic growth, but open to making acquisitions

The short- to medium-term focus will be on organic growth, recognising that delivering on latent potential offers the most significant short-term upside to shareholder value. However, EFG International is open to making acquisitions where there is a shared appreciation of private banking and complementary cultures and capabilities.

Relocating Zurich head office

In the final quarter of this year, EFG International will be moving its Zurich head office from Bahnhofstrasse to a prime property at Bleicherweg 8, very close to Paradeplatz and in the heart of Zurich's financial district. While the cost of the new premises will be broadly comparable to the old, they will provide considerably more space, reflecting EFG International's ambition to grow the business significantly.

LOOKING AHEAD

Remain committed to delivering medium-term targets

The completion of the sale of its remaining interest in EFG Financial Products means that EFG International's business has been further simplified and de-risked. While market conditions continue to act as a brake on profitability, notably in relation to asset and liability management, this also points to significant profit upside as and when interest rates start to rise.

As a specialist private bank, EFG International is committed to delivering controlled, profitable growth, and the aim remains to keep things relatively simple, with business growth flowing through with minimal dilution to productivity and profits. In this respect, although structuring transactions relating to large clients have been much less a factor in 2013, we are encouraged by the good progress made by EFG International's mainstream private banking activities, and believe this evidences an improvement in earnings quality. Both CRO hiring and net new assets are on an improving trend, and by delivering net new asset growth within its target range and progressively broadening and deepening client relationships, EFG International has the potential to deliver strong double-digit growth in profits for the foreseeable future.

From a shareholder return standpoint, EFG International's improved profitability and capital strength will enable it to adopt a more progressive dividend policy going forward.

EFG International remains committed to its medium-term objectives:

- Net new assets in the range 5–10% per annum.

- A reduced cost-income ratio – to below 75% by 2014.

- Continue to strengthen capital. The business review target of 14–16% for the BIS Capital Ratio has been exceeded, and replaced by an objective of high teens for the Basel III BIS Capital Ratio and low teens for the Common Equity Ratio (CET 1).

- Gross margin to remain broadly at the level prevailing at the time of the business review (84 bps, excluding EFG Financial Products).

- As a result, delivering strong double-digit growth in profit and a double-digit return on shareholders' equity.

- Subject to market conditions, achieving an IFRS net profit of CHF 200 million in 2015.

Jean Pierre Cuoni,
Chairman of the Board

John Williamson,
Chief Executive Officer

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Note	Half year ended 30 June 2013 CHF millions	Restated Half year ended 31 December 2012 CHF millions	Restated Half year ended 30 June 2012 CHF millions
Interest and discount income		203.7	213.6	224.3
Interest expense		(104.2)	(105.5)	(107.5)
Net interest income	5	**99.5**	108.1	116.8
Banking fee and commission income		292.4	291.6	336.4
Banking fee and commission expense		(75.6)	(36.6)	(99.7)
Net banking fee and commission income	6	**216.8**	255.0	236.7
Dividend income	7	8.7	4.4	19.8
Net trading income	8	40.3	31.5	38.9
Net gain from financial instruments designated at fair value	9	5.3	4.3	6.0
Gains less losses from investment securities	10	8.1	9.3	(11.2)
Other operating income		3.1	2.9	2.1
Net other income		65.5	52.4	55.6
Operating income		**381.8**	415.5	409.1
Operating expenses	11	(301.4)	(329.9)	(328.2)
Gain/(loss) on disposal of subsidiaries	14	34.2	(4.6)	2.9
Currency translation loss transferred from the Statement of Other Comprehensive Income			(0.4)	(2.9)
Other provisions	13	(10.0)		
Provision for restructuring costs	13		(5.4)	(6.3)
Impairment on loans and advances to customers		(0.2)	(4.0)	(0.4)
Impairment of intangible assets and goodwill			(0.7)	(0.7)
Profit before tax		**104.4**	70.5	73.5
Income tax expense	15	(9.5)	(5.0)	(15.1)
Net profit for the period		**94.9**	65.5	58.4
Net profit for the period attributable to:				
Net profit attributable to owners of the Group		84.5	58.0	53.2
Net profit attributable to non-controlling interests		10.4	7.5	5.2
		94.9	65.5	58.4

	Note	CHF	CHF	CHF
Earnings per ordinary share				
Basic	20	**0.57**	0.37	0.36
Diluted	21	**0.55**	0.36	0.35

The notes on pages 19 to 44 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 2013

	Half year ended 30 June 2013 CHF millions	Restated Half year ended 31 December 2012 CHF millions	Restated Half year ended 30 June 2012 CHF millions
Net profit for the period	**94.9**	65.5	58.4
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Net gain / (loss) on hedge of net investments in foreign operations, with no tax effect	6.9	(5.0)	4.6
Currency translation differences, before tax, with no tax effect	(6.6)	(8.9)	12.2
Fair value (losses) / gains on available-for-sale investment securities, before tax	(4.5)	30.7	18.3
Tax effect on changes in fair value of available-for-sale investment securities	1.1	(0.5)	(9.4)
Transfer to the Statement of Comprehensive Income of realised available-for-sale investment securities reserve, before tax, with no tax effect	(8.1)	(9.3)	11.2
Currency translation losses transferred to the Statement of Comprehensive Income with no tax effect		0.4	2.9
Items that will not be reclassified to profit or loss:			
Defined benefit costs, with no tax effect	14.4	(0.5)	(0.5)
Other comprehensive income for the period, net of tax	**3.2**	6.9	39.3
Total comprehensive income for the period	**98.1**	72.4	97.7
Total comprehensive income for the period attributable to:			
Owners of the Group	87.0	65.2	92.4
Non-controlling interests	11.1	7.2	5.3
	98.1	72.4	97.7

The notes on pages 19 to 44 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AT 30 JUNE 2013

	Note	30 June 2013 CHF millions	Restated 31 December 2012 CHF millions
ASSETS			
Cash and balances with central banks		**1,419.5**	1,364.4
Treasury bills and other eligible bills		**1,371.7**	816.8
Due from other banks		**2,873.1**	3,393.3
Loans and advances to customers		**11,049.6**	10,434.1
Derivative financial instruments		**464.9**	563.2
Financial assets at fair value:			
Trading assets		**123.1**	1,340.0
Designated at inception		**406.6**	381.4
Investment securities:			
Available-for-sale		**2,773.6**	3,297.8
Held-to-maturity		**1,144.7**	1,093.6
Intangible assets		**273.0**	294.6
Property, plant and equipment		**22.7**	33.0
Deferred income tax assets		**35.5**	32.1
Other assets		**184.0**	560.7
Total assets		**22,142.0**	23,605.0
LIABILITIES			
Due to other banks		**300.6**	885.3
Due to customers		**16,719.6**	16,084.0
Subordinated loans	22	**237.1**	57.0
Derivative financial instruments		**497.3**	728.6
Financial liabilities designated at fair value		**379.5**	1,131.3
Other financial liabilities		**2,653.9**	2,938.1
Current income tax liabilities		**3.0**	2.1
Deferred income tax liabilities		**34.4**	35.0
Provisions		**16.4**	11.5
Other liabilities		**232.6**	455.8
Total liabilities		**21,074.4**	22,328.7
EQUITY			
Share capital	23	**73.8**	77.2
Share premium		**1,237.8**	1,239.0
Other reserves		**(62.0)**	119.9
Retained earnings		**(188.7)**	(260.1)
		1,060.9	1,176.0
Non-controlling interests		**6.7**	100.3
Total shareholders' equity		**1,067.6**	1,276.3
Total equity and liabilities		**22,142.0**	23,605.0

