Half-Year Report

2018

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 2017, EFG International completed the integration of BSI, a Lugano-based bank with a long-standing tradition of Swiss private banking and a broad international network. EFG International's largest shareholders are EFG Bank European Financial Group (43.4% stake) and BTG Pactual (27.2%).

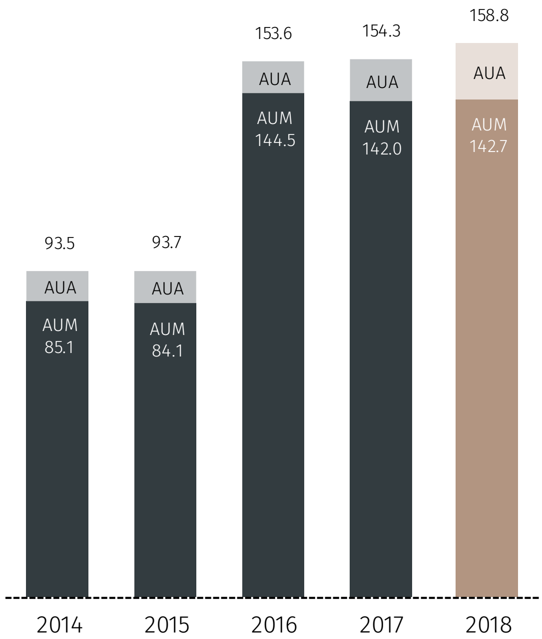
As a leading Swiss private bank, EFG International has a presence in major financial centres and growth markets. It has strong roots in Switzerland, with Zurich, Geneva and Lugano serving as key hubs for the governance and operation of the bank. EFG International operates in around 40 locations worldwide,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

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

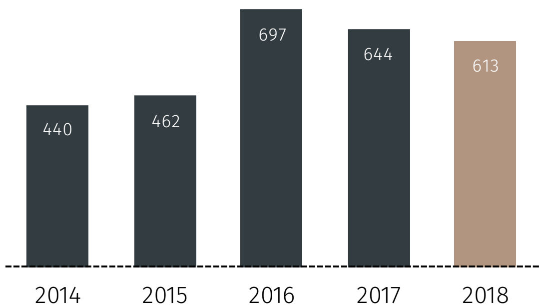
EFG International Performance Evolution

AUM and AUA

in CHF billions

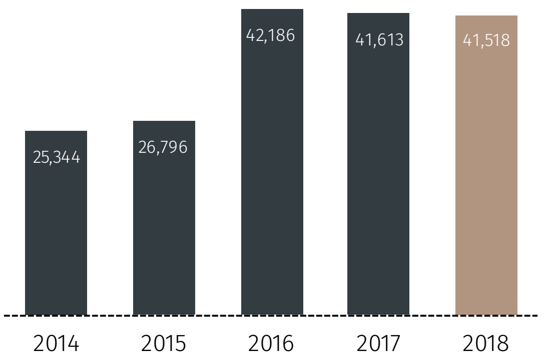


Client Relationship Officers (CROs)



Total Balance Sheet

in CHF millions



EFG International Financial Highlights

in CHF millions	**30 June 2018**
Income	
IFRS net profit attributable to equity holders	47.6
IFRS net profit attributable to ordinary shareholders	46.3
Underlying net profit*	129.2
Operating income	570.4
Cost/income ratio	79.7%
Balance sheet	
Total assets	41,518
Shareholders' equity	1,708
Market capitalisation	
Share price (in CHF)	7.44
Market capitalisation (ordinary shares)	2,173
Regulatory capital	
Total regulatory capital	2,309.0
Total capital ratio (Swiss GAAP Basel III, fully applied)	21.5%

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

Personnel	
Total number of CROs	613
Total number of employees (FTE's)**	3,219

Listing

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

Ticker Symbols	
Reuters	EFGN.S
Bloomberg	EFGN SW

* Excluding impact of non-underlying items.
** Excluding FTE's on notice period or in social plan (as of 30 June 2018)

Entrepreneurial thinking.
Private banking.

Contents

Chair and CEO statement

John A. Williamson, Giorgio Pradelli

Dear shareholders and clients,

While 2017 was a transformational year for EFG, mainly characterised by the BSI integration, 2018 is a year in which EFG is continuing to transform its business and strengthen its competitive position to become a leading Swiss private bank.

During this ongoing process of change, in which we continued to enhance our regulatory compliance framework, derisk our business and harmonise our processes, we returned to positive net asset inflows and achieved strong underlying profitability. The realisation of targeted synergies remained a key priority in order to further reduce expenses and achieve a lean and efficient cost base. With our businesses operating on a single, combined IT platform since end-2017, our focus in the first half of 2018 was on streamlining our processes and systems and on continuing to derisk our operations and enhance EFG's global compliance framework.

Strengthened governance and leadership team

In line with our strategy, we have made further changes to EFG's executive leadership team in order to strengthen the focus and responsiveness of its governance structure. From 01 July 2017, EFG International's Executive Committee is composed of six members: Giorgio Pradelli (Chief Executive Officer), Renato H. Cohn (Deputy CEO and Head of Investment Solutions), Vittorio Ferrario (Group Chief Compliance Officer), Christian Flemming (Chief Operating Officer), Thomas A. Mueller (Chief Risk Officer), and Dimitris Politis (Chief Financial Officer). In addition, a new Global Business Committee was established, which comprises a total of 13 members, including the Executive Committee and the following additional members: Mark Bagnall (Chief Technology Officer), Albert Chiu (Head of Asia Region), Anthony Cooke-Yarborough (Head of UK Region), Marcelo Coscarelli (Head of Latin America Region), Adrian Kyriazi (Head of Continental Europe Region), Maurizio Moranzoni (Head of Global Markets), and Franco Polloni (Head of Switzerland & Italy Region). The new Global Business Committee supports the Executive Committee in assessing and validating the company's strategy and key business priorities, while ensuring a rigorous focus on the delivery of client services and solutions in response to the needs of EFG's regional businesses. The streamlined governance set-up facilitates a more focused and responsive approach to the achievement of our organisation's goals.

We also decided to combine our business in Switzerland – our largest market – to create a single unit under the leadership of Franco Polloni, effective 01 July 2018. In this context, Adrian Kyriazi as Head of Continental Europe is now focusing on EFG's second-largest market, Continental Europe, as well as the Middle East and the Eastern Mediterranean. These organisational changes are already reflected in the segmental reporting of EFG's half-year 2018 results and previous periods have been restated accordingly. In addition, we are in the process of strengthening our regional management teams in order to improve management focus and accountability across our locations.

Net new assets and Assets under Management

The first half of 2018 marked the first six-month period of overall positive net asset inflows since the start of the integration process. Excluding AuM attrition, which is driven by our decision to exit certain client relationships that are not in line with our risk appetite, we generated underlying net new assets of CHF 3.3 billion. This corresponds to an annualised growth rate of 4.6% and is within our 3-6% target range for 2019. Overall, we achieved positive net new assets of CHF 2.0 billion, with net inflows more than offsetting decelerating AuM attrition. This resulted in an annualised growth rate of 2.8%. The majority of our regions delivered growth, with only the Switzerland & Italy region continuing to face challenges – with outflows mainly originating from the former BSI business.

Revenue-generating Assets under Management totalled CHF 142.7 billion at the end of the first half of 2018, a slight increase from CHF 142.0 billion at end-2017, as underlying net new assets of CHF 3.3 billion more than offset AuM attrition of CHF 1.3 billion and adverse market and foreign exchange impacts of CHF 1.3 billion. On a like-for-like basis (following the previously announced reclassification of Assets under Management, effective 01 January 2017), Assets under Management increased by almost CHF 10 billion compared to CHF 133.3 billion at the end of the first half of 2017.

Strong underlying profitability in first half of 2018

In the first six months of the year, we achieved strong underlying profitability. Underlying operating income was CHF 604.6 million for the first half of 2018, compared to CHF 639.8 million in the same period of last year, which included CHF 20.3 million of mark-to-market gains from derivatives. EFG's underlying revenue margin was 86 basis points, which is in line with our 2019 target and similar to 2016 and 2017 levels of 84 and 87 basis points, respectively.

We continued to make significant progress in realising synergies and reducing our underlying cost base during the first six months of the year. Underlying operating expenses totalled CHF 482.6 million, down 5% compared to the second half of 2017 and down 8% compared to the same period of last year. We achieved CHF 148 million of pre-tax cost synergies and are well on track to reach our cumulative target of CHF 180 million by end-2018 and of CHF 240 million of total synergies by end-2019. Our increased efficiency is also reflected by EFG's underlying cost/income ratio, which improved to 79.7% for the first six months of 2018, compared to 85.9% for the full-year 2017 and 83.9% for 2016.

In line with our growth strategy and continued business development efforts, we achieved an underlying net profit of CHF 129.2 million[1] in the first half of 2018, up 31% compared to the first half of 2017. Taking account of non-underlying impacts, mainly including integration costs and impacts from the life insurance portfolio, we reported an IFRS net profit of CHF 46.4 million[2] for the first half of 2018. This compares to CHF 63.6 million in the first half of 2017 and a loss of CHF 123.4 million in the second half of 2017, following the restatement due to the adoption of the IFRS 9 accounting standard, effective as of 01 January 2017.

Overall, the number of employees was 3,219[3] (full-time equivalents) at the end of June 2018. This compares to 3,366 at end-2017 and is in line with the planned reductions that were previously communicated. The number of Client Relationship Officers (CROs) decreased to 613 at the end of the first half of 2018, compared to 644 at end-2017, reflecting the completion of the integration process, natural turn-over, and ongoing performance management efforts. During the first six months of 2018, 19 new CROs were hired and we will continue to focus on attracting high-quality CRO teams in key strategic markets through targeted initiatives.

