Half Year Report

2017

EFG

EFG International is a global private banking group offering private banking and asset management services and is headquartered in Zurich. Its registered shares (EFGN) are listed on the SIX Swiss Exchange. In 2016, EFG International completed the acquisition of BSI, a Lugano-based bank with a long-standing tradition of Swiss private banking and a broad international network. EFG International's largest shareholders are EFG Bank European Financial Group (44.2% stake) and BTG Pactual (30.0%).

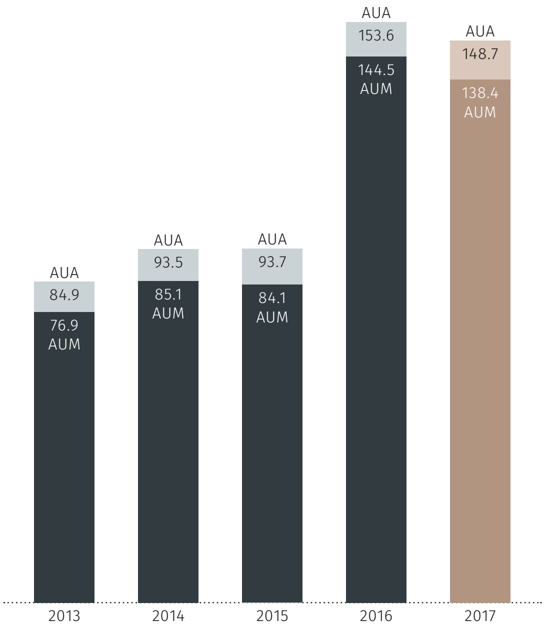
As a leading Swiss private bank, EFG International has a presence in major financial centres and growth markets. It has strong roots in Switzerland, with Zurich, Geneva and Lugano serving as key hubs for the governance and operation of the bank. EFG International operates in around 40 locations worldwide,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

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

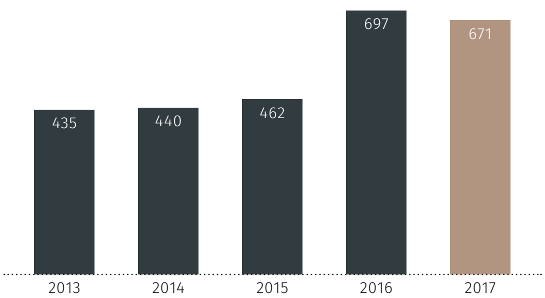
EFG International Performance Evolution

AUM and AUA

in CHF billion

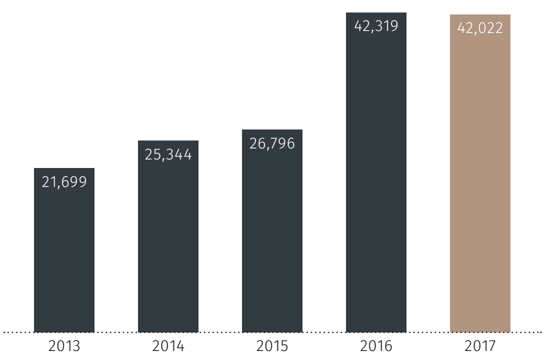


Client Relationship Officers (CROs)



Total Balance Sheet

in CHF billion



EFG International Consolidated Financial Highlights

in CHF millions	**30 June 2017**
Income	
IFRS net profit	19.2
Operating income	608.9
Profit before tax	25.8
Underlying net profit*	74.5
Cost/income Ratio	92.2%
Balance Sheet	
Total Assets	42,022
Shareholders' Equity	2,126
Market Capitalisation	
Share Price (in CHF)	6.21
Market Capitalisation (ordinary shares)	1,796
Regulatory Capital	
Total Regulatory Capital	2,686
Total Capital Ratio (Swiss GAAP Basel III, fully applied)	22.8%

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

Personnel	
Total number of CROs	671
Total number of employees (FTE's)	3,404

Listing

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

Ticker Symbols	
Reuters	EFGN.S
Bloomberg	EFGN SW

* *Excluding impact of non-recurring items, integration costs, BSI related intangible asset amortisation and contribution of life insurance*

Entrepreneurial thinking, Private banking

Contents

Editorial Chairman and CEO

John A. Williamson, Joachim H. Straehle

Shareholders' Letter

Dear shareholders, dear clients

Following the acquisition of BSI in 2016, the first half of 2017 has marked an important phase in the integration process. Thanks to the efficient collaboration throughout the combined bank, we have almost completed the BSI integration and simultaneously achieved solid underlying profitability in the first half of the year.

We have eliminated various uncertainties in connection with the acquisition, not least with the final agreement on the purchase price with BTG Pactual, as announced on 17 July 2017. We are on track to deliver on our new strategy for our combined business and in line with this are further strengthening our management structure.

After the positive trends over the last few months, we are confident that the acquired business will further stabilise during the second half of the year, and as the integration process comes to a close with the Swiss IT migration as the last step, we will be able fully to focus our attention on driving profitable growth and leveraging EFG's enhanced position as one of the largest Swiss private banks.

Legal integration of all BSI entities completed

Throughout the first half of 2017, we have contributed substantial time and effort towards driving forward the integration process and have not only completed the majority of this process but have done so at an accelerated pace. The legal integration of all BSI entities worldwide has been completed on a market-by-market basis within eight months. The process had started with the integration in Singapore in November 2016, after the BSI acquisition had been closed, and was completed with the integration in Monaco by 30 June 2017.

The IT migration of all international booking centres has also been completed throughout the past months, and the last step in the integration process will be the Swiss IT migration, for which preparations are well on track. The migration to EFG's in-house platform is expected to be completed by the end of 2017.

Following the completion of the Swiss business integration in April of this year, we have also launched and subsequently rolled out our renewed brand under which the combined business is now operating globally. It reflects EFG's promise to deliver Swiss quality private banking driven by an entrepreneurial spirit.

Furthermore, as we announced on 17 July 2017, we have reached an agreement with BTG Pactual on the final purchase price of BSI. The final price thereby amounted to CHF 971 million, which reflects a reduction from the amount of CHF 1,060 million, estimated at closing on 31 October 2016.

On track to achieve targeted synergies

The continuous and swift progression of the integration process signifies an important step towards our ability to benefit from the cost synergies arising from the business combination. As previously announced, our combined Group is targeting annual pre-tax cost synergies of approximately CHF 240 million by 2019. By the end of the first half of this year, we are well on track to reach our cumulative synergy target of CHF 50 million for 2017. Going forward, we expect the majority of the targeted synergy gains to phase-in during 2018, following the completion of the Swiss IT migration to EFG's platform. We are confident that we will be able already to achieve approximately three quarters of the additional targeted cost synergies of CHF 130 million for 2018 during the first quarter of next year.

Solid underlying profitability in the first half of 2017

While the first half of 2017 was primarily defined by the swift progression of the integration process, we recorded a solid underlying operating income of CHF 621.5 million for the period. This compares to CHF 626.6 million for the second half of 2016 on a combined basis, which includes both EFG and six months of BSI. Compared to the second half of 2016, on a combined basis, this reflects lower underlying net commissions due to the decreased average Assets under Management base, a decline in underlying net interest income, as well as higher underlying net other income, primarily due to a derivatives valuation gain of CHF 20.3 million. EFG's underlying revenue margin improved to 88 basis points (85 basis points excluding the valuation gain and in line with our target), compared to 85 basis points in the second half and 84 basis points in the first half of 2016.

Underlying operating expenses stood at CHF 522.7 million in the first half of 2017, down 2% from CHF 530.7 million (combined) for the second half and down 7% from CHF 564.2 million (combined) in the first half of 2016. This improvement reflects the advanced BSI integration process, the decrease in FTEs as well as our continued cost containment efforts. EFG's underlying cost/income ratio decreased to 84.0% from 84.2% (combined) in the second half.

Overall, our underlying recurring net profit of the combined EFG-BSI business for the first half of 2017 was CHF 74.5 million[1], as compared to CHF 38.1 million for EFG standalone in the first half and CHF 44.2 million for EFG including two months of BSI in the second half of 2016. IFRS net profit for the combined EFG-BSI business amounted to CHF 19.2 million in the first half of 2017, compared to CHF 22.3 million a year earlier and CHF 203.0 million in the second half of 2016.

Deceleration of AuM attrition & positive trend in underlying net new assets

The first half of 2017 was challenging in terms of net new asset generation. Overall, we recorded net asset outflows of CHF (5.5) billion for the period. This thereby included a slightly higher than expected AuM attrition of CHF (6.0) billion, which was mainly attributable to the de-risking of the business, in line with the accelerated pace of the integration process, as well as outflows related to the BSI offices in Milan and Como after the unexpected notification by Banca d'Italia announced on 5 May 2017. However, we saw a positive quarter-on-quarter trend in terms of AuM attrition, with a slow-down of 30% to CHF (2.5) billion in the second quarter, compared to CHF (3.5) billion in the first, reflecting the gradual completion of the legal integration of the BSI business by mid-2017. For the remainder of 2017, we expect to see additional AuM attrition of approximately CHF 2 to 3 billion, which is expected to be compensated by organic growth and the announced acquisition of UBI Banca International (Luxembourg) S.A. due to close before year-end. From 2018 onwards we expect no further AuM attrition.