The notes on pages 19 to 44 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 2013

	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 2012	**73.1**	**1,154.3**	**77.8**	**(318.3)**	**986.9**	**24.6**	**1,011.5**
Restatement for adoption of IAS 19 Revised				(35.3)	(35.3)	(4.0)	(39.3)
Balance at 1 January 2012 restated	**73.1**	**1,154.3**	**77.8**	**(353.6)**	**951.6**	**20.6**	**972.2**
Net profit for the period – restated				53.2	53.2	5.2	58.4
Currency translation differences, net of tax			16.7		16.7	0.1	16.8
Currency translation losses transferred from the Statement of Other Comprehensive Income			2.9		2.9		2.9
Fair value gains on available-for-sale investment securities, net of tax			20.1		20.1		20.1
Defined benefit costs			(0.5)		(0.5)		(0.5)
Total Comprehensive Income for the period recognised in the Statement of Other Comprehensive Income	-	-	39.2	53.2	92.4	5.3	97.7
Dividend paid on ordinary shares				(13.4)	(13.4)		(13.4)
Dividend paid on Bons de Participation				(5.4)	(5.4)		(5.4)
Ordinary shares sold	5.1	70.5			75.6		75.6
Employee equity incentive plans amortisation			6.4		6.4		6.4
Employee equity incentive plans exercised	1.0	14.4	(20.5)	5.1	-		-
Repurchase of Bons de Participation	(2.0)	(0.7)	(49.2)		(51.9)		(51.9)
Balance at 30 June 2012 restated	77.2	1,238.5	53.7	(314.1)	1,055.3	25.9	1,081.2
Net profit for the period – restated				58.0	58.0	7.5	65.5
Currency translation differences, net of tax			(13.7)		(13.7)	(0.2)	(13.9)
Currency translation losses transferred from the Statement of Other Comprehensive Income			0.4		0.4		0.4
Fair value gains / (losses) on available-for-sale investment securities, net of tax			21.0		21.0	(0.1)	20.9
Defined benefit costs			(0.5)		(0.5)		(0.5)
Total Comprehensive Income for the period recognised in the Statement of Other Comprehensive Income	-	-	7.2	58.0	65.2	7.2	72.4
Dividend paid on Bons de Participation				(4.0)	(4.0)		(4.0)
Ordinary shares sold		0.5			0.5		0.5
Employee equity incentive plans amortisation			5.6		5.6		5.6
Partial disposal of subsidiary			53.4		53.4	67.2	120.6
Balance at 31 December 2012 restated	**77.2**	**1,239.0**	**119.9**	**(260.1)**	**1,176.0**	**100.3**	**1,276.3**

The notes on pages 19 to 44 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 2013

	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 2012 restated	**77.2**	**1,239.0**	**119.9**	**(260.1)**	**1,176.0**	**100.3**	**1,276.3**
Net profit for the period				84.5	84.5	10.4	94.9
Currency translation differences, net of tax			0.1		0.1	0.2	0.3
Fair value gains / (losses) on available-for-sale investment securities, net of tax			(11.5)		(11.5)		(11.5)
Defined benefit costs			13.9		13.9	0.5	14.4
Total Comprehensive Income for the period recognised in the Statement of Other Comprehensive Income	-	-	2.5	84.5	87.0	11.1	98.1
Dividend paid on ordinary shares				(14.7)	(14.7)		(14.7)
Dividend paid on Bons de Participation				(1.7)	(1.7)		(1.7)
Employee equity incentive plans amortisation			6.4		6.4		6.4
Employee equity incentive plans exercised (note 23)	0.4		(3.3)	3.3	0.4		0.4
Repurchase of Bons de Participation (note 23)	(3.8)	(1.2)	(182.9)		(187.9)		(187.9)
Disposal of subsidiary (note 14)			(4.6)		(4.6)	(104.7)	(109.3)
Balance at 30 June 2013	**73.8**	**1,237.8**	**(62.0)**	**(188.7)**	**1,060.9**	**6.7**	**1,067.6**

The notes on pages 19 to 44 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Half year ended 30 June 2013 CHF millions	Half year ended 30 June 2012 CHF millions
Net cash flows from operating activities	19.7	17.9
Net changes in operating assets and liabilities	(214.9)	273.6
Net cash flows used in investing activities	(459.4)	(6.8)
Net cash flows from financing activities	494.9	324.3
Effect of exchange rate changes on cash and cash equivalents	41.0	55.4
Net change in cash and cash equivalents	**(118.7)**	664.4
Cash and cash equivalents at beginning of period	4,346.6	2,815.6
Net change in cash and cash equivalents	(118.7)	664.4
Cash and cash equivalents	**4,227.9**	3,480.0

Cash and cash equivalents

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

	30 June 2013 CHF millions	30 June 2012 CHF millions
Cash and balances with central banks	1,419.5	1,035.4
Treasury bills and other eligible bills	300.9	119.9
Due from other banks – At sight	1,207.9	1,227.0
Due from other banks – At term	1,299.6	1,097.7
Cash and cash equivalents	**4,227.9**	3,480.0

The notes on pages 19 to 44 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. The Group’s parent company is EFG International AG, which is a limited liability company incorporated and domiciled in Switzerland and listed on the SIX Swiss Exchange.

This condensed consolidated interim financial information was approved for issue on 23 July 2013.

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 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 and methods of computation are applied as in the financial statements on 31 December 2012 except for the adoption of IAS 19 Revised effective as of 1 January 2013, which has resulted in the restatement of the comparatives.

Where necessary, comparative figures have been adjusted to conform with 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 2012.

These condensed consolidated interim financial statements are unaudited and should be read in conjunction with the audited financial statements included in the Group’s annual report for 2012.

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

The revised standards considered in the preparation of these condensed consolidated interim financial statements include:

New and amended standards adopted by the Group:

The accounting policies adopted in the preparation of the interim condensed 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 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements.

These include IFRS 10 *‘Consolidated Financial Statements’,* IFRS 11 *‘Joint Arrangements’*, IAS 19 (Revised 2011) *‘Employee Benefits’*, IFRS 13 *‘Fair Value Measurement’* and amendments to IAS 1 *‘Presentation of Financial Statements’*. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 *‘Disclosure of Interest in Other Entities’* would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment are described below:

– *IAS 1 'Presentation of Items of Other Comprehensive Income – Amendments to IAS 1'*
The amendments to IAS 1 introduce a grouping of items presented in Other Comprehensive Income (OCI). Items that could be reclassified (or recycled) to profit or loss (Statement of Comprehensive Income) at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

– *IAS 1 'Clarification of the requirement for comparative information (Amendment)'*
The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening Statement of Financial Position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

– *IAS 32 'Tax effects of distributions to holders of equity instruments (Amendment)'*
The amendment to IAS 32 'Financial Instruments: Presentation' clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 'Income Taxes'. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

– *IAS 34 'Interim financial reporting and segment information for total assets and liabilities (Amendment)'*
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 'Operating Segments'. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment.
The Group does not provide this disclosure, as total segment assets or total segment liabilities are not reported to the CODM. As a result of this amendment, the Group now excludes disclosure of total segment assets and liabilities as these are not reported to the CODM.