Continued strong capital and liquidity position
At the end of the first half of 2018, EFG's Swiss GAAP Common Equity Ratio (CET1) was 17.6 %, up from 17.3% at end-2017. Overall, the Total Capital Ratio also increased to 21.5% from 21.0% at end-2017, reflecting a reduction in risk-weighted assets and the benefit of organic capital generation. EFG has a strong and liquid balance sheet, with a Liquidity Coverage Ratio of 171% and a Loan/Deposit Ratio of 51% at the end of June 2018.

2018: Driving change to realise our potential
In the second half of 2018, we will concentrate on growing our business in key markets, while maintaining a cost-conscious approach and realising synergies. We aim to drive further profitability and to increase the operating leverage of our newly combined business. Equally, we believe that having a strong regulatory compliance framework is paramount to our long-term success. Consequently, we will continue to strengthen this framework in order to be able to respond promptly and effectively to evolving regulatory requirements.

We aim to continue to strengthen the competitive market position of the combined group as a top-tier Swiss private bank, capture significant potential through economies of scale and deliver profitable and sustainable growth. Building on the key pillars of our strategy – our distinctive, client-centric CRO model, our global network, and our extensive range of investment, wealth and credit solutions – we will equally continue to leverage our experience and expertise to serve best our clients' needs.

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

John A. Williamson,
Chair of the Board

Giorgio Pradelli,
Chief Executive Officer

1 This figure excludes the following items: CHF (37.8) million of costs relating to the integration of BSI, CHF (36.4) million negative impact from the life insurance portfolio, CHF (3.2) million BSI intangible amortisation charge and CHF (5.4) million of legal costs.

2 Attributable to equity holders

3 Excluding FTEs on notice or in social plan (as of 30 June 2018)

EFG International Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2018

Condensed consolidated interim income statement for the six months ended 30 June 2018

	Note	Half year ended 30 June 2018 CHF millions	Half year ended 31 December 2017 CHF millions	Restated Half year ended 30 June 2017 CHF millions
Interest and discount income		306.9	303.4	259.3
Interest expense		(129.2)	(118.6)	(98.8)
Net interest income	7	**177.7**	184.8	160.5
Banking fee and commission income		378.5	375.6	383.2
Banking fee and commission expense		(83.4)	(73.4)	(68.1)
Net banking fee and commission income	8	**295.1**	302.2	315.1
Dividend income	9	4.8	1.5	2.1
Net trading income and foreign exchange gains less losses	10	94.7	90.2	118.8
Fair value gains less losses on financial instruments measured at fair value	11	(19.6)	(81.8)	40.1
Gains less losses on disposal of financial assets at fair value through other comprehensive income	12	0.5	(2.5)	2.7
Other operating income		17.2	1.2	7.8
Net other income		**97.6**	8.6	171.5
Operating income		**570.4**	495.6	647.1
Operating expenses	14	(532.0)	(623.9)	(566.1)
Other provisions	20	19.5	(3.4)	(0.1)
Loss allowance on financial assets at amortised cost and debt instruments measured at fair value through other comprehensive income	13	(9.9)	(9.6)	(10.7)
Profit / (loss) before tax		**48.0**	(141.3)	70.2
Income tax	16	(0.4)	18.8	(5.2)
Net profit / (loss) for the period		**47.6**	(122.5)	65.0
Net profit / (loss) for the period attributable to:				
Net profit / (loss) attributable to equity holders of the Group		46.4	(123.4)	63.6
Net profit attributable to non-controlling interests		1.2	0.9	1.4
		47.6	(122.5)	65.0

	Note	Half year ended 30 June 2018 CHF millions	Half year ended 31 December 2017 CHF millions	Restated Half year ended 30 June 2017 CHF millions
Earnings per ordinary share		CHF	CHF	CHF
Basic	25	0.16	(0.43)	0.22
Diluted	26	0.15	(0.43)	0.21

The notes on pages 18 to 52 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 2018

	Note	Half year ended 30 June 2018 CHF millions	Half year ended 31 December 2017 CHF millions	Restated Half year ended 30 June 2017 CHF millions
Net profit / (loss) for the period		**47.6**	(122.5)	65.0
Other Comprehensive Income/(Loss)				
Items that may be reclassified subsequently to the Income Statement:				
Net (loss) / gain on hedge of investments in foreign operations, with no tax effect		(0.9)	12.1	(6.0)
Currency translation differences, with no tax effect		(15.8)	110.3	(24.6)
Net (losses) / gains on investments in debt instruments measured at fair value through Other Comprehensive Income (FVTOCI)		(4.0)	(12.8)	23.8
Tax effect on changes in fair value of investments in debt instruments measured at fair value through Other Comprehensive Income (FVTOCI)			(1.3)	(2.3)
Items that will not be reclassified to the Income Statement:				
Net gains on investments in equity instruments designated at fair value through Other Comprehensive Income			0.2	
Retirement benefit gains		15.4	133.2	39.6
Tax effect on retirement benefits		(3.5)	(44.0)	8.3
Other Comprehensive Income for the period, net of tax		**(8.8)**	197.7	38.8
Total Comprehensive Income for the period		**38.8**	75.2	103.8
Total Comprehensive Income for the period attributable to:				
Equity holders of the Group		37.6	72.2	102.3
Non-controlling interests		1.2	3.0	1.5
		38.8	75.2	103.8

The notes on pages 18 to 52 form an integral part of these condensed consolidated interim financial statements

Condensed consolidated interim balance sheet at 30 June 2018

	Note	30 June 2018 CHF millions	31 December 2017 CHF millions
Assets			
Cash and balances with central banks		9,168.5	9,699.8
Treasury bills and other eligible bills		1,164.9	1,482.3
Due from other banks		3,150.7	2,576.0
Derivative financial instruments		877.0	696.1
Financial assets at fair value through P&L		1,915.1	2,191.7
Financial assets at fair value through other comprehensive income		5,607.2	5,210.6
Loans and advances to customers	17	18,786.6	18,951.3
Property, plant and equipment		248.1	255.0
Intangible assets		198.7	202.8
Deferred income tax assets		80.8	82.6
Other assets		320.7	264.5
Total assets		**41,518.3**	41,612.7
Liabilities			
Due to other banks		456.0	533.7
Due to customers		31,907.1	32,298.0
Derivative financial instruments		820.0	646.9
Financial liabilities designated at fair value		542.2	484.0
Financial liabilities at amortised cost		4,892.0	4,477.2
Current income tax liabilities		14.5	16.0
Deferred income tax liabilities		5.4	5.9
Provisions	20	174.2	198.9
Other liabilities		597.7	644.4
Subordinated loans	19	401.7	580.7
Total liabilities		**39,810.8**	39,885.7
Equity			
Share capital	22	146.3	145.1
Share premium		1,904.8	1,904.8
Other reserves		254.3	248.4
Retained earnings		(624.5)	(598.4)
Total shareholders' equity		**1,680.9**	1,699.9
Non-controlling interests		26.6	27.1
Total equity		**1,707.5**	1,727.0
Total equity and liabilities		**41,518.3**	41,612.7

The notes on pages 18 to 52 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 2018

CHF millions	Share capital	Share premium	Other reserves	Retained earnings	Total shareholders equity	Additional equity components	Non-controlling interests	Total equity
	Attributable to owners of the Group							
Balance at 31 December 2016	**143.9**	**1,910.8**	**(115.3)**	**130.9**	**2,070.3**	**31.2**	**22.6**	**2,124.1**
Changes on initial application of IFRS 9			102.1	(596.0)	(493.9)			(493.9)
Restated Balance at 1 January 2017	**143.9**	**1,910.8**	**(13.2)**	**(465.1)**	**1,576.4**	**31.2**	**22.6**	**1,630.2**
Net profit for the period				63.6	63.6		1.4	65.0
Net loss on hedge of investments in foreign operations, with no tax effect			(6.0)		(6.0)			(6.0)
Currency translation difference, net of tax			(24.7)		(24.7)		0.1	(24.6)
Net gains on investments in debt instruments measured at fair value through Other Comprehensive Income (FVTOCI)			23.8		23.8			23.8
Tax effect on changes in fair value of investments in debt instruments measured at fair value through Other Comprehensive Income (FVTOCI)			(2.3)		(2.3)			(2.3)
Retirement benefit gains			39.6		39.6			39.6
Tax effect on retirement benefits			8.3		8.3			8.3
Total Comprehensive Income for the period	**–**	**–**	**38.7**	**63.6**	**102.3**	**–**	**1.5**	**103.8**

CHF millions	Share capital	Share premium	Other reserves	Retained earnings	Total shareholders equity	Additional equity components	Non-controlling interests	Total equity
	Attributable to owners of the Group							
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**	**38.9**	**(473.5)**	**1,621.0**	**31.2**	**24.1**	**1,676.3**

The notes on pages 18 to 52 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 2018 continued

	Attributable to owners of the Group							
CHF millions	Share capital	Share premium	Other reserves	Retained earnings	Total shareholders equity	Additional equity components	Non-controlling interests	Total equity
Balance at 1 July 2017	**144.8**	**1,910.8**	**38.9**	**(473.5)**	**1,621.0**	**31.2**	**24.1**	**1,676.3**
Net loss for the period				(123.4)	(123.4)		0.9	(122.5)
Net gain on hedge of investments in foreign operations, with no tax effect			12.1		12.1			12.1
Currency translation difference, net of tax			108.2		108.2		2.1	110.3
Net losses on investments in debt instruments measured at fair value through Other Comprehensive Income (FVTOCI)			(12.8)		(12.8)			(12.8)
Tax effect on changes in fair value of investments in debt instruments measured at fair value through Other Comprehensive Income (FVTOCI)			(1.3)		(1.3)			(1.3)
Net gains on investments in equity instruments designated at fair value through Other Comprehensive Income			0.2		0.2			0.2
Retirement benefit gains			133.2		133.2			133.2
Tax effect on retirement benefit gains			(44.0)		(44.0)			(44.0)
Total Comprehensive Income for the period	**–**	**–**	**195.6**	**(123.4)**	**72.2**	**–**	**3.0**	**75.2**
Cost of share issuance of a subsidiary		(5.9)			(5.9)			(5.9)
Dividend paid on additional equity components				(1.9)	(1.9)			(1.9)
Ordinary shares repurchased		(0.1)			(0.1)			(0.1)
Employee equity incentive plans amortisation			14.6		14.6			14.6
Employee equity incentive plans exercised	0.3		(0.3)					–
Transfer to retained earnings on lapse of employee equity incentive plans			(0.4)	0.4				–
Repurchase of additional equity components						(31.2)		(31.2)
Balance at 31 December 2017	**145.1**	**1,904.8**	**248.4**	**(598.4)**	**1,699.9**	**–**	**27.1**	**1,727.0**