Excluding the impact from AuM attrition, we recorded marginally positive underlying net asset inflows of CHF 0.5 billion for the first half of 2017, with an improvement to CHF 1.8 billion underlying net new assets in the second quarter, representing a 5% annualised growth rate. During the first quarter, we had underlying net outflows of CHF (1.3) billion.

In total, revenue-generating Assets under Management stood at CHF 138.4 billion at the end of the first half of 2017 compared to CHF 144.5 billion at end-2016. This decrease reflects negative currency effects of CHF (3.1) billion, positive market effects of CHF 4.0 billion, a negative effect from acquisitions and disposals of CHF (1.5) billion, AuM attrition of CHF (6.0) billion, and slightly positive underlying net new assets of CHF 0.5 billion in the first half of 2017.

Continued strong capital and liquidity position

We continued to strengthen our capital position in the first half of 2017, mainly through the placement of USD 400 million of Tier 2 notes in the first quarter. The Swiss GAAP Common Equity Ratio (CET1) stood at 17.7% at the end of the first half of 2017 versus 18.2% at end-2016, and the Total Capital Ratio was 22.8%, up from 20.0% at end-2016. The capital ratios include an impact of 1.2 percentage points from the agreement between EFG and BTG Pactual regarding the final BSI purchase price, as announced on 17 July 2017[2]. We are considering an early adoption of IFRS 9 effective year-end 2017, which would have no impact on EFG's regulatory capital position under Swiss GAAP.

We also continue to have a strong and liquid balance sheet, with a Liquidity Coverage Ratio of 211% and a Loan/Deposit Ratio of 50% at the end of the first half of 2017.

Strengthening of EFG's corporate governance

In view of the enlarged business, we are further strengthening our Executive Committee structure. Subject to FINMA approval, Vittorio Ferrario, in his current role as Group Chief Compliance Officer, has been appointed as a new member of the Executive Committee effective 1. August 2017, reporting to the CEO. Vittorio Ferrario

1 This figure includes an exceptional gain of CHF 20.3 million from derivatives' mark-to-market valuation and excludes the following non-recurring items: CHF (14.3) million negative contribution from life insurance; CHF (32.7) million of costs relating to the acquisition and integration of BSI; CHF (3.9) million BSI intangible amortisation charge in connection with amortisation of CHF 110.0 million acquisition related intangible assets recognised at period-end with useful life of 14 years; CHF (4.8) million of exceptional legal costs; and CHF 0.4 million other positive contributions.

2 This remains subject to final fair value adjustments under IFRS in relation to the assets and liabilities of BSI until the end of October 2017.

joined EFG in May 2014. He previously held senior compliance and management positions at Unigestion and Goldman Sachs in Switzerland, and at PwC in Europe and Asia. This appointment underlines our continued commitment to our strong compliance and regulatory framework.

Furthermore, and subject to FINMA approval, Thomas A. Mueller has also been appointed a new member of the Executive Committee and as Chief Risk Officer. Effective 1 January 2018, he will be responsible for the Risk, Legal and Regulatory Affairs functions and will report to the CEO. Thomas A. Mueller is currently CEO of BSI SA and was previously an Executive Committee member of various listed and private financial institutions with significant experience in both risk management and finance. He will succeed our current Chief Risk Officer, Reto Kunz, who developed in the current integration phase a new risk framework. Reto Kunz will take over a new position focusing on the development of our credit capabilities and supporting the CEO in strategic projects.

Outlook

In the second half of 2017, our main focus will be on completing the BSI integration with the Swiss IT migration as well as realising the targeted cost synergies. As the integration process comes to a close, we will be able to fully focus management attention on driving forward the business and on growing our asset base, supported by the renewed EFG brand for the combined bank. We will also continue to selectively hire high-quality CROs and teams in key markets, in line with our growth strategy for the enhanced platform and cost efficiency targets. Following the completion of the integration process, our ambition as a Group is to further shape a strong entrepreneurial culture and to deliver enhanced profitable growth building on our position as a top-tier Swiss private bank.

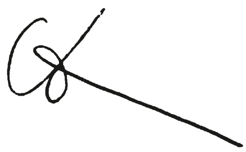
Going forward, we will continue to focus on delivering against our combined growth strategy in order to realise our competitive strengths in the high-net-worth individual (HNWI) core private banking segment and to put further emphasis on our existing locations as part of our enhanced global network. Furthermore, our enhanced combined platform will allow us to offer an extensive range of wealth management products and services, and we will continue to draw on our entrepreneurial spirit and the high level of experience and continuity among our Client Relationship Officers (CROs) in order to differentiate our business from our peers. We aim to implement our growth strategy while maintaining a strong capital position and a low risk profile.

Committed to our medium-term targets

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

As a combined Group, we have worked relentlessly to complete the BSI integration process, with only the Swiss IT migration due to be completed by the end of this year. We are confident of the growth potential that our newly combined business holds and are eager to execute on the next phase of our new strategy.

We would like to express our gratitude to all of our employees for the hard work and commitment they have shown in order for us to reach our collective goals, and we would also like to thank our clients and shareholders for the continued trust that they have placed in us during this transitional phase.



John A. Williamson
Chairman of the Board

Joachim H. Straehle
Chief Executive Officer

EFG International
Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2017

Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2017

Condensed consolidated interim income statement for the six months ended 30 June 2017

	Note	Half year ended 30 June 2017 CHF millions	Restated Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
Interest and discount income		281.0	227.8	209.4
Interest expense		(126.7)	(133.2)	(107.1)
Net interest income	5	**154.3**	94.6	102.3
Banking fee and commission income		383.2	271.1	208.5
Banking fee and commission expense		(68.1)	(50.4)	(33.8)
Net banking fee and commission income	6	**315.1**	220.7	174.7
Dividend income	7	2.1		1.9
Net trading income and foreign exchange gains less losses	8	110.8	69.7	58.5
Net gain / (loss) from financial instruments measured at fair value	9	13.8	(8.1)	
Gains less losses on disposal of available-for-sale investment securities	10	2.5	1.1	0.6
Other operating income		10.3	2.3	3.7
Net other income		**139.5**	65.0	64.7
Operating income		**608.9**	380.3	341.7
Operating expenses	11	(566.1)	(391.8)	(298.6)
Bargain gain on business acquisitions	13		416.8	
Impairment on goodwill and other intangibles			(199.5)	
Other provisions	16	(0.1)	(11.4)	(8.9)
Impairment on loans and advances to customers		(16.9)	(3.4)	(0.4)
Profit before tax		**25.8**	191.0	33.8
Income tax (expense) / gain	14	(5.2)	13.1	(9.9)
Net profit for the period		**20.6**	204.1	23.9
Net profit for the period attributable to:				
Net profit attributable to equity holders of the Group		19.2	203.0	22.3
Net profit attributable to non-controlling interests		1.4	1.1	1.6
		20.6	204.1	23.9
Earnings per ordinary share		CHF	CHF	CHF
Basic	20	0.06	0.87	0.13
Diluted	21	0.06	0.83	0.13

The notes on pages 19 to 48 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 2017

	Half year ended 30 June 2017 CHF millions	Restated Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
Net profit for the period	**20.6**	204.1	23.9
Other Comprehensive Income/(Loss)			
Items that may be reclassified subsequently to the Income Statement:			
Net loss on hedge of investments in foreign operations, with no tax effect	(6.0)	(26.5)	(2.8)
Currency translation differences, with no tax effect	(24.6)	28.0	(53.2)
Fair value gains on available-for-sale investment securities, before tax	26.3	6.9	5.5
Tax effect on changes in fair value of available-for-sale investment securities	(2.3)	(1.7)	0.4
Transfer to the Income Statement of realised available-for-sale investment securities reserve, before tax	(2.5)	(1.1)	(0.6)
Items that will not be reclassified to the Income Statement:			
Retirement benefit gains / (costs)	39.6	112.4	(33.6)
Tax effect on retirement benefit costs	8.3	(39.5)	21.1
Other Comprehensive Income/(Loss) for the period, net of tax	**38.8**	78.5	(63.2)
Total Comprehensive Income/(Loss) for the period	**59.4**	282.6	(39.3)
Total Comprehensive Income/(Loss) for the period attributable to:			
Equity holders of the Group	57.9	281.8	(41.0)
Non-controlling interests	1.5	0.8	1.7
	59.4	282.6	(39.3)

The notes on pages 19 to 48 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim balance sheet at 30 June 2017