– *IAS 19 'Employee Benefits' (Revised 2011) (IAS 19R)*
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in the Statement of Other Comprehensive Income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.
The effect of the adoption of IAS 19R is explained in note 25.

– *IFRS 7 'Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7'*
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. For details on offsetting refer to note 3.2.4.

– *IFRS 10 'Consolidated Financial Statements' and IAS 27 'Separate Financial Statements'*
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *'Consolidated and Separate Financial Statements'* that dealt with consolidated financial statements and SIC-12 *'Consolidation – Special Purpose Entities'*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
To meet the definition of control in IFRS 10, all three criteria must be met, including:
(a) an investor has power over an investee;
(b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

– *IFRS 11 'Joint Arrangements' and IAS 28 'Investment in Associates and Joint Ventures'*
IFRS 11 replaces IAS 31 *'Interests in Joint Ventures'* and SIC-13 *'Jointly-controlled Entities – Non-monetary Contributions by Venturers'*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.
The application of this new standard had no impact on the consolidation of investments held by the Group as none were JCEs where proportionate consolidation of the JCEs should have been replaced by the equity method of accounting.

– *IFRS 12 'Disclosure of Interests in Other Entities'*
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Group has not made such disclosures apart from the details provided with respect of the sale of EFG Financial Products in note 14 Gain on disposal of subsidiaries.

– *IFRS 13 'Fair Value Measurement'*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. For impact on assets not carried at fair value, see Note 3.2.2 iii.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *'Financial Instruments: Disclosures'*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in note 3.2 Market risk.

In addition to the above-mentioned amendments and new standards, IFRS 1 *'First-time Adoption of International Financial Reporting Standards'* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

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

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

– *IFRS 9 'Financial instruments',* (effective 1 January 2015) addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.
IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in the Statement of Other Comprehensive Income rather than in the Statement of Comprehensive Income, unless this creates an accounting mismatch.
On 16 December 2011, the IASB deferred the mandatory effective date of IFRS 9 to 1 January 2015.
The amendments also provide relief from restating comparative information and require disclosures (in IFRS 7) to enable users of financial statements to understand the effect of beginning to apply IFRS 9.
The Group will apply this new standard for the financial reporting period commencing on 1 January 2015 and the Group is yet to assess the full impact on its financial statements.

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 2012. There have been no significant changes in the risk management organisation or in the risk management policies since 31 December 2012.

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, which are monitored on a daily basis and by mortgages, or to rated financial institutions.

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.

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 our subsidiaries that are denominated in local currencies and the valuation of life insurance policies.

3.2.1 Assets and liabilities measured at fair value

IFRS 7 amended requires classification of financial instruments at fair value using a fair value hierarchy that reflects the significance of the inputs used in determining the valuations.

The fair value hierarchy has the following levels:
– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices)
– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

As at 30 June 2013, the Group held the following classes of financial instruments measured at fair value:

	30 June 2013				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives	40.9	79.2		120.1	
Interest rate derivatives	1.3	70.9		72.2	
Equity derivatives		210.3		210.3	
Other derivatives	0.3	8.5	1.4	10.2	
Life insurance related			52.1	52.1	
Total derivatives assets					**464.9**
Financial assets at fair value – Trading assets:					
Equity	0.1			0.1	
Debt	123.0			123.0	
Total trading assets					**123.1**
Financial assets at fair value – Designated at inception:					
Equity	0.1			0.1	
Debt	52.3			52.3	
Life Insurance related			354.2	354.2	
Total financial assets designated at inception					**406.6**
Investment securities: Available-for-sale:					
Equity	0.5		24.5	25.0	
Debt	2,336.3	369.2		2,705.5	
Life Insurance related			43.1	43.1	
Total investment securities available-for-sale					**2,773.6**
Total assets measured at fair value	**2,554.8**	**738.1**	**475.3**	**3,768.2**	**3,768.2**
Derivative financial instruments (liabilities):					
Currency derivatives	59.8	86.8		146.6	
Interest rate derivatives		93.4		93.4	
Equity derivatives		247.1		247.1	
Other derivatives	0.4	9.8		10.2	
Total derivatives liabilities					**497.3**
Financial liabilities designated at fair value:					
Equity	0.1		18.3*	18.4	
Hybrid		21.2		21.2	
Life Insurance related			339.9	339.9	
Total financial liabilities designated at fair value					**379.5**
Total liabilities measured at fair value	**60.3**	**458.3**	**358.2**	**876.8**	**876.8**
Assets less liabilities measured at fair value	**2,494.5**	**279.8**	**117.1**	**2,891.4**	**2,891.4**

* *Level 3 equity related financial liabilities designated at fair value of CHF 18.3 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.*

During the six-month period ended 30 June 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers in or out of Level 3 fair value measurements.

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 2013	**58.2**	**329.9**	**71.4**	**459.5**
Total gains or losses				
in the Statement of Comprehensive Income – Interest and discount income		26.6	2.1	28.7
in the Statement of Comprehensive Income – Net trading income	(2.2)			(2.2)
in the Statement of Comprehensive Income – Net gain from financial instruments designated at fair value		(21.1)		(21.1)
in the Statement of Other Comprehensive Income			(9.6)	(9.6)
Purchases / Premiums paid	0.8	19.3	2.4	22.5
Disposals / Premiums received	(2.8)	(11.3)		(14.1)
Effect of disposal of subsidiary	(2.3)			(2.3)
Exchange differences	1.8	10.8	1.3	13.9
At 30 June 2013	**53.5**	**354.2**	**67.6**	**475.3**
Total gains or losses for the period included in the Statement of Comprehensive Income for assets held at the end of the reporting period	(1.4)	5.5	2.1	6.2

	Liabilities in level 3		
	Derivative financial instruments CHF millions	Financial liabilities designated at fair value CHF millions	Total Liabilities in level 3 CHF millions
At 1 January 2013	**7.0**	**329.4**	**336.4**
Total gains or losses			
in the Statement of Comprehensive Income – Interest and discount income		26.1	26.1
in the Statement of Comprehensive Income – Net trading income	5.4		5.4
in the Statement of Comprehensive Income – Net gain from financial instruments designated at fair value		(16.6)	(16.6)
Purchases / Premiums paid		17.2	17.2
Disposals / Premiums received		(8.5)	(8.5)
Effect of disposal of subsidiary	(12.4)		(12.4)
Exchange differences		10.6	10.6
At 30 June 2013	**-**	**358.2**	**358.2**
Total gains or losses for the period included in the Statement of Comprehensive Income for liabilities held at the end of the reporting period	-	9.5	9.5

3.2.2 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
30 June 2013				
Financial Assets				
Due from other banks	i)	2,873.1	2,875.9	2.8
Loans and advances to customers	ii)	11,049.6	11,116.7	67.1
Investment securities – Held-to-maturity – Life insurance related	iii)	724.4	508.4	(216.0)
Investment securities – Held-to-maturity – Debt	iv)	420.3	374.9	(45.4)
		15,067.4	**14,875.9**	**(191.5)**
Financial Liabilities				
Due to other banks	v)	300.6	297.8	2.8
Due to customers	vi)	16,719.6	16,718.5	1.1
Other financial liabilities	vii)	2,653.9	2,670.5	(16.6)
		19,674.1	**19,686.8**	**(12.7)**
Net financial instruments		**(4,606.7)**	**(4,810.9)**	**(204.2)**

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.