The notes on pages 18 to 52 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 2018 continued

CHF millions	Share capital	Share premium	Other reserves	Retained earnings	Total Shareholder's equity	Additional equity components	Non-controlling interests	Total equity
	Attributable to owners of the Group							
Balance at 1 January 2018	**145.1**	**1,904.8**	**248.4**	**(598.4)**	**1,699.9**		**27.1**	**1,727.0**
Net profit for the period				46.4	46.4		1.2	47.6
Net loss on hedge of investments in foreign operations, with no tax effect			(0.9)		(0.9)			(0.9)
Currency translation difference, net of tax			(15.3)		(15.3)		(0.5)	(15.8)
Net loss on investments in debt instruments measured at fair value through Other Comprehensive Income (FVTOCI)			(4.0)		(4.0)			(4.0)
Retirement benefit gains			15.4		15.4			15.4
Tax effect on retirement benefit gains			(3.5)		(3.5)			(3.5)
Total Comprehensive Income for the period	**–**	**–**	**(8.3)**	**46.4**	**38.1**	**–**	**0.7**	**38.8**
Dividend paid on ordinary shares				(72.4)	(72.4)			(72.4)
Dividend paid on Bons de Participation				(0.1)	(0.1)			(0.1)
Transactions with non-controlling interests							(1.2)	(1.2)
Employee equity incentive plans amortisation			14.2		14.2			14.2
Employee equity incentive plans exercised	1.2				1.2			1.2
Balance at 30 June 2018	**146.3**	**1,904.8**	**254.3**	**(624.5)**	**1,680.9**	**–**	**26.6**	**1,707.5**

The notes on pages 18 to 52 form an integral part of these condensed consolidated interim financial statements

Condensed consolidated interim cash flow statement for the six months ended 30 June 2018

	Half year ended 30 June 2018 CHF millions	Half year ended 30 June 2017 CHF millions
Cash flows from operating activities	3.3	(119.6)
Changes in operating assets and liabilities	(518.3)	1,291.9
Net cash flows used in investing activities	(26.9)	(326.2)
Net cash flows from financing activities	78.0	170.6
Effect of exchange rate changes on cash and cash equivalents	131.5	83.8
Net change in cash and cash equivalents	**(332.4)**	1,100.5
Cash and cash equivalents at beginning of period	13,071.9	12,487.1
Net change in cash and cash equivalents	(332.4)	1,100.5
Cash and cash equivalents	**12,739.5**	13,587.6

Cash and cash equivalents

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

	30 June 2018 CHF millions	30 June 2017 CHF millions
Cash and balances with central banks	9,168.5	9,161.0
Treasury bills and other eligible bills	1,125.1	960.8
Due from other banks – at sight	1,580.9	2712.2
Due from other banks – at term	865.0	753.6
Cash and cash equivalents	**12,739.5**	13,587.6

The notes on pages 18 to 52 form an integral part of these 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 “EFG International Group” or “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 and is incorporated and domiciled in Switzerland. The Group is listed on the SIX Swiss Exchange.

These unaudited consolidated interim financial statements were approved for issue by the Board of Directors on 24 July 2018.

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 2017. The impact of seasonality on these condensed consolidated interim financial statements is not considered as material.

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 2017.

The Group has early adopted IFRS 9 – Financial Instruments – effective 01 January 2017, as applied to the consolidated financial statements for the year ended 31 December 2017.

The Group has applied IFRS 15 – Revenue from Contracts with Customers – effective from 01 January 2018.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The impact of the adoption of IFRS 9 is that the net profit for the half year ended 30 June 2017 has been restated from CHF 20.6 million to CHF 65.0 million. The main restatements relate to the following:

- Increase in interest income by CHF 6.2 million. Under IAS 39 net negative interest was recognised on assets reclassified from an amortised cost basis to a fair value basis. No interest is recognised on these assets under IFRS 9
- Increase in net other income by CHF 23.4 million as assets fair valued under IFRS 9 had net gains in fair value over the six month period ended 30 June 2017 (of which life insurance related assets had a gain of CHF 13.6 million)
- Increase in net other income by CHF 8.6 million due to exchange rate gains on the expected credit losses recorded on 01 January 2017
- The loss allowance (expected credit losses) change through the profit and loss was CHF 6.2 million lower than the IAS 39 impairment charge

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 2017.

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 2017.

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 2017.

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 3 of the consolidated financial statements for the year ended 31 December 2017.

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

3. Financial risk assessment and management

The Group acknowledges that carrying out business in the banking and financial services industry entails risks, i.e. that events may occur which impact the Group's ability to deliver on its objectives. The Group believes that the proper management of risks is critical for the continued success of EFG International.

A summary of the Group's approach to risk management, risk governance, and risk appetite are included in the note 6 of the 2017 Annual Report. There have been no significant changes in the Group's financial risk management objectives and policies in the six months ending 30 June 2018.

4. Credit risk

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

The table below summarises the carrying values and expected credit loss allowance by stage of those financial assets that were measured at amortised cost (or at fair value through other comprehensive income) as of 30 June 2018:

30 June 2018	Total carrying value CHF millions	ECL staging			ECL allowance included in carrying values CHF millions
		Stage 1	Stage 2	Stage 3	
Cash and balances with central banks	9,168.5				
Treasury bills and other eligible bills	1,164.9				
Due from other banks	3,150.7	0.1			0.1
Mortgages	6,539.3	0.4	0.3	4.2	4.9
Lombard and other loans	12,247.3	2.1	105.5	94.9	202.5
Investment securities – FVTOCI	5,607.2				
Total on-balance sheet assets as at 30 June 2018	**37,877.9**	**2.6**	**105.8**	**99.1**	**207.5**
Loan commitments	379.5	0.1			0.1
Financial guarantees	443.6	0.1	0.7	3.6	4.4
Total	**38,701.0**	**2.8**	**106.5**	**102.7**	**212.0**

The following table summarises the carrying values, credit grades, expected credit loss allowance by stage and fair values of collateral of those financial assets that were measured at amortised cost (or at fair value through other comprehensive income) as of 31 December 2017:

31 December 2017	Total carrying value CHF millions	ECL staging Stage 1	Stage 2	Stage 3	ECL allowance included in carrying values CHF millions
Cash and balances with central banks	9,699.8				
Treasury bills and other eligible bills	1,482.3				
Due from other banks	2,576.0	0.1			0.1
Mortgages	6,589.8	0.8	0.4	10.1	11.3
Lombard and other loans	12,361.5	2.7	88.3	90.3	181.3
Investment securities – FVTOCI	5,210.6				
Total on-balance sheet assets as at 31 December 2017	**37,920.0**	**3.6**	**88.7**	**100.4**	**192.7**
Loan commitments	226.9	0.1			0.1
Financial guarantees	601.2	0.1	0.7	3.6	4.4
Total	**38,748.1**	**3.8**	**89.4**	**104.0**	**197.2**

Loans and advances to customers comprise the following:

		30 June 2018 CHF millions	31 December 2017 CHF millions
(i) Mortgage loans	Gross	6,544.2	6,601.1
	ECL	(4.9)	(11.3)
(ii) Lombard loans	Gross	11,728.2	11,665.8
	ECL	(182.6)	(161.3)
(iii) Other loans	Gross	721.6	877.0
	ECL	(19.9)	(20.0)
Total loans and advances to customers		**18,786.6**	18,951.3

(i) Mortgage Loans

The table below presents the aggregate changes in gross carrying values and loss allowances for mortgage loans:

Gross carrying value	**Stage 1 CHF millions**	**Stage 2 CHF millions**	**Stage 3 CHF millions**	**CHF millions**
Gross carrying value as at 01 January 2018	**6,041.4**	**372.3**	**187.4**	**6,601.1**
Transfers:				
Transfer from Stage 1 to Stage 2	(122.3)	122.3		–
Transfer from Stage 1 to Stage 3	(68.1)		68.1	–
Transfer from Stage 2 to Stage 3		(12.5)	12.5	–
Transfer from Stage 3 to Stage 2		35.7	(35.7)	–
Transfer from Stage 2 to Stage 1	127.1	(127.1)		–
Financial assets derecognised during the period other than write-offs	(712.2)	(37.9)	(45.0)	**(795.1)**
New financial assets originated or purchased	765.9			**765.9**
Modification of contractual cash flows of financial assets				–
Changes in interest accrual	2.4	0.4	(0.2)	**2.6**
Write-offs				–
FX and other movements	(27.6)	(2.0)	(0.7)	**(30.3)**
Gross carrying value as at 30 June 2018	**6,006.6**	**351.2**	**186.4**	**6,544.2**

Loss allowance	**Stage 1 12-month ECL CHF millions**	**Stage 2 lifetime ECL CHF millions**	**Stage 3 lifetime ECL CHF millions**	**Total CHF millions**
Loss allowance as at 01 January 2018	**0.8**	**0.4**	**10.1**	**11.3**
Movements with P&L impact				**–**
Transfers:				**–**
Transfer from Stage 1 to Stage 2				**–**
Transfer from Stage 1 to Stage 3				**–**
Transfer from Stage 2 to Stage 1	0.1	(0.1)		**–**
New financial assets originated or purchased	0.1			**0.1**
Changes in PD/LGDs/EADs	(0.5)	(0.4)	(5.5)	**(6.4)**
Changes to model assumptions				**–**
Unwind of discount				**–**
Modification of contractual cash flows of financial assets				**–**
FX and other movements	(0.1)			**(0.1)**
Total net P&L charge during the period	**(0.4)**	**(0.5)**	**(5.5)**	**(6.4)**
Other movements with no P&L impact				**–**
Transfers:				**–**
Transfer from Stage 2 to Stage 3				**–**
Transfer from Stage 3 to Stage 2		0.4	(0.4)	**–**
Financial assets derecognised during the period				**–**
Write-offs				**–**
Loss allowance as at 30 June 2018	**0.4**	**0.3**	**4.2**	**4.9**

There were no purchased credit impaired balances during the reporting period, nor were the terms of any contracts modified. In addition, no amounts were written off in the period.