	Note	30 June 2017 CHF millions	Restated 31 December 2016 CHF millions
Assets			
Cash and balances with central banks		9,161.0	8,887.5
Treasury bills and other eligible bills		1,743.5	1,945.6
Due from other banks		3,983.1	2,923.8
Loans and advances to customers		18,226.9	18,878.3
Derivative financial instruments		673.8	831.2
Financial assets at fair value:			
Trading assets		695.2	734.3
Designated at inception		407.2	456.0
Investment securities:			
Available-for-sale		5,027.4	5,437.3
Held-to-maturity		1,159.4	1,198.3
Intangible assets		198.8	191.7
Property, plant and equipment		260.6	253.7
Deferred income tax assets		104.1	89.9
Other assets		381.3	358.6
Total assets		**42,022.3**	42,186.2
Liabilities			
Due to other banks		1,597.4	427.6
Due to customers		30,979.9	32,746.9
Derivative financial instruments		728.7	777.1
Financial liabilities designated at fair value		619.2	654.4
Other financial liabilities		4,196.9	3,828.5
Debt issued	15	331.4	334.4
Current income tax liabilities		17.9	19.2
Deferred income tax liabilities		12.8	10.8
Provisions	16	187.6	199.3
Other liabilities		654.2	798.6
Subordinated loans	15	570.5	265.3
Total liabilities		**39,896.5**	40,062.1
Equity			
Share capital	17	144.8	143.9
Share premium		1,910.8	1,910.8
Other reserves		(63.2)	(115.3)
Retained earnings		78.1	130.9
		2,070.5	2,070.3
Additional equity components		31.2	31.2
Non-controlling interests		24.1	22.6
Total equity		**2,125.8**	2,124.1
Total equity and liabilities		**42,022.3**	42,186.2

The notes on pages 19 to 48 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 2017

CHF millions	Attributable to equity holders of the Group					Additional equity components	Non-controlling interests	Total Equity
	Share capital	Share premium	Other reserves	Retained earnings	Total			
Balance at 1 January 2016	**76.1**	**1,245.9**	**(153.4)**	**(59.1)**	**1,109.5**	**–**	**19.5**	**1,129.0**
Net profit for the period				22.3	22.3		1.6	23.9
Currency translation differences and net investment hedge, net of tax			(56.1)		(56.1)		0.1	(56.0)
Fair value gains on available-for-sale investment securities, net of tax			5.3		5.3			5.3
Retirement benefit costs, net of tax			(12.5)		(12.5)			(12.5)
Total Comprehensive Loss for the period	**–**	**–**	**(63.3)**	**22.3**	**(41.0)**	**–**	**1.7**	**(39.3)**
Issuance of ordinary shares	24.1	270.7			294.8			294.8
Cost of share issuance		(14.2)			(14.2)			(14.2)
Dividend paid on ordinary shares				(38.0)	(38.0)			(38.0)
Dividend paid on Bons de Participation				(0.1)	(0.1)			(0.1)
Ordinary shares sold	0.1	0.6			0.7			0.7
Ordinary shares repurchased		(0.1)			(0.1)			(0.1)
Employee equity incentive plans amortisation			11.0		11.0			11.0
Employee equity incentive plans exercised	0.3	0.2	(0.3)		0.2			0.2
Balance at 30 June 2016	**100.6**	**1,503.1**	**(206.0)**	**(74.9)**	**1,322.8**	**–**	**21.2**	**1,344.0**
Net profit for the period (restated)				203.0	203.0		1.1	204.1
Currency translation differences and net investment hedge, net of tax			1.8		1.8		(0.3)	1.5
Fair value gains on available-for-sale investment securities, net of tax			4.1		4.1			4.1
Retirement benefit gains, net of tax			72.9		72.9			72.9
Restated Total Comprehensive Income for the period	**–**	**–**	**78.8**	**203.0**	**281.8**	**–**	**0.8**	**282.6**

The notes on pages 19 to 48 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 2017

CHF millions	Attributable to equity holders of the Group					Additional equity components	Non-controlling interests	Total Equity
	Share capital	Share premium	Other reserves	Retained earnings	Total			
Restated Total Comprehensive Income for the period	**–**	**–**	**78.8**	**203.0**	**281.8**	**–**	**0.8**	**282.6**
Issuance of ordinary shares	43.1	411.1			454.2			454.2
Cost of share issuance		(3.4)			(3.4)			(3.4)
Transactions with non-controlling interests				2.5	2.5		0.6	3.1
New put options to purchase non-controlling interests granted			(1.5)		(1.5)			(1.5)
Employee equity incentive plans amortisation			13.9		13.9			13.9
Employee equity incentive plans exercised	0.2		(0.2)		–			–
Transfer to retained earnings on lapse of employee equity incentive plans			(0.3)	0.3	–			–
Additional equity components					–	31.2		31.2
Restated Balance at 31 December 2016	**143.9**	**1,910.8**	**(115.3)**	**130.9**	**2,070.3**	**31.2**	**22.6**	**2,124.1**
Net profit for the period				19.2	19.2		1.4	20.6
Currency translation differences and net investment hedge, net of tax			(30.7)		(30.7)		0.1	(30.6)
Fair value gains on available-for-sale investment securities, net of tax			21.5		21.5			21.5
Retirement benefit gains			39.6		39.6			39.6
Tax effect on retirement benefit costs			8.3		8.3			8.3
Total Comprehensive Income for the period	**–**	**–**	**38.7**	**19.2**	**57.9**	**–**	**1.5**	**59.4**
Dividend paid on ordinary shares				(71.9)	(71.9)			(71.9)
Dividend paid on Bons de Participation				(0.1)	(0.1)			(0.1)
Ordinary shares sold		0.2			0.2			0.2
Ordinary shares repurchased		(0.2)			(0.2)			(0.2)
Employee equity incentive plans amortisation			14.3		14.3			14.3
Employee equity incentive plans exercised	0.9		(0.9)		–			–
Balance at 30 June 2017	**144.8**	**1,910.8**	**(63.2)**	**78.1**	**2,070.5**	**31.2**	**24.1**	**2,125.8**

The notes on pages 19 to 48 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim cash flow statement for the six months ended 30 June 2017

	Half year ended 30 June 2017 CHF millions	Half year ended 30 June 2016 CHF millions
Net cash flows from operating activities	(119.6)	5.3
Net changes in operating assets and liabilities	1,291.9	(81.1)
Net cash flows (used in) / from investing activities	(326.2)	190.2
Net cash flows from financing activities	170.6	511.5
Effect of exchange rate changes on cash and cash equivalents	83.8	(151.5)
Net change in cash and cash equivalents	**1,100.5**	474.4
Cash and cash equivalents at beginning of period	12,487.1	7,276.1
Net change in cash and cash equivalents	1,100.5	474.4
Cash and cash equivalents	**13,587.6**	7,750.5

Cash and cash equivalents

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

	30 June 2017 CHF millions	30 June 2016 CHF millions
Cash and balances with central banks	9,161.0	5,359.9
Treasury bills and other eligible bills	960.8	422.5
Due from other banks – At sight	2,712.2	1,338.9
Due from other banks – At term	753.6	629.2
Cash and cash equivalents	**13,587.6**	7,750.5

The notes on pages 19 to 48 form an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

Notes to the condensed consolidated interim financial statements

1. General information

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

These unaudited condensed consolidated interim financial statements were approved for issue by the board of directors on 25 July 2017.

2. Accounting policies and valuation principles

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

These condensed consolidated interim financial statements are unaudited and should be read in conjunction with the audited financial statements included in the Group's consolidated financial statements for the year ended 31 December 2016.

The net profit for the six months ended 31 December 2016 include the results for two months from the business combination with BSI (see note "31. Business Combinations" of the consolidated financial statements for the year ended 31 December 2016). The net profit for the six months ended 30 June 2017 include the full six month results for BSI.

In accordance with IFRS 3, comparative figures have been restated for the six months ended 31 December 2016 due to the finalisation of the purchase price for the BSI business combination (see note 13).

These condensed consolidated interim financial statements are presented in accordance with IAS 34 *'Interim Financial Reporting'*. In preparing the interim financial statements, the same accounting policies, methods of computation and presentation have been applied as in the consolidated financial statements for the year ended 31 December 2016. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

The preparation of interim financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The process also requires management to exercise its judgement in the process of applying the group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further information about critical estimates and judgements are presented in note 3 of the consolidated financial statements for the year ended 31 December 2016.

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 2016.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2016.

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

A summary of standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group are included in note 2 of the consolidated financial statements for the year ended 31 December 2016.

The Group has performed a preliminary assessment on the impact of adopting IFRS 9. The adoption would result in measuring a significant portion of the currently held-to-maturity life settlement investments at fair value. The estimated impact of the IFRS 9 adoption is to decrease the shareholders' equity as at 31 December 2016 by approximately CHF 331 million. In addition certain bonds classified as held-to-maturity would be fair valued resulting in CHF 18 million decrease in shareholder's equity at 31 December 2016, and expected credit losses on all assets carried at amortised costs would result in increased provisions, the impact of which is in the process of being assessed. As this decrease in shareholders equity arises from IFRS 9, and the Group reports regulatory capital under Swiss GAAP, the adoption of IFRS 9 will not have any impact on the Groups regulatory capital.