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.

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

The carrying value is derived from an acquisition value, based on an Internal Rate of Return ("IRR") at acquisition of 10.7% and an accrual on an effective interest rate using a basis of 4.4% (2012: 4.7%) on life insurance policies outstanding at year end.

The fair value for held-to-maturity assets related to the life insurance portfolio is calculated using expected cash flows discounted using an IRR. In 2012 these cash flows were adjusted to reflect actual versus expected mortality experience in the life settlement industry. These adjusted cash flows have been discounted at an IRR of 12.3%. This IRR is equivalent to an IRR of 16% using unadjusted cash flows.

Further to the adoption of IFRS 13 on 1 January 2013, which defines "fair value", the Group has been reviewing the fair value of this asset in the context of the IFRS 13 framework. Due to significantly decreased transaction volumes in the market for this asset class, the applicable IRR is not easily observable.The Group is constantly reviewing the available market data in light of the decreased transaction volumes and certain transactions which may be considered to be "disorderly" in accordance with IFRS 13. The Group is currently using an IRR of 12.3%, unchanged from year-end 2012. However, the Group has certain indications that the fair value of these assets could be higher. The Group is currently analysing further market evidence to be able to substantiate which higher value, if any, could be justified. There are preliminary indication that the IRR could be in a range of between 7% and 12.3%. By way of illustration of the sensitivity to this, based on an IRR of 7% the difference between carrying value and fair value would be CHF 61 million, and based on an IRR of 12.3% the difference between carrying value and fair value is CHF 216 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.

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.

vii) 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.

3.2.3 Deferred day-1 profit or loss

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

	30 June 2013 CHF millions	31 December 2012 CHF millions	30 June 2012 CHF millions
At beginning of period	**1.5**	1.6	1.7
Recognised in the Statement of Comprehensive Income		(0.1)	(0.1)
At end of period	**1.5**	1.5	1.6

3.2.4 Valuation techniques

Valuation governance
The Group's model governance is outlined in a model vetting policy, which describes the Groups 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 modeling 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

Fair value methodology used for Level 3 instruments – valuation technique

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 2013 CHF millions	31 December 2012 CHF millions
Valuation technique			
Discounted cash flow analysis	**Products**		
Derivatives	Credit default swaps	1.4	(2.4)
Available-for-sale – Equity securities	Equities in stock exchanges and clearing houses	24.5	26.6
Financial liabilities designated at fair value	Liability to purchase non-controlling interests	(18.3)	(17.9)
Discounted cash flow analysis and life expectancies (non-market observable inputs)			
Derivatives	Synthetic life settlement policies	52.1	53.6
Financial assets at fair value	Physical life settlement policies	34.7	35.9
Financial assets at fair value	Physical life settlement policies *	319.5	294.0
Available-for-sale	Physical life settlement policies	43.1	44.8
Financial liabilities designated at fair value	Synthetic life settlement policies *	(339.9)	(311.5)
Total		**117.1**	123.1

* *Assets valued at CHF 319.5 million (2012: CHF 294.0 million) and similarly valued liabilities 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. The 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 settlement policies

The Group uses a discounted cash flow valuation technique using non-market observable inputs for the valuation of physical and synthetic life settlement policies and related financial instruments. These incorporate:
– actuarially based assumptions on life expectancy,
– premium estimates and
– market yield / discount factors – Internal rate of return ("IRR").
The assumptions on life expectancy are based on the Valuation Basic Table ("VBT") published by the Society of Actuaries and adjusted by external life settlement providers and actuaries to reflect the individual characteristics of a life settlement policy. 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 IRR reflects the expected return an investor in a life settlement policy would expect to receive by buying a life settlement policy on the market and holding it until maturity. The market for life settlement policies is currently very illiquid and hence this IRR is unobservable in the current market, and as a result, assumptions are made in determining the relevant IRR. The table below summarises the sensitivity to the Group's valuation of physical and synthetic life settlement policies and related financial instruments.

		IRR		Life Expectancy		Premium Estimates	
Life settlement sensitivity		-1% CHF millions	+1% CHF millions	-3 months CHF millions	+3 months CHF millions	-5% CHF millions	+5% CHF millions
Derivatives	Synthetic life settlement policies	3.0	(2.6)	1.2	(1.3)	-	-
Financial assets at fair value	Physical life settlement policies	14.0	(15.0)	18.9	(19.4)	8.5	(8.5)
Available-for-sale	Physical life settlement policies	1.5	(1.7)	2.5	(2.5)	1.4	(1.4)
Financial liabilities designated at fair value	Synthetic life settlement policies	(13.4)	14.4	(17.4)	17.8	(7.4)	7.4

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 2013 which the Group understands would be the basis for any sale or purchase between SIX Group shareholders. As Six Group have not yet published their 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 2013. The sensitivity to this valuation is that the gain/loss taken through Other Comprehensive Income for a 30% higher and 30% lower 6 month 2013 estimated profit would be CHF 0.3 million gain or CHF (0.3) million loss on this position classified as available-for-sale.

c) Credit default swaps ("CDS")

The Group has entered into long/short CDS transactions. Each transaction is composed of two CDS, one where the Group is the protection buyer and will, in the event of a default, deliver the reference bond while receiving par, and one where the Group is the protection seller and will in case of default, receive the cheapest bond in the market from a basket of pari passu deliverable bonds while paying par. These positions are valued using non-observable inputs, primarily the recovery rates that are not observable from the market and under the ISDA assumption that the recovery rates are constant during the CDS life. The sensitivity to this valuation is that the recovery rates may be higher or lower resulting in a gain/loss taken through the Income Statement. For a 10% higher recovery rate, the estimated profit would be CHF 0.1 million lower.

d) 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 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 a fixed amount, which sets the minimum price of the put options at EUR 14.8 million. The actual CVM calculated as per end of June is below the contractual amount and thus the current sensitivity of the put options is considered to be zero, hence no sensitivity to this currently exists.

3.2.5 Offsetting

The Group is netting down legs of identified CDS where the counterparty, the maturities and the currency are matched and when the Group has a legal enforceable right to settle net with the counterparty, and where operationally the settlement is made on a net basis where the Group presents on a net basis. At the end of June 2013 derivative financial instruments valued at CHF 81.1 million have been netted with derivative financial instruments with a negative value of CHF 79.7 million for a net presentation of derivative financial instruments as an asset with a value for CHF 1.4 million.

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 clients, both in demand for loans and repayments of deposits, and to satisfy its own cash flow needs.

In comparison to 31 December 2012, there are no material changes in the liquidity profile of the Group.

4. ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

	30 June 2013 CHF millions	31 December 2012 CHF millions	30 June 2012 CHF millions
Character of client assets			
Equities	**19,270**	17,932	16,569
Deposits	**18,784**	17,621	17,022
Bonds	**15,821**	16,135	14,497
Loans	**11,375**	10,919	10,510
Structured notes	**2,183**	6,141	6,515
Hedge funds / Funds of Hedge funds	**3,329**	4,394	4,816
Fiduciary deposits	**1,475**	1,809	2,333
EFG International shares	**904**	782	465
Other	**3,727**	3,736	4,237
Total Assets under Management	**76,868**	79,469	76,964
Total Assets under Administration	**9,157**	8,295	8,592
Total	**86,025**	87,764	85,556

5. NET INTEREST INCOME

	Half year ended 30 June 2013 CHF millions	Half year ended 31 December 2012 CHF millions	Half year ended 30 June 2012 CHF millions
Interest and discount income			
Banks and customers	**135.4**	140.7	141.6
Financial assets at fair value	**27.6**	26.5	25.4
Available-for-sale investment securities	**23.1**	29.0	34.5
Held-to-maturity	**17.1**	16.4	21.3
Treasury bills and other eligible bills	**0.5**	1.0	1.5
Total interest and discount income	**203.7**	213.6	224.3
Interest expense			
Banks and customers	**(78.6)**	(78.3)	(80.2)
Financial liabilities	**(18.2)**	(23.1)	(23.7)
Subordinated loans	**(7.4)**	(4.1)	(3.6)
Total interest expense	**(104.2)**	(105.5)	(107.5)
Net interest income	**99.5**	108.1	116.8

6. NET BANKING FEE AND COMMISSION INCOME

Commission income	**296.4**	291.6	336.4
Commission expenses	**(75.6)**	(36.6)	(99.7)
Net banking fee and commission income	**216.8**	255.0	236.7

7. DIVIDEND INCOME

	Half year ended 30 June 2013 CHF millions	Restated Half year ended 31 December 2012 CHF millions	Restated Half year ended 30 June 2012 CHF millions
Trading assets	**5.2**	4.4	18.6
Available-for-sale investment securities	**3.5**		1.2
Dividend income	**8.7**	4.4	19.8

8. NET TRADING INCOME

Foreign exchange	**40.3**	31.5	38.9
Net trading income	**40.3**	31.5	38.9

9. NET GAIN FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE

Equity securities	**2.0**	(12.9)	(7.6)
Debt securities	**1.8**	11.7	(5.4)
Derivative financial instruments	**2.6**	7.2	2.9
Life insurance related	**(1.1)**	(1.9)	2.4
Disposal of MBAM revenue share		0.2	13.7
Net gain from financial instruments designated at fair value	**5.3**	4.3	6.0

10. GAINS LESS LOSSES FROM INVESTMENT SECURITIES

Gain / (loss) on disposal of available-for-sale investment securities – Transfer from the Statement of Other Comprehensive Income			
Debt securities	**8.1**	9.4	(9.7)
Life insurance securities		(0.1)	(1.5)
Gains less losses from investment securities	**8.1**	9.3	(11.2)

11. OPERATING EXPENSES

Staff costs (note 12)	**(219.3)**	(232.8)	(234.0)
Professional services	**(8.6)**	(9.3)	(10.7)
Advertising and marketing	**(5.6)**	(5.4)	(6.3)
Administrative expenses	**(27.5)**	(33.6)	(32.9)
Operating lease rentals	**(15.8)**	(14.8)	(16.7)
Depreciation of property, plant and equipment	**(4.9)**	(6.0)	(5.8)
Amortisation of intangible assets:			
Computer software and licences	**(3.3)**	(5.5)	(4.9)
Other intangible assets	**(2.5)**	(1.9)	(3.0)
Legal and litigation expenses	**(3.2)**	(3.2)	(3.3)
Provision for litigation risks	**(0.4)**	10.3	(0.4)
Other	**(10.3)**	(27.7)	(10.2)
Operating expenses	**(301.4)**	(329.9)	(328.2)

12. STAFF COSTS

	Half year ended 30 June 2013 CHF millions	Restated Half year ended 31 December 2012 CHF millions	Restated Half year ended 30 June 2012 CHF millions
Wages, salaries and staff bonuses	(180.8)	(190.5)	(194.7)
Social security costs	(11.8)	(14.0)	(16.0)
Pension costs*	(10.2)	(10.6)	(7.7)
Employee Equity Incentive Plans	(6.4)	(5.6)	(6.4)
Other	(10.1)	(12.1)	(9.2)
Staff costs	**(219.3)**	(232.8)	(234.0)

* *Due to the adoption of IAS 19 Revised, the comparative Pension costs have been restated by CHF 0.1 million in half-year ended 31 December 2012 and half-year ended 30 June 2012.*

13. PROVISIONS

	Provision for litigation risks CHF millions	Provision for restructuring CHF millions	Other provisions CHF millions	Total CHF millions
At 1 January 2013	3.5	6.9	1.1	11.5
Increase in provisions recognised in the Statement of comprehensive income	0.5		10.0	10.5
Release of provisions recognised in the Statement of comprehensive income	(0.1)			(0.1)
Provisions used during the year	(1.4)	(3.4)	(0.6)	(5.4)
Exchange differences	0.1	(0.2)		(0.1)
At 30 June 2013	**2.6**	**3.3**	**10.5**	**16.4**
Expected payment within 12 months	2.6	3.3	10.5	16.4
Expected payment thereafter				-
	2.6	**3.3**	**10.5**	**16.4**

Provision for litigation risks

The residual CHF 2.6 million of provision for litigation at the end of June 2013 is for numerous small provisions which are expected to be settled within a year.

Provision for restructuring

The Group made the decision to close the businesses in France, Sweden and Gibraltar. These provisions relate to the closure costs of these entities which are part of the way through their closure programmes.

Other provisions

On 5 July 2013 the Swiss Bankers Association ("SBA") provided an update on the implementation of the withholding tax treaty between Switzerland and the UK. According to the SBA, it cannot be excluded that the Group's guarantee payment will not be reimbursed or only reimbursed to a very limited extent. This is due to significantly lower than expected client payments under the withholding tax treaty. The amount of undeclared assets held by UK citizens in Swiss Banks and liable for the payment is substantially less than originally anticipated by the Swiss banking industry. This reflected a number of factors including self-declarations by UK account holders, either directly to the UK tax authorities or via the tax disclosure regimes available in alternate locations. The asset pool was also reduced by a high proportion of resident non-domiciled clients of Swiss banks with limited UK tax obligations. Due to the uncertainty of recovery of this amount, a provision of CHF 9.6 million has been created.

14. GAIN ON DISPOSAL OF SUBSIDIARIES

The Group realised a net gain of CHF 34.2 million on the disposal of EFG Financial Products. On 23 April 2013, the Group sold its remaining stake of 20.25% in EFG Financial Products for an amount of CHF 70.2 million, EFG Financial Products has been deconsolidated from that date.

On 19 February 2013, the Group announced that it had disposed of its subsidiary On Finance SA for its net asset value (no gain on disposal realised).