(ii) Lombard loans

The table below presents the aggregate changes in gross carrying values and loss allowances for lombard loans:

Gross carrying value	**Stage 1 CHF millions**	**Stage 2 CHF millions**	**Stage 3 CHF millions**	**CHF millions**
Gross carrying value as at 01 January 2018	**10,805.1**	**658.3**	**202.4**	**11,665.8**
Transfers:				
Transfer from Stage 1 to Stage 2	(301.7)	301.7		–
Transfer from Stage 1 to Stage 3	(1.9)		1.9	–
Transfer from Stage 2 to Stage 3		(0.3)	0.3	–
Transfer from Stage 3 to Stage 2				–
Transfer from Stage 2 to Stage 1	177.1	(177.1)		–
Financial assets derecognised during the period other than write-offs	(3,999.0)	(111.9)	(0.7)	**(4,111.6)**
New financial assets originated or purchased	4,079.4			**4,079.4**
Modification of contractual cash flows of financial assets				–
Changes in interest accrual	1.4	(1.3)		**0.1**
Write-offs				–
FX and other movements	84.5	6.5	3.5	**94.5**
Gross carrying value as at 30 June 2018	**10,844.9**	**675.9**	**207.4**	**11,728.2**

Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 lifetime ECL CHF millions	Stage 3 lifetime ECL CHF millions	Total CHF millions
Loss allowance as at 01 January 2018	**1.6**	**85.3**	**74.4**	**161.3**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(0.4)	0.4		–
Transfer from Stage 1 to Stage 3				–
Transfer from Stage 2 to Stage 1	0.7	(0.7)		–
New financial assets originated or purchased	1.7			**1.7**
Changes in PD/LGDs/EADs	(2.5)	17.3	1.1	**15.9**
Changes to model assumptions				–
Unwind of discount				–
Modification of contractual cash flows of financial assets				–
FX and other movements	0.7	1.7	1.3	**3.7**
Total net P&L charge during the period	**0.2**	**18.7**	**2.4**	**21.3**
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3				–
Transfer from Stage 3 to Stage 2				–
Financial assets derecognised during the period				–
Write-offs				–
Loss allowance as at 30 June 2018	**1.8**	**104.0**	**76.8**	**182.6**

There were no purchased credit impaired balances during the reporting period, nor were the terms of any contracts modified. In addition, no amounts were written off in the period.

Stage 1 lombard loans

Lombard loans are collateralised by portfolios of securities and excluding the 5 largest individual expected credit losses result in an ECL percentage of the related loans of 0.10%.

Stage 2 lombard loans

Included in the Stage 2 lombard loans gross exposure is an exposure of CHF 263.5 million (December 2017: CHF 234.3 milion) and an expected credit loss of CHF 99.7 million (December 2017: CHF 81.1 milion) for loans made by EFG International Group to third party funds in Sweden, collateralised by the assets of these funds. The equity investors in these funds contributed circa SEK 1.3 billion to acquire assets which mainly comprise of life insurance policies, issued by US life insurance companies. The third party funds pay a periodic premium to the life insurance companies to keep the policy valid and in turn rely on the leverage provided by the EFG International Group to make these premium payments. The average age of the underlying policy holders is currently 91 years old, the average life expectancy is under 3 years and the combined net death benefit is USD 441 million.

Whilst the loans are still performing, due to the extensions in life expectancies and the increases in cost of insurance that the US life insurance industry has encountered over the last few years, the EFG International Group considers that these loans have experienced a significant increase in credit risk (relative to the date when the loans were originally drawn down, as required by IFRS 9).

As a result these loans are classified as Stage 2 loans and EFG International Group is required to provide for lifetime expected credit losses on them. The Group concluded that these loans met the SPPI requirements as the initial loan to value was approximately 60% when originated and due to the level of equity that the investors of the funds had initially invested.

Determination of this ECL required the Group to use actuarial models to determine the potential cash flows that the funds will experience, and thus the valuation of the collateral. The sensitivities to the funds collateral values have been determined using discounted cash flow valuation techniques for the determination of the ECL, which makes use of market observable and non-market observable inputs. The inputs incorporate:
– Actuarially based assumptions on life expectancy
– Premium estimates
– Risk adjustments
– Interest rate curves or discount factors

The methodology applied for the determination of the ECL of these exposures is the same as the one applied for the calculation of any impairment in EFG International Group's proprietary investments in life insurance policies.

The loss given default of these loans will be dependent on certain financial risks that the funds are exposed to, which primarily include:
– Potential increases in the cost of insurance charges
– Longevity risk

Stage 3 lombard loans
Included in the Stage 3 lombard loan gross exposures is a loan exposure of USD 195.5 million (December 2017: USD 193.8 million) that EFG Bank AG disbursed in 2007 and on which an expected credit loss of USD 73.1 million (December 2017: USD 71.8 million) has been calculated. EFG International Group is party to multi-jurisdictional legal proceedings relating to a client relationship with a Taiwanese insurance company, including arbitration proceedings in Taiwan. EFG International Group has an exposure of USD 195.5 million to an affiliate of the insurance company, which was placed into receivership in 2014. The loan is secured by the assets of another affiliate of the insurance company, domiciled in Singapore that was placed into receivership. The former ultimate beneficial owner and chairman of the insurance company (who has been found guilty in Taiwan of various criminal offenses related to the misappropriation of company funds, including the proceeds of the bank loan) also gave EFG International Group a personal indemnity covering the loan. The overall relationship with the insurance company included accounts held at EFG in Hong Kong, Singapore and Switzerland.

In January 2018 an arbitration tribunal in Taiwan concluded that the transaction was invalid under the law of Taiwan as a result of the insurance company's non-compliance with Taiwanese insurance regulations. Based on that reasoning, the tribunal required EFG International Group to return USD 193.8 million in assets held by the affiliate of the insurance company and used as collateral for the loan, plus interest.

EFG International Group fundamentally disagrees with the tribunal's reasoning and the result. It is vigorously challenging in court the validity of the award and any attempt to enforce it. Moreover, the tribunal did not opine on the validity of the loan collateral under the governing laws of Singapore. EFG International Group had already commenced legal proceedings to confirm the validity of the loan collateral in Singapore, which remain ongoing. In addition, EFG International Group is enforcing the personal indemnity through legal proceedings in Singapore and taking steps to recover assets from the former chairman.

As required under IFRS 9, EFG International Group has assessed a multitude of potential outcomes in regards to the recoverability of this loan, and has recorded the discounted probability weighted impairment arising from these scenarios as the ECL. EFG International Group has recorded a provision of equal amount in its Swiss GAAP financial statements, which form the basis of the EFG International Group's regulatory capital adequacy reporting.

The gross exposure has increased by USD 1.7 million in the half year ended 30 June 2018, as under IFRS 9 the Group is required to reflect interest revenue on the amortised cost carrying amount (i.e. net of the credit allowance).

The expected credit loss has increased by a net USD 1.3 million due to the collateral value remaining constant at USD 193.8 million, and as a result of the increased exposure (which includes accrued interest of USD 1.7 million), partly offset by other changes (primarily due to USD interest rate increases resulting in a lower discounted value).

(iii) Other loans

The following table presents the aggregate changes in gross carrying values and loss allowances for other loans, (which include commercial loans, loans to public entities, unsecured overdrafts):

Gross carrying value	**Stage 1 CHF millions**	**Stage 2 CHF millions**	**Stage 3 CHF millions**	**CHF millions**
Gross carrying value as at 01 January 2018	**707.2**	**115.8**	**54.0**	**877.0**
Transfers:				
Transfer from Stage 1 to Stage 2	(12.1)	12.1		**–**
Transfer from Stage 1 to Stage 3	(8.2)		8.2	**–**
Transfer from Stage 2 to Stage 3		(1.1)	1.1	**–**
Transfer from Stage 3 to Stage 2		5.1	(5.1)	**–**
Transfer from Stage 3 to Stage 1				**–**
Transfer from Stage 2 to Stage 1	65.7	(65.7)		**–**
Financial assets derecognised during the period other than write-offs	(281.9)	(7.5)	(9.5)	**(298.9)**
New financial assets originated or purchased	146.1			**146.1**
Modification of contractual cash flows of financial assets				**–**
Changes in interest accrual				**–**
Write-offs				**–**
FX and other movements	(2.0)	(0.3)	(0.3)	**(2.6)**
Gross carrying value as at 30 June 2018	**614.8**	**58.4**	**48.4**	**721.6**

Loss allowance	Stage 1 12-month ECL CHF millions	Stage 2 lifetime ECL CHF millions	Stage 3 lifetime ECL CHF millions	Total CHF millions
Loss allowance as at 01 January 2018	**1.1**	**3.0**	**15.9**	**20.0**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2				–
Transfer from Stage 1 to Stage 3				–
Transfer from Stage 2 to Stage 1	1.0	(1.0)		–
New financial assets originated or purchased				–
Changes in PD/LGDs/EADs	(1.8)	(0.6)	2.3	**(0.1)**
Changes to model assumptions				–
Unwind of discount				–
Modification of contractual cash flows of financial assets				–
FX and other movements				–
Total net P&L charge during the period	**(0.8)**	**(1.6)**	**2.3**	**(0.1)**
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3				–
Transfer from Stage 3 to Stage 2		0.1	(0.1)	–
Financial assets derecognised during the period				–
Write-offs				–
Loss allowance as at 30 June 2018	**0.3**	**1.5**	**18.1**	**19.9**

There were no purchased credit impaired balances during the reporting period, nor were the terms of any contracts modified. In addition, no amounts were written off in the period.