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

3. Financial risk assessment and management

The Group's activities expose it to a variety of financial risks; arising from 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 2016. There have been no significant changes in the risk management organisation or in the risk management policies since 31 December 2016.

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 credit-worthiness and/or inability to meet its financial obligations. The Group's credit risk exposure is comparatively low because its primary credit exposures relate to loans collateralised by securities portfolios and by mortgages, or to rated financial institutions, sovereigns and corporates.

3.2 Market risk

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

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

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

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

3.2.1 Assets and liabilities measured at fair value

IFRS 13 requires classification of financial instruments at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

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

As at 30 June 2017, the Group held the following classes of financial instruments measured at fair value:

	30 June 2017				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives		272.9		272.9	
Interest rate derivatives		19.9		19.9	
Equity derivatives		281.9		281.9	
Other derivatives		38.8		38.8	
Life insurance related			60.3	60.3	
Total derivatives assets					**673.8**
Financial assets at fair value:					
Equity	20.0	45.9		65.9	
Commodities	106.0			106.0	
Debt	519.0	4.3		523.3	
Total trading assets					**695.2**
Designated at inception:					
Commodities	93.9			93.9	
Debt	0.7			0.7	
Life Insurance related			312.6	312.6	
Total financial assets designated at inception					**407.2**
Investment securities: Available-for-sale:					
Equity	1.0		49.5	50.5	
Debt	3,728.2	1,217.4	0.2	4,945.8	
Life Insurance related			31.1	31.1	
Total investment securities available-for-sale					**5,027.4**
Total assets measured at fair value	**4,468.8**	**1,881.1**	**453.7**	**6,803.6**	**6,803.6**
Derivative financial instruments (liabilities):					
Currency derivatives		334.9		334.9	
Interest rate derivatives	10.3	59.9		70.2	
Equity derivatives	0.1	284.5		284.6	
Other derivatives		39.0		39.0	
Total derivatives liabilities					**728.7**
Financial liabilities designated at fair value:					
Equity	0.5	64.6	36.6*	101.7	
Debt		187.0		187.0	
Life Insurance related			330.5	330.5	
Total financial liabilities designated at fair value					**619.2**
Total liabilities measured at fair value	**10.9**	**969.9**	**367.1**	**1,347.9**	**1,347.9**
Assets less liabilities measured at fair value	**4,457.9**	**911.2**	**86.6**	**5,455.7**	**5,455.7**

* *Level 3 equity related financial liabilities designated at fair value of CHF 36.6 million comprises put options held by non-controlling interests, with a valuation based on contractual terms and therefore is not dependent on internal assumptions on inputs, but is classified as Level 3 due to the absence of quoted prices or observable inputs.*

During the period ended 30 June 2017, there were no transfers between Levels.

Movements in Level 3 assets:

	Derivative financial instruments CHF millions	Financial assets designated at inception CHF millions	Investment securities Available-for-sale CHF millions	Total Assets in Level 3 CHF millions
At 1 January 2017	**63.3**	**319.8**	**74.1**	**457.2**
Total gains or losses				
in the Income Statement – Interest and discount income		23.3	1.1	24.4
in the Income Statement – Net trading income	(0.1)			(0.1)
in the Income Statement – Net loss from financial instruments designated at fair value	2.1	(17.9)	(0.9)	(16.7)
in Other Comprehensive Income		(1.9)	(0.8)	(2.7)
Purchases / Premiums paid	0.9	23.8	10.2	34.9
Disposals / Premiums received	(2.2)	(16.3)	(1.9)	(20.4)
Exchange differences	(3.7)	(18.2)	(1.0)	(22.9)
At 30 June 2017	**60.3**	**312.6**	**80.8**	**453.7**
Change in unrealised gains or losses for the period included in the Income Statement for assets held at the end of the reporting period	2.1	5.4	0.2	7.7

Movements in Level 3 liabilities:

	Financial liabilities designated at fair value CHF millions	Total Liabilities in Level 3 CHF millions
At 1 January 2017	**378.3**	**378.3**
Total gains or losses		
in the Income Statement – Interest and discount income	25.6	25.6
in the Income Statement – Net gain from financial instruments designated at fair value	(16.4)	(16.4)
Purchases / Premiums paid	17.8	17.8
Disposals / Premiums received	(18.1)	(18.1)
Exchange differences	(20.1)	(20.1)
At 30 June 2017	**367.1**	**367.1**
Change in unrealised gains or losses for the period included in the Income Statement for liabilities held at the end of the reporting period	9.2	9.2

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 2017				
Financial Assets				
Due from other banks	i)	3,983.1	3,980.5	(2.6)
Loans and advances to customers	ii)	18,226.9	18,277.1	50.2
Investment securities – Held-to-maturity – Life insurance related	iii)	809.7	515.8	(293.9)
Investment securities – Held-to-maturity – Debt	iv)	349.7	337.2	(12.5)
		23,369.4	**23,110.6**	**(258.8)**
Financial Liabilities				
Due to other banks	v)	1,597.4	1,596.9	0.5
Due to customers	vi)	30,979.9	30,979.7	0.2
Subordinated loans	vii)	570.5	577.8	(7.3)
Debt issued	viii)	331.4	331.4	
Other financial liabilities	ix)	4,196.9	4,204.2	(7.3)
		37,676.1	**37,690.0**	**(13.9)**
Net assets and liabilities not measured at fair value		**(14,306.7)**	**(14,579.4)**	**(272.7)**

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

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

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

Carrying value of Held-to-maturity – Life insurance related
The Group holds a financial investment in 206 life insurance policies as of 30 June, 2017 (211 at 31 December, 2016) which are classified in the Held-to-Maturity category and measured at amortised cost, subject to assessment for possible impairment to determine their realisable value at each reporting date.

These life insurance policies are issued by U.S. life insurance companies. The Group pays a periodic premium to the life insurance company to keep the policy valid. If the Group did not pay this premium, the insurance policy would lapse and then the Group would not receive the death benefit when the insured individual died. When the insured individual (U.S based individuals) die, the life insurance company pays a lump sum death benefit to the Group. The insured individuals have an average age of 87.9 years, and have an implied average life expectation of 6.4 years based on the life expectations derived from the 2015 Valuation Basic Table. Males represent 63% of the population and females 37%. The total death benefit receivable is USD 1,411 million.

The carrying value of these investments is CHF 809.7 million (USD 845 million) at 30 June 2017 (31 December 2016: USD 839 million) and is derived from an acquisition value, premiums paid and a revenue accrual.

The determination of the realisable value of these financial assets requires management's most complex and subjective judgments. The realisable value of these policies is primarily exposed to:

- changes in longevity, and
- changes in the premium streams (cost of insurance).

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

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

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

The Group uses management's best estimate considering historic information and relying on specialised opinions and information from external service providers about trends and market developments. Management also considers the outcome of disputes involving significant increases in premiums observed in the US market affecting the life insurance policies in the portfolio. The Group has concluded that this asset is not impaired at 30 June 2017.

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

Fair value of Held-to-maturity – Life insurance related
The fair value for held-to-maturity assets related to the life insurance portfolio is calculated using cash flows market participants would expect, which are provided by independent parties specialised and experienced in the field of premium calculations for life insurance policies and adjusted to account for uncertainties. These risk adjusted cash flows have been discounted at the term matching linearly interpolated market swap curve. The fair values are within Level 3 of the fair value hierarchy. The methodology to determine the fair value of the life insurance portfolio is as described at note 3.2.4.

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

	Discount Factor		Life Expectancy		Premium Estimates	
	–1%	+1%	–3 months	+3 months	–5%	+5%
Life insurance sensitivity	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
Held-to-maturity – Fair Value for disclosure	**49.4**	**(43.5)**	**31.7**	**(31.1)**	**37.2**	**(37.1)**

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

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

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

Carrying Value versus Fair Value
The fair value is CHF 293.9 million lower than the carrying value at 30 June 2017. The Group has performed a preliminary assessment on the impact of adopting IFRS 9. The adoption of IFRS 9 would result in measuring the held-to-maturity life insurance investments at fair value. The estimated impact of the IFRS adoption is to decrease the shareholders' equity at 31 December 2016 by approximately CHF 330.6 million.

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

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

The fair value is CHF 12.5 million lower than the carrying value at 30 June 2017. The Group performed a preliminary assessment on the impact of adopting IFRS 9. The adoption of IFRS 9 would result in the reclassification of these instruments to Fair Value through Profit and loss, and valuation at fair value due to the features embedded in the interest rate. The estimated impact of the IFRS 9 adoption is to decrease the shareholders' equity at 31 December 2016 by approximately CHF 15.9 million, and the changes in valuation of approximately CHF 8.3 million as a gain on valuation in the income statement for the six months ended 30 June 2017.

v) & vi) Due to other banks and customers
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. Expected cash flows are discounted at current market rates to determine fair value. Determined fair values are within Level 2 of the fair value hierarchy.