15. INCOME TAX EXPENSE

	Half year ended 30 June 2013 CHF millions	Half year ended 31 December 2012 CHF millions	Half year ended 30 June 2012 CHF millions
Current income tax expense	(12.5)	(7.5)	(3.9)
Deferred tax gain / (expense)	3.0	2.5	(11.2)
Income tax expense	**(9.5)**	(5.0)	(15.1)

16. 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 Asset Management 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. In 2013 to align with changes in management responsibilities, the Caribbean has been incorporated with Switzerland and the PRS business aligned with the Americas. The comparatives have been restated to align with this change.

The Asset Management segment includes EFG Asset Management business in all locations as it operates on a global basis. The Financial Products business was considered as a separate reportable segment.

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. In addition, the Corporate Centre includes businesses that have been restructured/in the process of being sold/wound down.

	Private Banking and Wealth management						Asset Management	Financial Products	Corporate Overheads	Eliminations*	Total
CHF millions	Switzerland	Continental Europe	Americas	United Kingdom	Asia	Total					
Half year ended 30 June 2013											
Segment revenue	94.4	46.6	37.9	81.7	58.2	318.8	38.1	51.5	6.4	(33.0)	381.8
Segment expenses	(70.0)	(33.7)	(29.8)	(52.0)	(39.6)	(225.1)	(16.9)	(32.7)	(23.5)	7.6	(290.6)
Tangible assets and software depreciation	(0.8)	(0.5)	(0.4)	(0.7)	(0.8)	(3.2)	(0.1)	(2.6)	(2.4)		(8.3)
Total Operating margin	**23.6**	**12.4**	**7.7**	**29.0**	**17.8**	**90.5**	**21.1**	**16.2**	**(19.5)**	**(25.4)**	**82.9**
Cost to acquire intangible assets and impairment of intangible assets	(0.3)	(0.5)	(0.7)	(0.9)		(2.4)			(0.1)		(2.5)
Gain / (loss) on disposal of subsidiaries						-		34.2			34.2
Other provisions						-			(10.0)		(10.0)
(Impairment) / reversal of impairment on loans and advances to customers	(0.6)			0.4		(0.2)					(0.2)
Segment profit / (loss) before tax	**22.7**	**11.9**	**7.0**	**28.5**	**17.8**	**87.9**	**21.1**	**50.4**	**(29.6)**	**(25.4)**	**104.4**
Income tax (expense) / gain	(0.8)	0.1	(0.6)	(4.7)	(2.7)	(8.7)	(0.5)	(3.3)	3.0		(9.5)
Net profit / (loss) for the period	**21.9**	**12.0**	**6.4**	**23.8**	**15.1**	**79.2**	**20.6**	**47.1**	**(26.6)**	**(25.4)**	**94.9**
Net loss / (profit) attributable to non-controlling interests		(0.1)				(0.1)		(10.3)			(10.4)
Net profit / (loss) attributable to owners of the Group	**21.9**	**11.9**	**6.4**	**23.8**	**15.1**	**79.1**	**20.6**	**36.8**	**(26.6)**	**(25.4)**	**84.5**
Assets under management	18,827	12,746	8,473	16,978	14,850	71,874	8,083		2,406	(5,495)	76,868
Employees	383	233	204	486	358	1,664	108		207	(2)	1,977

	Private Banking and Wealth Management						Asset Manage-ment	Financial Products	Cor-porate Over-heads	Elimi-nations*	Total
CHF millions	Switzerland	Continental Europe	Americas	United Kingdom	Asia	Total					
Half year ended 31 December 2012											
Segment revenue	99.4	46.4	49.6	81.9	59.1	336.4	33.1	63.5	11.2	(28.7)	415.5
Segment expenses	(71.5)	(32.5)	(32.4)	(59.5)	(35.7)	(231.6)	(16.4)	(46.6)	(28.8)	7.0	(316.4)
Tangible assets and software depreciation	(1.1)	(0.5)	(0.4)	(0.8)	(0.9)	(3.7)	(0.1)	(5.1)	(2.7)		(11.6)
Total Operating margin	**26.8**	**13.4**	**16.8**	**21.6**	**22.5**	**101.1**	**16.6**	**11.8**	**(20.3)**	**(21.7)**	**87.5**
Cost to acquire intangible assets and impairment of intangible assets	(0.3)	(0.6)	(0.1)	(0.9)		(1.9)					(1.9)
Gain / (loss) on disposal of subsidiaries				(0.3)		(0.3)			(4.3)		(4.6)
Currency translation loss transferred from the Statement of Other Comprehensive Income						-			(0.4)		(0.4)
Provision for restructuring costs						-			(5.4)		(5.4)
(Impairment) / reversal of impairment on loans and advances to customers	(3.0)	0.2	(0.5)	(0.7)		(4.0)					(4.0)
Impairment of intangible assets and goodwill						-			(0.7)		(0.7)
Segment profit / (loss) before tax	**23.5**	**13.0**	**16.2**	**19.7**	**22.5**	**94.9**	**16.6**	**11.8**	**(31.1)**	**(21.7)**	**70.5**
Income tax (expense) / gain	(2.0)	2.2	(0.5)	(1.7)	(3.2)	(5.2)	(0.6)	(0.6)	1.4		(5.0)
Net profit / (loss) for the period	**21.5**	**15.2**	**15.7**	**18.0**	**19.3**	**89.7**	**16.0**	**11.2**	**(29.7)**	**(21.7)**	**65.5**
Net loss / (profit) attributable to non-controlling interests		(0.3)				(0.3)		(7.1)	(0.1)		(7.5)
Net profit / (loss) attributable to owners of the Group	**21.5**	**14.9**	**15.7**	**18.0**	**19.3**	**89.4**	**16.0**	**4.1**	**(29.8)**	**(21.7)**	**58.0**
Assets under management	18,982	11,630	9,250	16,359	14,380	70,601	7,364	748	5,745	(4,989)	79,469
Employees	381	231	198	483	371	1,664	98	266	235	(3)	2,260

	Private Banking and Wealth Management						Asset Management	Financial Products	Corporate Overheads	Eliminations*	Total
CHF millions	Switzerland	Continental Europe	Americas	United Kingdom	Asia	Total					
Half year ended 30 June 2012											
Segment revenue	100.5	38.8	48.7	72.2	49.9	310.1	24.9	62.1	33.8	(21.8)	409.1
Segment expenses	(74.1)	(31.9)	(31.7)	(48.3)	(36.6)	(222.6)	(13.6)	(46.3)	(40.6)	8.5	(314.6)
Tangible assets and software depreciation	(1.1)	(0.5)	(0.5)	(0.8)	(0.9)	(3.8)		(4.2)	(2.6)		(10.6)
Total Operating margin	**25.3**	**6.4**	**16.5**	**23.1**	**12.4**	**83.7**	**11.3**	**11.6**	**(9.4)**	**(13.3)**	**83.9**
Cost to acquire intangible assets and impairment of intangible assets	(0.2)	(0.7)	(1.2)	(0.9)		(3.0)					(3.0)
Gain / (loss) on disposal of subsidiaries				0.3		0.3			2.6		2.9
Currency translation loss transferred from the Statement of Other Comprehensive Income						-			(2.9)		(2.9)
Provision for restructuring costs						-			(6.3)		(6.3)
(Impairment) / reversal of impairment on loans and advances to customers	0.2			(0.6)		(0.4)					(0.4)
Impairment of intangible assets and goodwill						-			(0.7)		(0.7)
Segment profit / (loss) before tax	**25.3**	**5.7**	**15.3**	**21.9**	**12.4**	**80.6**	**11.3**	**11.6**	**(16.7)**	**(13.3)**	**73.5**
Income tax (expense) / gain	0.8	0.1	(2.4)	(1.4)	(1.4)	(4.3)	(0.5)	(0.9)	(9.4)		(15.1)
Net profit / (loss) for the period	**26.1**	**5.8**	**12.9**	**20.5**	**11.0**	**76.3**	**10.8**	**10.7**	**(26.1)**	**(13.3)**	**58.4**
Net loss / (profit) attributable to non-controlling interests					0.2	0.2		(4.6)	(0.8)		(5.2)
Net profit / (loss) attributable to owners of the Group	**26.1**	**5.8**	**12.9**	**20.5**	**11.2**	**76.5**	**10.8**	**6.1**	**(26.9)**	**(13.3)**	**53.2**
Assets under management	19,034	10,894	9,329	15,476	14,047	68,780	6,376	3,165	3,145	(4,502)	76,964
Employees	383	233	201	505	373	1,695	87	258	319	(2)	2,357