5. Valuation of financial assets and liabilities

5.1 Financial assets and liabilities measured at fair value

(a) Fair value hierarchy

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

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

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

There were no transfers between levels in the current period.

	30 June 2018				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (assets):					
Currency derivatives		323.8		323.8	
Interest rate derivatives		43.1		43.1	
Equity derivatives		415.4		415.4	
Other derivatives		37.2		37.2	
Life insurance related			57.5	57.5	
Total derivatives assets					**877.0**
Financial assets at fair value through profit and loss:					
Debt	627.0	411.7		1,038.7	
Equity	83.5	1.8	56.9	142.2	
Life insurance related			717.2	717.2	
Structured products and investment funds		17.0		17.0	
Total financial assets at fair value through profit and loss					**1,915.1**
Total assets measured at fair value through profit and loss	**710.5**	**1,250.0**	**831.6**	**2,792.1**	**2,792.1**
Financial assets at fair value through other comprehensive income:					
Debt	5,599.2			5,599.2	
Equity		8.0		8.0	
Total financial assets measured at fair value through other comprehensive income					**5,607.2**
Total assets measured at fair value	**6,309.7**	**1,258.0**	**831.6**	**8,399.3**	**8,399.3**

	30 June 2018				
	Level 1 CHF millions	Level 2 CHF millions	Level 3 CHF millions	Total CHF millions	Total CHF millions
Derivative financial instruments (liabilities):					
Currency derivatives		280.8		280.8	
Interest rate derivatives		74.0		74.0	
Equity derivatives		424.7		424.7	
Other derivatives		40.5		40.5	
Total derivatives liabilities					**820.0**
Financial liabilities designated at fair value:					
Equity		317.8	38.8 [1]	356.6	
Life insurance related			185.6	185.6	
Total financial liabilities designated at fair value					**542.2**
Total liabilities measured at fair value	**–**	**1,137.8**	**224.4**	**1,362.2**	**1,362.2**
Assets less liabilities measured at fair value	**6,309.7**	**120.2**	**607.2**	**7,037.1**	**7,037.1**

1 Level 3 equity related financial liabilities designated at fair value of CHF 38.8 million comprise put options held by non-controlling interests with valuations based on contractual terms and an internal model, and are classified as Level 3 due to the absence of quoted prices or observable inputs.

Movement in Level 3 assets

	Assets in Level 3			
	Derivative financial instruments CHF millions	Financial assets measured at fair value through profit and loss CHF millions	Financial assets measured at fair value through other comprehensive income CHF millions	Total assets in level 3 CHF millions
At 01 January 2018	59.7	766.9		826.6
Total gains or losses in the Income Statement – Net loss from changes in fair value	(0.9)	(41.1)		(42.0)
Purchases/premiums paid	1.2	53.4		54.6
Disposals/premiums received	(3.5)	(17.1)		(20.6)
Exchange differences	1.0	12.0		13.0
At 30 June 2018	**57.5**	**774.1**	**–**	**831.6**
Change in unrealised gains or losses for the period included in the Income Statement for assets held at the end of the reporting period	(0.9)	(41.1)		(42.0)

			Liabilities in Level 3	
			Financial liabilities designated at fair value CHF millions	Total liabilities in level 3 CHF millions
At 01 January 2018			233.0	233.0
Total gains or losses in the Income Statement – Net gains from change in fair value			(11.6)	(11.6)
Purchases/premiums paid			7.2	7.2
Disposals/premiums received			(7.4)	(7.4)
Exchange differences			3.2	3.2
At 30 June 2018	**–**	**–**	**224.4**	**224.4**
Change in unrealised gains or losses for the period included in the Income Statement for liabilities held at the end of the reporting period			(11.6)	(11.6)

(b) Fair value methodology used for Level 3 instruments – valuation technique

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

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

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

Valuation techniques
If the market for a financial instrument is not active, the Group establishes fair value by using one of the following valuation techniques:
- Recent arm's length market transactions between knowledgeable, willing parties (if available)
- Reference to the current fair value of another instrument (that is substantially the same)
- Discounted cash flow analysis
- Option pricing model

Valuation techniques		Note	30 June 2018 CHF millions	31 December 2017 CHF millions
Discounted cash flow analysis	**Products**			
FVTPL – mandatorily measured	Equities in financial services companies	i	56.9	41.4
Financial liabilities designated at fair value	Liability to purchase non-controlling interests	ii	(38.8)	(42.7)
Discounted cash flow analysis and life expectancies (non-market observable inputs)				
Derivatives	Synthetic life insurance policies	iii	57.5	59.7
FVTPL – mandatorily measured	Physical life insurance policies	iii	717.2	725.5
Financial liabilities designated at fair value	Synthetic life insurance policies	iii	(185.6)	(190.3)
Total			**607.2**	593.6

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

(i) Equities in financial services companies
This primarily comprises participations in SIX Group and Aduno Group. The valuations use the expected net asset value at the end of June 2018 which the Group understands would be the basis for any sale or purchase. As these companies have not yet published their June 2018 financial statements at the time of preparing these condensed consolidated interim financial statements, the Group has made an estimate of the net asset value using unobservable data, being the companies estimated six-month net profit as of June 2018. The sensitivity of these valuations is that the gain/loss taken through profit and loss for a 30% higher and 30% lower six month 2018 estimated profit would be CHF 4.2 million gain or CHF 4.2 million loss on this position classified as fair value through profit or loss.

(ii) 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 38.8 million that corresponds to the estimated discounted repurchase amount.

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

The CVM shall contractually never be lower than the fixed price of EUR 33.5 million, which should be paid to minority shareholders upon the exercise of the put.

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

(iii) 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 Group holds the following life insurance related financial assets and liabilities:

IFRS 9 Classification	31 December 2017 Number of insureds	30 June 2018 Number of insureds	30 June 2018 Average Age Years	30 June 2018 Average life expectancy years	30 June 2018 Net death benefits CHF millions	30 June 2018 Fair value CHF millions
FVTPL	156	153	89.1	5.6	1,528.6	568.2
FVTPL *	62	59	86.0	6.1	304.9	149.0
Derivatives	108	103	89.0	7.4	107.2	57.5
Financial Liabilities	(72)	(66)	(86.4)	(5.9)	(331.7)	(185.6)
Total **	**253.0**	**247.0**	–	–	**1,609.0**	**589.1**

* Policies hedges by those included in Financial Liability category
** Unique insured individuals

These life insurance policies are issued by US life insurance companies. Upon the insured individual (US based) having deceased, the life insurance company pays a lump sum death benefit to the Group. The Group pays a periodic premium to the life insurance company to keep the policy valid. If the Group did not pay this premium, the insurance policy would lapse, and then the Group would not receive the death benefit when the insured individual died.

The key risks that the Group is exposed to (and which impact the fair value) include the following:
- Longevity
- Changes in the premium streams (cost of insurance)
- Counterparty credit risk
- Interest rate risk

The Group is exposed indirectly to similar risks to these mentioned above through loans that the Group has advanced to funds which have invested in life insurance. See note 4 on lombard loans for a summary of the loans and the related expected credit loss allowance that has been recognised.

The Group values these financial assets and liabilities at fair value using models. As the market for life settlement policies is private and fragmented, the models rely on inputs to the models that are not based on observable market data (unobservable inputs), and assumptions are made in determining relevant risk adjustments. These financial instruments are classified as Level 3.

The fair value is calculated using cash flows market participants would expect, based on information provided by independent parties specialised in calculating future cost of insurance charges for life insurance policies and adjusted to account for uncertainties.

The determination of the fair value for this portfolio is a critical process and therefore the Group reviews these estimates on a periodic basis and relies on expert actuaries and legal advisors in order to minimise risks surrounding the assumptions related to the life expectancy and cost of insurance estimates.

The determination of the fair value of these financial assets and liabilities requires management judgment on the below valuation inputs:

(iv) Longevity assumptions
The assumptions on life expectancy are based on the Valuation Basic Table (VBT) last published by the Society of Actuaries in 2015 and adjusted by external life settlement underwriters and actuaries to reflect the individual medical characteristics of the referenced insureds. Premium estimates are based on cost of insurance estimates, which are provided by independent parties specialised and experienced in the field of premium calculations for life settlement policies. The Group conducts a regular in-depth review of such providers to ensure high quality standards and reliability of the forecasts.

(v) Premium streams and cost of insurance
The determination of the estimated cash flows included in the valuation is considered to be a critical accounting judgement for the Group, due to the lack of observable readily available information and the complexity of the determination of these assumptions.

The Group uses management's best estimate considering historic information and relying on specialised opinions and information from external service providers about trends and market developments. Management also considers that the outcome of disputes involving significant increases in premiums observed in the US market will affect the expected premiums payable.

The determination of the appropriate level of increase of cost of insurance in the underlying policies is one of the most important assumptions applied by management in the valuation model. Increases in cost of insurance consider 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 consider these increases in cost of insurance to be unjustified and has challenged their implementation in US courts. The Group filed two legal claims on 31 October 2016 against AXA Equitable Life Insurance Company and Transamerica with respect to 18 and 48 policies issued by these carriers, respectively.
On 02 February 2017, the Group also filed a third legal claim against Lincoln National Life Insurance Company with respect to 28 policies. The legal cases against AXA and Transamerica are in discovery. Also the court in the Lincoln action has denied the carrier's motion to dismiss the Group's claims almost in its entirety. This case is also proceeding to discovery.

The outcome of disputes involving significant increases in premiums observed in the US market affecting the life insurance policies in the portfolio are taken into account. In these cases, management has, in line with market participants, set their own best estimates taking into account the factors outlined above and the relevant contracts. As the ultimate resolution of these legal actions is significant for the Group, it relies on actuaries to set the cost of insurance assumptions.