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

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

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

3.2.3 Deferred day-1 profit or loss

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

	30 June 2017 CHF millions	31 December 2016 CHF millions
At beginning of period	**1.0**	1.1
Recognised in the Income Statement		(0.1)
At end of period	**1.0**	1.0

3.2.4 Valuation techniques

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

A significant part of the independent price verification process is the estimation of the accuracy of modelling methods and input assumptions, which return fair value estimates derived from valuation techniques. As part of the model governance framework, benchmarking the fair value estimates is performed against external sources and recalibration performed on a continuous basis against changes in fair value versus expectations. Fair value measurements are compared with observed prices and market levels, for the specific instrument to be valued whenever possible.

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

Valuation techniques
(a) Financial instruments in Level 1
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily of quoted bonds and equity.

(b) Financial instruments in Level 2
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:
i) Quoted market prices or dealer quotes for similar instruments;
ii) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
iii) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
iv) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Financial instruments in Level 3

If the market for a financial instrument is not active, the Group establishes fair value by using one of the following valuation techniques:

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

		30 June 2017 CHF millions	31 December 2016 CHF millions
Valuation techniques			
Discounted cash flow analysis	**Products**		
Available-for-sale – Equity securities	Equities in stock exchanges and clearing houses	38.9	37.6
Available-for-sale – Equity securities	Expected liquidation proceeds	7.9	
Available-for-sale – Equity securities	Private equity funds	2.8	4.3
Financial liabilities designated at fair value	Liability to purchase non-controlling interests	(36.6)	(36.0)
Discounted cash flow analysis and life expectancies (non-market observable inputs)			
Derivatives	Synthetic life settlement policies	60.3	63.3
Financial assets at fair value	Physical life settlement policies	22.5	23.3
Financial assets at fair value	Physical life settlement policies*	290.1	294.8
Available-for-sale	Physical life settlement policies	31.1	32.2
Financial liabilities designated at fair value	Synthetic life settlement policies*	(330.5)	(342.3)
Total		**86.5**	77.2

* *Assets valued at CHF 290.1 million (2016: CHF 294.8 million) and similarly valued liabilities at CHF 330.5 million (2016: CHF 342.3 million) are linked and thus a change in value in one would be mostly reflected in the other.*

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

a) Life insurance policies

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

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

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

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

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

		Discount Factor		Longevity		Premium Estimates	
		–1%	+1%	–3 months	+3 months	–5%	+5%
Life insurance sensitivity		CHF millions	CHF millions	CHF millions	CHF millions	CHF millions	CHF millions
Derivatives	Synthetic policies	3.1	(2.9)	0.1	(0.2)		
Financial assets at fair value	Physical policies	12.5	(11.5)	21.6	(21.0)	9.5	(9.4)
Available-for-sale	Physical policies	2.2	(2.0)	2.0	(1.9)	2.0	(2.0)
Financial liabilities designated at fair value	Synthetic policies	(11.9)	11.1	(19.3)	19.8		
Total impact on shareholders equity		**5.9**	**(5.3)**	**4.4**	**(3.3)**	**11.5**	**(11.4)**

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 2017 which the Group understands would be the basis for any sale or purchase between SIX Group shareholders. As SIX Group has not yet published its 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 2017. The sensitivity to this valuation is that the gain/loss taken through Other Comprehensive Income for a 30% higher and 30% lower 6 month 2017 estimated profit would be CHF 0.5 million gain or CHF (0.5) million loss on this position classified as available-for-sale.

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

The put options of the minority shareholders of Asesores y Gestores Financieros SA give rise to a financial liability designated at fair value of CHF 36.6 million that corresponds to the estimated discounted repurchase amount.

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

The CVM shall contractually never be lower than the fixed price of EUR 33.5 million, which should be paid to minority shareholder upon the exercise of the put. The actual CVM calculated as of 30 June 2017 is below the contractual CVM and thus the current sensitivity of the put options is considered to be zero (2016: nil), hence no sensitivity to this currently exists.

Put options held by non-controlling interests have valuations primarily based on contractual terms and dependent on internal assumptions only to a limited extent and are classified as Level 3.

3.2.5 Offsetting

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

As at 30 June 2017	Gross amounts of recognised financial assets CHF millions	Gross amounts of recognised financial liabilities set off in the balance sheet CHF millions	Net amounts of recognised financial assets presented in the balance sheet CHF millions	Related amounts not set off in balance sheet: Financial liabilities subject to netting agreements CHF millions	Related amounts not set off in balance sheet: Cash collateral received CHF millions	Net exposure CHF millions
Derivatives	708.6	(34.8)	673.8	(192.6)	(335.1)	146.1
Life insurance policies – Designated at fair value at inception	290.1		290.1	(290.1)		–
Total financial assets	**998.7**	**(34.8)**	**963.9**	**(482.7)**	**(335.1)**	**146.1**

As at 30 June 2017	Gross amounts of recognised financial liabilities CHF millions	Gross amounts of recognised financial assets set off in the balance sheet CHF millions	Net amounts of recognised financial liabilities presented in the balance sheet CHF millions	Related amounts not set off in balance sheet: Financial assets subject to netting agreements CHF millions	Related amounts not set off in balance sheet: Cash collateral paid CHF millions	Net exposure CHF millions
Derivatives	763.5	(34.8)	728.7	(192.6)	(149.7)	386.4
Life insurance policies – Designated at fair value at inception	330.5		330.5	(290.1)	(144.4)	–
Total financial liabilities	**1,094.0**	**(34.8)**	**1,059.2**	**(482.7)**	**(294.1)**	**386.4**

The Group is netting down legs of identified credit default swaps where the counterparty, the maturities and the currency are matched and where the Group has a legal enforceable right to settle net with the counterparty, and where operationally the settlement is made on a net basis.

At the end of June 2017 derivative financial instruments valued at CHF 36.0 million have been netted with derivative financial instruments with a negative value of CHF 34.8 million for a net presentation of derivative financial instruments as an asset with a value of CHF 1.2 million.

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

3.3 Liquidity risk

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

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

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

In comparison to 31 December 2016, there are no material changes in the liquidity profile of the Group.

4. Assets under management and assets under administration

	30 June 2017 CHF millions	31 December 2016 CHF millions	30 June 2016 CHF millions
Character of client assets			
Equities	33,522	32,448	20,683
Deposits	33,070	34,607	19,902
Bonds	32,938	37,173	16,547
Loans	18,260	19,004	11,624
Structured notes	4,295	3,900	2,507
Hedge funds / Funds of Hedge funds	4,252	5,365	2,904
Fiduciary deposits	540	592	2,153
Other	11,532	11,425	4,260
Total Assets under Management	**138,409**	144,514	80,580
Total Assets under Administration	**10,295**	9,036	9,454
Total	**148,704**	153,550	90,034

Assets under Administration are trust assets administered by the Group. The Group has CHF 8,939 million (2016: CHF 7,905 million) of assets under custody not included in the above.

5. Net interest income

	Half year ended 30 June 2017 CHF millions	Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
Interest and discount income			
Banks and customers	214.1	179.2	158.4
Financial assets designated at fair value	27.9	25.9	23.5
Available-for-sale investment securities	36.1	24.3	20.5
Held-to-maturity investment securities	(0.7)	(0.3)	10.7
Amortisation of Available-for-sale equity reserve	(5.5)	(5.5)	(5.4)
Treasury bills and other eligible bills	9.1	4.2	1.7
Total interest and discount income	**281.0**	227.8	209.4
Interest expense			
Banks and customers*	(74.7)	(61.4)	(59.4)
Financial liabilities at fair value	(26.4)	(26.2)	(25.6)
Other financial liabilities	(17.6)	(14.7)	(12.2)
Subordinated loans	(5.0)	(28.9)	(7.4)
Debt issued	(3.0)	(2.0)	(2.5)
Total interest expense	**(126.7)**	(133.2)	(107.1)
Net interest income	**154.3**	94.6	102.3

* *Negative interest on Swiss Francs deposits placed at the Swiss National Bank amounts to CHF 23.2 million for the half year ended 30 June, CHF 12.6 million, CHF 12.7 million for the half year ending December 2016 and June 2016 respectively and are disclosed as Interest expense due to Banks and customers.*

6. Net banking fee and commission income

	Half year ended 30 June 2017 CHF millions	Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
Advisory and Management fees	186.7	129.5	99.8
Brokerage fees	108.9	84.6	67.5
Commission and fee income on other services	87.6	57.0	41.2
Banking fee and commission income	**383.2**	271.1	208.5
Commission and fee expenses on other services	(68.1)	(50.4)	(33.8)
Banking fee and commission expense	**(68.1)**	(50.4)	(33.8)
Net banking fee and commission income	**315.1**	220.7	174.7

7. Dividend income

	Half year ended 30 June 2017 CHF millions	Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
Available-for-sale investment securities	2.1		1.9
Dividend income	**2.1**	–	1.9

8. Net trading income and foreign exchange gains less losses

Net trading income of CHF 110.8 million (CHF 69.7 million for half year ended 31 December 2016 and CHF 58.5 million for 30 June 2016 respectively) comprised of results from foreign exchange, market making, trading transactions and results on revaluation of assets and liabilities denominated in other currencies, including the mark to market of interest rate swaps and currency forwards and swaps.