* *External revenues from clients have been recognised in both the Asset Management and Private Banking segments related to asset management mandates for private banking clients. This double count is eliminated to reconcile to the total operating income.*

17. OFF-BALANCE SHEET ITEMS

	30 June 2013 CHF millions	31 December 2012 CHF millions
Guarantees issued in favour of third parties	**317.7**	285.9
Irrevocable commitments	**254.8**	219.8
Operating lease commitments	**107.9**	110.7
Total	**680.4**	616.4

18. 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, it is not expected that any of these contingent liabilities will result in material provisions or other liabilities.

(i) 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. Where these proceedings are fully provided see note 13 related to Provisions.

(ii) The Group is engaged in litigation proceedings in Switzerland linked to fraudulently approved contracts where claims have been brought against the Group for a net exposure of approximately EUR 23 million plus accrued interest. While the evidentiary portion of the proceedings has been completed, the outcome remains uncertain. The Group continues to believe that it has good defences to this claim and continues to defend it vigorously.

(iii) 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 are vigorously defending the cases and believe they have strong defences to the claims.

(iv) 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.

(v) 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 CHF 57 million plus interest at 5%. The Group entities are vigorously defending the cases and believe they have strong defences to the claims.

(vi) The Group is engaged in litigation proceedings initiated by a former employee. He claims on grounds of a series of agreements an amount of SEK 36 million and an amount of CHF 10.5 million. The Group entities are vigorously defending the cases and believe they have strong defences to the claims.

(vii) Two Group entities are engaged in litigation proceedings initiated by the trustee of a trust for which a Group entity previously acted as trustee. The trustee bases its claim on various legal arguments, mainly breach of trust, gross negligence and dishonest assistance. The amount claimed amounts to GBP 7 million. The concerned Group entities are vigorously defending the case and believe they have strong defences to the claims.

(viii) In 2012, the Swiss Federal Supreme Court decided on the question whether trailer fees and similar compensations, commonly referred to as ‘retrocessions’, paid for the distribution/placement of financial products such as investment funds and structured products, belong to the client in a situation where the distributor is in a discretionary asset management relationship with the client. As a result of the decision and including the strict requirements for valid waivers, clients of the Group may seek to claim restitution of such retrocessions from the Group. Based on further assessment and communication to date with potentially impacted clients, the Group does not believe that the financial effect on the Group of the Supreme Court decision will be material.

The following contingent liability that management is aware of is related to obligations which may result in outflows that could have a material financial effect, but which cannot be reliably estimated.

(i) The Group is aware that certain Swiss banks have been informed that they were one of several Swiss banks under investigation in connection with their cross-border private banking services provided to US private clients. The Group was not amongst these banks. Subsequently the scope of this investigation has widened and the Group understands, based upon published reports that all Swiss Banks may be subject to a similar investigation. The United States Department of Justice and other authorities are reviewing historical private banking services provided on a cross-border basis to US persons. US authorities are investigating possible violations of US tax and criminal laws. The US authorities have not been in contact with the Group. For this reason significant uncertainty exists as to any potential outcome that may arise. As such the Group believes the financial impacts are uncertain and currently not reliably assessable.

19. DIVIDEND PER SHARE

At the Annual General Meeting on 26 April 2013 a dividend in respect of 2012 of CHF 0.10 (2011: CHF 0.10) per share amounting to CHF 14.7 million (2011 paid in 2012: CHF 13.4 million) was approved.

	Half year ended 30 June 2013 CHF millions	Half year ended 31 December 2012 CHF millions	Half year ended 30 June 2012 CHF millions
Dividends on ordinary shares			
– CHF 0.10 per share related to 2012 paid in 2013	14.7		
– CHF 0.10 per share related to 2011 paid in 2012			13.4
	14.7	-	13.4
Dividends on Bons de Participation			
– For the period 1 November 2012 to 30 April 2013 at 2.096%	1.7		
– For the period 1 May 2012 to 30 October 2012 at 2.462%		4.0	
– For the period 1 November 2011 to 30 April 2012 at 2.840%			5.4
	1.7	4.0	5.4

On 28 January 2013 the Group announced that a wholly owned subsidiary EFG Funding (Guernsey) Limited (“EFG Funding”) had acquired from holders of EFG Fiduciary Certificates for cash EUR 251,399,000 in aggregate principal amount of EFG Fiduciary Certificates for approximately CHF 189 million. The settlement date for the offer was 31 January 2013.

20. BASIC EARNINGS PER ORDINARY SHARE

	Half year ended 30 June 2013 CHF millions	Restated Half year ended 31 December 2012 CHF millions	Restated Half year ended 30 June 2012 CHF millions
Net profit for the period	**84.5**	58.0	53.2
Estimated pro-forma dividend on Bons de Participation	**(0.7)**	(3.8)	(4.3)
Net profit for the period attributable to ordinary shareholders	**83.8**	54.2	48.9
Weighted average number of ordinary shares – *000's of shares*	**147,211**	146,453	135,973
Basic earnings per ordinary share in CHF	**0.57**	0.37	0.36

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 279,674. 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 2013 until 30 April 2013 of 2.096% and 1.810% from 1 May 2013 until 30 June 2013.

21. DILUTED EARNINGS PER ORDINARY SHARE

Net profit for the period	**84.5**	58.0	53.2
Estimated pro-forma dividend on Bons de Participation	**(0.7)**	(3.8)	(4.3)
Net profit for the period attributable to ordinary shareholders	**83.8**	54.2	48.9
Diluted-weighted average number of ordinary shares – *'000s of shares*	**152,537**	151,505	140,647
Diluted earnings per ordinary share in CHF	**0.55**	0.36	0.35

In the period pursuant to its employee equity incentive plans, the Group issued 1,039,384 restricted stock units of EFG International, which together with unexercised options and restricted stock units from prior years increased the diluted-weighted average number of ordinary shares of EFG International by 5,325,634 shares to 152,537,063 shares.