The Group will also take legal actions against other carriers that have indicated that they will increase premiums. The Group believes that it will prevail in these claims, however legal proceedings are inherently unpredictable and the actual future outcome might materially differ from the Group's expectations.

(vi) Counterparty credit risk
This is the risk of default of the insurance carrier. Credit risk is taken into account through applying a notching based probability of default approach that takes the credit rating assigned by a recognised agency into consideration as starting point. The Group is of the view that US life insurance carriers are operating in a highly regulated environment, which would ensure that the rights of the beneficiary under a life insurance policy remain protected and claims under such policies rank among the most senior liabilities.

(vii) Interest rate risk
The risk adjusted cash flows have been discounted at the term matching linearly interpolated market swap curve.

The sensitivity to the fair value of the Group's life insurance related assets and liabilities held at fair value are included below:

		Discount Factor		Longevity		Premium Estimates	
		−1% CHF millions	+1% CHF millions	−3 months CHF millions	+3 months CHF millions	−5% CHF millions	+5% CHF millions
Life settlement sensitivities							
Derivatives	Synthetic policies	2.6	(2.4)	0.1	(0.3)		
Financial assets at fair value	Physical policies	56.8	(50.7)	43.3	(42.5)	46.6	(47.2)
Financial liabilities designated at fair value	Synthetic policies	(12.2)	11.0	(6.2)	6.1		
At 31 December		**47.2**	**(42.1)**	**37.2**	**(36.7)**	**46.6**	**(47.2)**

The assumptions related to premiums and cost of insurance take the market participants' view on the merits of the ongoing legal cases of the Group and other plaintiffs into account. Assuming the full premium increases were used by a market participant, the valuation would decrease by CHF 102.5 million.

The impact of counterparty credit risk for a two-notch downgrade would be CHF 4.7 million decrease in fair value.

(c) Offsetting

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

As at 30 June 2018	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of recognised financial assets presented in the balance sheet	*Related amounts not set off in the balance sheet* Financial liabilities subject to netting agreements	Cash collateral	Net exposure
Derivatives	923.2	(46.2)	877.0	(247.6)	(485.9)	143.5
FVTPL – Life insurance policies	149.0		149.0	(149.0)		
Total financial assets	**1,072.2**	**(46.2)**	**1,026.0**	**(396.6)**	**(485.9)**	**143.5**

As at 30 June 2018	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of recognised financial liabilities presented in the balance sheet	*Related amounts not set off in the balance sheet* Financial liabilities subject to netting agreements	Cash collateral	Net exposure
Derivatives	866.2	(46.2)	820.0	(247.6)	(77.3)	495.1
FVTPL – Life insurance policies	185.6		185.6	(149.0)	(139.5)	
Total financial liabilities	**1,051.8**	**(46.2)**	**1,005.6**	**(396.6)**	**(216.8)**	**495.1**

5.2 Financial assets and liabilities measured at amortised cost

The following table summarises the carrying values and fair values of those financial assets and liabilities that were measured at amortised cost as of 30 June 2018:

	Note	Carrying value CHF millions	Fair value CHF millions	Difference CHF millions
30 June 2018				
Financial assets				
Due from other banks	(i)	3,150.7	3,141.8	(8.9)
Loans and advances to customers	(ii)	18,786.6	19,169.4	382.8
		21,937.3	**22,311.2**	**373.9**
Financial liabilities				
Due to other banks	(iii)	456.0	455.8	(0.2)
Due to customers	(iii)	31,907.1	31,897.0	(10.1)
Subordinated loans	(iv)	401.7	425.7	24.0
Financial liabilities at amortised cost	(v)	4,892.0	4,879.8	(12.2)
		37,656.8	**37,658.3**	**1.5**
Net assets and liabilities not measured at fair value		**(15,719.5)**	**(15,347.1)**	**372.4**

(i) Due from other banks
Due from other banks includes interbank 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) 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.

(iv) 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.

(v) Financial liabilities at amortised cost
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 2 of the fair value hierarchy.

6. Assets under management and assets under administration

	30 June 2018 CHF millions	31 December 2017 CHF millions	Restated 30 June 2017 CHF millions
Character of client assets			
Equities	30,974.0	32,279.0	28,227.0
Deposits	34,641.0	34,018.0	33,070.0
Bonds	33,176.0	35,122.0	32,938.0
Loans	18,934.0	18,978.0	18,464.0
Structured notes	4,588.0	4,205.0	4,295.0
Hedge funds/Fund of hedge funds	4,446.0	3,817.0	4,252.0
Fiduciary deposits	1,472.0	1,275.0	540.0
Other	14,504.0	12,334.0	11,532.0
Total Assets under management	**142,735.0**	142,028.0	133,318.0
Total Assets under administration	**16,139.0**	12,319.0	10,295.0
Total Assets under management and administration	**158,874.0**	154,347.0	143,613.0

Assets under administration are trust assets administered by the Group. The Group has CHF 8,328 million (2017: CHF 13,274 million) of Assets under custody not included in the above.

7. Net interest income

	Half year ended 30 June 2018 CHF millions	Half year ended 31 December 2017 CHF millions	Restated Half year ended 30 June 2017 CHF millions
Banks and customers	244.2	229.7	214.1
Financial assets at fair value through Other Comprehensive Income	55.4	65.5	36.1
Held-to-maturity investment securities	0.8	4.2	
Treasury bills and other eligible bills	6.5	4.0	9.1
Total interest and discount income	**306.9**	303.4	259.3
Banks and customers*	(94.3)	(79.1)	(73.2)
Other financial liabilities	(24.2)	(21.9)	(17.6)
Subordinated loans	(10.7)	(17.6)	(8.0)
Total interest expense	**(129.2)**	(118.6)	(98.8)
Net interest income	**177.7**	184.8	160.5

* Negative interest on Swiss francs deposits placed by the Bank at the Swiss National Bank amounts to CHF 14.4 million for the half year ended 30 June 2018, and CHF 15.3 million and CHF 23.2 million for the half year ended December 2017 and June 2017 respectively and are disclosed as Interest expense due to banks and customers.

8. Net banking fee and commission income

	Half year ended 30 June 2018 CHF millions	Half year ended 31 December 2017 CHF millions	Half year ended 30 June 2017 CHF millions
Advisory and management fees	179.4	188.7	186.7
Brokerage fees	105.0	104.4	108.9
Commission and fee income on other services	94.1	82.5	87.6
Banking fee and commission income	**378.5**	375.6	383.2
Commission and fee expenses on other services	(83.4)	(73.4)	(68.1)
Banking fee and commission expense	**(83.4)**	(73.4)	(68.1)
Net banking fee and commission income	**295.1**	302.2	315.1

9. Dividend income

	Half year ended 30 June 2018 CHF millions	Half year ended 31 December 2017 CHF millions	Half year ended 30 June 2017 CHF millions
Financial assets at fair value through profit and loss	4.8	1.5	2.1
Dividend income	**4.8**	1.5	2.1

10. Net trading income and foreign exchange gains less losses

Net trading income of CHF 94.7 million (CHF 90.2 million for the half year ended 31 December 2017 and CHF 118.8 million for 30 June 2017) comprises of results from foreign exchange transactions and results on revaluation of assets and liabilities denominated in other currencies, including the mark-to-market of interest rate swaps and currency forwards and swaps.

11. Fair value gains less losses on financial instruments measured at fair value

	Half year ended 30 June 2018 CHF millions	Half year ended 31 December 2017 CHF millions	Restated Half year ended 30 June 2017 CHF millions
Financial instruments measured at fair value			
Equity securities	18.6	12.6	5.3
Debt securities	(12.2)	2.6	12.3
Derivative financial instruments	7.3	(33.2)	10.5
Life insurance securities	(33.3)	(64.4)	12.6
Inefficiency on fair value hedges		0.6	(0.6)
Fair value gains less losses on financial instruments measured at fair value	**(19.6)**	(81.8)	40.1
Inefficiency on fair value hedges			
Net gain on hedging instruments	6.2	8.1	2.9
Net loss on hedged items attributable to the hedged risk	(6.2)	(7.5)	(3.5)
Net gain representing ineffective portions of fair value hedges	**–**	0.6	(0.6)

12. Gains less losses on disposal of financial assets at fair value through other comprehensive income

	Half year ended 30 June 2018 CHF millions	Half year ended 31 December 2017 CHF millions	Restated Half year ended 30 June 2017 CHF millions
Debt securities	0.5	(2.5)	2.7
Gains less losses on disposal financial assets at fair value through other comprehensive income	**0.5**	(2.5)	2.7

13. Loss allowance on financial assets at amortised cost and debt instruments measured at fair value

The below table summarises the impact on the income statement for the half year ended 30 June 2018:

	30 June 2018 CHF millions	31 December 2017 CHF millions	Restated 30 June 2017 CHF millions
Change in loss allowance	(9.9)	(9.6)	(10.7)
Loss allowance on financial assets at amortised cost and debt instruments measured at fair value	**(9.9)**	(9.6)	(10.7)

14. Operating expenses

	Note	Half year ended 30 June 2018 CHF millions	Half year ended 31 December 2017 CHF millions	Half year ended 30 June 2017 CHF millions
Staff costs	15	(355.4)	(370.0)	(356.0)
Professional services		(45.3)	(54.6)	(29.4)
Advertising and marketing		(6.7)	(10.3)	(4.9)
Administrative expenses		(45.7)	(96.1)	(92.3)
Operating lease rentals		(23.3)	(28.0)	(25.2)
Depreciation of property, plant and equipment		(11.4)	(12.3)	(10.6)
Amortisation of intangible assets:				
Computer software and licences		(4.3)	(4.0)	(3.0)
Other intangible assets		(5.0)	(5.3)	(4.6)
Legal and litigation expenses		(13.1)	(16.8)	(11.7)
Other		(21.8)	(26.5)	(28.4)
Operating expenses		**(532.0)**	(623.9)	(566.1)

In the period ended 30 June 2018, the Group incurred CHF 36.8 million (for the half year ended 31 December 2017 of CHF 98.1 million and CHF 32.7 million for the half year ended 30 June 2017) related to costs for the integration of the businesses acquired from BSI Group in 2016.