9. Net gain / loss from financial instruments measured at fair value

	Half year ended 30 June 2017 CHF millions	Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
Financial instruments measured at fair value			
Equity securities	(3.5)	(3.8)	0.3
Debt securities	9.0	3.2	
Derivative financial instruments	10.4	2.2	3.7
Life insurance securities	(1.5)	(9.6)	(4.1)
Inefficiency on fair value hedges (see below)	(0.6)	(0.1)	0.1
Net gain / (loss) from financial instruments measured at fair value	**13.8**	(8.1)	–

	Half year ended 30 June 2017 CHF millions	Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
Inefficiency on fair value hedges			
Net gains / (losses) on hedging instruments	2.9	80.7	(65.8)
Net (losses) / gains on hedged items attributable to the hedged risk	(3.5)	(80.8)	65.9
Net (losses) / gains representing ineffective portions of fair value hedges	**(0.6)**	(0.1)	0.1

10. Gains less losses on disposal of available-for-sale investment securities

	Half year ended 30 June 2017 CHF millions	Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
Transfer from Other Comprehensive Income			
Debt securities	2.6	3.3	(0.2)
Life insurance securities	(0.1)	(2.2)	0.8
Gains less losses on disposal of available–for–sale investment securities	**2.5**	1.1	0.6

11. Operating expenses

	Half year ended 30 June 2017 CHF millions	Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
Staff costs (note 12)	(356.0)	(249.5)	(217.0)
Professional services	(29.4)	(33.1)	(10.0)
Advertising and marketing	(4.9)	(4.2)	(4.5)
Administrative expenses	(92.3)	(48.3)	(24.4)
Operating lease rentals	(25.2)	(17.9)	(15.0)
Depreciation of property, plant and equipment	(10.6)	(3.8)	(3.0)
Amortisation of intangible assets:			
Computer software and licences	(3.0)	(2.5)	(2.0)
Other intangible assets	(4.6)	(3.0)	(1.6)
Legal and litigation expenses	(11.7)	(14.9)	(7.7)
Other	(28.4)	(14.6)	(13.4)
Operating expenses	**(566.1)**	(391.8)	(298.6)

12. Staff costs

	Half year ended 30 June 2017 CHF millions	Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
Wages, salaries and staff bonuses	(287.9)	(199.4)	(170.7)
Social security costs	(23.8)	(15.1)	(13.6)
Pension costs	(15.8)	(9.3)	(11.9)
Employee Equity Incentive Plans	(14.3)	(13.9)	(11.0)
Other	(14.2)	(11.8)	(9.8)
Staff costs	**(356.0)**	(249.5)	(217.0)

As at 30 June 2017 the number of full time equivalent employees (FTE's) of the Group was 3,404 (2016: 3,572) and the average for the year was 3,491 (2016: 2,101).

13. Bargain gain on business acquisitions

	Half year ended 30 June 2017 CHF millions	Restated Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
As at 31 December 2016		530.8	
Adjustment on finalisation of purchase price		(188.5)	
Adjustment on deferred tax asset on retirement benefit obligations at date of acquisition		74.5	
Restated bargain gain on business acquisitions	**–**	416.8	–

Following the completion of the acquisition of BSI on 31 October 2016, the Group was in discussions with the seller to agree the final purchase price. Based on further negotiations in 2017 with the seller, the consideration has been agreed as below, resulting in an adjustment to the bargain gain:

- 86.2 million EFG International shares,
- CHF 31.2 million of Additional Tier 1 instruments, and
- cash consideration of CHF 488.7 million.

Based on the EFG International share price of CHF 5.27 as at end of October 2016, the final purchase price is equivalent to CHF 972.4 million (including share transfer taxes), resulting in an adjustment of CHF 188.5 million. This increase in purchase price, relative to the estimate used at 31 December 2016, has been reflected as a restatement of the bargain gain recognised under IFRS 3, reducing the gain recognised at the end of December 2016 by this amount.

An adjustment to reflect CHF 74.5 million of deferred tax assets at the date of acquisition has been made related to the retirement benefit obligations as an adjustment to the fair value of assets acquired.

In the period from the closing of the BSI acquisition on 31 October 2016 to 30 June 2017, the Group has recognised cumulative increases in shareholders' equity of CHF 177.8 million, comprising:

- CHF 128.3 million of gain arising from a decrease in retirement benefit obligations, and
- CHF 49.5 million of gain due to recognition of a deferred tax asset on these retirement benefit obligations.

14. Income tax expense

	Half year ended 30 June 2017 CHF millions	Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
Current tax expense	(11.4)	(12.5)	(8.2)
Deferred tax gain / (expense)	6.2	25.6	(1.7)
Income tax (expense) / gain	**(5.2)**	13.1	(9.9)

15. Subordinated loans and debt issued

	Weighted average interest rate %	Due dates	30 June 2017 CHF millions	31 December 2016 CHF millions
Subordinated loans – issuers				
EFG International (Guernsey) Ltd – EUR 66,425,000	8.00% p.a.	January 2017		76.8
EFG International (Guernsey) Ltd – USD 400,000,000	5.00% p.a.	March 2027	386.1	
EFG Funding (Guernsey) Ltd – CHF 180,000,000	4.75% p.a.	January 2023	184.4	188.5
Total subordinated loans			**570.5**	265.3

Subordinated loans are presented net of unamortised discount on issuance of CHF 2.1 million (31 December 2016: CHF 0.3 million).

Debt issued – issuers				
Chestnut Financing PLC – GBP 266,300,000	1.11% p.a.	August 2017	331.4	334.4
Total debt issued			**331.4**	334.4

The debt issued by Chestnut Financing PLC is secured by a portfolio of mortgages over properties in the United Kingdom with a book value of CHF 447.2 million (31 December 2016: CHF 438.7 million).

16. Provisions

	Provisions for litigation risks CHF millions	Provisions for restructuring CHF millions	Other provisions CHF millions	Total CHF millions
At 1 January 2017	**44.2**	**1.4**	**153.7**	**199.3**
Increase in provisions recognised in the Income Statement	2.0	2.6	2.3	6.9
Release of provisions recognised in the Income Statement	(5.0)	(0.4)	(1.4)	(6.8)
Provisions used during the period	(7.5)	(1.5)	(2.5)	(11.5)
Exchange differences	(1.0)	0.1	0.6	(0.3)
At 30 June 2017	**32.7**	**2.2**	**152.7**	**187.6**
Expected payment within 12 months		2.2	14.7	16.9
Expected payment thereafter	32.7		138.0	170.7
	32.7	**2.2**	**152.7**	**187.6**

Provision for litigation risks

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

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

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

Other provisions of CHF 9.8 million relate to various lawsuits primarily brought by ex-clients of the BSI Group. These are long standing claims and are considered as unlikely to be settled within a year.

Provision for restructuring

During 2016 the Group acquired the BSI Group. In certain locations where the EFG Group and the BSI Group have a booking centre, the operations are being integrated. As a result, certain announced restructurings are taking place to integrate two businesses in one location and the Group has created provisions of CHF 2.2 million related to these announced restructurings. These are expected to be settled within a year.

Other provisions

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

A provision of CHF 43.0 million relates to proceedings in Germany against the Group for alleged aiding and abetting of tax evasion by German residents between 2004 and 2015. This claim is unlikely to settle within a year.

Other provisions of CHF 14.7 million remain for various other potential cash outflows which are expected to be settled within a year.

17. Share capital

In the period, Share Capital increased by CHF 0.9 million, as a result of 1,774,189 new shares issued following the exercise of equity incentive plans from conditional share capital. The issued nominal share capital of EFG International AG amounts to CHF 144,565,425 divided into 289,130,850 registered shares with a nominal value of CHF 0.50 each.

18. Employee equity incentive plans

In the period the Group has granted 5,606,340 restricted stock units, which have a vesting period of one, two and three years. The different classes have earliest exercise dates varying from three to five years from the grant date and ending seven years from the grant date.

19. Dividend per share

At the Annual General Meeting on 28 April 2017 a dividend in respect of 2016 of CHF 0.25 (2015 paid in 2016: CHF 0.25) per share amounting to CHF 71.9 million (2015 paid in 2016: CHF 38.0 million) was approved.