22. SUBORDINATED LOANS

	Weighted average interest rate %	Due dates	30 June 2013 CHF millions	31 December 2012 CHF millions
Subordinated loans – issuers				
EFG International (Guernsey) Ltd – EUR 66,425,000	8.00% p.a.	13 January 2022	**54.9**	57.0
EFG Funding (Guernsey) Ltd – CHF 180,000,000	4.75% p.a.	31 January 2023	**182.2**	
Total subordinated loans			**237.1**	57.0

23. SHARE CAPITAL

On 28 January 2013 the Group repurchased 251,399 Bons de Participation for net cash consideration of CHF 187.9 million, in conjunction with an issuance of CHF 180,000,000 of new subordinated Basel III compliant Tier 2 bonds by a wholly owned subsidiary at an annual coupon of 4.75% with an optional redemption call in 5 years and a final maturity of 10 years. Subsequently related to this repurchase, CHF 3.8 million of share capital was cancelled at the Annual General Meeting on 26 April 2013 where the decision was taken to reduce the participation capital from CHF 3,971,715 to CHF 200,730, a reduction of CHF 3,770,985, by way of cancellation of 251,399 Class B Shares with a face value of CH 15 per share.

During the year CHF 0.4 million of new shares were issued related to the 821,102 shares issued following the exercise of equity incentive plans from conditional share capital.

24. EMPLOYEE EQUITY INCENTIVE PLANS

In the period the Group has granted 1,039,384 restricted stock units with one third vesting annually. There are two classes, one with a 3 year lock-up and another with a 5 year lock-up.

25. RETIREMENT BENEFIT OBLIGATIONS

The Group operates two plans which under IFRS are classified as defined benefit plans. These plans are in Switzerland (“the Switzerland plan”) and the Channel Islands (“the Channel Islands plan”). The Switzerland plan is considered as defined benefit plan under IFRS due to a minimum guaranteed return in Swiss pension legislation, the Group having no obligation relative to this fund other than to provide the minimum guaranteed return.

The Group operates the Channel Islands plan which is not aggregated with the plan in Switzerland, due to its relative size. The Channel Islands plan had funded obligations of CHF 4.5 million and the fair value of plan assets is CHF 4.6 million as of 31 December 2012.

The disclosure below relates to the Switzerland plan.

	30 June 2013 CHF millions	31 December 2012 CHF millions	1 January 2012 restated CHF millions
Net amount recognised in the Balance sheet			
Present value of funded obligation	177.7	214.0	208.4
Fair value of plan assets	170.6	189.5	178.2
Liability recognised in the Balance sheet	**7.1**	24.5	30.2

Net amount recognised in the Balance sheet at the beginning of year	**24.5**	30.2
Net amount recognised in the income statement	2.9	8.8
Net amount recognised in the Statement of Other Comprehensive Income	(14.4)	1.0
Company contribution paid in year	(5.9)	(15.5)
Net amount recognised in the Balance sheet at the end of year	**7.1**	24.5

	Present value of obligation CHF millions	Fair value of plan assets CHF millions	Total CHF millions
1 January 2013 restated	**214.0**	**(189.5)**	**24.5**
Current service cost	3.9		3.9
Interest expense / (income)	2.0	(1.7)	0.3
Administrative costs	1.2		1.2
Disposal of subsidiary	(27.2)	24.7	(2.5)
Net amount recognised in the income statement	**(20.1)**	**23.0**	**2.9**
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense / (income)		(2.3)	(2.3)
Actuarial (gain) / loss on defined benefit obligation	(12.1)		(12.1)
Net recognised in the Statement of Other Comprehensive Income	**(12.1)**	**(2.3)**	**(14.4)**
Plan participants contributions	3.3	(3.3)	-
Company contributions		(5.9)	(5.9)
Administrative costs	(1.2)	1.2	-
Benefit payments	(6.2)	6.2	-
Total transactions with fund	**(4.1)**	**(1.8)**	**(5.9)**
30 June 2013	**177.7**	**(170.6)**	**7.1**

	Present value of obligation CHF millions	Fair value of plan assets CHF millions	Total CHF millions
1 January 2012 restated	**208.4**	**(178.2)**	**30.2**
Current service cost	6.8		6.8
Interest expense / (income)	5.4	(4.9)	0.5
Administrative costs	2.6		2.6
Past service cost resulting from plan changes	(1.1)		(1.1)
Net amount recognised in the income statement	**13.7**	**(4.9)**	**8.8**
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense / (income)		(7.3)	(7.3)
Actuarial loss on defined benefit obligation	8.3		8.3
Net recognised in the Statement of Other Comprehensive Income	**8.3**	**(7.3)**	**1.0**
Plan participants contributions	7.3	(7.3)	-
Company contributions		(15.5)	(15.5)
Administrative costs	(2.6)	2.6	-
Benefit payments	(21.1)	21.1	-
Total transactions with fund	**(16.4)**	**0.9**	**(15.5)**
31 December 2012 restated	**214.0**	**(189.5)**	**24.5**

	30 June 2013	31 December 2012	31 December 2011
Significant actuarial assumptions			
Discount rate	2.40%	1.90%	2.75%
Salary growth rate	1.00%	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	21.3	19.6	19.6
– female	23.8	21.9	21.9
Longevity at age 65 for future pensioners (aged 50):			
– male	22.7		
– female	25.1		

	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
Sensitivity analysis			
Discount rate	0.10%	(2.6)	2.6
Salary growth rate	0.10%	0.3	(0.3)
Pension growth rate	0.10%	1.5	-
Life expectancy	1 year	3.0	(3.0)

26. RELATED PARTY TRANSACTIONS

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and provision of services. The total assets positions with related parties amounted to CHF 5.1 million at the end of June 2013 (December 2012: CHF 12.1 million).

No provisions have been recognised in respect of loans given to related parties (2012: Nil).

In 2011, an agreement was reached with the former Chief Executive Officer, who is also a significant shareholder. An amount of CHF 1.5 million is reflected as an expense in the current period related to payments made under this agreement, which is now terminated.

27. POST BALANCE SHEET EVENTS – SIGNIFICANT EVENTS AND TRANSACTIONS

There are no post balance sheet events.

28. BOARD OF DIRECTORS

The Board of Directors of EFG International AG comprises:

Jean Pierre Cuoni*	Chairman
Nico H. Burki*	appointed on the 26th April 2013
Emmanuel L. Bussetil	
Erwin Richard Caduff*	
Michael Higgin*	
Spiro J. Latsis	
Bernd-A. von Maltzan*	appointed on the 26th April 2013
Hugh Napier Matthews*	Vice-chairman
Hans Niederer*	
Pericles Petalas	

* independent directors.

FORWARD LOOKING STATEMENTS

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) EFG International AG's ability to further implement its cost savings program, (3) movements in securities markets, exchange rates and interest rates, (4) competitive pressures, (5) no additional cost will be incurred in connection with the businesses closed or exited further to the business review announced on 18 October 2011, and (6) 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.

CONTACTS

ADDRESS
EFG International AG
Bahnhofstrasse 12
8001 ZURICH
Tel + 41 44 226 18 50
Fax + 41 44 226 18 55
www.efginternational.com

INVESTOR RELATIONS
Tel + 41 44 212 73 77
investorrelations@efginternational.com

MEDIA RELATIONS
Tel + 41 44 226 12 17
mediarelations@efginternational.com

DESIGN/REALISATION
Linkgroup, Zürich
www.linkgroup.ch