15. Staff costs

	Half year ended 30 June 2018 CHF millions	Half year ended 31 December 2017 CHF millions	Half year ended 30 June 2017 CHF millions
Wages, salaries and staff bonuses	(281.5)	(311.9)	(287.9)
Social security costs	(23.7)	(21.8)	(23.8)
Pension costs	(21.3)	(2.5)	(15.8)
Employee equity incentive plans	(14.2)	(14.6)	(14.3)
Other	(14.7)	(19.2)	(14.2)
Staff costs	**(355.4)**	(370.0)	(356.0)

As at 30 June 2018 the number of full time equivalent employees (FTE's) of the Group was 3,321 (2017: 3,366) and the average for the period was 3,355 (average for the full year 2017: 3,469). The FTE's not in their notice period at 30 June 2018 was 3,219.

16. Income tax

	Half year ended 30 June 2018 CHF millions	Half year ended 31 December 2017 CHF millions	Half year ended 30 June 2017 CHF millions
Current tax expense	(6.0)	(7.8)	(11.4)
Deferred income tax gain	5.6	26.6	6.2
Income tax (expense) / gain	**(0.4)**	18.8	(5.2)

17. Loans and advances to customers

	30 June 2018 CHF millions	31 December 2017 CHF millions
Mortgages	6,544.2	6,601.1
Lombard loans	11,728.2	11,665.8
Other loans	721.6	877.0
Gross loans and advances	**18,994.0**	19,143.9
Less: Loss allowance	(207.4)	(192.6)
Loans and advances to customers	**18,786.6**	18,951.3

The other loans include CHF 160.1 million (2017: CHF 195.4 million) of loans made with no collateral and CHF 114.1 million (2017: CHF 103.4 million) of loans where the collateral value is below the value of the loan. The uncollateralised portion of these loans is classified as "unsecured"; however they are within the approved unsecured lending limits for the customers.

18. Loss allowance

	Half year end 30 June 2018 CHF millions	Half year end 31 December 2017 CHF millions	Half year end 30 June 2017 CHF millions
At beginning of period	**192.6**	180.4	43.2
Adjustment on adoption of IFRS 9			135.9
Loss allowance increased through profit and loss	9.9	9.6	10.7
Utilisation of provision		(0.2)	(0.7)
Foreign exchange and other movements	4.9	2.8	(8.7)
At end of period	**207.4**	192.6	180.4

19. Subordinated loans and debt issued

	Weighted average interest rate %	Due dates	30 June 2018 CHF millions	31 December 2017 CHF millions
Subordinated loans – issuers				
EFG International (Guernsey) Ltd – USD 400'000'000	5.00% p.a.	March 2027	401.7	392.8
EFG Funding (Guernsey) Ltd – CHF 180'000'000	4.75% p.a.	Repaid January 2018		187.9
Total subordinated loans			**401.7**	580.7

Subordinated loans are presented net of unamortised discount on issuance of CHF 2.0 million (2017: CHF 2.2 million).

The movement in the account is as follows:

At beginning of period	**580.7**
Subordinated loan redeemed	(180.0)
Accrued interest	(5.6)
Exchange differences	6.6
At end of period	**401.7**

20. Provisions

	Provision for credit default risks CHF millions	Provision for litigation risks CHF millions	Provision for restructuring CHF millions	Other provisions CHF millions	Total CHF millions
At 1 January 2018	**4.5**	**49.1**	**1.8**	**143.5**	**198.9**
Increase in provisions recognised in the Income Statement – Impairment on loans					–
Increase in provisions recognised in the Income Statement					–
Release of provisions recognised in the Income Statement		(1.7)		(17.8)	(19.5)
Provisions used during the year		(5.5)			(5.5)
Exchange differences		0.3			0.3
At 30 June 2018	**4.5**	**42.2**	**1.8**	**125.7**	**174.2**
Expected payment within 12 months		42.2	1.8	125.7	169.7
Expected payment thereafter	4.5				4.5
	4.5	**42.2**	**1.8**	**125.7**	**174.2**

Provision for credit default risks
This relates to the expected credit losses under IFRS 9. The Group calculates expected credit losses on off-balance sheet positions primarily related to guarantees. These losses are not expected to arise in the next 12 months.

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

A provision of CHF 15.6 million relates to two substantially similar lawsuits brought by the liquidators of the Fairfield Funds against the former BSI Group and other defendants. The liquidators are seeking to claw back redemption payments allegedly received by the defendants for shares of the Fairfield Funds during the period from 2004 to 2008. This lawsuit is unlikely to settle within a year.

Other provisions of CHF 11.0 million relate to various lawsuits primarily brought by ex-clients of the BSI Group. These are longstanding claims and are considered as unlikely to be settled within a year.

Other provisions of CHF 15.6 million remain for various small litigation cases which are expected to be settled within a year.

Provision for restructuring
In certain locations where EFG International Group and the former BSI Group had a booking centre, the operations have been integrated. As a result, certain announced restructurings are taking place to integrate two businesses in one location and the Group has provisions of CHF 1.8 million related to these announced restructurings. These are expected to be settled within a year.

Other provisions
The BSI Group took a provision of CHF 95.0 million for disgorgement of profits levied by FINMA on the BSI Group with regard to the investigations into 1MDB, arising from activities that occurred between 2011 and April 2015. The former BSI Group, however, appealed FINMAs 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 20.8 million relates to proceedings in Germany against the Group for alleged aiding and abetting of tax evasion by German residents between 2004 and 2015. An agreement has been reached with the German authorities, and an updated estimate of the payment has resulted in a partial release of CHF 17.8 million of the provision that existed at 31 December 2017. This claim is likely to settle in the next six months.

Other provisions of CHF 9.9 million remain for various other potential cash outflows which are expected to be settled within a year.

21. Contingent liabilities

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

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

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

i) Several entities in EFG International Group have been named as defendants in lawsuits by the liquidators of Fairfield Sentry Ltd. and Fairfield Sigma Ltd. in the US Bankruptcy Court for the Southern District of New York and in the High Court of Justice of the British Virgin Islands, asserting that redemption payments received by the Group entities on behalf of clients should be returned to Fairfield Sentry Ltd. and Fairfield Sigma Ltd. The amount claimed is uncertain, but the Group believes the amount claimed is approximately USD 217 million. The Group entities have obtained a complete and final dismissal of the lawsuits in the British Virgin Islands. They keep vigorously defending the lawsuits in New York and believe they have strong defences to the claims.

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

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

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

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

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

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

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

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

x) The Group (through the acquisition of BSI) was the counterparty in a shareholder 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 of CHF 90 million allegedly suffered from the Group terminating its contract with that supplier. The Group is vigorously defending against the claim and believes it has strong defences to the claim. The Group is entitled to indemnification against any loss that may arise from this claim from the seller of the former BSI Group.

xi) The Group has launched an investigation into fraudulent activities by a former employee and initiated legal proceedings to freeze and potentially recover USD 11 million in related transactions. The investigation is ongoing and there is no reliable estimate of the Bank's potential loss.

xii) The Group has extended a loan of USD 193.8 million to an affiliate of a Taiwanese insurance company which was placed in receivership in 2014. With the adoption of IFRS 9, the Group has assessed this loan as a Stage 3 loan and calculated an expected credit loss on this exposure which is explained in detail in note 4.

xiii) The Group is engaged in litigation proceedings initiated by a client claiming losses from unauthorised investments.. The amount claimed is approximately USD 8 million plus interest. The Group is vigorously defending the cases and believe they have strong defences to the claims.

The following contingent liabilities (that arose through the acquisition of BSI) that management is aware of, could have a material effect on the Group. However, based on presently available information and assessments, the Group is not able to reliably measure the possible obligation. The Group is entitled to indemnification against losses that may arise from these matters listed below from the seller of the former BSI Group.

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

ii) In 2015, the US Attorney's Office for the Eastern District of New York and the Office of the Attorney General in Switzerland initiated criminal investigations into bribery and moneylaundering 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 US Department of Justice has issued requests for assistance to the Swiss authorities in obtaining information for some of the FIFA-related accounts. The US and Swiss authorities are also investigating whether the Group and other financial institutions complied with their anti-money laundering obligations in connection with the FIFA-related accounts. The Group is cooperating fully with the Swiss and US authorities in these ongoing investigations.

iii) A client has brought legal claims against the Group for CHF 52 million in purported actual and consequential damages, alleging that the Group did not manage the account in accordance with the mandate. The Group is vigorously defending against these claims and believes it has strong defences to the claims. The Group is entitled to indemnification against any loss that may arise from this matter from the seller of the former BSI Group.

22. Share capital

In the period, share capital increased by CHF 1.2 million, as a result of 2,396,841 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 146,057,055 divided into 292,114,109 registered shares with a nominal value of CHF 0.50 each.

23. Employee equity incentive plans

In the period, the Group has granted 5,431,009 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.

24. Dividends

At the Annual General Meeting on 27 April 2018 a dividend in respect of 2017 of CHF 0.25 (2016 paid in 2017: CHF 0.25) per share amounting to CHF 72.4 million (2016 paid in 2017: CHF 71.9 million) was approved.