	Half year ended 30 June 2017 CHF millions	Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
Dividends on ordinary shares			
CHF 0.25 per share related to 2015 paid in 2016			38.0
CHF 0.25 per share related to 2016 paid in 2017	71.9		
	71.9	–	38.0
Dividends on Bons de Participation			
For the period 31 October 2015 to 30 April 2016 at 1.197%			0.1
For the period 1 May 2016 to 30 October 2016 at 0.849%		0.0	
For the period 31 October 2016 to 30 April 2017 at 0.634%	0.1		
	0.1	–	0.1

20. Basic earnings per ordinary share

	Half year ended 30 June 2017 CHF millions	Restated Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
Net profit for the period	19.2	203.0	22.3
Estimated dividend on Bons de Participation	(0.1)		(0.1)
Estimated dividend on Additional Equity Components	(1.2)	(0.4)	
Net profit for the period attributable to ordinary shareholders	**17.9**	202.6	22.2
Weighted average number of ordinary shares – 000's of shares	289,170	231,960	165,446
Basic earnings per ordinary share in CHF	**0.06**	0.87	0.13

Basic earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding the average number of ordinary shares owned by the Group amounting to 39,547. For the purpose of the calculation of earnings per ordinary share, net profit for the period has been adjusted by an estimated, pro-forma accrued dividend on the Bons de Participation. The latter has been computed by using a dividend rate from 1 January 2017 until 30 April 2017 of 0.634% and 0.973% thereafter. In addition the net profit is adjusted by an estimated pro-forma accrued dividend on the Additional Equity Components (Additional Tier I regulatory capital instrument) using a dividend rate of 7.53% per annum.

21. Diluted earnings per ordinary share

	Half year ended 30 June 2017 CHF millions	Restated Half year ended 31 December 2016 CHF millions	Half year ended 30 June 2016 CHF millions
Net profit for the period	19.2	203.0	22.3
Estimated dividend on Bons de Participation	(0.1)		(0.1)
Estimated dividend on Additional Equity Components	(1.2)	(0.4)	
Net profit for the period attributable to ordinary shareholders	**17.9**	202.6	22.2
Diluted–weighted average number of ordinary shares – 000's of shares	298,735	241,397	172,659
Diluted earnings per ordinary share in CHF	**0.06**	0.83	0.13

In the period, pursuant to its employee equity incentive plans, the Group issued in 2017 restricted stock units to purchase 5,606,340 shares which increased the diluted-weighted average number of ordinary shares at 30 June 2017 by 9,564,719 shares to 298,735,116 shares.

22. Segmental reporting

The Group's segmental reporting is based on how internal management reviews the performance of the Group's operations. With the acquisition of BSI, the Group has adopted a new management structure and segmentation of the business. As this reporting has changed in the current year, the reporting is provided on the basis of the current structure, and as required by IFRS 8 in a period when the structure is changed, the 2017 reporting is also prepared on the basis presented in the 2016 Annual Report.

In 2017 the primary split is between the Private Banking and Wealth Management business, the Investment Solutions business, Global Markets & Treasury, and an aggregation of Other activity. The Private Banking and Wealth Management business is managed on a regional basis and is split into

i) Central Switzerland, Ticino & Italy
ii) Romandie & Continental Europe
iii) Americas
iv) United Kingdom; and
v) Asia

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

Notes to the condensed consolidated interim financial statements

CHF millions	Private Banking and Wealth management Central Switzerland, Ticino & Italy	Romandie & Continental Europe	Americas	United Kingdom
Half Year ended 30 June 2017				
Segment revenue	150.4	139.7	75.1	70.2
Segment expenses	(116.9)	(121.9)	(74.3)	(52.4)
Tangible assets and software depreciation	(3.3)	(3.0)	(1.6)	(1.5)
Total Operating margin	**30.2**	**14.8**	**(0.8)**	**16.3**
Cost to acquire intangible assets and impairment of intangible assets		(0.2)		
Other provisions	0.7	0.7	0.6	
Reversal of impairment / (Impairment) on loans and advances to customers	2.1	(1.8)		(1.4)
Segment profit / (loss) before tax	33.0	13.5	(0.2)	14.9
Income tax gain / (expense)	3.6	1.4		(1.8)
Profit / (loss) for the period	**36.6**	**14.9**	**(0.2)**	**13.1**
Assets under management	35,945	38,136	17,121	19,676
Employees (FTE's)	337	313	195	192

CHF millions	Private Banking and Wealth management Switzerland	Continental Europe	Americas	United Kingdom
At end of June 2017 (in 2016 format)				
Segment revenue from external customers	230.6	97.8	75.5	81.0
Segment expenses	(149.2)	(77.9)	(63.5)	(44.6)
Tangible assets and software depreciation	(4.9)	(2.1)	(1.6)	(1.7)
Total Operating margin	**76.5**	**17.8**	**10.4**	**34.7**
Cost to acquire intangible assets and impairment of intangible assets		(0.2)		
Other provisions	0.7	0.7	0.6	
Reversal of impairment / (Impairment) on loans and advances to customers	2.1	(1.9)		(1.4)
Segment profit / (loss) before tax	79.3	16.4	11.0	33.3
Income tax gain / (expense)	5.4	(0.4)	(0.1)	(1.8)
Profit / (loss) for the period	**84.7**	**16.0**	**10.9**	**31.5**
Assets under management (for Investor Presentation)	46,930	27,151	17,121	19,676
Employees (FTE's)	503	232	196	201

		Investment Solutions	Global Markets & Treasury	Others	Eliminations	Total
Asia	Total					
81.8	517.2	113.3	47.1	21.3	(90.0)	608.9
(59.5)	(425.0)	(49.2)	(20.0)	(53.7)		(547.9)
(1.8)	(11.2)	(0.5)	(1.0)	(0.9)		(13.6)
20.5	**81.0**	**63.6**	**26.1**	**(33.3)**	**(90.0)**	**47.4**
(0.3)	(0.5)			(4.1)		(4.6)
(1.6)	0.4	(0.5)				(0.1)
	(1.1)		(15.8)			(16.9)
18.6	79.8	63.1	10.3	(37.4)	(90.0)	25.8
(4.4)	(1.2)	(1.2)		(2.8)		(5.2)
14.2	**78.6**	**61.9**	**10.3**	**(40.2)**	**(90.0)**	**20.6**
21,374	132,252	19,600		3,131	(16,574)	138,409
212	1,249	324	119	1,712		3,404

		Investment Solutions	Wealth Solutions	Corporate Overheads	Eliminations	Total
Asia	Total					
93.1	578.0	105.2	8.1	7.7	(90.1)	608.9
(51.4)	(386.6)	(41.5)	(4.0)	(126.0)	10.2	(547.9)
(2.0)	(12.3)	(1.6)		(0.8)	1.1	(13.6)
39.7	**179.1**	**62.1**	**4.1**	**(119.1)**	**(78.8)**	**47.4**
(0.3)	(0.5)			(4.1)		(4.6)
(1.7)	0.3	(0.4)				(0.1)
	(1.2)			(15.7)		(16.9)
37.7	177.7	61.7	4.1	(138.9)	(82.9)	25.8
(4.5)	(1.4)	(1.1)	(0.1)	(2.6)		(5.2)
33.2	**176.3**	**60.6**	**4.0**	**(141.5)**	**(82.9)**	**20.6**
21,374	132,252	19,600		3,131	(16,574)	138,409
235	1,367	196	128	1,713		3,404

Notes to the condensed consolidated interim financial statements

CHF millions	Private Banking and Wealth management Switzerland	Continental Europe	Americas	United Kingdom
Half Year ended 31 December 2016				
Segment revenue	69.7	58.1	51.0	75.6
Segment expenses	(54.1)	(43.7)	(40.6)	(45.6)
Tangible assets and software depreciation	(0.5)	(1.0)	(0.6)	(0.6)
Total Operating margin	**15.1**	**13.4**	**9.8**	**29.4**
Cost to acquire intangible assets and impairment of intangible assets	–	(0.4)	(0.3)	(0.6)
Impairment on Goodwill and Other intangible assets	(97.3)		(49.2)	(53.0)
Bargain gain on business acquisitions				
Other provisions	(3.0)	(4.7)		(0.4)
Impairment on loans and advances to customers	–	(0.2)	(0.1)	(2.6)
Segment profit / (loss) before tax	(85.2)	8.1	(39.8)	(27.2)
Income tax gain / (expense)	20.9	(1.4)	(0.7)	2.8
(Loss) / Profit for the period	**(64.3)**	**6.7**	**(40.5)**	**(24.4)**
Assets under management	15,504	17,713	11,521	19,065
Employees (FTE's)	314	317	255	384
Half Year ended 30 June 2016				
Segment revenue	73.0	60.7	50.2	81.4
Segment expenses	(61.4)	(44.0)	(40.1)	(58.6)
Tangible assets and software depreciation	(0.5)	(1.0)	(0.7)	(0.5)
Total Operating margin	**11.1**	**15.7**	**9.4**	**22.3**
Cost to acquire intangible assets and impairment of intangible assets	(0.1)	(0.4)	(0.2)	(0.8)
Other provisions	(7.3)	(0.3)		(0.7)
Reversal of impairment / (Impairment) on loans and advances to customers	0.1			(0.5)
Segment profit / (loss) before tax	3.8	15.0	9.2	20.3
Income tax (expense) / gain	(0.7)	(1.5)	(0.2)	(0.2)
Profit / (loss) for the period	**3.1**	**13.5**	**9.0**	**20.1**
Assets under management	14,912	17,292	11,213	18,608
Employees (FTE's)	324	322	267	426

Asia	Total	Investment Solutions	Wealth Solutions	Corporate Overheads	BSI	Eliminations	Total
67.1	321.5	59.2	12.9	(41.8)	84.9	(56.4)	380.3
(44.3)	(228.3)	(23.3)	(7.5)	(48.3)	(86.1)	11.0	(382.5)
(0.4)	(3.1)	(0.1)	(0.2)	(2.1)	(0.8)		(6.3)
22.4	**90.1**	**35.8**	**5.2**	**(92.2)**	**(2.0)**	**(45.4)**	**(8.5)**
(0.4)	(1.7)				(1.3)		(3.0)
	(199.5)						(199.5)
	–				416.8		416.8
(0.1)	(8.2)		(0.2)	0.1	(3.1)		(11.4)
	(2.9)				(0.5)		(3.4)
21.9	(122.2)	35.8	5.0	(92.1)	409.9	(45.4)	191.0
(3.4)	18.2	0.2	(0.1)	(3.3)	(1.9)		13.1
18.5	**(104.0)**	**36.0**	**4.9**	**(95.4)**	**408.0**	**(45.4)**	**204.1**
15,353	79,156	11,349		424	62,316	(8,731)	144,514
309	1,579	135	103	172	1,613	(30)	3,572
62.6	327.9	60.2	8.4	(3.1)		(51.7)	341.7
(41.8)	(245.9)	(23.4)	(7.9)	(27.5)		12.7	(292.0)
(0.3)	(3.0)		(0.1)	(1.9)			(5.0)
20.5	**79.0**	**36.8**	**0.4**	**(32.5)**		**(39.0)**	**44.7**
(0.1)	(1.6)						(1.6)
	(8.3)		(0.2)	(0.4)			(8.9)
	(0.4)						(0.4)
20.4	68.7	36.8	0.2	(32.9)		(39.0)	33.8
(2.8)	(5.4)	(1.7)	(0.1)	(2.7)			(9.9)
17.6	**63.3**	**35.1**	**0.1**	**(35.6)**		**(39.0)**	**23.9**
15,378	77,403	11,070		421		(8,314)	80,580
320	1,659	146	105	175		(29)	2,056

23. Off-balance sheet items

	30 June 2017 CHF millions	31 December 2016 CHF millions
Guarantees issued in favour of third parties	546.1	779.3
Irrevocable commitments	335.7	212.9
Operating lease commitments	189.0	210.1
Other	0.3	0.4
Total	**1,071.1**	1,202.7

24. Contingent liabilities

The Group is involved in various legal and arbitration proceedings in the normal course of its business operations. The Group establishes provisions (see note 16) for current and threatened pending legal proceedings if management is of the opinion that the Group is more likely than not to face payments or losses and if the amount of such payments or losses can be reliably estimated.

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

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

(i) Several entities in the Group have been named as defendants in lawsuits by the liquidators of Fairfield Sentry Ltd. and Fairfield Sigma Ltd. in the US Bankruptcy Court for the Southern District of New York and in the High Court of Justice of the British Virgin Islands, asserting that redemption payments received by the Group entities on behalf of clients should be returned to Fairfield Sentry Ltd. and Fairfield Sigma Ltd. The amount claimed is uncertain, but the Group believes the amount claimed is approximately USD 211 million. The Group entities have obtained a complete and final dismissal of the lawsuits in the British Virgin Islands. They keep vigorously defending the lawsuits in New York and believe they have strong defences to the claims.

(ii) The Trustee of Bernard L, Madoff Investment Securities LLC (“BLMIS”) has filed a complaint in the US Bankruptcy Court for the Southern District of New York (“SDNY”) asserting that redemption payments totalling USD 411 million allegedly received by certain Group entities on behalf of clients through Fairfield and Kingate feeder funds should be returned to BLMIS. This action includes the redemptions claimed by the Fairfield liquidators (see previous paragraph). The Group entities are vigorously defending the cases and believe they have strong defenses to the claims. The Group entities have obtained a complete dismissal of the Madoff action in the SDNY, which is now subject to appeal by BLMIS.

(iii) The Group is engaged in litigation proceedings initiated by a client claiming that he has been misled insofar as he thought that his investments were capital protected, that the agreed investment strategy has not been followed and that unauthorized transactions were performed. The amount claimed is approximately EUR 49 million plus interest. The Group entities are vigorously defending the cases and believe they have strong defences to the claims.

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

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

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

(vii) The Group has extended a loan of USD 193.8 million to an affiliate of a Taiwanese insurance company which was placed in receivership in 2014. The loan is secured by the assets of another affiliate of the insurance company. The former ultimate beneficial owner and chairman of the insurance company also gave the Group a personal guarantee covering the loan. The overall relationship with this insurance company included accounts held at EFG in Hong Kong, Singapore and Switzerland.

A Taiwanese Court found the former chairman (who was also the ultimate beneficial owner) of the insurance company guilty of various criminal offenses related to the misappropriation of funds of the insurance company and its subsidiaries, including the proceeds of the loan extended by the Group. The receiver of the insurance company has commenced civil legal and arbitration proceedings against the Group in Taiwan challenging the validity and enforceability of the collateral and the loans and seeking recovery of the underlying assets plus interest. The Group considers this challenge without merit and therefore views the collateral as valid and fully recoverable. The Group is currently seeking to enforce the personal guarantee from the former chairman of the insurance company. It has informed the competent regulatory authorities and fully cooperates with them in connection with their ongoing review of the matter. An investigation by a regulator in East Asia is on-going and may result in fines or other sanctions. The Group has made a provision only for unpaid interest on the loan as it considers the full outstanding principal amount of the loan to be fully cash collateralized. If the pledge of collateral is held to be unenforceable or void, the Group could incur a loss that would materially affect its results of operations and financial condition.

(viii) The liquidator of an investment company has brought a claim against the Group in the Commercial Court of Paris. The liquidator alleges that the Group is liable for processing a specific transfer of USD 50 million. The Group is vigorously defending against the claim and believes it has strong defences to the claim.

(ix) Clients have brought legal claims against the Group for CHF 13.6 million, alleging that the Group performed investments without a formal authorization. The Group is vigorously defending against these claims and believes it has strong defences to the claims.

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

(xi) The counter-party in a share transaction brought a claim against the Group for CHF 90 million related to a shareholders agreement, where the Group sold their minority holding in a company that was also a supplier of services to the Group. The buyer of the minority holding has brought a claim for losses allegedly suffered from the Group terminating its contract with that supplier. The Group is vigorously defending against the claim and believes it has strong defences to the claim. The Group is entitled to indemnification against any loss that may arise from this claim from the seller of the BSI Group.

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

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

(ii) In 2015, the US Attorney's Office for the Eastern District of New York and the Office of the Attorney General in Switzerland initiated criminal investigations into bribery and money-laundering allegations involving officials of Fédération Internationale de Football Association ("FIFA") and its member associations and related parties. Certain FIFA-related accounts were opened and maintained by the Group and they are currently under review. The U.S. Department of Justice ("DoJ") has issued requests for assistance to the Swiss authorities in obtaining information for some of the FIFA-related accounts. The U.S. and Swiss authorities are also investigating whether the Group and other financial institutions complied with their anti-money laundering obligations in connection with the FIFA-related accounts. The Group is cooperating fully with the Swiss and U.S. authorities in these ongoing investigations. The Group is entitled to indemnification against losses that may arise from these matters from the seller of the BSI Group.

(iii) Under the Sale and Purchase Agreement for the acquisition of the BSI Group, the Group could become subject to indemnification claims by the seller, which depending on the merits of the claim, could lead to a significant outflow.

25. Related party transactions

A number of banking transactions are entered into with related parties. These include loans, deposits, derivatives and provision of services. The total assets positions with related parties amounted to CHF 102.2 million at the end of June 2017 (December 2016: CHF 280.5 million).

No provisions have been recognised in respect of loans given to related parties (2016: nil).

26. Post balance sheet events – significant events and transactions

On 17 July 2017 the Group announced that BTG Pactual and the Group had been in discussions in relation to the closing accounts for BSI at 31 October 2016. EFG International and BTG Pactual agreed the final price to be paid for BSI. The impacts of this agreement have been fully reflected in these interim financial statements (see note 13).

Notes to the condensed consolidated interim financial statements

27. Board of Directors

The Board of Directors of EFG International AG comprises:

John A. Williamson*	Chairman
Niccolo H. Burki*	Vice-Chairman
Susanne Brandenberger*	
Emmanuel L. Bussetil	
Erwin Richard Caduff*	(resigned on 28 April 2017)
Michael Higgin*	
Roberto Isolani	
Steven M. Jacobs	
Spiro J. Latsis	
Pericles Petalas	
Bernd-A. von Maltzan*	
Daniel Zuberbühler*	

*independent directors.

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

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

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