	Half year ended 30 June 2018 CHF millions	Half year ended 31 December 2017 CHF millions	Half year ended 30 June 2017 CHF millions
Dividends on ordinary shares			
CHF 0.25 per share related to 2016 paid in 2017			71.9
CHF 0.25 per share related to 2017 paid in 2018	72.4		
	72.4		71.9
Dividends on Bons de Participation			
For the period 31 October 2016 to 30 April 2017 at 0.634%			0.1
For the period 1 May 2017 to 30 October 2017 at 0.973%			
For the period 31 October 2017 to 30 April 2018 at 1.138%	0.1		
	0.1		0.1

25. Basic earnings per ordinary share

	Half year ended 30 June 2018 CHF millions	Half year ended 31 December 2017 CHF millions	Restated Half year ended 30 June 2017 CHF millions
Net profit/(loss) for the period attributable to owners of the Group	46.4	(123.4)	63.6
Dividend on additional equity components		(1.9)	
Estimated pro-forma dividend on Bons de Participation	(0.1)		(0.1)
Net profit/(loss) for the period attributable to ordinary shareholders	**46.3**	(125.3)	63.5
Weighted average number of ordinary shares (000s of shares)	292,070	289,684	289,170
Basic earnings per ordinary share (CHF)	**0.16**	(0.43)	0.22

Basic earnings per ordinary share is calculated by dividing the net profit / (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares owned by the Group amounting to 43,386.

For the purpose of the calculation of earnings per ordinary share, net profit / (loss) for the period has been adjusted by an estimated, pro-forma accrued dividend on the Bons de Participation. The latter has been computed by using a dividend rate from 01 January 2018 until 30 April 2018 of 1.138% and from 01 May 2018 until 30 June 2018 at a rate of 1.262%.

26. Diluted earnings per ordinary share

	Half year ended 30 June 2018 CHF millions	Half year ended 31 December 2017 CHF millions	Restated Half year ended 30 June 2017 CHF millions
Net profit / (loss) for the year attributable to owners of the Group	46.4	(123.4)	63.6
Dividend on additional equity components		(1.9)	
Estimated pro-forma dividend on Bons de Participation	(0.1)		(0.1)
Net profit / (loss) for the year attributable to ordinary shareholders	**46.3**	(125.3)	63.5
Diluted-weighted average number of ordinary shares (000s of shares)	306,435	289,684	298,735
Diluted earnings per ordinary share (CHF)	**0.15**	(0.43)	0.21

In the period pursuant to its employee equity incentive plans, the Group issued in 2018 restricted stock units related to 5,431,009 (2017: 5,618,755) shares. Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding for the dilutive impact of potential unissued shares. These restricted stock units have the effect to increase the diluted-weighted average number of ordinary shares of EFG International in periods when the Group has profits attributable to ordinary shareholders.

27. Segmental reporting

The Group's segmental reporting is based on how internal management reviews the performance of the Group's operations. As this reporting has changed in the current year, the reporting is provided on the basis of the current structure.

In 2018, 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:
– Switzerland & Italy
– Continental Europe
– Americas
– United Kingdom
– Asia

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

CHF millions	Private Banking and Wealth Management Switzerland & Italy	Continental Europe	Americas	United Kingdom
Half year ended 30 June 2018				
Segment revenue	155.4	101.8	62.4	68.3
Segment expenses	(120.1)	(86.4)	(55.2)	(61.2)
Tangible assets and software depreciation	(3.7)	(3.3)	(1.4)	(1.7)
Total operating margin	**31.6**	**12.1**	**5.8**	**5.4**
Cost to acquire intangible assets and impairment of intangible assets		(0.5)	0.3	
Other provisions	0.3	0.4		
Impairment for credit (losses) / recovery	(0.2)	0.6	(0.2)	0.2
Segment profit/(loss) before tax	**31.7**	**12.6**	**5.9**	**5.6**
Income tax gain		(1.8)	0.6	(1.4)
Profit for the period	**31.7**	**10.8**	**6.5**	**4.2**
Assets under management	44,600	33,326	17,189	19,526
Employees (FTE's)	417	355	178	197

Corporate Overheads includes CHF 37.8 million of acquisition related and integration costs in the half year ended 30 June 2018.

CHF millions	Private Banking and Wealth Management Switzerland & Italy	Continental Europe	Americas	United Kingdom
Half year ended 31 December 2017				
Segment revenue	166.3	99.9	67.2	65.0
Segment expenses	(143.4)	(84.8)	(65.5)	(53.6)
Tangible assets and software depreciation	(4.3)	(2.4)	(1.7)	(1.6)
Total operating margin	**18.6**	**12.7**	**0.0**	**9.8**
Cost to acquire intangible assets and impairment of intangible assets		(1.4)		
Other provisions	10.0	(6.9)	0.3	(1.3)
Impairment for credit (losses) / recovery	(2.3)	1.6	0.2	0.8
Segment profit/(loss) before tax	**26.3**	**6.0**	**0.5**	**9.3**
Income tax gain	8.6	(3.7)	0.4	6.4
Profit for the period	**34.9**	**2.3**	**0.9**	**15.7**
Assets under management	47,256	32,272	16,481	19,310
Employees (FTE's)	401	341	189	195

		Investment Solutions	**Global Markets & Treasury**	**Corporate Overheads**	**Eliminations**	**Total**
Asia	Total					
76.9	464.8	49.4	86.0	(29.8)		570.4
(54.3)	(377.2)	(46.7)	(24.8)	(62.6)		(511.3)
(1.9)	(12.0)	(0.4)	(2.0)	(1.3)		(15.7)
20.7	**75.6**	**2.3**	**59.2**	**(93.7)**	**–**	**43.4**
(0.3)	(0.5)			(4.5)		(5.0)
	0.7			18.8		19.5
(1.0)	(0.6)		(9.3)			(9.9)
19.4	**75.2**	**2.3**	**49.9**	**(79.4)**	**–**	**48.0**
(1.2)	(3.8)	(0.9)		4.3		(0.4)
18.2	**71.4**	**1.4**	**49.9**	**(75.1)**	**–**	**47.6**
20,410	135,051.0	37,148		1,216	(30,680)	142,735
207	1,354.0	294	102	1,571		3,321

		Investment Solutions	Global Markets & Treasury	Corporate Overheads	Eliminations	Total
Asia	Total					
82.5	480.9	60.7	67.1	(113.1)		495.6
(56.4)	(403.7)	(47.2)	(28.6)	(122.8)		(602.3)
(1.9)	(11.9)	(0.7)	(1.7)	(2.0)		(16.3)
24.2	**65.3**	**12.8**	**36.8**	**(237.9)**	**–**	**(123.0)**
(0.3)	(1.7)			(3.6)		(5.3)
	2.1		(5.5)			(3.4)
(4.0)	(3.7)		(5.9)			(9.6)
19.9	**62.0**	**12.8**	**25.4**	**(241.5)**	**–**	**(141.3)**
1.9	13.6	(2.9)		8.1		18.8
21.8	**75.6**	**9.9**	**25.4**	**(233.4)**	**–**	**(122.5)**
20,562	135,881.0	36,182		696	(30,731)	142,028
206	1,332.0	305	113	1,616		3,366

	Private Banking and Wealth Management			
CHF millions	Switzerland & Italy	Continental Europe	Americas	United Kingdom
Half year ended 30 June 2017				
Segment revenue	181.3	95.7	70.8	66.4
Segment expenses	(148.0)	(87.5)	(67.5)	(55.3)
Tangible assets and software depreciation	(4.1)	(2.2)	(1.6)	(1.5)
Total operating margin	**29.2**	**6.0**	**1.7**	**9.6**
Cost to acquire intangible assets and impairment of intangible assets		(0.2)		
Other provisions	0.7	0.7	0.6	
Impairment for credit (losses) / recovery	2.1	(1.8)		(1.4)
Segment profit/(loss) before tax	**32.0**	**4.7**	**2.3**	**8.2**
Income tax gain	5.7	(0.7)		(1.8)
Profit for the period	**37.7**	**4.0**	**2.3**	**6.4**
Assets under management	45,846	28,356	16,601	17,711
Employees (FTE's)	423	333	195	192

		Investment Solutions	Global Markets & Treasury	Corporate Overheads	Eliminations	Total
Asia	Total					
80.6	494.8	52.9	74.1	25.3		647.1
(58.2)	(416.5)	(48.7)	(29.6)	(53.1)		(547.9)
(1.8)	(11.2)	(0.5)	(1.0)	(0.9)		(13.6)
20.6	**67.1**	**3.7**	**43.5**	**(28.7)**	**–**	**85.6**
(0.3)	(0.5)			(4.1)		(4.6)
(1.6)	0.4	(0.5)				(0.1)
	(1.1)		(9.6)			(10.7)
18.7	**65.9**	**3.2**	**33.9**	**(32.8)**		**70.2**
(4.4)	(1.2)	(1.2)		(2.8)		(5.2)
14.3	**64.7**	**2.0**	**33.9**	**(35.6)**	**–**	**65.0**
18,647	127,161	31,804		3,131	(28,778)	133,318
212	1,355	310	118	1,621		3,404

28. Off-balance sheet items

	30 June 2018 CHF millions	31 December 2017 CHF millions
Guarantees issued in favour of third parties	443.6	601.2
Irrevocable commitments	379.5	226.9
Operating lease commitments	194.1	199.5
Total	**1,017.2**	1,027.6

29. 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 65.5 million at the end of June 2018 (December 2017: CHF 43.0 million).

The total revenue received from related parties amounted to CHF 1.9 million in the period (Year ended 31 December 2017: CHF 2.9 million) and expenses of CHF 2.3 million in the period (2017: CHF 2.6 million).

No provisions have been recognised in respect of loans given to related parties (2017: nil).

30. Post balance sheet events

None.

31. Board of Directors

The Board of Directors of EFG International AG comprises:

John A. Williamson*	Chair
Niccolò H. Burki*	Vice-Chair
Susanne Brandenberger*	
Emmanuel L. Bussetil	
Michael Higgin*	
Roberto Isolani	
Steven M. Jacobs	
Spiro J. Latsis	
John S. Latsis	(appointed on 27 April 2018)
Pericles Petalas	
Fong Seng Tee*	(appointed on 27 April 2018)
Bernd-A. von Maltzan*	
Daniel Zuberbühler*	

* independent directors

Forward looking statements

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Nothing contained herein is, or shall be relied on as, a promise or representation as to the future performance of EFG and its subsidiaries, including BSI. EFG and BSI as a combined group may not realise the full benefits of the contemplated transaction, including the expected synergies, cost savings or growth opportunities within the anticipated time frame or at all.

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